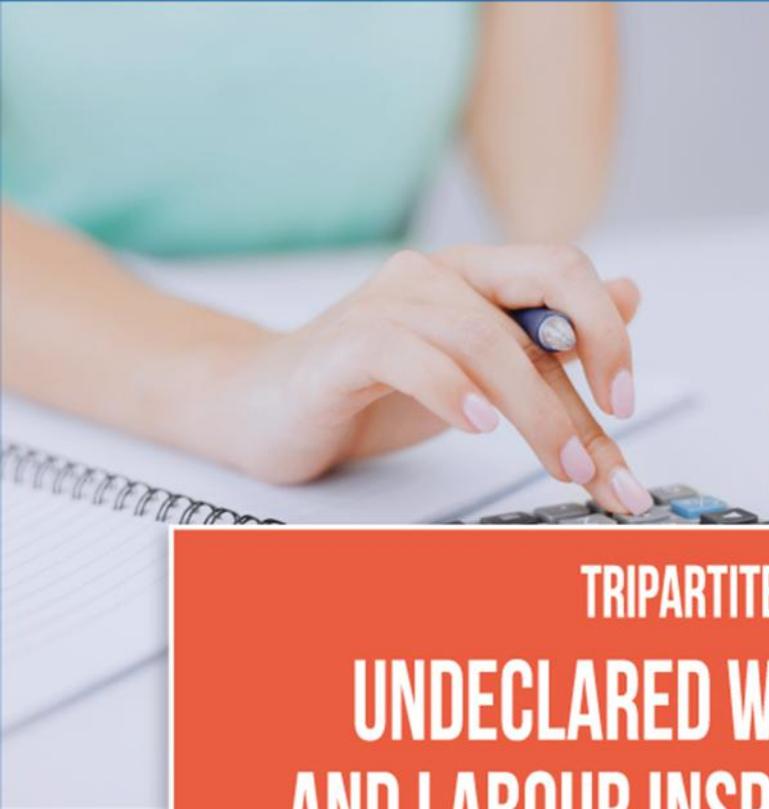


**ILO PROJECT
THE EFFECTIVENESS OF THE LABOUR
INSPECTION SYSTEM AND OF SOCIAL
DIALOGUE MECHANISMS IS STRENGTHENED**

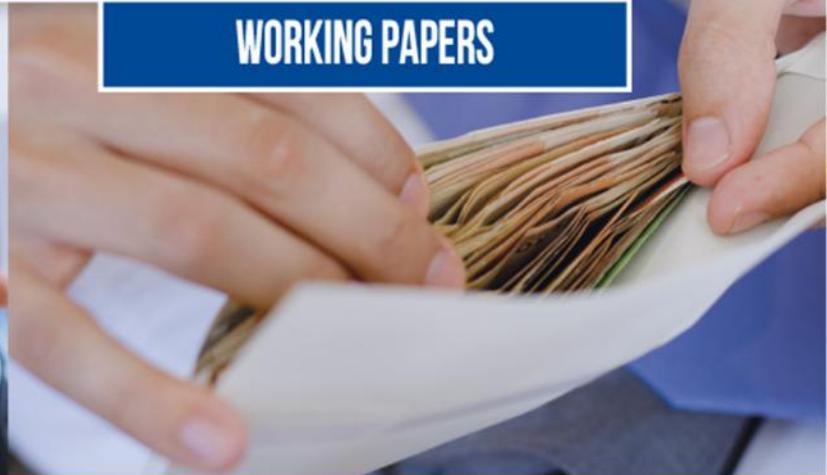


International
Labour
Organization



**TRIPARTITE WORKSHOP
UNDECLARED WORK IN UKRAINE
AND LABOUR INSPECTION MEASURES**

WORKING PAPERS

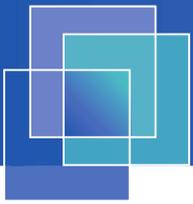


7-8 December 2016

www.ilo.org/ukraine

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4. **Undeclared Work in Ukraine: measurement, scope and ways to deter**, Oleksandr Tsymbal, national consultant



Project

“The Effectiveness of the Labour Inspection System and of Social Dialogue mechanisms is strengthened”

Tripartite workshop

Undeclared work in Ukraine and labour inspection measures

Informal economy and UDW: ILO and EU approaches

Kyiv-Ukraine.7-8 December 2016

Arsenio Fernández
Technical Specialist on Labour Inspection,
Labour Administration and OSH

- The ILO views undeclared work through the lens of the informal economy

All economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements

Recommendation No. 204

“[Employment]...which, while not illegal in itself, has not been declared to one or more administrative authorities...”.

