International
Labour
Organization

Business survey

aiming at identifying the obstacles to the creation of formal jobs and measures to tackle them.

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CONTENTS

1. INTRODUCTION

Background

In February 2016, the Greek Government, in close collaboration with the ILO and the social partners in Greece, launched a project, funded by SRSS-EU (Structural Reform Support Service), on “Supporting the transition from informal to formal economy and addressing undeclared work in Greece”, with a view to assessing undeclared work (UDW) patterns in Greece, helping design policy measures to tackle UDW, and strengthening the labour inspection system through exchange of best practices, training and pilot activities.

One of the main outcomes of the 2016 project was the publication of a *Diagnostic report on undeclared work in Greece*[1], which was validated by the Greek Government and the national social partners on 6th July 2016. The validation of the report aimed at building a consensus on both the nature and characteristics of undeclared work in Greece and priority measures to be implemented in order to tackle the problem. The Report also provides a set of policy recommendations that reflects a balanced approach combining incentives with compliance measures, as enshrined in the ILO Recommendation No. 204.

In this framework, a roadmap to tackle undeclared work in Greece was designed as a second key deliverable of the ILO project, and validated on 26th October 2016 in a high-level tripartite event. The validation of the roadmap aimed at building consensus on priority policy measures to tackle undeclared work in Greece, and provided solid ground for political commitment to the implementation of the integrated strategy proposed in the roadmap. The roadmap sets out a sequence of interrelated actions, which will support the fight against undeclared work in Greece between 2017 and 2019.

Further to the tripartite validation of the national roadmap on tackling undeclared work, a key step was taken with the adoption of the new Law 4468/2017 on 28/04/17, which establishes the Supreme Labour Council, a Tripartite Committee where social partners are equally represented on undeclared work. The Supreme Labour Council (ASE) has been established by the Government, in consultation with social partners, and will be responsible for steering and monitoring the implementation of the roadmap, engaging social partners in the design and implementation of economic, employment and social policies.

1 http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/projectdocumentation/wcms_531548.pdf

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The diagnostic report on undeclared work in Greece pointed out the relatively large share of self-employed as well as micro- and small enterprises in Greece, which is frequently seen as the catalyst for the prevalence of the undeclared economy. However, undeclared work seems to be adopted by all social groups, regardless of the firm-owner's financial and social standing. A comparably large part of the undeclared economy is linked to seasonal employment and non-standard forms of work such as temporary work, apprenticeship, and work-place training, where the employment relationship often does not provide the same benefits in terms of working conditions and social protection.

The national action plan envisaged a "baseline assessment of the extent and nature of undeclared work in Greece" to enable a better monitoring of UDW drivers and consequences. To this end, an ad-hoc questionnaire was incorporated in the Greek Labour Force Survey of the 2nd quarter to study undeclared work from the employee's perspective. The questions, which were tested well, will be incorporated permanently in the LFS from 2019 onwards. To complement this with insights about the employers' perspective , this business survey among Greek businesses has been conducted under the ILO project. The main purpose of the current survey is to contribute to a better understanding of: (i) the obstacles faced by SME's to creating formal jobs; and ii) the appropriate incentives that would facilitate the creation of formal jobs. The design of the survey is policy-oriented in order to provide policy makers with key information to help them develop effective measures in the framework of the roadmap.

This survey has built upon the baseline research agenda on the obstacles to dealing with undeclared work in Greece, which has been developed under the general supervision of ILO through tripartite procedures with the involvement of all the relevant stakeholders (Ministry of Labour Social Security and Social Solidarity and Labour Inspectorate, Employers´ and workers Organizations). The main rationale was the large consensus in EU countries about the need to combine appropriate preventive and incentive measures, law enforcement and effective sanctions to tackle undeclared work. All stakeholders stressed that the objective is to reduce the barriers to formal job creation, where appropriate, and to provide incentives for and promote the advantages of declared work. However, any incentive should be linked to effective and timely employment formalization. This survey is intended to be used as a tool for a balanced approach based on the principles of the ILO Recommendation 204 and, specifically, chapter VI on incentives, compliance and enforcement.

It is important to note that the intention of the report is to help design and implement more effective compliance mechanisms, enhance efficient function of the labour market and promote social welfare. Therefore, the collaborative work among the Ministry of Labour along with the employers' and workers' organizations allowed the design of the survey to be based on these objectives and be built on the tripartite consensus reached on the diagnostic report and the road map.

2. METHODOLOGY OF THE SURVEY

International Labour Organization (ILO) has longstanding experience in tackling undeclared work (policies and enforcement issues) in European Union countries (such as Cyprus and Greece), and other regions. It has actively participated in labour inspection developments towards preventing and fighting undeclared work, such as the ICENUW (Implementing Cooperation in a European Network against Undeclared Work). The ILO has also compiled good practices from labour inspectorates in EU and other industrialized countries and has a wide set of information on how enforcement agencies deal with informal employment, non-declaration of wages and social fraud. Finally, ILO assistance is based on a social dialogue mechanism, which is a powerful tool for consensus building and effective implementation of challenging policy frameworks.

The area of tackling undeclared work in Greece has been largely neglected in the literature, since several factors prevented the structural decomposition of the problem and identification of the sectors, factors and businesses that were inclined to malpractices before and after the crisis. This distinction is very crucial to understand that despite the structural inefficiencies, contemporary macroeconomic framework may pose different challenges than the one in previous decades. Therefore, the agenda has been adjusted to capture the current dimensions of the phenomenon, analysed on either structural or cyclical grounds.

Methodological notes

This section presents the key points of the methodological approach to data collection and analysis. It refers to sampling, research tools and data analysis.

Sampling

The survey is based on a nationwide sample of 1,001 businesses and conducted using Computer Assisted Telephone Interviews. It was carried out by MARC Marketing Research Communication Services [2] between May 30th and June 25th, 2018, involving 15 researchers and 3 supervisors, who attended training seminars and pilot interviews beforehand. Their performance was assessed according to some basic criteria such as: time required to identify respondents and non-response rate, quality of the required information recording and interview length, ability to follow the instructions, and total number of interviews held daily. Phone research included morning and afternoon work. It was allowed to reschedule an appointment at a different time on the same day and make several attempts to interview respondents that were hard to find before recording them as non-respondents. In order to control the quality, completeness and logical continuity, 23.0% of the interviews were reviewed through co- listening and 100% electronically.

The sample was selected from the poll company's database through multi-random sampling applying quotas (according to predefined[3]) based on geographic distribution, size (number of employees) and business sector. The percentage of selected sectors by stratum corresponds to the structure of the population as shown by various surveys describing the structure of enterprises in Greece (population census of Greek enterprises or other surveys).

[2] The polling company is a member of SEDEA and ESOMAR that adhere to the PESS regulation and international codes for conducting and publishing opinion polls
[3] Henry, G. T. (1990). Practical Sampling, Sage Publications (CA).

According to the Hellenic Statistical Authority (ELSTAT) and the Business Registry (2015), the distribution of Greek businesses is illustrated on the following table:

Table 1 - Distribution of Greek businesses according to ELSTAT

	Category	ELSTAT 2015 number of businesses[4]	ELSTAT 2015 %
Main Sector	Commerce/trade (retail- wholesale)	131,964	20.24
	Manufacturing	250,678	38.44
	Services	269,428	41.32
	Total	652,070	100.00
Number of legal units and employment size class in the whole Country	0-4 employees	544,450	89.77
	5 - 9 employees	37,341	6.16
	10 - 19 employees	15,149	2.5
	20-29 employees	4,102	0.68
	30-49 employees	2,704	0.46
	50-99 employees	1,499	0.25
	100+ employees	1,253	0.21
	Total	606,498	100.00

According to the Ergani Information System (December 2017), the number of legal units and employment size class (excluding the owner) is presented to the following table:

Table 2 – Number of businesses by size class (based on number of employees)

	Category	ERGANI 2017 number of businesses	ERGANI 2017 %
Number of legal units and employment size class in the whole Country (excluding the owner)	1 - 10 employees	218,961	88.56
	11-50 employees	24,274	9.82
	51-250 employees	3,419	1.38
	>250 employees	582	0.24
	Total	247,236	100.00

According to the Ergani Information System (December 2017) and the Hellenic Statistical Authority (Business Registry 2015), the distribution of legal units per Region and Geographical location (Nuts1) is shown on the following table (only the sectors of economic activity that were included in the survey sample):

[4] The sectors of economic activity that included on the sample of the survey

Table 3 - Distribution of legal units per Region and Geographical location (Nuts1)

	Category	ERGANI 2017 %	ELSTAT 2015 %
Region	Region of Eastern Macedonia & Thrace	4.58	4.68
	Region of Attica	38.61	33.57
	Region of the North Aegean	1.63	2.22
	Region of Western Greece	4.92	5.75
	Region of Western Macedonia	2.06	2.53
	Region of Epirus	2.83	3.16
	Region of Thessaly	5.67	6.29
	Region of Ionian Islands	2.73	3.44
	Region of Central Macedonia	16.41	16.24
	Region of Crete	6.75	6.59
	Region of South Aegean	4.91	5.19
	Region of Peloponnese	4.86	5.59
	Region of Central Greece	4.04	4.75
	Total	100.00	100.00
Geographical location (Nuts1)	EL3 Attica	38.61	33.57
	EL4 Aegean Islands, Crete	13.29	14.00
	EL5 Northern Greece	25.86	26.73
	EL6 Central Greece	22.22	25.82
	Total	100.00	100.00

According to the above table the Geographical location (Nuts1) includes the following:

- **EL3 Attica** contains the region of Attica,
- **EL4 Aegean Islands, Crete** contains the regions of the North Aegean, South Aegean and Crete
- **EL5 Northern Greece** contains the regions of the Eastern Macedonia & Thrace, Western Macedonia, Central Macedonia and Epirus
- **EL6 Central Greece** contains the regions of the Western Greece, Thessaly, Ionian Islands, Peloponnese and Central Greece

The business sampling was designed according to the criteria / quotas below and reflects the structure of the current Greek business environment:

Size (FTE Full-Time Equivalent):

- Self-employed: 1 FTE
- Micro-enterprises: 2-9 FTE
- Small Enterprises: 10-49 FTE
- Medium Enterprises: 50-249 FTE
- Large Enterprises: 250+ FTE

Region (NUTS 1):

- EL 3 Attica
- EL 4 Aegean Islands, Crete
- EL 5 Northern Greece
- EL 6 Central Greece

Sector (NACE Rev. 2[5], the crossed-out sectors will not be included)

- C Manufacturing
- F Construction
- G Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles
- H Transportation and Storage
- I Accommodation and Food Service Activities
- J Information and Communication
- K Financial and Insurance Activities
- L Real Estate Activities
- N Administrative and Support Service Activities
- P Education
- Q Human Health and Social Work Activities
- R Arts, Entertainment and Recreation
- S Other Service Activities

Regarding the sectors of economic activity that were not included in the survey sample, it is worth mentioning that they were excluded[6] because they either did not meet the research objectives or were difficult to identify and record by official statistical authorities and databases. The maximum sampling error (MSE) is ± 3.1% of the total sample. The following table illustrates the relationship between sample and population using predefined quotas based on geographical distribution, enterprise size (number of employees) and business sector:

Table 4 - Sample and population relationship applying predefined quotas based on geographical distribution, size and business sector.

	Category	Designed sample %	Final sample %	N (number of businesses)
Main Sector	Commerce/trade (retail- wholesale)	37.5	37.7	378
	Manufacturing	24.0	23.8	238
	Services	38.5	38.5	385
Number of employees (excluding the manager/owner/legal representative today)	0 employee	28.0	26.6	266
	1 employee	23.0	20.8	208
	2-3 employees	25.0	21.4	214
	4-9 employees	21.0	18.6	186
	10-49 employees	2.6	10.2	102
	50-249 employees	0.4	1.4	14
	>250 employees (Greek total 584)	0.009	0.5	5
	DA	-	0.5	6
Geographical location (Nuts1)	EL3 Attica	38.0	38.0	380
	EL4 Aegean Islands, Crete	13.5	13.5	135
	EL5 Northern Greece	23.2	23.2	232
	EL6 Central Greece	25.3	25.3	254

[5] http://ec.europa.eu/competition/mergers/cases/index/nace_all.html

[6] A Agriculture, Forestry and Fishing , B Mining and Quarrying ,D Electricity, Gas, Steam and Air Conditioning Supply, E Water Supply; Sewerage, Waste Management and Remediation Activities, M Professional, Scientific and Technical Activities, O Public Administration and Defense; Compulsory Social Security, T Activities of Households as Employers; Undifferentiated Goods and Services Producing Activities of Households for Own Use and U Activities of Extraterritorial Organizations and Bodies

Regarding the distribution of the sample, we observe the principle of proportionality with sampling rates from each thematic field being similar to those of the real population.

Note: Data are presented non-weighted. Results with bases <20 persons are indicative. Possible variations in rates between the individual analyses and total percentages are due to rounding.

The final sample (1001 enterprises) per region and sector is shown on the table below:

Table 5 – Survey sample (1001 enterprises) per region and sector

	Geographical location (Nuts1)				
Main sector	**EL3 Attica**	**EL4 Aegean Islands, Crete**	**EL5 Northern Greece**	**EL6 Central Greece**	**Total**
Commerce/trade (retail – wholesale)	143	50	90	96	379
Manufacturing	96	23	57	62	238
Services	141	62	85	96	384
Total	**380**	**135**	**232**	**254**	**1001**

Research tool

The research tool was a structured questionnaire addressed to business owners when it refers to businesses with less than 10 employees, or to the CEO or HR manager when it comes to businesses with 10 or more employees, as it was designed in the light of the research objective.

More specifically, during the questionnaire design process, the research team took into consideration the roadmap for tackling undeclared work in Greece[7], which emerged from the tripartite dialogue, (involving the Greek Government and national social partners), with the support of the ILO and the funding of Structural Reform Support Program (SRSP) / EU in order to combat the phenomenon of undeclared work in Greece.

The roadmap for tackling undeclared work incorporates a balanced regulatory framework and policies on preventive and appropriate corrective measures to facilitate the transition to the formal economy and tackle undeclared work, and includes actions summarized in five sections[8]:

i. Institutional reforms and actions

ii. Data interoperability

iii. Policy measures

iv. Information and awareness campaigns

v. Miscellaneous actions[9]

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[7] http://adilotiergasia.org/en/document/roadmap-for-fighting-undeclared-work/

[8] This division seeks to facilitate further processing and ownership of the coherence and consistency of the road map actions by its institutional stakeholders, including the Ministry of Labour services, which will be tasked with specific actions of this Roadmap.

[9] Pilot for targeted and joint inspections with mixed-scale echelons. They will be carried out inspections with the participation of SEPE, AADE and possibly other inspection bodies, as pilot for future regular staged inspections.

The research team identified the above five main sections and actions of the roadmap to tackle undeclared work in Greece as questionnaire axes, so that the range of questions would cover most of them.

Thus, according to the above five sections of the roadmap, the questionnaire attempted to investigate the following areas:

- Attitude towards undeclared work
- Attitude towards recent policy measures to tackle undeclared work
- Time and effort for employee registration
- Time and effort for compliance with the regulatory framework
- Taxation (labour and in general obstacles or incentives)
- Electronic payments (usage)
- Sanctions (taxes, facilitation, fines -where does the money go?)
- Risk of being inspected
- Incentives
- Awareness and Level of information (government efforts to tackle undeclared work)
- Unfair competition (because competitors use undeclared labour)
- Skills and education (difficulty of finding people with the right training -brain drain)
- Voucher coupons (ergosimo)
- Type of employment relationship (program for helping unemployment, apprenticeship)
- Financial subsidy in exchange
- Whitelisting for public work
- Plans for recruitment
- Trust in government, institutions

It should be noted that the questionnaire for the investigation of barriers to formal job creation was finally formulated following:

- feedback from meetings, under the supervision and the technical assistance of the ILO expert, three senior consultants, representatives of the research institute as well as representatives of the Greek government and the national social partners (GSEE, SEV, GSEVEE, ESEE, SETE)
- pilot run with 30 completed questionnaires, which were excluded from the final survey sample; it was conducted on May 25th, 2018, involving 8 researchers and 1 supervisor.

The final questionnaire consisted of 31 questions in total, identifying 47 variables, and had average duration of 10-15 minutes. The questionnaire was divided into six (6) distinct question sections, four (4) of which form part of the actions and deliverables of the roadmap for tackling undeclared work in Greece.

More specifically, the sections of the questionnaire are:

- Company Information
- Institutional Reforms and Actions
- Data interoperability
- Policy measures
- Information and Awareness Campaigns
- Main Demographics

In the Company Information section (questions 1 to 10), the questions asked included Main and Detailed Sector, description of the enterprise's activity, number of employees (in full-time equivalents), excluding the current manager / owner / legal representative, the number of fixed-term employees over the last year (full-time and part-time) and when the company last hired an employee (fixed-term or seasonal).

