

# Research reveals Europe winning war on undeclared work

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Research from the University of Sheffield has found that the wider range of policy approaches and measures which have been introduced in all EU Member States over the past five years have had a significant impact on preventing businesses and people from engaging in undeclared work.

The research, led Professor Colin Williams from the University of Sheffield, found an incremental decline in the size of the undeclared economy from the equivalent of 22.3 percent of GDP in 2003 to 18.4 percent by 2012 - although with big differences between countries, revealing a clear north-south and east-west divide.

The research was funded by Eurofound, an EU agency responsible for living and [working conditions](#) across the EU. Professor Williams and his team produced a comprehensive package of research comparing approaches and measures on how EU Member States, Croatia and four EU candidate countries have tackled undeclared work since the onset of the [economic recession](#) in 2008. The research was presented at a hearing of the European Economic and Social Committee (EESC) in Brussels, Belgium on the 5 June 2013.

Professor Williams explained: "Two contrasting views exist regarding what happens to the size of the undeclared economy in times of [economic crisis](#). One is that it grows relative to the declared economy, with firms and [households](#) seeking to save on costs. The other is that the undeclared economy declines due to the lower demand for undeclared

[labour](#) because less money is available, and undeclared work is substituted by 'flexible' and cheaper declared labour."

Since the publication of Williams' previous reports for Eurofound on how undeclared work is being tackled in the 27 Member States of the European Union and Norway five years ago, the ongoing recession has taken hold.

The aim of the current research has been to provide an updated overview of the policy approaches and measures that have been implemented to tackle undeclared work during the interim period, in the EU27 Member States, Croatia and the four EU candidate countries. The research also provides pointers of potentially good practice policy measures.

By 2010, 27 out of the 30 countries in the European Economic Area (EEA) and Switzerland had implemented policy measures to help prevent businesses and people from engaging in undeclared work from the outset. 19 of these countries were using measures to enable the transfer of undeclared work into the declared realm, and 20 of these had adopted commitment measures to try to facilitate a greater commitment to 'tax morality'. However, the range of measures implemented remained relatively narrow.

The majority of policy approaches and measures to tackle undeclared work introduced across the EU27 over the past five years were designed to detect and punish non-compliance. However, while it remains the dominant approach across the majority of Member States, there has been wider take-up of an enabling approach since the onset of the recession. This approach provides encouragement and incentives for people and businesses to join the formal economy.

Professor Williams continued: "By 2012, the average size of the undeclared economy across the EU27 was equivalent to 18.4 percent of

GDP, although this varied significantly between Member States, ranging from 7.6 percent in Austria to 31.9 percent in Bulgaria. The research concluded that most of the Member States with relatively large undeclared economies in 2012 are either east- central European or southern European Member States. Those with below-average undeclared economies, meanwhile, are largely west European and Nordic Member States. This signals a clear north–south and east–west divide within the EU27 concerning the relative size of the undeclared economy."

Professor Williams added: "Who is being affected by this decline depends on where one is in the EU27. The research found that in Nordic countries, those in declared work who have traditionally topped up their earnings using the undeclared economy, are suffering more than others from the decline of the undeclared economy during the current recession. In southern Europe, the unemployed are suffering most from this decline. This is also the case in western and east-central Europe, and the EU27 as whole. Even when unemployed people get undeclared work, it is less well paid and the annual income from it is lower than that earned by employed people engaged in such work."

**More information:** The overview report on undeclared work in the EU27 and Norway, and the overview report on undeclared work in Croatia and the four EU candidate countries, plus national reports from the same, and a database with 186 cases of good practice, is available at [bit.ly/UDW2013](http://bit.ly/UDW2013)

Provided by University of Sheffield

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