OECD Employment Outlook 1986

“Any paid activities that are **lawful** as regards their nature but **not declared** to the public authorities, bearing in mind that differences in the regulatory system of Member States must be taken into account.”

Communication of the Commission on Undeclared Work, COM (98) – 219.

What is informal economy? I

Some definitions of Informality

ENTERPRISE-BASED DEFINITION

Employment in the informal sector – All jobs in informal sector enterprises -

JOB-BASED DEFINITION

Informal employment – “All informal jobs, whether carried out in formal sector enterprises, informal sector enterprises, or households -

ILO-DEFINITION

Informal economy - All economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements

What is informal economy? II

The ILO uses the term of ‘informal economy’ and defines informal economy as

«all economic activities by workers and economic units that are – in law or in practice- not covered or insufficiently covered by formal arrangements»

Article 2 (a) of the Transition from the Informal to the Formal Economy Recommendation, 2015 (No.204)

Consequences of informal economy for workers

Workers in the informal economy are not recognized, registered or regulated under labour legislation and social protection, and generally go unaccounted for in official statistics. As a result

They largely lack social protection

The lack of rights at work

They lack of representation in the workplace

Decent work and informal economy

The International Labour Organization emphasizes the need to encourage transition from informal to formal work **as a prerequisite for achieving decent work**. The informal sector does not comply with the four Decent Work Pillars:



EU concept of Undeclared Work

The European Commission adopted the communication **98/219, of 7 April 1998** which defines undeclared work as

“any paid activities that are lawful as regards their nature but not declared to the public authorities, bearing in mind that difference in the regulatory system of Member States must be taken into account”

This definition excludes criminal activities and work which does not have to be declared.

Consequences of Undeclared Work

- Working conditions, health and safety
- Employment rights (annual leave, working time)
- Training, lifelong learning
- Employment security (redundancy payments, unemployment benefits)
- Pensions, healthcare,
- Unfair competition
- Reduction of tax revenues and social security contributions

Typologies of undeclared work I

Wholly undeclared work

Types:

- Unregistered employees without a contract who work for a business, for a household, as family members, private tutors, or as farm workers.
- Undeclared own-account work conducted on a self-employed basis where all or some of their transactions are not declared.

Typologies of undeclared work II

Under- declared work

Main characteristic: illegal practice of salary under-reporting. Includes

- Double payments: (a) an official salary declared for tax, social security and labour law purposes, and (b) an additional undeclared remuneration received 'under the table' or by 'envelope'.
- Employment contracts for less working time than what employees actually work.

Aims of the EU platform on UDW

Decision 2016/344 of 9 March 2016

- Exchange of best practices and information and to provide a framework at Union level for the purpose of developing common understanding, expertise and analysis on undeclared work
- Shared definitions and common concepts of undeclared work
- Encourage cooperation between the different enforcement authorities of Member States participating in such cross-border actions on a voluntary basis.
- Strengthening of cooperation between Member States

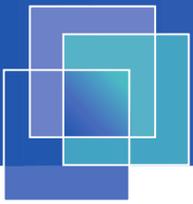
The role of Labour Inspection

The strategy for government action, especially through the ministry of labour should be taken basically on three fronts:

- ✓ *preventing informality,*
- ✓ *formalising informal activities and*
- ✓ *reducing the protection gap.*

What are the challenges faced by Labour Inspection ?