The section of Institutional Reforms and Actions (questions 11 to 16) is addressing areas such as views on the obstacles considered by respondents to be the most important for worker(s) recruitment and declaration in the form of two open-ended questions, followed by closed-ended questions of agreement (Yes, Probably Yes) or disagreement (No, Probably Not) on the predetermined factors that are obstacles to hiring and declaring workers. This section also includes two questions as to whether companies believe that they are facing unfair competition from other businesses in their industry, which do not declare their workers (question 15) and why (in their opinion) some businesses do not declare workers (Question 16).

In Data Interoperability section (questions 17 to 19), there are questions such as who does the administrative work related to hiring a worker (question 17), whether ERGANI Information System facilitates the registration / declaration of employees as a procedure (question 18) and if they are satisfied with the functionality / user-friendliness of ERGANI System (question 19).

In Policy Measures section (questions 20 to 24), questions pertain to the assessment of the probability for a local business to be inspected by the competent mechanisms (question 20), whether they have been inspected in the past five years, (question 21) and questions (22 to 24) regarding the utilization of voucher coupons - whether they are aware of them; whether they use them and if they would like to use them more often.

The section on Information and Awareness Campaigns includes three questions (questions 25 to 27), regarding the information and awareness campaigns on the negative effects of undeclared work, the Pilot Program of Targeted Inspections carried out between May and October 2017 in the Region of Attica (question 26) and, finally, an assessment of the value in establishing an information and consultation helpline for employers (question 27).

In the last part of the questionnaire, we employ four questions (questions 28 to 31) on the demographics of the respondents, such as gender, age and education level of the company owner / legal representative, as well as confirmation of company's premises location (Nuts 1).

Open-ended questions were used, as appropriate, to capture business data (full-time and part-time employees) the most important obstacles to the recruitment and declaration of workers as well as the reasons why some businesses do not declare their employees (2 open-ended answers).

The full format of the questionnaire is provided in an Annex.

Data analysis method

Data were analysed using the quantitative approach. The data was extracted into an IBM SPSS Statistics 25.0 data file; the statistical analysis included descriptive and inferential statistics. Where the level of statistical significance was needed, it was 5%. Statistical tests included a Chi-Square test to control the relationship of discrete variables with more than two levels. The choice of method combined with representative sampling aims at enabling researchers to extrapolate results to national level in order to draw conclusions.

Results

The results of the survey are presented below. The results of the Descriptive Statistical Analysis will be presented in combination with more specialized Inductive Statistical Analyses in the following thematic units:

1. Characteristics of the sample (gender, age, educational level of the company owner / legal representative)
2. Business profile
3. Institutional Reforms and Actions
4. Data interoperability
5. Policy measures
6. Information and Awareness Campaigns

The results presentation will include the following:

- Descriptive illustration of all questions in the form of frequencies or charts
- Descriptive illustration in the form of cross tabulations (affinity matrices - intersections of variables) of selected research questions
- A PowerPoint presentation with graphs and tables that aggregate the above (Appendix)

3. DEMOGRAPHICS

As mentioned above, the first dataset is associated with the demographics profile of companies. Firms are allocated according to the sector, geographical location, years of operation and legal form. The findings correspond to the expected results on the control variables such as:

- **Annual turnover,**

- **Employment.**

More specifically, the annual turnover distribution corresponds to respective official data retrieved from the national tax authority (AADE). There, we can detect a concentration in the lowest income strata with an upward bias (since the incentive to understate income is stronger in tax statements than in a business survey). A significant ratio (11.5%) declare annual turnover less than 10,000 €, while 14.5% report turnover between 10 and 25,000 euros.

All in all, these trends suggest that an aggregate quarter of businesses are considered to be marginally sustainable or, alternatively, classified as micro enterprises (see the SME definition, utilizing combined criteria of turnover and employment level).

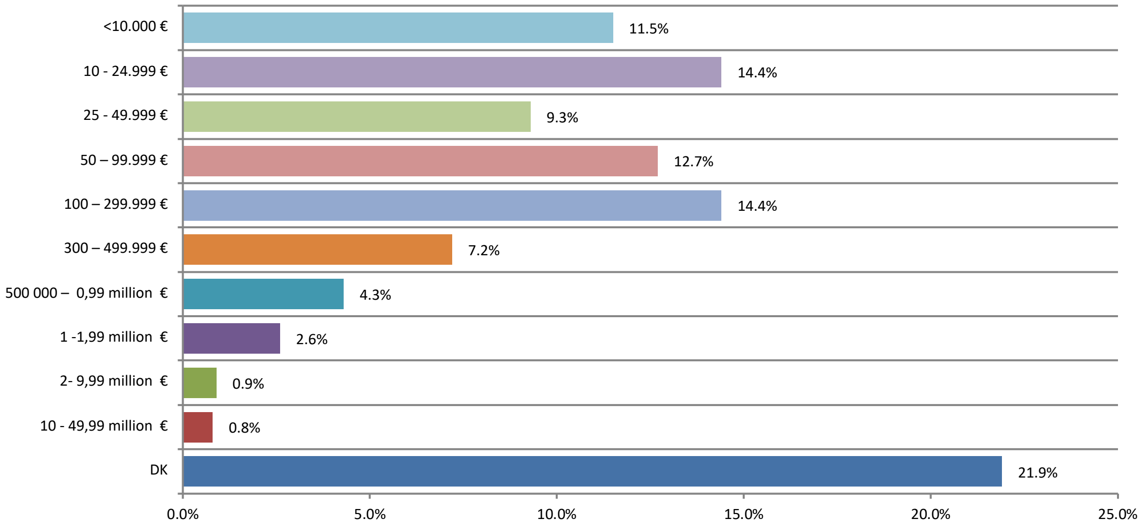
These figures are verifiable, if we use as proxy the total net profits or the gross income, derived from official tax authorities[10]. It is estimated that the current analyses are also impacted by sectorial differences, since commercial activities report higher turnover rates, although these trends have no linear correlation with profit rates or levels.

These data suggest that a large share of business activity is associated with the so-called “entrepreneurship of necessity”[11], while business income is considered as a substitute for wage income and a paradox “market” safety net against the risk of unemployment or marginalization, yet without access to social protection schemes. This business category has different demographic and behavioural characteristics compared to entrepreneurship of opportunity. In fact, it is found that entrepreneurs of opportunity have better performance, broader business horizon and higher skills than necessity entrepreneurs.

It should be noted that the annual turnover figure allows assessing the business horizon and investment as well as employee attraction of firms, while the EU Commission has also issued the official definition of the SME category. While turnover level is an indicator of business horizon, it should be acknowledged that both typical forms of entrepreneurship contribute significantly to the employment level. According to the latest report of the European Commission (SBA Factsheet 2017), the contribution of Greek SMEs to total employment reached 87%.

[10] Tax statements, https://www.aade.gr/menoy/statistika-deiktes/eisodema/etesia-statistika-deltia
[11] European Commission, SBA Factsheet 2016

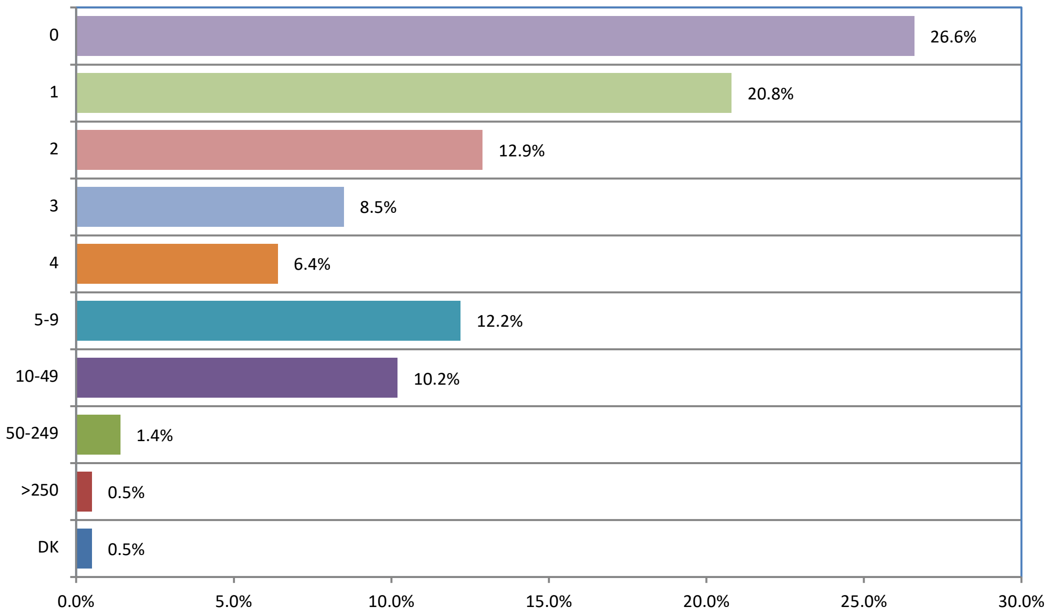
Chart 1- Annual Turnover (2017)



With regard to employment distribution, the survey confirms the high number of self-employed entrepreneurs and large volume of micro enterprises. 10,2% of firms belong to small-sized, 1,4% are considered to be medium-sized enterprises and a mere 0.5% are large companies.

Looking at micro firms, we observe that there is a further division into the categories of 0-1 employee and 5-9 employees. This finding may be potentially associated with the previous argumentation on (quasi) entrepreneurship of need vs. entrepreneurship of opportunity.

Chart 2- Employment (Number of employees –in full-time equivalents 2017)



The distributions of company profile characteristics, demographic data of respondents and geographical location of firms are shown on the following tables 6 and 7:

Table 6 - The distributions of company profile characteristics

Variable	*N*	% percent	% valid percent
Main Sector			
Commerce/ trade (retail- wholesale)	379	37.9	37.9
Manufacturing	238	23.8	23.8
Services	384	38.4	38.4
Total	1001	100.0	100.0
Detailed sector			
Commerce/ trade	378	37.8	37.8
Manufacturing	210	21.0	21.0
Construction	26	2.6	2.6
Hotels	92	9.2	9.2
Restaurants (food services)	99	9.9	9.9
Transportation and Storage	10	1.0	1.0
Other services	186	18.6	18.6
Total	1001	100.0	100.0
Legal form of the enterprise			
SA	148	14.8	14.8
General/ limited partnership	210	21.0	21.0
LTD	75	7.5	7.5
Private Capital Company	28	2.8	2.8
Individual enterprises/ sole proprietorships	531	53.0	53.0
Other	9	0.9	0.9
Total	1001	100.0	100.0
Years in operation			
< 5 years	114	11.4	11.4
5-10 years	147	14.7	14.7
10-15 years	100	10.0	10.0
> 15 years	640	63.9	63.9
Total	1001	100.0	100.0
2017 turnover of business			
<10.000 €	115	11.5	14.7
10 – 24.999 €	144	14.4	18.4
25 – 49.999 €	93	9.3	11.9
50 – 99.999 €	127	12.7	16.3
100 – 299.999 €	144	14.4	18.4
300 – 499.999 €	72	7.2	9.2
500.000 – 0,99 million €	43	4.3	5.5
1 -1,99 million €	26	2.6	3.3
2- 9,99 million €	9	0.9	1.2
10 - 49,99 million €	8	0.8	1.0
D/K	220	21.9	
Total	1001	100.0	100.0
Number of employees (in full-time equivalents) excluding the manager/owner/legal representative today			
0	266	26.6	26.7
1	208	20.8	20.9
2	129	12.9	13.0
3	85	8.5	8.5
4	64	6.4	6.4
5-9	122	12.2	12.3
10-49	102	10.2	10.3
50-249	14	1.4	1.4
>250	5	0.5	0.5
D/K	6	0.5	
Total	1001	100.0	100.0

How many fixed-term employees (long-term contracts) does your enterprise have? FULL TIME

0	456	45.5	45.9
1	166	16.6	16.7
2-3	153	15.3	15.4
4-9	143	14.3	14.4
10-49	58	5.8	5.8
50-249	15	1.5	1.5
>250	2	0.2	0.2
D/K	8	0.8	
Total	1001	100.0	100.0

How many fixed-term employees (long-term contracts) does your enterprise have? PART TIME

0	727	72.6	74.0
1	113	11.3	11.5
2-3	92	9.2	9.4
4-9	35	3.5	3.6
10-49	13	1.3	1.3
50-249	1	0.1	0.1
>250	2	0.2	0.2
D/K	18	1.8	
Total	1001	100.0	100.0

How many seasonal workers (short-term contracts over periods of time) did your enterprise have over the last year? FULL TIME

0	913	91.2	91.9
1	22	2.2	2.2
2-3	22	2.2	2.2
4-9	22	2.2	2.2
10-49	12	1.2	1.2
50-249	1	0.1	0.1
>250	1	0.1	0.1
D/K	8	0.8	
Total	1001	100.0	100.0

How many seasonal workers (short-term contracts over periods of time) did your enterprise have over the last year? PART-TIME

0	902	90.1	91.1
1	36	3.6	3.6
2-3	26	2.6	2.6
4-9	17	1.7	1.7
10-49	7	0.7	0.7
50-249	1	0.1	0.1
>250	-	0	
D/K	12	1.2	
Total	1001	100.0	100.0

When is the last time you hired an employee (fixed-term or seasonal)?

During the first semester of 2018	292	29.2	36.5
In 2017	147	14.7	18.4
In 2016 or earlier	361	36.1	45.1
D/K	200	20.0	
Total	1001	100.0	100.0

Table 7 - The distributions of the demographic data of respondents and geographical location of firm

Variable	*N*	% percent	% valid percent
Gender			
Male	691	69.0	69.1
Female	309	30.9	30.9
D/K	1	0.1	
Total	1001	100.0	100.0
Age group			
Up to 24	1	0.1	0.1
25-29	33	3.3	3.3
30-34	57	5.7	5.7
35-39	90	9.0	9.0
40-44	144	14.5	14.4
45-49	160	16.1	16.0
50-54	180	18.0	18.0
55-59	136	13.6	13.6
60-64	111	11.1	11.1
65-69	58	5.8	5.8
70+	28	2.8	2.8
D/K	3	0.3	
Total	1001	100.0	100.0
Highest education level			
No compulsory	2	0.2	0.2
Primary	38	3.8	3.8
Middle	53	5.3	5.3
Secondary	320	32.0	32.1
Vocational/ Post-secondary	122	12.2	12.2
University degree	411	41.1	41.1
Master’s/ PhD degree	54	5.4	5.4
D/K	1	0.1	
Total	1001	100.0	100.0
Geographical location (Nuts1)			
EL3 Attica	381	38.0	38.0
EL4 Aegean Islands, Crete	135	13.5	13.5
EL5 Northern Greece	232	23.2	23.2
EL6 Central Greece	253	25.3	25.3
Total	1001	100.0	100.0

4. SURVEY FINDINGS

The identification and measurement of barriers to the creation of formal jobs in Greece was a highly challenging process that required –in addition to coordinating all stakeholders- the establishment of a regulatory framework that would include all possible deterrents against informal economy. As mentioned earlier, the main goal of the survey is to draw findings that reflect the current Greek labour and economic context , thus contributing to a better understanding of the barriers faced by SME's to creating formal jobs and the appropriate incentives that would facilitate the creation of formal jobs. This chapter of the report, discusses the main findings of the survey, classified into the four key sections described in the road map on tackling undeclared work in Greece.

4.1. Institutional reforms and actions

One of the key challenges of Greek economy was changing the economic paradigm, to tackle the structural deficiencies that gave rise to the financial and economic crisis. Several aspects have been explored by various policy-making teams of international organizations (OECD, World Bank, IMF). The International Labour Organization has also set certain conditions for the improvement of labour market efficiency[12], in accordance with the tripartite dialogue on areas such as collective agreements and social dialogue. The ILO approach to countering the global financial crisis is based on Decent Work and Inclusive Growth as well as on the core concept that enhanced social dialogue can create "win-win-win" opportunities, whereby more inclusive labour markets and economic growth lead to better socio-economic outcomes and well-being for workers, improved performance for businesses and restored trust in the government.