- ✓ The insufficient mandate of labour inspection with regard to the dispersed, hidden nature of the informal economy
- ✓ Weakness of labour administrations, and particularly labour inspection
- ✓ Lack of resources allocated to labour inspection
- ✓ Need to respond to specific difficulties (work in private homes, in agriculture, in MSEs)
- ✓ Lack of specific strategies and methodologies
- ✓ Lack of specialized training
- ✓ Poor cooperation with external stakeholders



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Labour inspection practices to fight against different typologies of Undeclared work: EU experiences

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Technical Specialist on Labour Inspection,
Labour Administration and OSH

Pre-Conditions for Labour Inspection in the informal economy I

An adequate Legal Framework



Law should encompass all workers and all sectors



The mandate of labour inspectors has to be broader

Pre-Conditions for Labour Inspection in the informal economy II

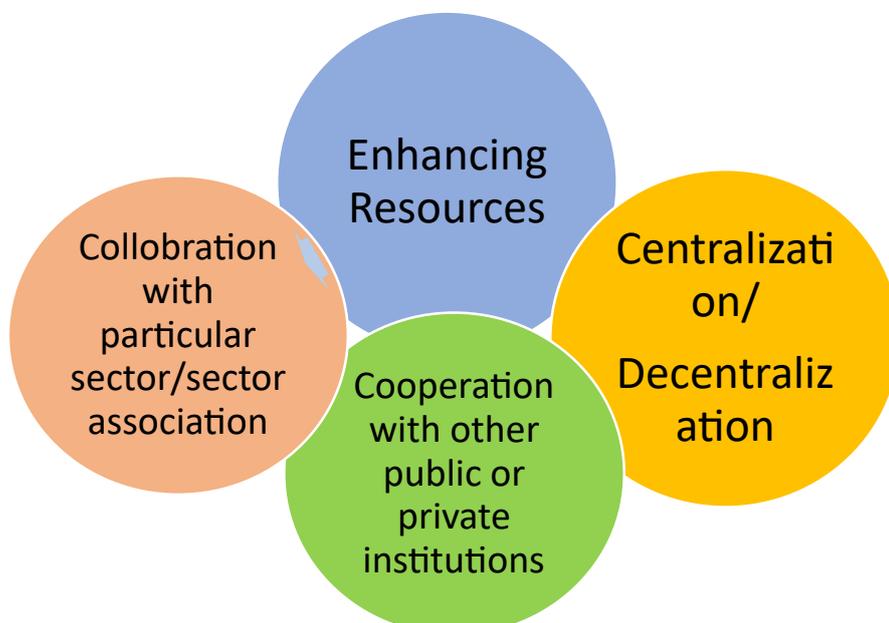
Legal framework aligned with ILS, in particular regarding the conditions of service of labour inspectors

Powers of labour inspectors

- ✓ **Supervision:** including its right of **free entry to establishments** and the **right of free inspection**
- ✓ **Injunction: ordering** the enterprise to adopt necessary measures to remedy defects in accordance to the labour legislation

Pre-Conditions for Labour Inspection in the Informal Economy III

Institutional Framework



Challenges for Labour Inspection on UDW

Special difficulties in the inspection visits, due to the characteristics of undeclared work

How to legalise the situations of noncompliance that have been found and indemnify those whose interests have been prejudiced.

Sectorial problems

Role of Labour Inspection on UDW

No worker should be excluded from protection on account of an irregular employment status and that the functions of labour inspectorates are to secure conditions of work in accordance with relevant legal requirements and not the lawful nature of their employment.

The mandate of labour inspectors should be distinguished from other bodies in order to maintain a climate of confidence between labour inspectors and workers, including the ones undeclared.

(2006 General Survey on Labour Inspection (§ 150)

DIVERSE COMPLIANCE STRATEGIES THROUGH LABOUR INSPECTION

COMPLIANCE



EU practices I : regarding mandate and organization

- Central LI countering UDW
- Committees or inter-institutional departments/ agencies
- Specialized units
- Self-regularization initiatives
- Use of new technologies

EU practices II-Other approaches

Poland → *Press material* concerning prevention of illegal employment (use of media)

Ireland → Release of information on labour law compliance by phone, additionally to the information available on the website and printed resources

Spain → register of accredited enterprises for construction, whose licence can be cancelled as a result of inspection.