On the other hand, the implementation of the economic adjustment programs generated several distortions and policy changes in terms of the tax burden, new forms of taxation or social security contributions computation, disposable income cut and deregulation of specific market segments. Such changes pose threats to domestic small firms and hamper the prospects of employment. Labour market regulation was subject to major institutional changes. Laws 4024/2011 & 4093/2012 of the Hellenic Republic amended several aspects of labour market regulation (overtime payments, severance payment, extension of collective agreements), triggering also shifts of social and economic behaviour of economic agents (employees and firms). Recently, laws 4488/2017 & 4554/2018 have introduced additional measures against undeclared, underdeclared, precarious & unpaid work. Moreover, a new regulation of declaring bogus self-employment at EFKA has been introduced. Apart from the above institutional arrangements, macroeconomic shocks created new challenges for employment structure and figures. Apparently, accumulated external debt (AADE public reports[13]) and low consumption led companies to adopt "internal" devaluation strategies (within firm), by reducing unit labour cost, hiring low-skilled workers or outsourcing low-cost projects, deferring payments and exercising other competitive "practices", which are considered as unfair competition strategies. Statistical data show that currently a major share of new employment consists of part-time jobs (see ERGANI statistical datasets).

In this framework of analysis, we distinguish between obstacles to recruit vs obstacles to declare, in order to identify aspects of the economic and administrative/organisational business environment. In this respect, this distinction serves the purpose of analysing the differences of firms' economic behaviour before and after a recruitment. The elaboration of this distinction may provide useful insights for the promotion of certain economic policies.

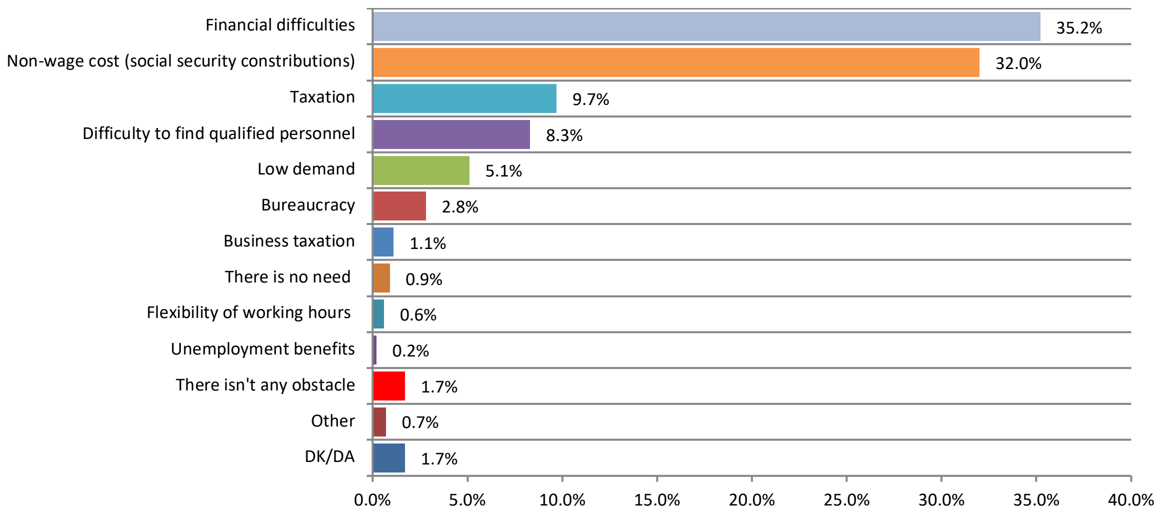
[12] ILO (2016), Diagnostic report on undeclared work in Greece/ International Labour Office, Employment Department, Informal Economy Unit. - Geneva: ILO.

[13] [13] https://www.aade.gr/menoy/statistika-deiktes/eisodema/etesia-statistika-deltia

4.1.1. Obstacles to recruitment

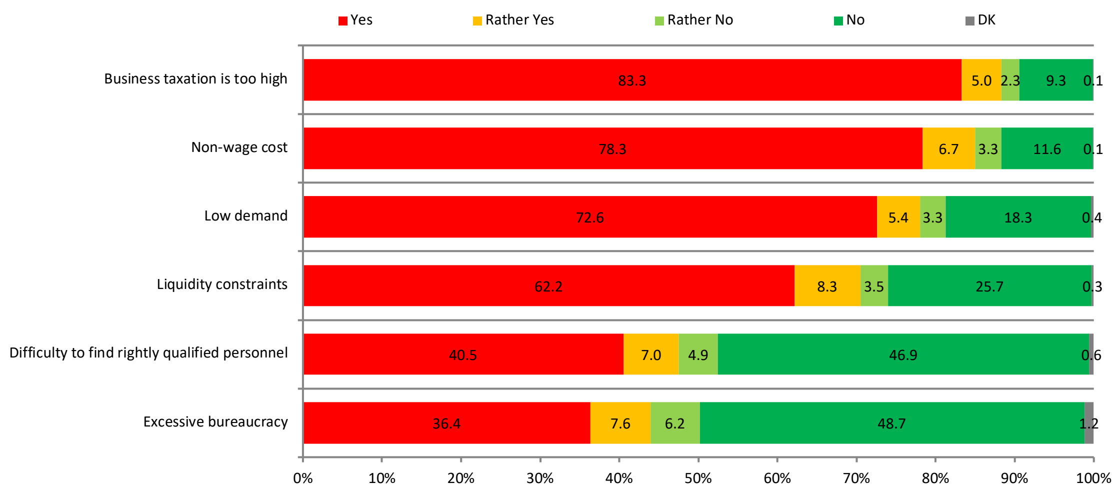
The graph below provides an overview of how companies assess the obstacles to recruitment. The survey asked employers which was the most important obstacle to recruiting a worker in their opinion. The majority of businesses from all three sectors consider the financial difficulties and the non-wage cost (social security contributions) as the main problems that prevent a business from recruiting an employee. Less significant constraints for respondents, according to the aggregate impact score, were in order of priority the taxation and the skills mismatch (difficulty to find qualified personnel), while the low demand or bureaucracy seem not to be considered as important obstacles.

Chart 3- What do you consider to be the most important obstacle to recruiting worker(s)?



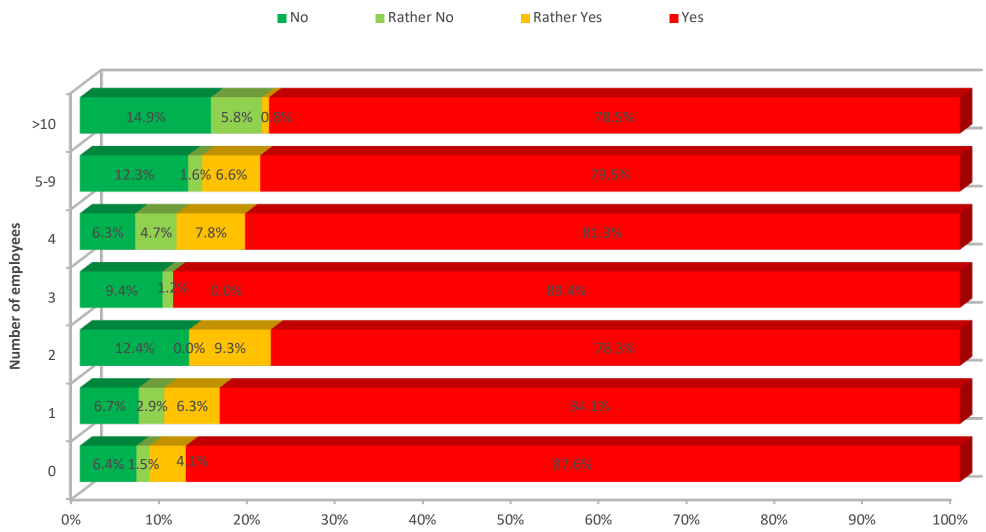
In order to have a more concrete picture of the deterrents to recruitment, the survey focused on the generally acknowledged factors that may prevent a business from seeking to hire an employee and assessed each factor independently. The findings of this closed-end question are presented in the chart below.

Chart 4 - Do you believe the following factors are obstacles to recruit worker(s)?



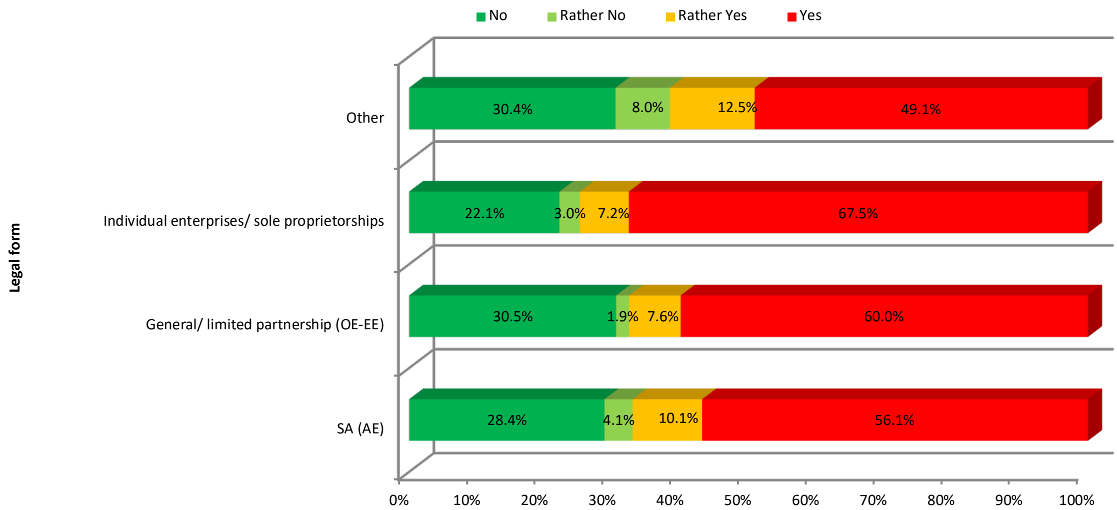
- It is evident from the data on the chart that, for the overwhelming majority of employers, high business taxation is viewed as a major obstacle to recruitment, with 83. 3 % of the interviewees answering yes and 5% rather yes. Following a more detailed analysis, higher rates are found among micro-enterprises (based on the criteria of employees and turnover), exceeding 90%.

Chart 5- Business taxation as obstacle to recruitment



- In the general category, non-wage cost is reported to be an obstacle to recruit by 78.3% of the total population- while no statistically significant differences are observed between micro-enterprises and large enterprises in different categories.
- Low demand is reported to be the next most important factor (72,6%) mostly concerning sole proprietorships and micro-enterprises with zero to two employees (reaching almost 84% in this category). It is worth noting that older entrepreneurs (over 60 years) seem to be more sensitive to the effect of consumption slump.
- Liquidity constraints also seem to be considered by the respondents as a meaningful preventive factor reaching the 62.2 % of clear “yes”. Again, this factor is observed to be more pronounced among sole proprietorships. Educational level of the owner seems to play an important role in the capacity of company to overcome the liquidity constraints (83% of primary education graduates are concerned with liquidity problems).

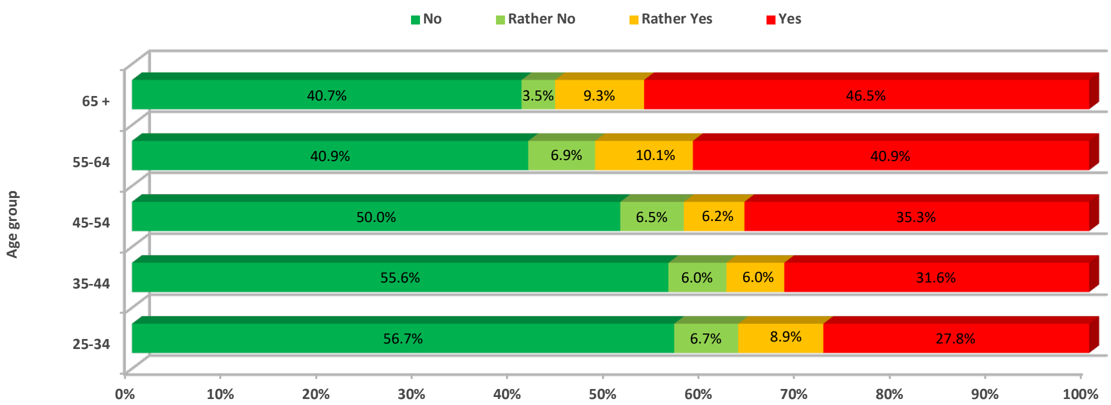
Chart 6- Liquidity constraints as obstacle to recruitment



At this point it would be reasonable to make a reference to the previous chart (chart 4). As it can be seen from the comparison of the two charts, business taxation and low demand, which were positively assessed by companies as obstacles to recruiting a worker with a very high rate, had a lower priority in the responses to the open-ended question “What do you consider to be the most important obstacle to recruiting worker(s)?". At the same time, the liquidity constraints factor, which was thought to be an obstacle for almost 7 out of 10 businesses, is completely absent as a variable in the first open-ended question. This phenomenon can be explained if we assume that all three factors are included in the general category of "financial difficulties" faced by businesses.

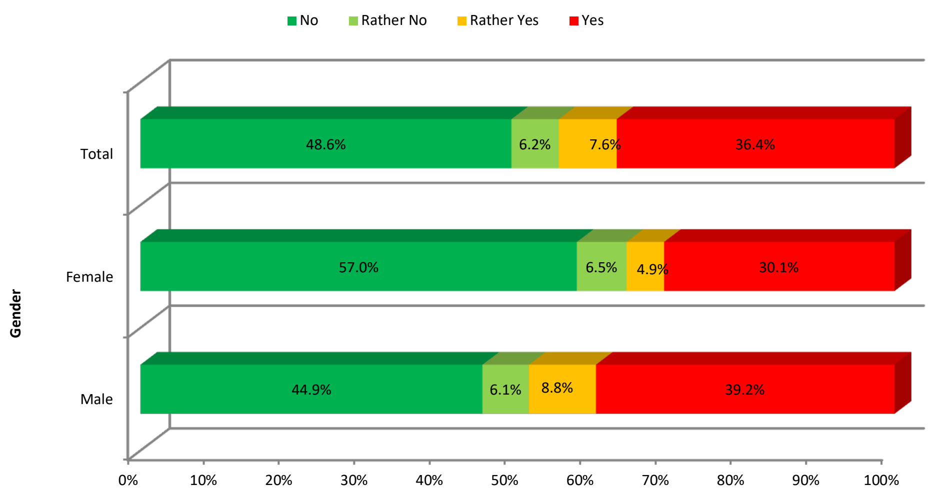
- *"Difficulty to find the right personnel"* and "*bureaucracy"* were regarded as factors of lower importance regarding the prevention of recruitment for almost half of the businesses. However, it would be interesting to mention that the highest rate of businesses that answered positively to the difficulty of finding the right personnel came from i) the Aegean islands and Crete (54.8 %) and central Greece (53.7%) and ii) large enterprises and the services sector. Bureaucracy seems to concern more sole proprietorships, elderly owners and those who operate on the Aegean islands and Crete.

Chart 7a- Excessive bureaucracy as obstacle to recruitment



Additionally, men express more concern for administrative obstacles (49% against 36% of women). Ceteris paribus, women appeared to be more confident in tackling administrative regulations.

Chart 7b- Excessive bureaucracy as obstacle to recruitment

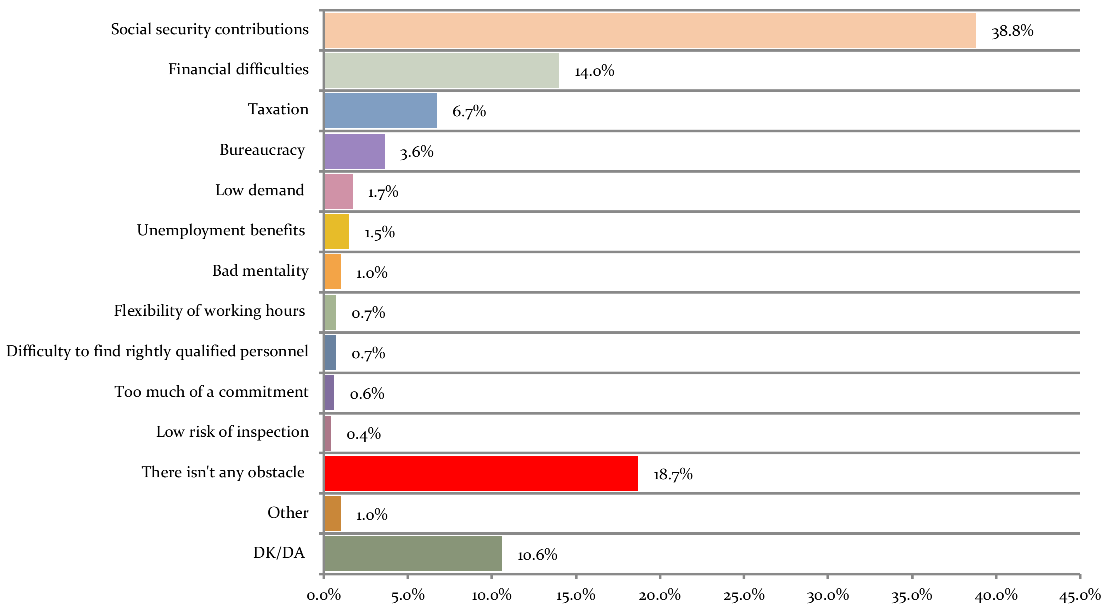


In general, the main point that arises from the survey findings, regarding the obstacles to recruitment, is that factors related to financial and taxation aspects cause a chain of negative effects within businesses, preventing them from deciding to seek and hire new employees. This condition seems to apply to all types of businesses with micro-enterprises and sole proprietorships reporting it more intensely.