EU practices III: other approaches

France → Construction owners are elucidated about their obligations when applying for a licence

Norway → there is since 2011 a compulsory approval scheme where companies rendering cleaning services have to seek for approval from the labour inspectorate, which can ban companies that were not approved

Belgium → The abuse of false self-employment status by European migrants led the government to legislate in a way to demand payment of their respective social security taxes from the day they arrive in the country

Tools for Labour Inspection I

The first and better tool for labour inspectors to tackle effectively undeclared work is the **law**.

- Legal presumptions
- Reversal of burden of proof
- Lists of indicators for the recognition of the employment relationship (Recommendation No. 198 (2006))

Tools for Labour Inspection II

Technical tools developed for undeclared work include:

- planning maps,
- criteria to select enterprises,
- manuals,
- operational guidelines,
- checklists and scripts for interviews,
- visit protocols
- and visit follow up procedures.

Inspectors may carry out inspections using agreed case management procedures

Tools for Labour Inspection III

Databases with information on

- businesses,
- workplaces,
- inspection visits
- and procedures

are fundamental tools

Tools for Labour Inspection IV

Specific Training:

Labour inspectors need to be capacitated on the use of soft skills to conduct visits on undeclared work as they will be dealing regularly with non-cooperative employers, poorly informed workers, migrant workers and can face obstruction to inspection.

Joint visits with other authorities will require high levels of assertiveness for which training is also suggested.

Tools for Labour Inspection V

Cooperation with other administrative authorities

The number and nature of institutions dealing with undeclared work is multiple, among which labour inspectorates, social security, tax administration, immigration services and to some extent the police.

Tools for Labour Inspection VI

Collaboration with social partners

On the 2006 General Survey on Labour Inspection, the CEACR pointed out that “the labour inspectorate can attain its objectives only if appropriate measures are adopted by the competent authority to promote effective collaboration with employers and workers in its activities. Indeed, social partners have a fundamental role on defining responses to prevent and fight against undeclared work”

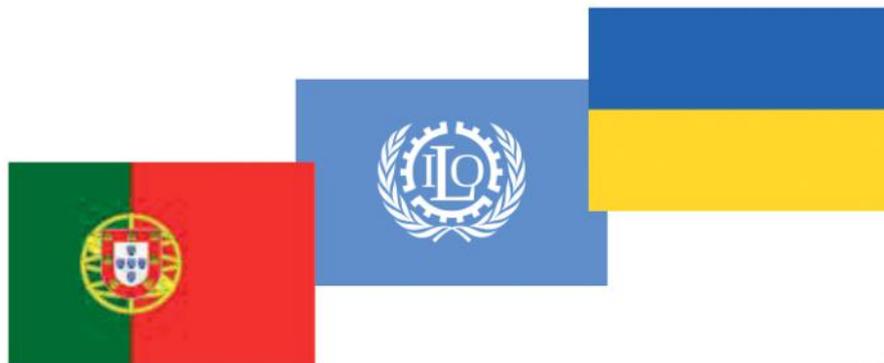
Tools for Labour Inspection VII

Cross border cooperation

Exchange of information about enterprises and workers from one country operating in the other, but also on capacity building by sharing views, experiences and tools.

LI Campaign to tackle undeclared work – Portugal

Kyiv - Ukraine,
07-08 December 2016



Summary

Introduction

- LI in Portugal: organisation and attributions
- Labour inspector's powers
- Main enforcement procedures

Portuguese LI Campaign on UDW 2014-2015

- Concept of UDW
- Why a national campaign
- Objective
- Key actions
- Partners
- Key elements and tools
- Challenges and factors of success
- Some results

The Authority for Working Conditions (LI)

- ✓ A state central authority
- ✓ Integrates the direct administration of state under the Ministry of Labour, Solidarity and Social Security (MTSSS)
- ✓ It is generalist: labour relations and OSH
- ✓ In all private sectors
- ✓ Except public sector
- ✓ Jurisdiction over the whole of the mainland territory
- ✓ Head Office in Lisbon
- ✓ Decentralised services, spread throughout all the districts of mainland Portugal (32)

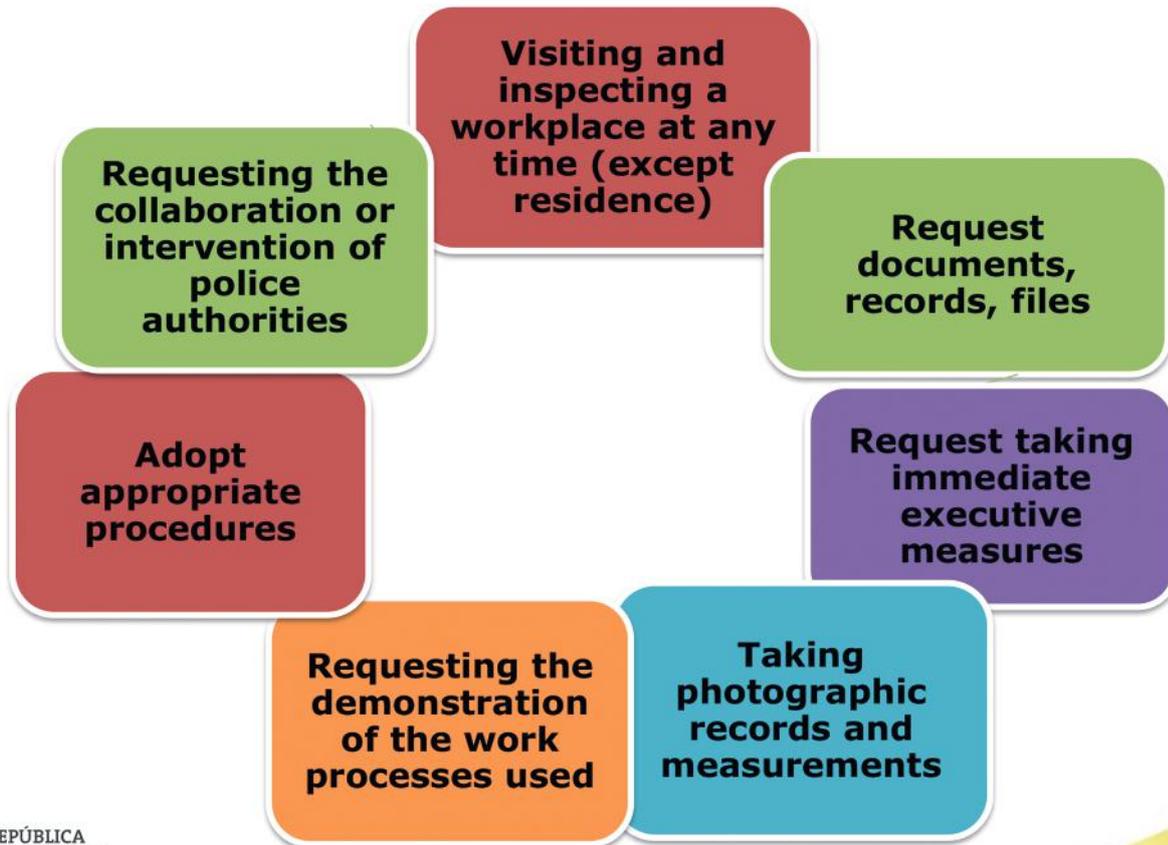
LI Organisation in Portugal/ Attributions

Labour Relations

- Undeclared work
- Social security
- Working hours
- Maternity/paternity leave
- Holidays, public holidays and absence
- Posting of workers
- Remuneration
- Reduction or suspension of employment contracts
- Bogus self-employed
- ...

OSH

- Agriculture
- Construction
- Machinery
- Mines and quarries
- Footwear industry
- Fisheries
- Використання азбесту
- Biological agents
- Chemicals
- Carcinogenic
- ATEX (explosive atmospheres)
- GMOs (genetically modified organisms)
- Transport
- ...