4.1.2. Obstacles to declaration

While the identification of obstacles to recruitment mainly focuses on the financial difficulties faced by enterprises, there are different orders with regard the ease of firms to declare. Namely, administrative aspects may suggest different explanations for the difficulties to declare or to conform with the provisional official registration processes. The burden of social security contributions is the major risk faced by firms, when it comes to hiring new personnel. Again, taxation has the 3rd highest ranking, while bureaucracy and skills mismatch (right qualifications) are not reported as important factors that influence compliance rates.

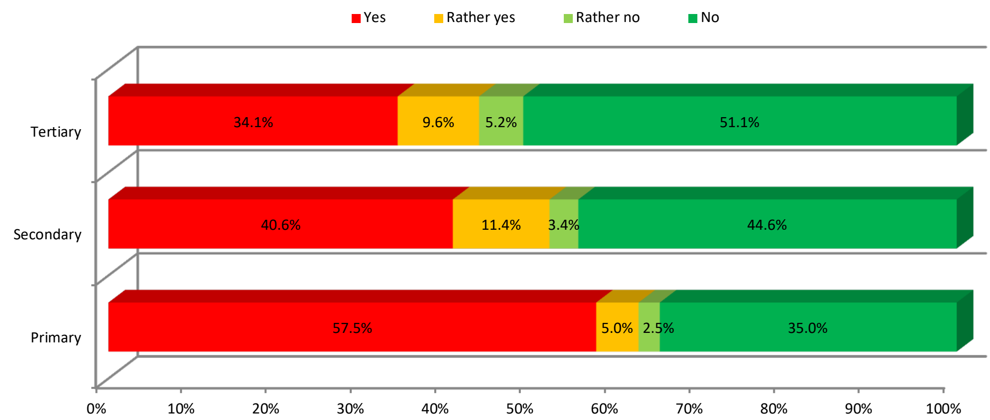
Chart 8- What do you consider the most important obstacle to declaring worker(s)?



In order to assess the impact of each factor independently and neutralize the impact of major macroeconomic or microeconomic factors, survey has investigated the significance of each factor independently of the preference order. Primarily, there are clear quantitative signs that obstacles to declare are less significant for the majority of the businesses than the obstacles to recruit.

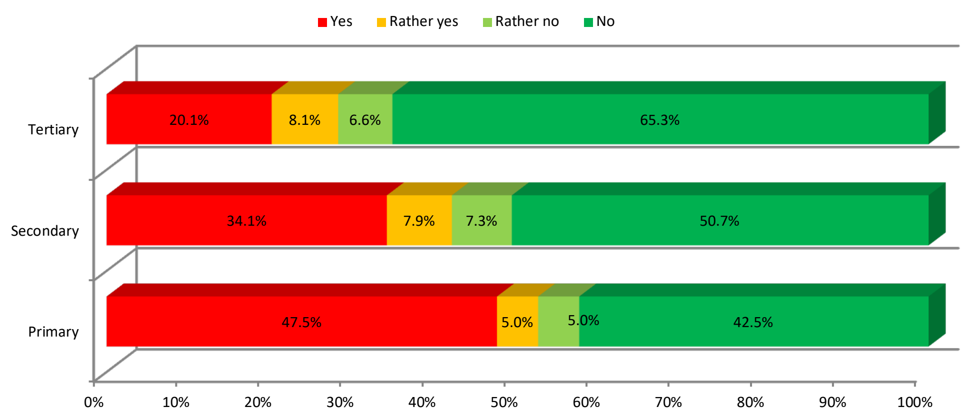
- A clear majority (3/4 of firms) states that the most significant obstacle to declaring a worker is the high amount or the structure of social security contributions. This result is almost uniform across all sectors and turnover segments.
- A rather high percentage state that there are no incentives to declare a worker (either positive or negative), pointing out the necessity to review direct and indirect costs of declaration (administrative and monetary costs may be incurred in the process of declaring a worker). The highest rates are observed in micro-enterprises (over 58% in the categories of 0-2 employees) and sole proprietorships. A similar finding in the ILO report indicates that a combined policy of process simplification and tax deduction of the direct or indirect costs incurred in the process of declaring (hiring an accountant to do the job, filling various forms, paying higher non-wage costs) increases compliance rates. Additionally, the owner's educational level seems to be a significant factor, since primary and secondary education graduates rank incentives higher than tertiary education graduates.
- Taxation on wages is the third most important obstacle (approximately 50%), which shows the indirect effect of income taxation on both businesses and employees/ households. This rate is significantly higher among micro-enterprises (exceeding 50%). Therefore, one could infer that higher taxation induces attitudes that allow for self-exclusion from the social security system and formal sector. Primary education graduates are much more interested in taxation's impact on declaring a worker. This clearly suggest that awareness-raising and communication campaigns might be an effective instrument to improve the information background and subsequently influence positively the attitudes of business actors.

Chart 9- Taxation on wages & obstacles to declaration



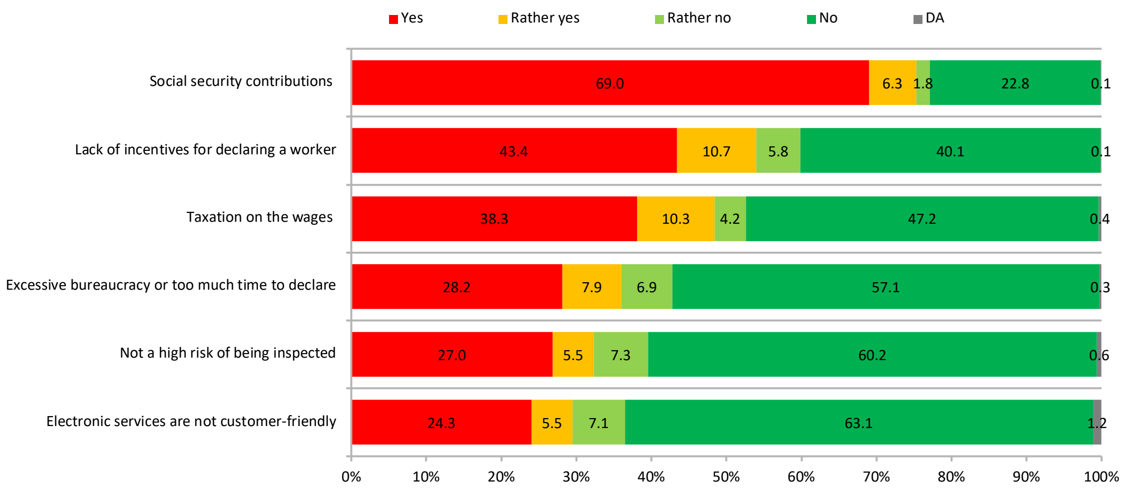
- Bureaucracy, red tape or administrative burden is not regarded as a top priority difficulty for firms, indicating that the business environment has shown signs of improvement during the crisis. This finding is also verified by European Commission's annual report on SME economic performance in Greece where there are qualitative signs for improvement of responsive administration ("…responsive administration' have been progressing the most since 2008", despite still being below the EU average…", SBA Factsheet 2017). However, it is still true that micro enterprises with zero to 2 employees and low annual turnover consider bureaucracy as a severe obstacle to declaring workers. Additionally, bureaucracy is rated significantly higher among entrepreneurs who graduated only from primary schools (53%) as opposed to those who obtained a university degree (28%).

Chart 10- Excessive bureaucracy & obstacles to declaration



- Only a third of firms link the non-declaring attitude with the possibility of inspection. This result challenges a common perception of high corruption, loose ethics and lack of social solidarity across households and domestic economic agents. Although the figure is not negligible, it appears that a vast majority of firms do not associate the number of inspections with compliance rates. This finding may support the theoretic assumption of state vs. citizens' morale, interpreting the attitude of each agent as independent from those of other agents. Therefore, intensification of policing is not considered a priority action for the resolution of this problem. Aegean islands and Crete report significantly higher rates of perceived inspection risk.
- Finally, 3 out of 10 firms consider that non-customer friendly electronic services may cause divergent attitude towards declaring a hired worker. Again, this rate is higher on the Aegean islands and Crete. This finding calls for a more geographically customized and pre-emptive policy for business entrants seeking to employ new personnel.

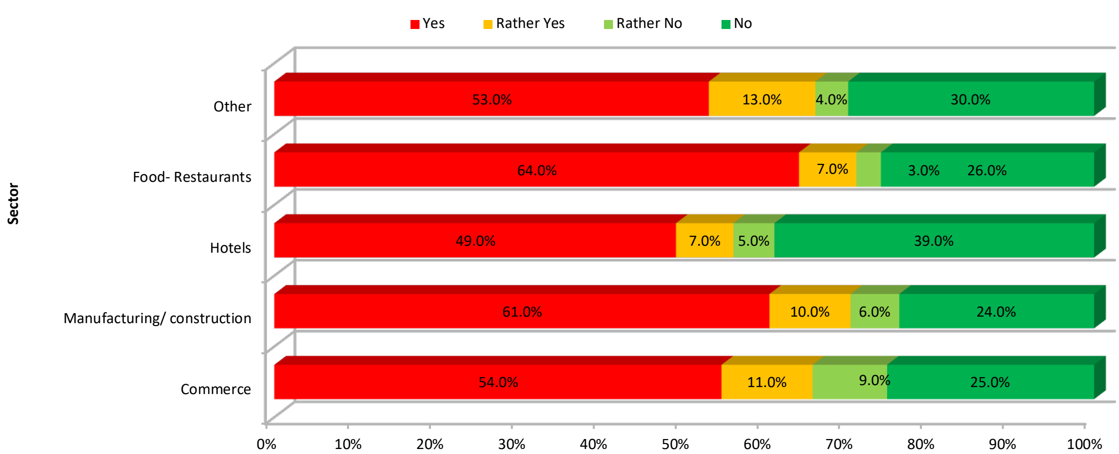
Chart 11 - Do you believe the following factors are obstacles to declaring worker(s)?



4.1.3. Unfair competition

The issue of undeclared work has severe effects on companies, which feel threatened by unfair competition. Almost two thirds of the interviewed companies state that they are facing unfair competition from enterprises that exercise undeclared work practices. This phenomenon is an economic and social disruptor as it concerns compliance and social responsibility and triggers multiplying consequences on the level of fair competition. This figure is compatible with IME GSEVEE findings in the last biannual economic climate survey for SMEs, where it is reported that 65.5% of small firms are facing unfair competition from other companies in their sector. It is worth noting that the types of employers feeling more exposed to or threatened by unfair competition practices, are those who operate in the manufacturing and construction sectors, as well as restaurant/food services sector. Unexpectedly, higher education graduates seem to worry more about the risks of unfair competition. This is likely associated with the fact that their business horizon is broader, and the economic insecurity sentiment is induced by their tendency to explore and analyse markets in a more comprehensive manner.

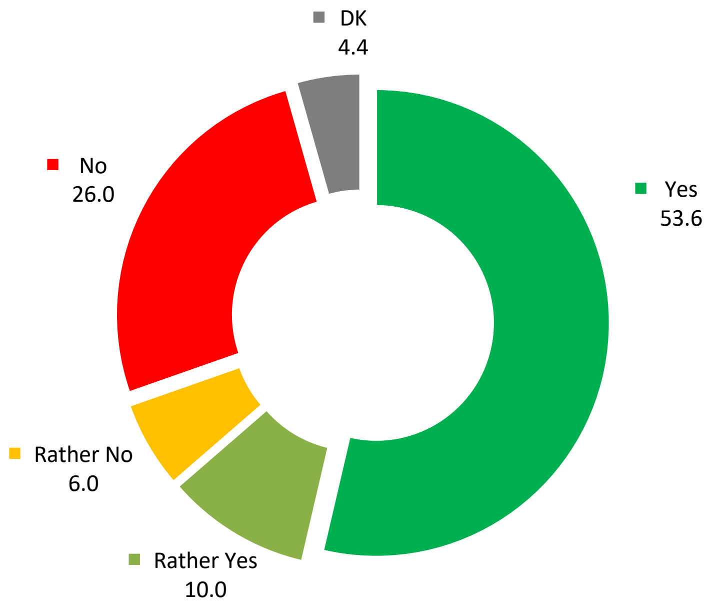
Chart 12- Sectoral exposure to unfair competition



It generally acknowledged that a large part of companies is subject to specific financial and administrative difficulties that might make them feel more vulnerable to external strategies violating competition regulations.

The above condition can be briefly summarized as a sub-optimal equilibrium which lowers social payoffs, but delivers higher payoffs for a fraction of hawkish agents. If we assume that there are 2 players who simultaneously decide whether or not to declare employees, then a hawk-dove game is initiated (we can extend to n players, accordingly, where those who tend to declare workers are considered “doves” and those who do not “hawks”). Hawks are benefiting from avoiding social contributions plus taxes and save money, enhancing their competitive advantage in terms of liquidity and capacity to dominate new markets, at the costs of higher nominal “informal” wage and higher risk to be caught. At the same time, they are benefiting from the dovish behaviour, because if the other player tends to comply with the rules, then they pay their actual contributions and taxes and thus preserve the social security system. In a n-player game, each company independently has an incentive to hide their personnel and a preference for the others to reveal the actual number of employees. Therefore, a free rider attitude leads to strategies violating competition and jeopardizes free market equilibrium, creating significant distortions.

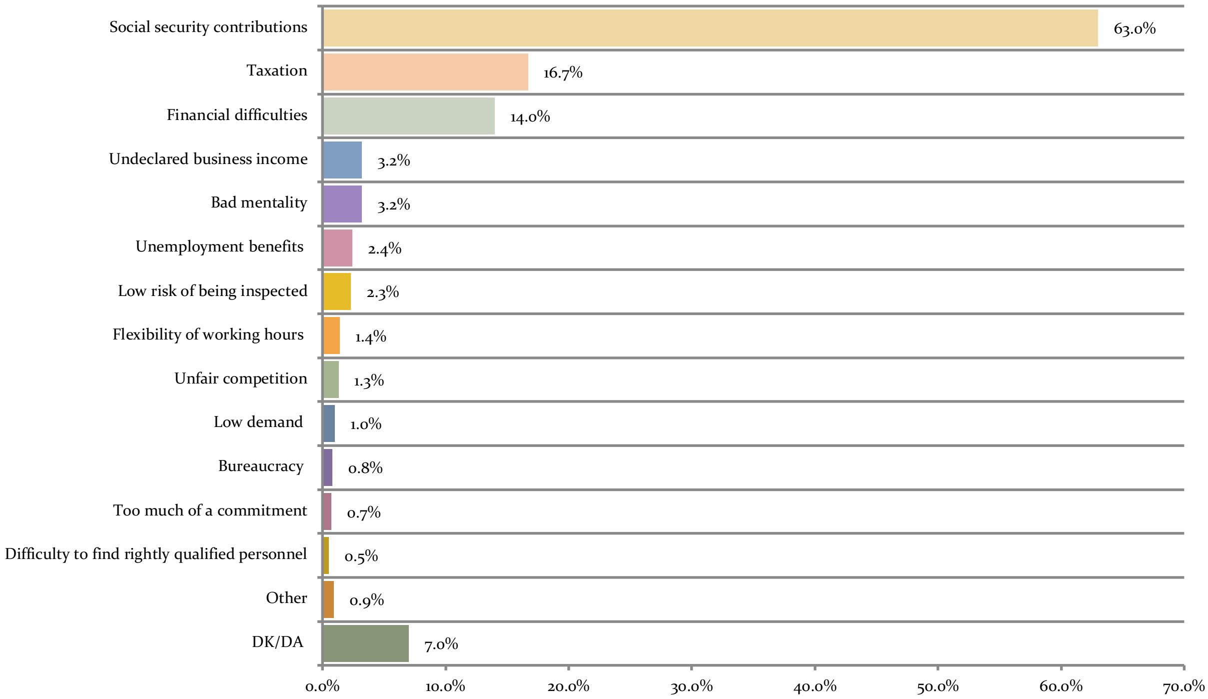
Chart 13 - Do you believe that your enterprise is facing unfair competition from other companies that use undeclared work?



The reasoning behind these practices is analysed in the next question. Again, firms perceive the existence of high social security contributions (63.0%) and taxation rates (16.7%) primarily as a structural problem, which triggers unfair business practices. A considerable percentage of the interviewees (14.0%) justify undeclared work malpractices on the grounds of severe financial difficulties faced by the company, due to the economic crisis or other reasons. As we move to higher turnover ranges, the reasoning is shifting: it is clear that financial difficulties are partly replaced by social security burden (in the range €10-45,000, the ratio is 68.2/16.1, while in the range €300-500,000 the ratio is 80.0/5.7).

It is obviously inferred that companies tend to rationalize illegal or “shadow” behaviour of competitors on the basis of the economic crisis impact on their actual business income. Instead, it seems that during crises, the moral agenda/ principal-agent model becomes a less prevalent instrument to explain unfair economic behaviour.

Chart 14 - Why, do you believe that some other businesses do not declare their employees? (Total answers-unaided)



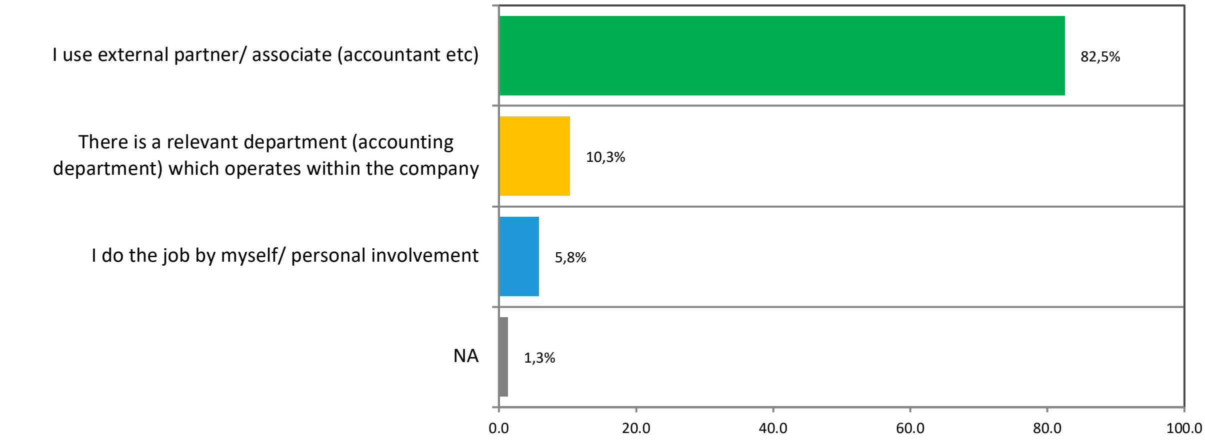
4.2 - Data interoperability

According to official statistical data, European SMEs account for 99.8% of total enterprises. Micro enterprises constitute 93% of the total business population in EU, while in Greece this category accounts for 96.2%. In Greece, figures follow the European trends, featuring some additional elements: i) the number of self-employed is one of the highest in EU (29.7% of total employment, Annual Report for SMEs, 2017), ii) small enterprises have a lower average number of employees in comparison with small companies in Europe, iii) the added-value per employee in micro firms is relatively lower compared to EU average.

4.2.1 Administrative work

Given the above information and the size of Greek micro-entrepreneurship, it is quite obvious that most enterprises outsource key professional services (legal, technical, accounting, consulting). A Human Resources department is, by and large, viewed as a “luxury” in a company which is operated by the owner with 2 employees (plus any assisting family member). Only 10.3% of the companies have an in-house accounting office/ department to tackle with the administrative burden of hiring employees, and a small fraction of 5.8% require personal involvement in the performance of administrative work. This trend is more prevalent in the commercial sector and the Greek islands. Overall, it should be expected that the familiarity of business owners and managers with the electronic services is rather limited and occasional. The criterion of size, in terms of employment units or annual turnover, seems to have a linear correlation with the existence of an in-house accounting office/department. The rate is increasing to 20.7% in enterprises with 5-9 employees and becomes 33% in “medium-small” firms (10-49 employees). Accordingly, the rate is doubled (19.7%) in companies with an annual turnover of €300-499 thousand, while it reaches almost 48% when it surpasses the threshold of €500,000. Moreover, owners with university education level tend to have a dedicated accounting department (18%), suggesting that they probably operate businesses with more complex technical and financial activities.

Chart 15 - For the administrative work related to hiring an employee

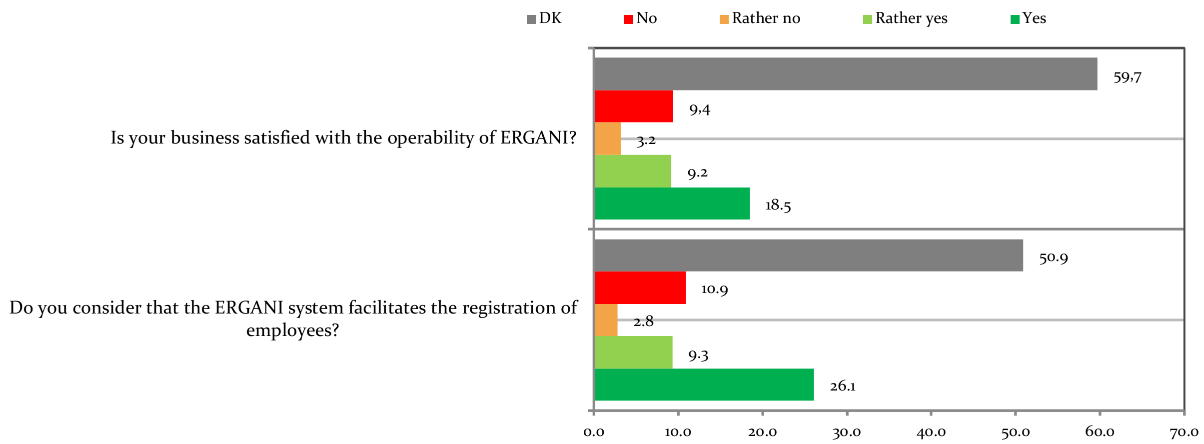


4.2.2 Assessment of ERGANI Information System

Following the above arguments with regard to the small size of Greek SMEs, it is not surprising that half of the interviewees do not know or do not express views on whether the Ergani Information System is easily accessible or facilitates the registration process of new employees. If we focus on the companies which have performed employee registrations, then the positive views improve significantly (in the range 5-9 employees the positive response rate is 48.4%, while in the range 10-49 it exceeds 52%). Less than 20% of employers in all categories are critical of the capacity of Ergani to facilitate employee registration.

On the other hand, those who are familiar with Ergani express positive views (26.1% yes; 9.3% rather yes) by a statistically significant majority. These rates are pretty higher in the cases where the company has a dedicated department to perform the administrative work for hiring personnel, or the owner performs it on their own. Overall, 27.7% of business owners are satisfied with the operability of Ergani (12.6% are not satisfied). If we limit the analysis to the companies that employ personnel, the figures are more encouraging (over 43% are satisfied with Ergani in the ranges of 5-9 and 10-49 employees). A small fraction of micro companies with 1-2 employees appear to face difficulties (19.2%) in the use of the Ergani system, which signals the need to implement differentiated inspection and training policies on undeclared work for micro firms. Similar results are obtained if we employ the “turnover” criterion. Thus, there is a progressive increase in positive views in line with the level of annual turnover, which is more apparent in the ranges over €100,000.

Graph 16a - Do you consider that the ERGANI system facilitates the registration of employees? **Graph 16b - Is your business satisfied with the operability of ERGANI?**



A critique could be raised with regard to the legal framework for sole proprietorships, since a high ratio of them (over 35%) cannot yet reap the benefits of the new system (they report that they are neither facilitated nor satisfied with the new system).

Chart 17a,b- Ergani's functionality (legal form, education)

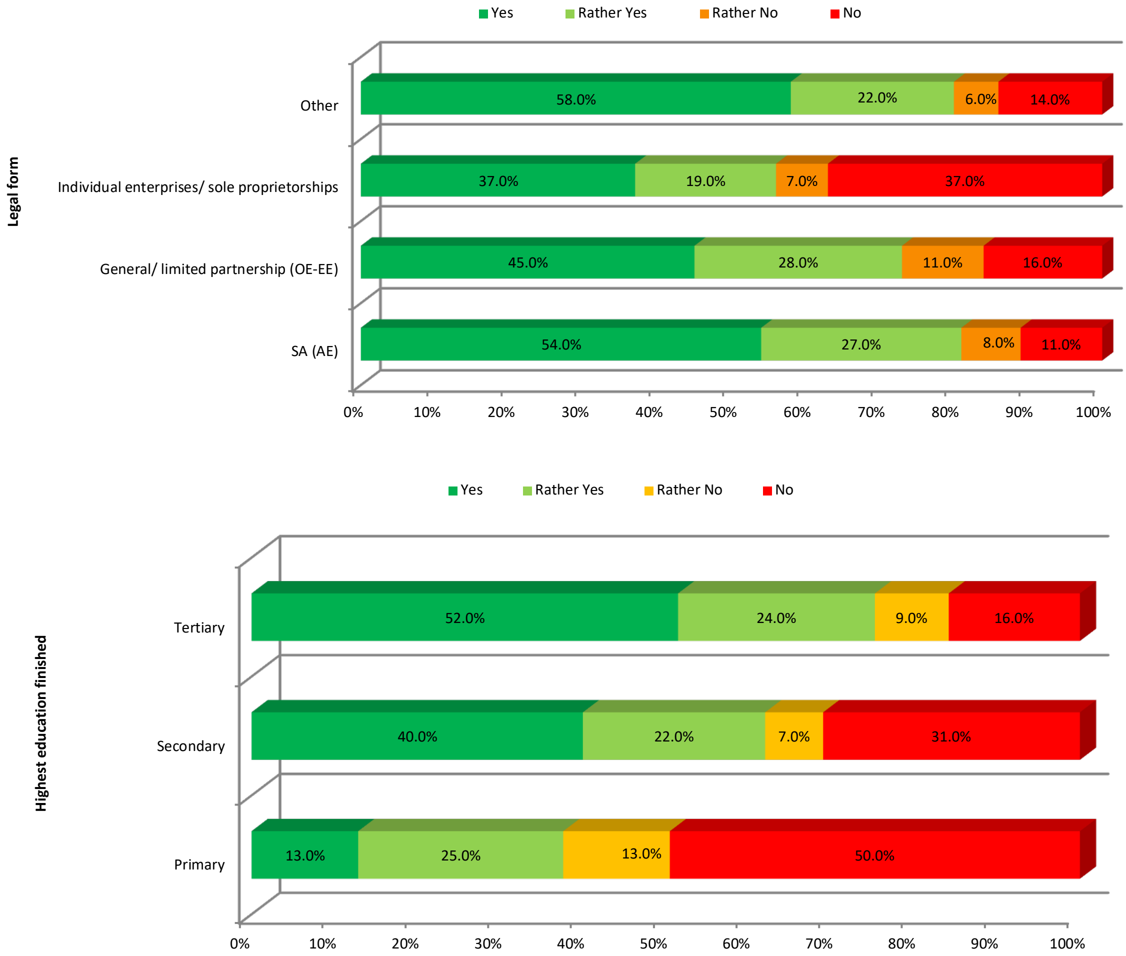


Table 9: Satisfaction rate across size (ERGANI)

	NUMBER OF EMPLOYEES 2017						TURNOVER OF BUSINESS					
Satisfaction rate	0	1-2	3-4	5-9	10-49	>50	<10.000€	10 - 49.000€	50 - 99.999€	100 - 299.999€	300 - 499.999€	>500.000€
Yes	4,9	16,1	23,1	29,5	34,3	63,2	10,4	14	12,1	22	30	37,2
Rather yes	4,6	10,3	9,5	14,8	11,1	10,5	10,4	7,7	8,9	12,8	11,4	16,3
Rather no	1,5	4	2,7	5,7	2	10,5	1,7	4,3	0,8	2,8	7,1	7
No	5,3	15,2	6,8	5,7	11,1	0	12,2	9,4	8,1	7,1	5,7	3,5
D/K/ N/A	83,7	54,4	57,8	44,3	41,4	15,8	65,2	64,7	70,2	55,3	45,7	36
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

The distributions of the variables related to data interoperability are presented in the following table:

Table 10. The distribution of the variables related to data interoperability

Variable	*N*	% percent	% valid percent
For the administrative work related to hiring an employee …			
I use external partner/ associate (accountant etc)	822	82.1	82.5
There is a relevant department (accounting department) which operates within the company	103	10.3	10.3
I do the job by myself/ personal involvement	58	5.8	5.8
N/A	13	1.3	1.3
D/K	5	0.5	
Total	1001	100.0	100.0
Do you consider that the ERGANI system facilitates the registration of employees?			
Yes	261	26.1	26.1
Rather yes	93	9.3	9.3
Rather no	28	2.8	2.8
No	109	10.9	10.9
N/A	509	50.8	50.9
D/K	1	0.1	
Total	1001	100.0	100.0
Is your business satisfied with the operability of ERGANI?			
Yes	182	18.2	18.5
Rather yes	91	9.1	9.2
Rather no	32	3.2	3.2
No	93	9.3	9.4
N/A	587	58.6	59.6
D/K	16	1.6	
Total	1001	100.0	100.0

4.3 POLICY MEASURES

The policy framework on labour and undeclared work issues has been widely varied over time in Greece. The mandate for industrial relations, labour market and social insurance issues has been quite fragmented among different departments of public administration.

"Tackling the undeclared economy is primarily viewed as a social protection issue, meaning that the Ministry of Labour, Social Security and Solidarity takes the lead role. There is, however, a 'silos' approach adopted, with different departments taking responsibility for different segments of the undeclared economy. Whilst labour law violations are the responsibility of the Ministry of Labour, Social Security and Solidarity, tax non-compliance responsibility lies with the Ministry of Finance and social security and insurance fraud violations with the social insurance bodies. There is currently little coordination in the fight against undeclared work across these agencies in strategic, operational or data-sharing terms, and no common cross-cutting targets."[14].

SEPE (Labour inspectorate) is the principal agency to audit labour fraud, while tax authorities, municipal authorities and other services, assess other aspects of compliance with regulatory framework (infrastructure, health- hygiene, fire protection).

With regard to the social security system, since 2010, there have been multiple independent systems funding social security and pension benefits. Despite this broad heterogeneity, the core state social security structure has been IKA (Social Security Fund) which was established in 1934. IKA remained the most important pillar institution covering the private sector employees and pensioners until 2016 (6 million insured people), when after a series of mergers, the organization has been transformed into a new entity, a single social security fund called EFKA (Unified Social Insurance Fund, Law 4387/2016). Until then, the other three major social security funds were related with the agricultural sector (OGA), professional and self-employed activities (ETAA and OAEE). In general, and despite organizational difficulties, IKA has shown remarkable operational resilience[15] in terms of its capacity to combine the delivery of services and benefits with the performance of inspections. EFKA, as a successor of IKA, has made use of its capacity and adapted very efficiently to its new mission, recording surpluses in the first years of its operation (EFKA Budget Accounts 2017, 2018).

It is worth-mentioning that despite their active and legally binding participation in the social dialogue, government committees and collective agreements, social partners were particularly excluded from consultation processes for the purpose of establishing a consistent long-term strategy against undeclared work. This lack of synergies and coordination inevitably acts as driver of sanctions, instead of favouring an incentive-based mechanism. Thus, a comprehensive policy action plan was deemed necessary that will incorporate heterogeneous factors and generate a coherent strategy for the transition from informal sector to formal jobs.

An additional institutional shortcoming of the Greek case is the lack of consistent data on the size of not only the informal sector and shadow economy, but also of the size of the business economy that operates in the formal sector (The Business Registry (GEMI) has only recently started to capture the opening and closures of businesses in real time). These conditions probably lead to miscalculations, overestimates or downward biased projections, since there is no commonly agreed reference point with regard to the number of operating businesses, their actual employment and contribution to value-added generation.

[14] Diagnostic report on undeclared work in Greece, 2016

[15] It did not face a systemic crisis of viability and revenue collection since its establishment

Estimating the size of the undeclared economy is highly controversial, including the methodology applied. Although, studies that have attempted to assess the size of informal sector in Greece have produced various results as regards the "residual" GDP, the employment and profit estimates, a common finding is that the country suffers from a relatively extensive informal sector compared with other EU countries (Schneider 2013). The downward trend of undeclared work in Greece and EU is an indicator of relative improvement.