Main Enforcement procedures

Written warning	<ul style="list-style-type: none">• minor breach of the law is overcome within a reasonable time limit• whenever there is no serious and irreparable damage for the employee, labour administration or social security
Improvement notice with a deadline	<ul style="list-style-type: none">• to rectify any fault regarding to OSH within a reasonable time limit
Prohibition notice	<ul style="list-style-type: none">• underage activity• OSH: in the event of immediate or imminent danger for the safety or health of employee
Notice of infringement	<ul style="list-style-type: none">• violation of law/ regulation subject to the competence of LI• infringements punishable with a fine• direct verification of facts by the labour inspector• indirect verification through documents or other registries

The concept of undeclared work used throughout this presentation is the one adopted by the European Commission in both its Communications about undeclared work [COM(98) 219, p. 4 and COM(2007) 628 final, p. 1]: **any paid activity lawful in nature, but not declared to public authorities, taking into account the legislative differences existing between Member States.**

The undeclared work in Portugal can be divided into two major categories:

- **fully** undeclared work
- **partially** undeclared work

The latter can also be subdivided into two other subcategories: sub statement of pay and disguised employment.

Why a national campaign?

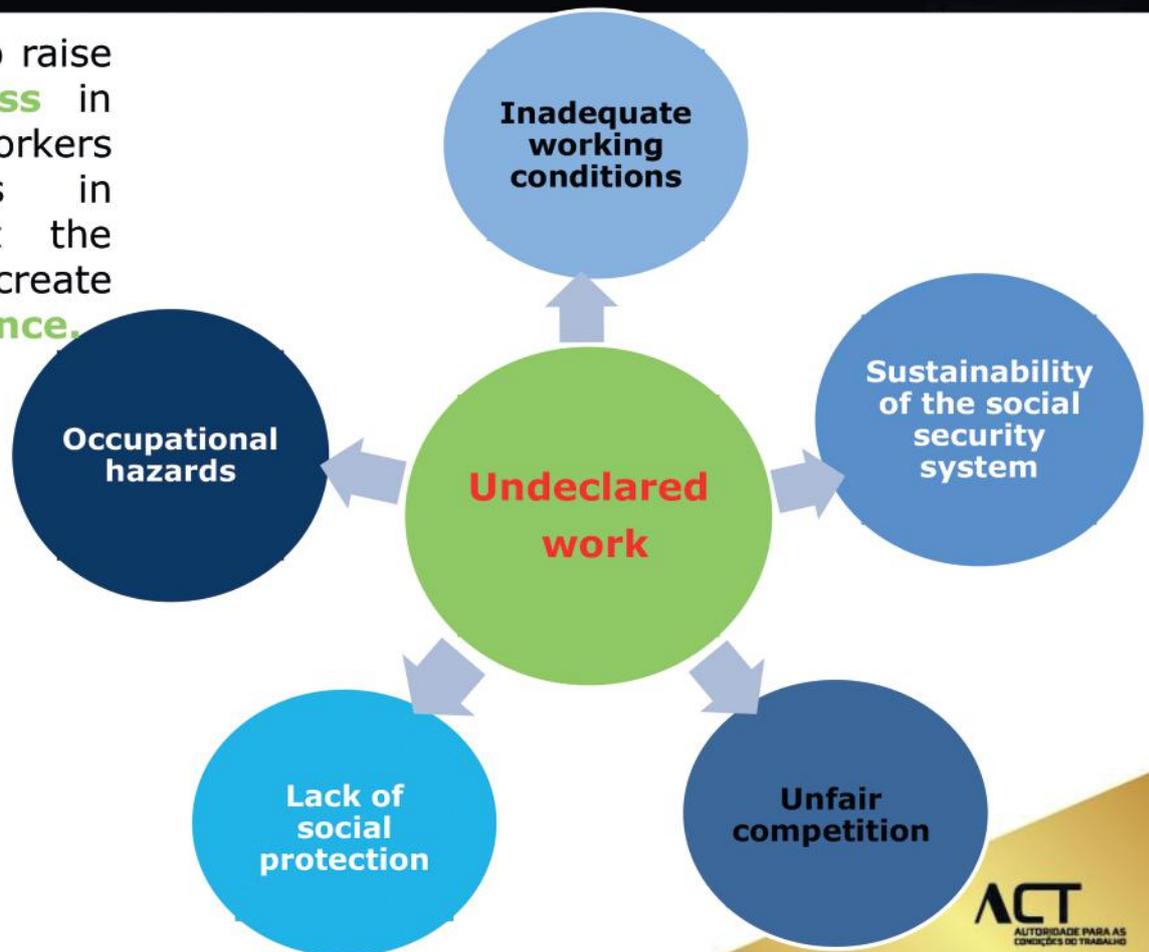
Evolution of unregistered economy in Portugal 1970/2013