Other proxies of informal economy linked with undeclared or underdeclared employment (based on SEPE inspections), tax or insurance evasion (based on tax authorities' data) suggest that approximately 30% of economic activity and employment belong to shadow economy (FEIR, INE GSEE, Kanellopoulos, Matsaganis; 2012)[16].

SEPE provides annually some figures on the level of labour law violation, based on information collected during inspections. Although, these figures are subject to considerable statistical bias (since inspections are not performed on a representative sample), time variability might provide some useful insights regarding the efficiency of public policy implementation. Official data from ARTEMIS project (January 2018), based on the inspection events, show that uninsured work in sectors with high delinquency has fallen from 26.3% in August 2013 to 10.29% in August 2017.

Additionally, sectorial analyses have showed that they there may be specific characteristics in some sectors that "allow" for specific policy recommendations. Highly specialized self-employed professionals, house renovation and maintenance workers/technicians, as well as agricultural workers tend to report a higher exposure to undeclared or undeclared work, undeclared income or undeclared business activity (Eurobarometer; 2013). Emerging forms of sharing economy give rise to new additional playfields of undeclared economic activity (platform economy, tourism sector, education).

The phenomenon is also varied across different society groups: immigrants, young people, marginalized communities neither respond in line with a lifetime income utilitarian approach, nor comply with national or European social inclusion strategy objectives.

Various theoretical strands have suggested several factors that affect the size of "undeclared work". Institutional aspects have been identified as primary factors which influence the extent of informal sector. Lack of social protection instruments for specific social groups, socio-cultural shifts, conflicts between regulatory framework and ethical codes, imperfect knowledge of social security system background are viewed as important parameters, which inhibit the build-up of an integrated formal sector.

Actually, it is true that in the absence of public policy structures for low income earners, employers who belong to the so-called "quasi-employee" status, are more likely to opt for an optimization strategy by underassessing/underreporting their actual income or saving costs by bypassing obligations, in order to be insured against the risk of being unemployed or being exposed to lower income level.

The advent of the economic crisis and the requirement for fiscal consolidation, both in public finances and social security system, brought about intensive consultation on prioritisation of policies to reduce undeclared work and increase social security revenues. More than 20 legislative provisions have been enacted since 2010 (Kapsalis; 2015), focusing mostly on the restructuring of inspectorate services and modernization of information systems aiming at the facilitation of declaration as well as design and implementation of new models of sanctions. The adoption of a strict sanction system under Law 3996/2011 (subsequent Joint Ministerial Decision 27397/122/19/08/2013) gave rise to objections with regard to its efficiency, its compliance capacity and proportionality impact.

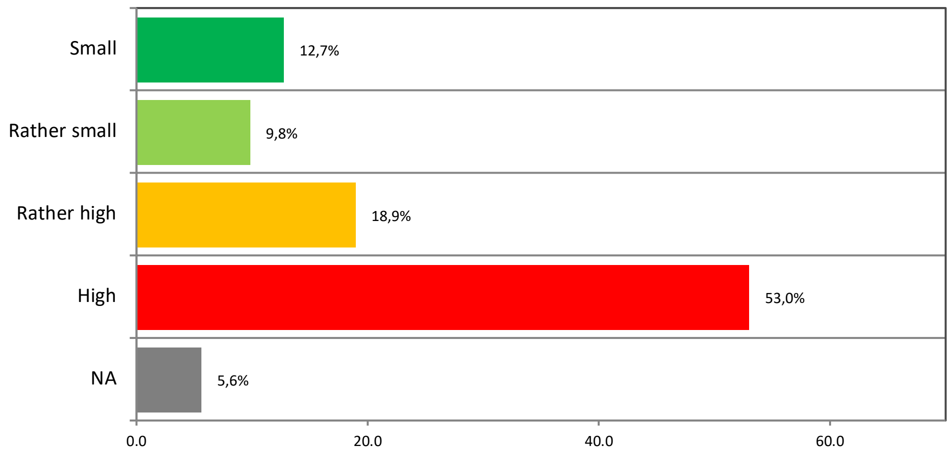
[16] Diagnostic report on undeclared work in Greece, 2016, pages 22-24, ."…it needs to be explicitly stated that the various figures reported here are not firm figures, but a range of estimates derived using various measurement methods commonly used by academics and policy-makers to develop approximations of the relative size of the undeclared economy and how magnitude varies cross-nationally.

4.3.1 Risk of inspection

This section identifies the current policy framework governing labour inspection issues and evaluates the incentive mechanisms for firms to comply with current regulations. It also explores the efficiency of certain policy instruments.

The first part of the section discusses the potential conflict between state agencies and the private sector. The vast majority of firms (71,9%) respond that it is very likely for an enterprise in their area to be audit by inspectorate services of SEPE. Only 1 out of 5 firms estimate a lower probability. Services sector seems to assign higher probability to a business inspection in their region than the trade and manufacturing sectors, while companies operating in Attica express a lower risk of being inspected. Self-employed and companies with no employees assign a statistically significant lower probability to a potential inspection of a business in their region. With regard to geographical and sectoral distribution, hotel and restaurant sectors on Greece islands tend to face the highest probabilities of being inspected.

Chart 18 - How likely do you think it is for your local businesses to be inspected by the Labour Inspectorate / EFKA / SDOE / Financial Police?



An interesting finding is that gender differences in risk perception and assessment affect intrinsically the expectations of entrepreneurs of an undeclared work inspection in their area. A more detailed analysis shows that these gender differences are remarkably consistent even when we probe for the effect of other interpreting factors such as, in particular, geographical location, activity sector and the owner/manager education level.

Chart 19a - Probability of inspection (GENDER)

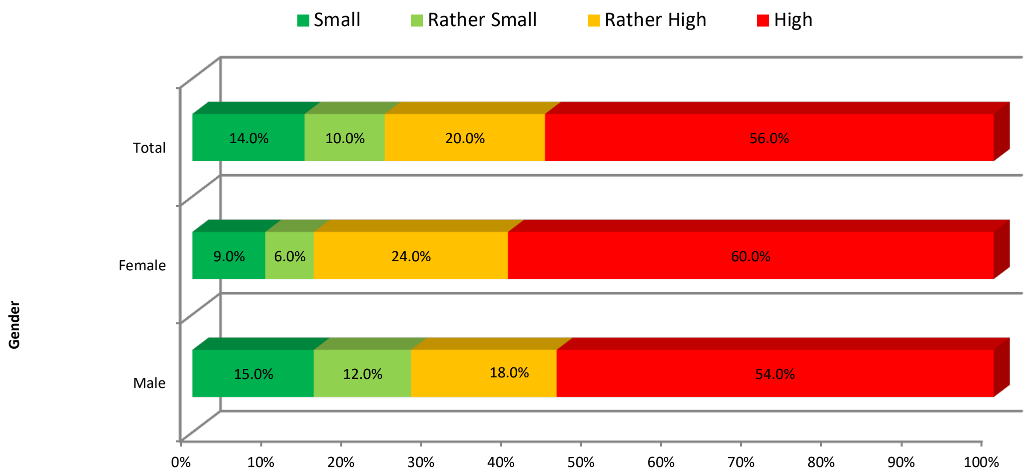
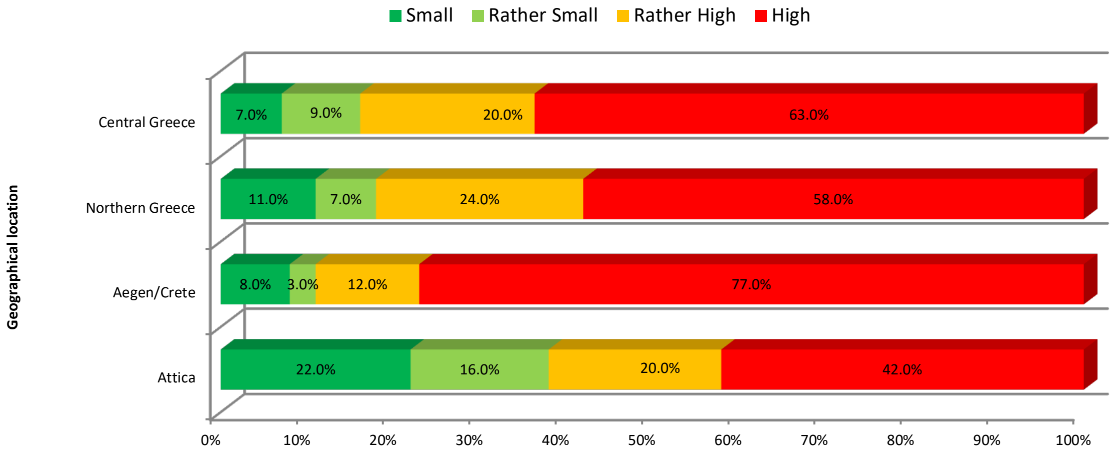


Chart 19b - Probability of inspection (GEOGRAPHICAL LOCATION)



4.3.2 Inspection

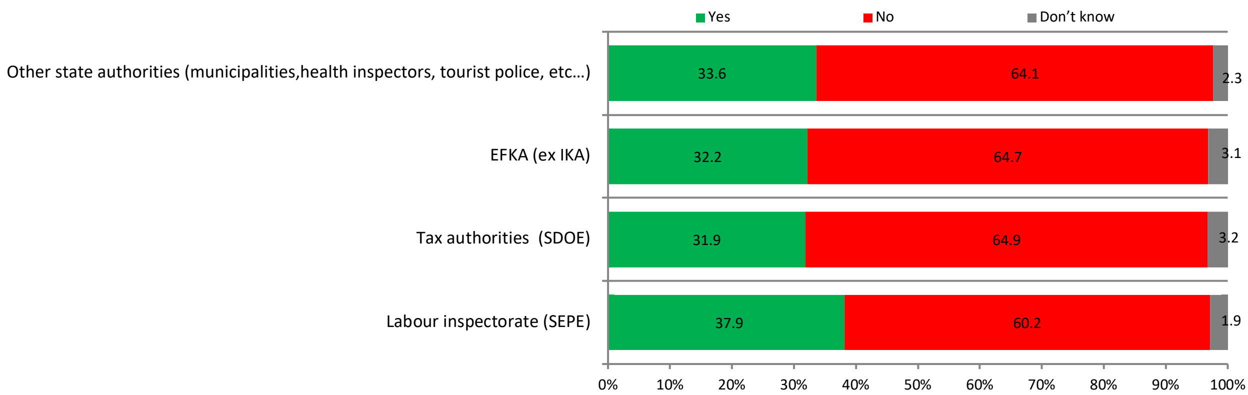
With regard to the perceived statistical conditions, 1 out of 3 enterprises report inspections from public authorities. At least 7 over 10 firms report that they have undergone at least one form of inspection, while 16% report inspections from at least 2 public entities. The Labour Inspectorate (SEPE) is reported more frequently than all other inspection/auditing agencies, which are enrolled to examine different dimensions of compliance with state regulation.

Commercial activities (trade) exhibit the largest exposure to the risk of inspection among all major categories (SEPE, tax authorities, social insurance), while hotel and restaurant services have a considerably higher exposure to other forms of inspection (municipality, licensing, health, tourist police), perhaps due to the nature of services sector operating provisions. Aegean islands and Central Greece report significantly higher rates of labour inspection events.

Almost half of the enterprises with 3 or more employees have been inspected in the past 5 years by labour inspectorate bodies. Companies with higher turnover report a rate of 60%. Similar trends, but with lower absolute values, are reported for audits by the social security system, tax authorities or other public agencies.

It is important to note that the size of the company (employment and turnover) is almost positively linearly related to the reported frequencies of inspection. An interesting fact reported in the survey is that entrepreneurs who are higher education graduates seem to have experienced significantly higher rates of inspection within the last 5 years. This calls for further investigation, although it might be related with graduate owners' involvement in more complex and broad business activities (employment, turnover), which require more employees and advanced administrative procedures.

Chart 20 - Have you ever been audited during the past 5 years by the following bodies?



4.3.3 Evaluation of the voucher coupon

The pursuit of a more efficient system to tackle undeclared work and increase tax and social contributions revenues has led to the adoption of some novel instruments, specifically applied in some sectors of economic activity. A new method of paying wages and social security contributions to workers was introduced for the first time into the Greek legislation by Law 3863/2010, under the term **voucher coupon** ("Ergosimo"). Voucher coupon does not apply to business or individual employers, but to employees in certain fields of economic activities, occupations or jobs. This provision mainly applies to the categories of part-time, seasonal, occasional or rotational workers, where the signing of a contract is almost impracticable (family assistance services, housekeepers, gardeners, drivers, baby-sitters, home tutoring, beauty care, etc).

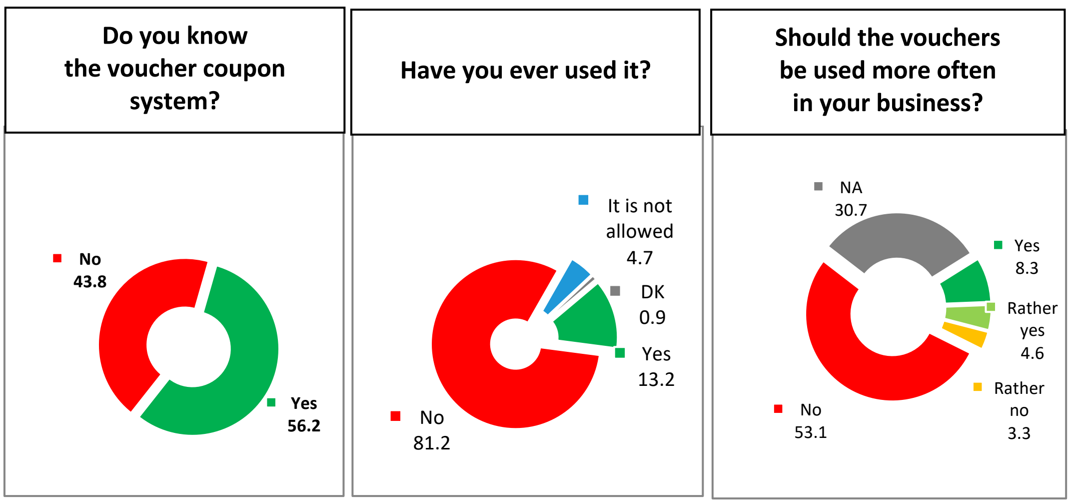
In this context, the survey aims evaluating the impact of such a policy tool, investigating i) the efficiency of the measure on the economic activity where it is applied, ii) a potential restructuring or change in the eligibility criteria of the voucher system.

According to the results, 56.2% of the business owners are aware of the voucher coupon and 13.2% of them have used it in their firm.

A small fraction of 4.7% stated that it was not allowed to use it on their own firm, while 12.7% view favourably the extension of the voucher. More than of the half enterprises (53.1%) see no need to extend the voucher coupon to their business sector, while 30.7% do not express any preference.

The voucher coupon system is better known to owners or managers of higher education level. The system is also better known to SA companies, companies with a high turnover and companies that are active in the "other services" (services sector excluding commerce/trade, hotels and restaurants).

Chart 21 - Evaluation of voucher coupon system



4.4. INFORMATION AND AWARENESS CAMPAIGNS

Even after the implementation of the economic adjustment programs and the pursuit of an alternative model to improve the business environment, Greece has maintained a very narrow approach to dwindling undeclared work, adopting a strategy of penalization rather than incentivization. The introduction of electronic systems was accompanied with high deterrence costs, disproptionately higher for smaller business entities. One of the instrumental objectives of the tripartite strategy – under ILO coordination- on tackling informal sector in Greece, was improved communication of the benefits of insured jobs for enterprises, employees and the social security system as a whole. Launching a public awareness campaign on the benefits of declared work and the problems of shadow economy was part of this tripartite strategy, which had two distinct areas of intervention: 1) information campaign to media, press and public agencies (schools, public services), 2) provision of a help/ information desk service which facilitates businesses to adapt to and comply with the existing or new regulatory framework and audit mechanisms. The roadmap for fighting undeclared work has introduced a variety of instruments, the enforcement of which aims at inducing the efficient and smooth transition to job formality. These measures entailed the following actions:

- ✓ Website development with information about undeclared work and provision of assistance
- ✓ Campaign to raise the awareness of the multiple costs of undeclared work and non-tax compliance organized by ILO
- ✓ Assessment of ILO's campaign
- ✓ New awareness-raising strategy based on the results of ILO's campaign, involving multiple different actions (contests, social media, talks in schools).

Additional actions involve **setting up the framework for the Ministry of Labour helpline delivering advice on compliance** and **carrying out the Pilot project on targeted and joint inspections**, which held via the involvement of other inspectoral bodies. This pilot program was implemented in 2017 (May- October) in the Attica region, and it will serve as a guide for future regular joint inspections.

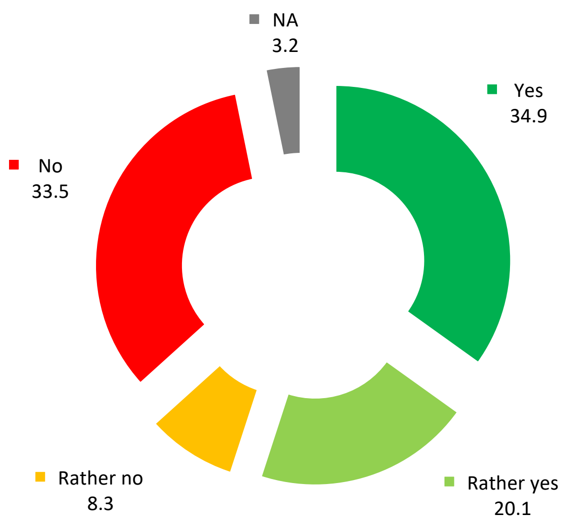
In this section, the survey investigates the impact of the designed communication strategy on the possible improvement of the business sector's performance regarding compliance with the legislative framework. Additionally, it explores potential interest in other forms of awareness-raising campaigns and methods and incentives to support business compliance.

4.4.1 Contribution of awareness campaign

With regard to the endorsement of information campaign on the consequences of undeclared work, the majority of firms share the view that such facilitators/ incentives may have positive impact decreasing undeclared work events. Hence, 55% believe that awareness-raising campaigns are likely to nurture social responsibility and reduce undeclared work, while 41.8% have the opposite view.

The distribution of responses across different business segments, based on the size criterion, is homogeneous across the sample. Apparently, it is broadly acknowledged that awareness-raising campaigns are beneficial for the reduction of undeclared work. It is quite encouraging that businesses with low turnover (67% of micros with turnover less than €10,000) tend to request a more active communication strategy on the issue of tackling undeclared work.

Chart 22 - Do you think that information campaigns on the negative implications of undeclared work would contribute to reduce it?



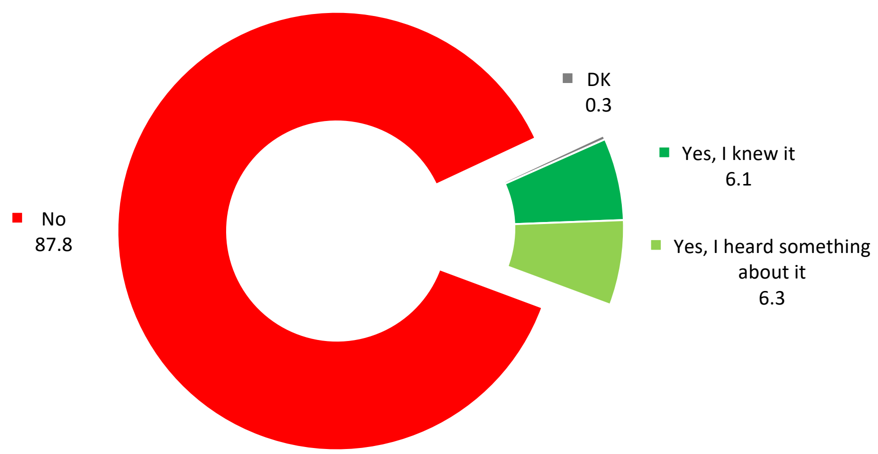
4.4.2 Pilot Program of targeted inspections

In 2017, the Ministry of Labour deployed a pilot project of joint inspections, which involves the participation various state inspection agencies. Under the three-year roadmap for the implementation of a holistic integrated strategic approach to tackle undeclared work in Greece, which was ratified at tripartite level in October 2016 by the Greek Government, the ILO and the social partners, the Ministry of Labour initiated a **pilot program of targeted inspections** in the region of Attica for the period from May 1st to October 15th, 2017. The program involved the inspection mechanisms of SEPE, EFKA and Financial Crime Unit (SDOE) as regards on-the-spot inspections and a coordination plan.

This survey investigated the coverage ratio of this pilot action in the region of Attica, to assess the impact and reshape future initiatives in the area of auditing and inspections strategy. As illustrated on graph 23, only a segment of interviewees in the Attica region (12.4%) was directly or indirectly informed about the **Pilot Program of targeted inspections**. In companies with 5-9 employees the rate is slightly higher, reaching 15%. Meanwhile, the vast majority of the firms responded negatively to this question. However, we need to stress that it was a limited pilot joint inspection program, which covered certain selected regions of Attica.

This result could be considered as a consequence of the limited implementation of this action. Alternatively, it can be attributed to the fact that the sample might not have been concentrated in areas where the inspections were conducted. A more incisive interpretation of this finding might point to misperceptions (confusion with SEPE regular inspections) or limited media coverage.

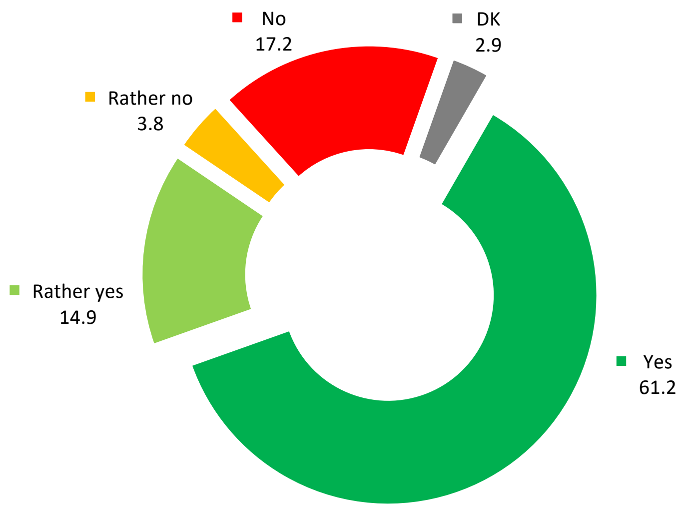
Chart 23 - Did you know about the Pilot Program of targeted inspections, carried out May-September 2017 in the Region of Attica? (respondents from Attica)



4.4.3 Establishment of a Helpline

In the final question, respondents were asked to assess the worthiness of a helpline mechanism, which would provide information about labour issues to businesses. This helpline could be viewed as an information centre collecting requests and queries on the procedures of hiring, registering or cancelling jobs. The establishment of a helpline is highly endorsed by enterprises (3 out of 4), while 20% underrates the significance of such an action. A slightly higher endorsement of a helpline is reported by businesses, which have more than 10 employees. Companies from Central Greece report significantly higher rates of endorsement of a new helpline mechanism that would assist entrepreneurs to follow the procedures of hiring new personnel according to regulatory framework.

Chart 24 - Do you think it would be useful to create a helpline from the labour inspectorate (SEPE) on labour issues?



5. CONCLUSIONS

One of the most challenging reforms for economies in crisis has been the gradual transition from informal to formal economy, as this shift creates the conditions to achieve both fiscal robustness and social cohesion. The area of tackling undeclared work in Greece has largely been neglected in literature, since several factors prevented the structural analysis of the problem and the identification of the sectors, factors and businesses that had a propensity to malpractices before and after the crisis. Despite the structural inefficiencies prior to the crisis, the contemporary macroeconomic framework may pose different challenges from those in the previous decades. Inevitably this obscured research agenda. Labour market regulation underwent major institutional changes, triggering changes in the social and economic behaviour of economic agents (employees and firms). Apart from the above institutional arrangements, macroeconomic shocks brought about new challenges in terms of employment structure and figures.

ILO’s diagnostic report on undeclared work in Greece (2016), which was validated by the Greek Government and the national social partners, was a primary systematic attempt to assess undeclared work (UDW) patterns in Greece, helping design policy measures to tackle UDW, and strengthening the labour inspection system through exchange of best practices, training and pilot activities. In this framework, a roadmap to tackle undeclared work in Greece was formulated as a second key deliverable of the ILO project, and validated on October 2016 at a high-level tripartite event. The roadmap contained a sequence of interrelated actions, which will assist the fight against undeclared work in Greece between 2017 and 2019. The subsequent national action plan involved the implementation of a Greek Labour Force Survey to study undeclared work from the employee's perspective and a complementary business survey to catch the perspective of the employers on undeclared work.

The current survey has built upon the baseline research agenda over the obstacles to deal with undeclared work in Greece, which has been developed under the general supervision of ILO through tripartite procedures with the involvement of all the relevant stakeholders (Ministry of Labour Social Security and Social Solidarity and Labour Inspectorate, Employers´ and workers

Organizations). It is important to note that the scope of the report is to design and implement more effective compliance mechanisms and regulate effectively and fairly the labour market.

Actually, the identification and measurement of obstacles to the creation of formal jobs in Greece was a highly challenging process that required – in addition to the coordination of all the stakeholders- the creation of a regulatory framework that would include all possible deterrents against official economy. This survey on obstacles to tackle undeclared work is likely to contribute to a better understanding of the obstacles faced by SMEs to creating formal jobs, as well as, the appropriate incentives that would facilitate the creation of formal jobs.

An instrumental novelty of the current survey was the attempt to understand the differences between the constraints that firms experience when ***they try to recruit on the one hand, and when they proceed to declaring the recruitment on the other hand.*** This differentiation helps to reliably assess whether a labour demand and supply matching is affected by cyclical economic factors or administrative constraints . That is, in this transition period of Greek economy, from deep economic recession and deserted business infrastructure to gradual restoration of economic confidence and entrepreneurial activity, it is important for policy analysts and policy makers to detect the exact sequence of reasoning, in order to provide a platform of recommendations suitable for the special needs of a peripheral economy with certain characteristics.

Based on the above presumption, the main findings of the survey were classified according to the four key sections included in the roadmap on tackling undeclared work in Greece. These sections are summarized below:

i. Institutional reforms and actions, ii. Data interoperability, iii. Policy measures, iv. Information and awareness campaigns, v. Miscellaneous actions

Ensuring effectiveness and robustness, the survey utilized some core demographics as control variables, to assess the differentiation of attitudes among different socioeconomic groups. The survey also evaluated the impact of certain parameters on businesses' perceptions and attitudes towards undeclared work. More specifically, data collected with regard to the perceptions about core business environment, obstacles to recruitment, obstacles to declare, unfair competition, administrative burdens, inspection aspects and efficient informative systems.

Survey results verified some of the basic scenario hypotheses built upon certain socioeconomic characteristics, while it also challenged conventional wisdom with regard to the role of digitalization on the effective implementation of inspections and raising awareness mechanisms, leaving space for more systematic and consistent approaches to education and training procedures. Essentially, the most intuitive key findings of the survey can be summarized as it follows- of course, more research is needed to confirm these intuitive findings and develop them further:

1. Micro, small businesses and sole proprietorships are the most vulnerable and fragile groups in terms of adaptation to an austere economic reality, administrative compliance costs, capacity to employ new personnel; they are hardly able to follow reforms and new guidelines, due to excessive time constraints and lack of specialized departments. Small firms are requesting a more active communication strategy on the issue of tackling undeclared work as a means to learn and be protected against market distortions and malpractices.
2. Gender differences are present with regard to the attitudes towards inspections and administrative compliance; women tend to be more adaptive to electronic systems and compliant to administrative regulations, while they also have a significant higher perception of probability to be inspected (which verifies the risk averse hypothesis for women). This early finding calls for further research on the areas of gender perception on risk and perhaps compliance rates
3. Age of the entrepreneur is considered a key parameter for the deployment of customized policies, campaigns or information tools to deal with undeclared work patterns; elderly groups

have formulated strongly negative perceptions for the intensity of bureaucracy in Greece, while they also lack opportunities or skills to appropriate digital instruments.

4. Educational level of owner exerts a positive impact on business performance with regard to the pursuit of alternative strategies and options to finance their economic activities and investments. Moreover, higher education graduates seem to worry more about the risks of unfair competition.
5. Manufacturing and food- restaurant sectors state that they are threatened mostly by unfair competition practices.
6. Non- continental regions (like Crete and islands)- possibly due to the structure and type of economic activities on these areas- are more exposed to inspection incidents, and they opt for the creation of a helpline distant mechanism to serve their diverse requirements.

Undoubtedly, the present business survey offers some very useful insights about the priorities that social partners, government and society as a whole, should pursue in order to achieve a gradual exit from the economic crisis and smooth transition to balanced and fair growth in Greece. The policy priorities for the period after the economic adjustment should include the restoration of economic normality in terms of fiscal consolidation and welfare distribution and a series of reforms that address concurrently aspects of locality, structure of entrepreneurship and improvement of asymmetric information set and familiarisation with the regulatory environment. Further research into regional or sectoral differences may shed more light to policy making menu customization.

The policy mix requires both a modern institutional framework to tackle undeclared work and the development of technical instruments to address cultural and economic complexities. It is important that the shifting economic paradigm should focus on widening the social welfare potential without inhibiting the employment prospects and growth. That is, the revelation strategy should reduce the informal sector without inhibiting the growth of economic activities. Additionally, the measures adopted should seek a mid-term strategy aiming nurture citizens' morale, strengthen social dialogue at tripartite level and improve the trust in public administration.

6. POLICY CONSIDERATIONS

Before the crisis, undeclared work was viewed by authorities and society merely as an anti-social attitude, which was embedded into the mentality and daily routine of certain sectors of economy and was associated with the conflicting relations among citizens- state-labour market. Models approximating the shadow economy in Greece, estimate that 25-30% of the economic activity does not appear in the national accounts and formal sector. This condition had jeopardized any attempt to restructure the economy and provide a modern efficient framework for labour market. The economic crisis has transformed the “inherent mentality” to a “tool of survival” for many economic agents, especially for those who were unable to adjust and survive in a continuously recessionary macroeconomic environment (27% cumulative decrease in GDP, Greece).

Nonetheless, the advent of the economic crisis (2009-2010) gave rise to a broad policy agenda which set at the epicentre of government agenda the increase of revenues, in form of either taxation or social security contributions, as a way to improve fiscal performance and create a sustainable public finance environment. This objective was mainly accompanied by strict legislative framework which favoured penalization strategies and neglected incentive mechanisms or other institutional factors.

For governments, the benefits of shifting undeclared work into the declared economy are not only that it improves the level of public revenue and viability of the social security system, but also that it works as an enabler for a better institutional framework, while also inspiring more efficient and moral attitudes to the business sector.

Actually, it is a policy signal for businesses, that state takes responsibility to prevent unfair competition and ensure a greater and more consistent regulatory framework on the labour market. Moreover, it is a policy signal for employees that the benefits of legal protection produce also benefits on the economics side, social policy and capacity building of the state.

The tripartite agreement, between state, social partners and ILO, having identified the inefficient functioning of labour market, built upon a series of analyses for the causes and motives to fight undeclared work, and highlighted the need to reinvent institutional structures to support the transition from informal to formal sector. The diagnostic report on undeclared work in Greece proposed the implementation of a national action plan that focuses on organizational, institutional, pre-emptive and deterrent factors adopting a holistic approach to the problem. A key element of these recommendations was the intention to transform conditions which favour undeclared work perpetuation, so as to become part of the formal sector, rather than totally eradicating its economic aspects.

To implement this strategy and in order to quantify and assess the impact of future initiatives towards tackling undeclared work, a business survey has been proposed and implemented during first half of 2018.

The results of this survey verify, by and large, the main arguments for certain economic reforms in the policy agenda, which redirect the instruments from pro-penalization to incentivization strategies. Moreover, it supports the hypothesis that the removal of certain macroeconomic austerity factors may induce better performance in economic activity and promote compliance of businesses with the regulatory framework. The survey also provides some useful insights with regard to the administrative and information needs of SMEs, which are unable to follow the updates on legislation and digital transformation.