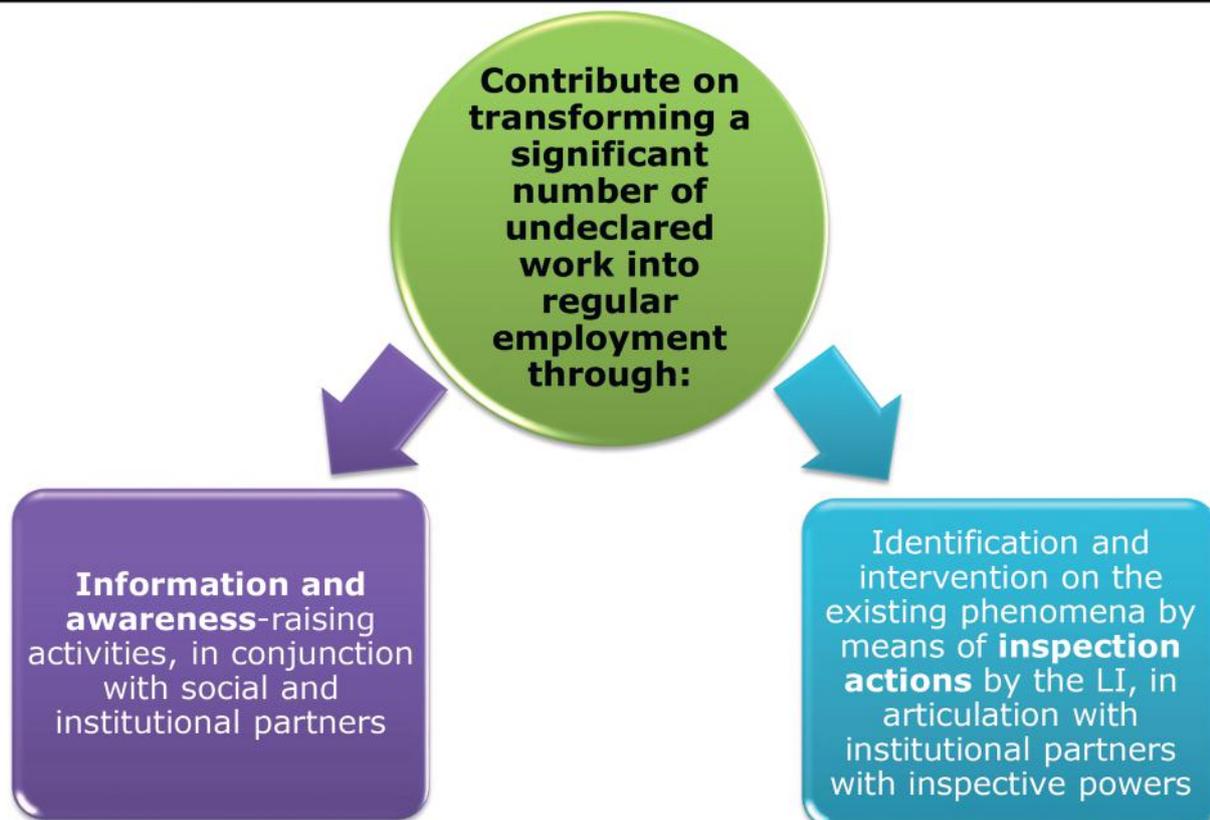
The weight of unregistered economy in the official GDP in Portugal has evolved from 10.23% in 1970 to 26.81% in 2013

Why a national campaign?

It is necessary to raise public **awareness** in general and workers and employers in particular about the risks of UDW, to create a **social conscience**.