The findings of the business survey are classified according to the initial argumentation in four distinct areas of policy analysis: i) institutional reforms and actions, ii) data interoperability, iii) policy measures, iv) information and awareness campaigns

The most significant implications of the survey, based on the responses of business owners/ or managers are presented in the tables below:

1) Institutional reforms and actions

Direct implications	Rationale	Actors
➢ Revise downward the social contributions nominal rates	Non-wage cost is a major obstacle for businesses to recruit and declare a worker	Ministry of Labour, Ministry of Finance, EFKA, KEAO
➢ Introduce a binding tax allowance scheme for micro firms and households to allow optimal transition to formal sector	Tax rebates for households that use electronic transactions to buy goods from small companies/ sole proprietorships, and tax allowances for the latter when they reach certain compliance targets.	Ministry of Finance,
➢ Suspend the reduction of the tax allowance rate and pensions' nominal adjustment	Low demand has a significant impact on the decision of a firm to recruit workers. Taxation on wages is a more significant problem for micro enterprises	Ministry of Finance/ Ministry of Labour
➢ Develop a more efficient institutional framework to ease SMEs access to finance- Create financial instruments to relax liquidity constraints	Facilitating access to funds and capital for SMEs will enhance their capacity to opt for formal practices and compliance with labour legislation. It will create space for sustainable financial management and steady capital flows	Ministry of Development, ETEAN, EBRD/ EIB
➢ Differentiate policies across self-employed, employers, micro and "medium small" companies (tools to develop vs. tools to survive)- Encourage a more customized and pre-emptive policy for self-employed and micro companies, which seek to employ new personnel.	Micro and small firms report that the obstacles to declare are more significant for them (bureaucracy, taxation) in comparison with larger firms. Similar results hold for sole proprietorships. The diagnostic report pinpoints this direction according to Recommendation No.8	Ministry of Development, General Secretariat for Commerce/ Industry, Hellenic chambers
➢ Provide incentives for the legal transformation of businesses	Sole proprietorships report major difficulties dealing with taxation and regulation.	Ministry of Development, General Secretary of Commerce, Ministry of Justice
➢ Address the administrative barriers faced by seasonal economic activities	Bureaucracy is highly rated as a problem on Aegean islands and Crete. Tourism sector is a dominant activity in these regions, characterized by high intensity of seasonality	SEPE, Ministry of Labour
➢ Review subsidization policy of SSC for the employment of young people (new entries and long term unemployed)	Provide binding incentives for young employees and employers to tackle high non-wage costs and unemployment rates by lowering the cost of recruitment. Fighting unemployment has a common background with fighting undeclared work (or under-declared work)	Ministry of Labour/ EFKA/ Ministry of Finance

Indirect implications	***Rationale***	***Actors***
➢ *Broaden the tax base*	*It will create fiscal space for the reduction of nominal tax rates and social contributions. It will increase household disposable income.*[17]	*Ministry of Finance*
➢ *Strengthen the demand side of the economy*	*Avoiding any new reduction of household disposable income is significant for private consumption. Instead, promoting a strategy enhancing employment prospects will create room for businesses to prefer formality.*	*Ministry of Finance, Ministry of Development*
➢ *Improve banking sector performance in Greece by reducing non-performing loans/ improve banking sector supervision*	*The reduction of NPEs will create conditions for more healthy and vibrant economic activity. Firms private debt is an obstacle to transitioning to formal sector.*	*Ministry of Development, Bank of Greece, Hellenic Banks' Association*
➢ *Provide incentives to foster collaboration between small business entities and restructure legal forms of SMEs*	*To reduce the incidence of undeclared work, it is important to lead and incentivise small firms into transforming their economic activity so as to be more competitive and able to create networks and cluster. This will induce higher production potential and favour business restructuring. Possibly, it is required to initiate funded projects for cluster formation.*	*Minister of Development*
➢ *Extend electronic payments with incentives to use electronic accounts*	*It is important to establish a mechanism to secure electronic payment of wages, with a parallel introduction of regulation of non-confiscated business escrow account (priority given to pay employees)*	*Ministry of Finance, Ministry of Labour, Bank of Greece*
➢ *Take pre-emptive and deterrent measures to alleviate the impact of unfair competition from the exploitation of undeclared work*	*The majority of SMEs report unfair competition from other businesses/ competitors. This induces an adverse reversal of companies that operate in formal sector.*	*AADE, SEPE*
➢ *Simplify and harmonise tax burdens (professional activity fee, solidarity fee, tax allowance exemption for professionals)*	*The existence of various forms of taxation triggers strategic behaviour to firms; for the most vulnerable, an easy option is to opt-out from formal sector and go informal". A total review of different charges will create confidence and allow a better business planning.*	*AADE, Ministry of Finance*
➢ *Tax rebates for citizens that utilize quasi- professional/ employees home services (housekeeping, family support, education, maintenance works, aesthetic services) with proof of payment or voucher coupon.*	*A high proportion of undeclared workers is reported in agricultural sector and household services. The use of tax rebate for registered workers is expected to reduce the incidents and increase direct and indirect revenues for the tax and social security systems.*	*Ministry of Finance, AADE*

[17] Despite the progress made on the effective tax rate and revenue collections, recent surveys and analyses show that the majority of taxes are obtained from a small fraction of taxpayers. Broadening the tax base will improve financial conditions for small companies and facilitate formalization.

2) Data interoperability

Direct implications	Rationale	Actors
➢ Provide incentives to ease the electronic declaration of new employee(with or without the assistance of external collaborators)	SMEs are facing higher administrative costs in the process of declaring workers. They often need to hire external service providers to submit all the relevant data	SEPE, Ministry of Labour, Ministry of Digital Policy
➢ Deliver targeted training courses over the use of public electronic services (e.g. ERGANI)	Businesses welcome more available training, advisory and communication support on the issue of UDW. Organize training at sectoral and geographical levels to address failures of small businesses SMEs that require advice on how to operate on fully formal basis.	, EFKA, AADE
➢ Implement a pilot application to improve connectivity and data transmission	Electronic systems need to be integrated into a common friendly platform for firms and public authorities	Ministry of Digital Policy, EFKA, AADE, Ministry of Labour
➢ Special focus and customized instruments for seasonal businesses	Facilitate the access to electronic systems for firms that operate seasonally thus reducing the administrative burden and improving compliance rates	Ministry of Labour
➢ Create a statistical database with key performance indicators, permanent monitoring	Survey showed that there are some major differences in the perceptions of and attitudes to UDW among various socioeconomic groups. Further research and permanent monitoring are required to follow the trends and prepare appropriate responses. Open data will assist independent bodies to analyse the phenomenon.	ELSTAT, EFKA, SEPE, Ministry of Labour, research institutes
➢ Minimize the impact of extreme scenarios for the registration/ cancellation of a new employee (guidelines)	It is important to tackle the extreme cases of outdated cancellation or recruitment due to unintended actions, without posing unjustified costs to firms	Ministry of Labour

Indirect implications	Rationale	Actors
➢ Mid- term strategy to encourage business transition to digital economy	Incentives for small businesses to "go digital" will facilitate their transition to use electronic services, adapting to the systems for employee declaration	Ministry of Labour, Ministry of Development
➢ Provide adult education/ lifelong learning courses for the use of electronic public services	An awareness-raising campaign shall entail soft actions and programs that will train individuals and business managers to use electronic mechanisms (to be familiar with). Social partners could exploit these opportunities by offering training courses to their members.	Ministry of Labour, Ministry of Education, SEPE,

3) Policy measures (labour market inspection)

Direct implications	Rationale	Actors
➢ Intensify the pre-emptive audit by labour inspectorate and other public audit mechanisms (guidelines vs . sanctions)	Interconnection and unification of public monitoring mechanisms to address multiple cases of compliance (tax, insurance, licensing etc.) Prepare businesses for "being ready to comply" to the existing regulatory framework. Provide guidelines and directives on how to correct typical errors or malpractices (1st order)	SEPE, Tax authorities
➢ More targeted implementation of voucher coupon tool (Ergosimo), especially for the cases of occasional and seasonal employees	Voucher coupon has been implemented as a means for reducing incidents of workers non-declaration in cases where there was reported occasional or extraordinary work. Its targeted expansion will potentially increase social insurance revenues and reduce undeclared work.	Ministry of Labour, SEPE
➢ Provide other incentives to hire and declare employees of special groups (young, women, long-term unemployed), emphasis on the cost of insurance	Lower the cost of social security for new entrants in labour market (first 3 years) will create incentive to hire formally/ Subsidize young people's contributions to reduce non-wage cost	Ministry of Labour, Ministry of Development
➢ "Voluntary stakeholders inspection missions	Organize targeted "quasi- inspection" missions to firms/ sectors which trust mostly private sector partnerships is expected to reduce UDW	Social partners under SEPE recognition (pre-inspection)

Indirect implications	Rationale	Actors
➢ Establish an impartial evolutionary mechanism of inspection, regardless sectoral or geographical differences (targeted but not stereotyped)	A more targeted combined approach would be more effective towards the enforcement of business compliance	Tax authorities, SEPE. Ministry of Labour, regional authorities
➢ Evaluate economic conditions of businesses under inspection. Offer of restructure advice in cases where there appear severe financial problems, which threaten the viability of business.	It is important to differentiate policy reaction across strategic social free riders and companies in real distress. Social partners and SEPE shall provide a to-do-list and work pre-emptively for companies that face severe liquidity and overindebtness difficulties.	SEPE, social partners (employers)
➢ Customize policies for certain social groups (immigrants, young people)	Differentiated policies are necessary, since social groups with increasing mobility level respond more effectively to modern tools and policies	Ministry of Labour, Ministry of Education, Minister of Migration Policy, General Secretary of Youth

4) Information and awareness campaigns

Direct implications	Rationale	Actors
➢ Help-desk for founders of new businesses, special focus on undeclared work	Inform new entrepreneurs about the regulatory framework, the alternative choices of recruitment, and the private and social benefits of declaration (access to funding etc). Firms (>50%) support the implementation of an informative mechanism that promotes the transition to formal economy. Emphasis on the information of individual and micro firms.	Ministry of Economy & Development, Chambers, Business registry (GEMI)
➢ Local and national campaign on the benefits of declared work on lifetime personal income, public revenues, social security system sustainability, fair competition	Losses of social surplus and private resources from undeclared work are quantitatively and qualitatively significant, since they create distorted economic outcomes and strengthen non-socially sustainable economic behaviours. Economic agents should receive targeted quantified information on the consequences of such practices	Ministry of Labour, ELSTAT, universities
➢ Establish a permanent scientific committee to study the impact of the existing labour market model in the formal and informal sector of the economy.	Publish the results and create an open database, with the introduction of an open consultation process between the stakeholders	Ministry of Labour, universities, EIEAD, social partners
➢ Helpline to address urgent issues (labour accident, job position cancellation or alteration, overtime work etc.)	Develop a digital tool to assist SMEs on special cases of recruitment or cancellation process	SEPE, Ministry of Labour, Business registry
➢ A mentoring program for the benefits of transition to formal economy	Finance a mentoring- consulting program to inform and drive firms to formal sector, reduce undeclared work incidents	Social partners, NSRF 2015-2020
➢ Broader communication on the practice of targeted inspections	Explain the value of targeted inspections as a means of an integrated approach which facilitates the transition to formal economy	SEPE, media, Business registry
➢ Differentiate communication strategy for elderly and less educated business owners	Elderly and less educated people seem to worry more about bureaucracy and administrative burdens, reflecting potential deficiencies on their knowledge background. Communication strategy towards those groups shall be more personalized, less digitalized	SEPE, Ministry of Education, Ministry of Labour

Indirect implications	Rationale	Actors
➢ Digital tools for the information of businesses for changes in legislation or regulatory framework (circulars, ministerial decrees)	An extended version of helpline could be the development of digital tool for providing guides to SMEs for particular changes in legislation, by codifying and simplifying the necessary steps towards the recruitment process	SEPE, Ministry of Labour, Chambers, Business registry (GEMI)
➢ Joint actions with the participation of social partners for raising awareness on the significance of tackling undeclared and underdeclared work	Organize group- targeted events to raise awareness and improve the collective action and participation in consultations and social dialogue	Social partners (SEV, GSEE, GSEVEE, SETE, ESEE) and Ministry of Labour

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ANNEX

Business Survey Questionnaire

Company information

1. **Main Sector:**
   1. Commerce/ trade (retail- wholesale)
   2. Manufacturing
   3. Services

2. **Detailed sector:**
   1. Commerce / trade
   2. Manufacturing
   3. Construction
   4. Hotels
   5. Restaurants (food services)
   6. Transportation and Storage (logistics)
   7. Other Services

3. **Description of the enterprise's activity:**

   ____

4. **Legal form of the enterprise:**
   1. SA
   2. General/ limited partnership (OE-EE)
   3. LTD (EPE)
   4. Private Capital Company (IKE)
   5. Individual enterprises/ sole proprietorships
   6. Other

5. **Years in operation:**

   ____

6. **2017 turnover of business (estimated average, in €)**
   1. < €10,000
   2. €10 - 24,999
   3. €25 - 49,999
   4. €50 - 99,999
   5. €100 - 299,999
   6. €300 - 499,0999
   7. €500,000 – 0.99 million
   8. €1 - 1.99 million
   9. €2 - 9.99 million
   10. €10 - 49.99 million
   11. > €50 million
   12. N/A

7. Number of employees (in full-time equivalents) excluding the manager/owner/legal representative today:

1. 0
2. 1
3. 2
4. 3
5. 4
6. 5-9
7. 10-49
8. 50-249
9. >250

8. How many fixed-term employees (long-term contracts) does your enterprise have?

- Full-time: __________
- Part-time: __________
- N/A

9. How many seasonal workers (short-term contracts over periods of time) did your enterprise have over the last year?

- Full-time: __________
- Part-time: __________
- N/A

10. When is the last time you hired an employee (fixed- term or seasonal)?

1. During the first semester of 2018
2. In 2017
3. In 2016 or earlier

Institutional Reforms and Actions

11. What do you consider the most important obstacle to recruit worker (s) ?

____

12. Do you believe the following factors are obstacles to recruiting worker (s)?

	NO	Rather NO	Rather YES	YES
• Business taxation is too high				
• Non-wage cost (social security contributions)				
• Excessive bureaucracy or too much time to hire				
• Low demand (no clients)				
• Liquidity constraints / access to banks				
• Difficulty to find rightly qualified personnel				

13. What do you consider the most important obstacle to declaring worker (s) ?

____

____

14. Do you believe the following factors are obstacles to declaring worker(s)?

	Yes	Rather yes	Rather no	No
• Taxation on the wages				
• Social security contributions				
• Excessive bureaucracy or too much time to declare				
• Lack of incentives for declaring a worker				
• Not a high risk of being inspected				
• Electronic services are not customer-friendly				

15. Do you believe that your enterprise is facing unfair competition from other companies that use undeclared work?

1. Yes
2. Rather yes
3. Rather no
4. No
5. D/K

16. Why, do you believe that some other businesses do not declare their employees?

____

____

And another reason?

____

____

Data Interoperability

12. For the administrative work related to hiring an employee …

1. I use external partner/ associate (accountant etc)
2. There is a relevant department (accounting department) which operates within the company
3. I do the job by myself / personal involvement
4. N/A

13. Do you consider that the ERGANI system facilitates the registration of employees?

1. Yes
2. Rather yes
3. Rather no
4. No
5. N/A

14. Is your business satisfied with the operability of ERGANI?

1. Yes
2. Rather yes
3. Rather no
4. No
5. N/A

Policy measures

15. How likely do you think it is for your local businesses to be inspected by the Labor Inspectorate / EFKA / SDOE / Financial Police?

Small	☐
Rather small	☐
Rather high	☐
High	☐

16. Have you ever been audited during the past 5 years by the following bodies?

	Yes	**No**	**Don't know**
Labour inspectorate (SEPE)			
EFKA (ex IKA)			
Tax authorities (SDOE)			
Other state authorities (municipalities, health inspectors, tourist police, etc…)			

17. Do you know the voucher coupon system?

a. Yes
b. No (go to Q24)

18. Have you ever used it?

a. Yes
b. No
c. It is not allowed
d. D/K

19. Should the vouchers be used more often in your business?

1. Yes
2. Rather yes
3. Rather no
4. No
5. D/K

Information and Awareness Campaigns

20. Do you think that information campaigns on the negative implications of undeclared work would contribute to reduce it?

1. Yes
2. Rather yes
3. Rather no
4. No
5. D/K

21. Did you know about the Pilot Program of targeted inspections, carried out May-September 2017 in the Region of Attica?

1. Yes, I knew it
2. Yes, I heard something about it
3. No
4. D/K

22. Do you think it would be useful to create helpline from the labour inspectorate (SEPE) on labour issues?

1. Yes
2. Rather yes
3. Rather no
4. No
5. D/K

Main Demographics

23. The manager/ owner/ legal representative of the company is …

1. Female
2. Male

24. Age of the manager/ owner/ legal representative:

until 24 / 25 – 29 / 30 -34 / …. / 65-60 / 70+

25. Highest education of manager/ owner/ legal representative

#	Education	School / Level
1	No compulsory	Did not finish Primary
2	Primary	Dimotiko – (Primary school)
3	Middle	Gymnasio – (Junior high school)
4	Secondary	Lykeio – (High school)
5	Vocational/ Post-secondary	Technika Epangelmatika Ekpedeftiria (TEE) Tech/Voca/ IEK/ KATEE
6	Tertiary	University degree
7	Tertiary	Master's/ PhD degree

26. Geographical Location (NUTS 1):

1. EL 3 Attica
2. EL4 Aegean Islands, Crete
3. EL5 Northern Greece
4. EL6 Central Greece

International
Labour
Organization

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