Objective



Strategic objectives:

- A) Detect and combat fully and partially undeclared work, promoting the transformation of undeclared work into regular employment;
- B) Promote a culture of compliance with employment obligations;
- C) Raise awareness of the need and advantages of declared work and the negative consequences of its non-declaration.



The strategic objectives were embodied in the following operational objectives:



The Campaign was structured in two lines of action:

(1) Information / Awareness raising / Education

(2) Inspection visits by LI (enforcement)

LI and institutional partners with inspective powers have developed actions within 1) and 2).

Social partners and other institutional partners with no inspective powers participated only in 1) - Information/ Awareness/ Education.

Key actions - The Campaign was developed through actions of:

- (A) Informing the various labour market agents of existing declaratory obligations and consequences of non-compliance;
- (B) Awareness in civil society of the effects and consequences of undeclared work;

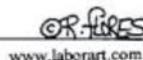


Key actions - The Campaign was developed through actions of:



(C) Information to future labour market agents, including students and trainees, on declaratory and contributory employment obligations and consequences of non-compliance;

D) promoting the regularization of undeclared work situations detected through LI action jointly with institutional partners with inspective powers, through the strengthening of control mechanisms.



Partners



Institutional partners:

- ✓ Social Security Institute (ISS)
- ✓ Tax and Customs Authority (AT)
- ✓ Immigration and Borders Service (SEF)
- ✓ Institute of Employment and Training (IEFP)
- ✓ National Association of Portuguese Counties (ANMP)
- ✓ High Commission for Migration (ACM)



Social Partners

- ✓ Trade Unions Confederations (UGT and CGTP-IN)
- ✓ Employers' Organizations (Agriculture – CAP, Industry – CIP; Trade and Services – CCP; Tourism – CTP)



• Targets

- ✓ Employers (beneficiaries of the activity)
- ✓ Workers
- ✓ Citizens in general, especially children and young people (the workers of tomorrow)



Key elements and tools

• Support tools

- ✓ Citizens in general: national advertising campaign (written press advertisements and radio, posters, flyers)
- ✓ Specific targets (employers and workers): posters, flyers, telephone helpline, FAQ with answers on LI website, micro site for the campaign
- ✓ Children and young people: sessions of awareness and information in schools (elementary and high school)



Ações de Sensibilização

Tudo em colaboração e cabendo das ações previstas, para participar basta contactar nos locais indicados à hora marcada, a participação é gratuita.

Ações já realizadas				
Local de realização da ação	Data de realização da ação	Parceiros	Contacto para mais informações	Programa
Barral - Salão Paroquial de Preparação da Ceia	13 de maio de 2016	Associação Comercial e Industrial de Barral	293689960	
Esposende - Auditório da Biblioteca de Esposende	22 de maio de 2016	Associação Comercial e Industrial de Barral	293689960	
Barral - Salão da Junta de Preparação de Vila Rica	27 de maio de 2016	Associação Comercial e Industrial de Barral	293689960	
Barral - Junta de Preparação de Alinho S. Pedro	3 de junho de 2016	Associação Comercial e Industrial de Barral	293689960	
Barral - Junta de Preparação de Vila Rica	25 de junho de 2016	Associação Comercial e Industrial de Barral	293689960	
Portugal - DDP	28 de julho de 2016		245200030	
Portugal - CSEP	28 de julho de 2016		245200030	
Portugal - CSEP	29 de julho de 2016		245200030	



Awareness/ Information / Education Tools

Information available on our website

Trabalho Não Declarado

Seminário de Lançamento
Programa Enquadrador
Instrumentos de Informação
Parceiros
Ações de Sensibilização
Seminário de Encerramento - Imagens e Apresentações

Facebook Instagram Twitter YouTube

Contratos de estrangeiros
registre aqui o contrato de um trabalhador estrangeiro

Queixas e Denúncias
faça aqui a sua queixa ou denúncia

Simulador de Compensação
calcule a compensação por cessação do contrato de trabalho

Livraria
compre aqui os nossos livros

CAMPANHA NACIONAL CONTRA O TRABALHO NÃO DECLARADO

O trabalho não declarado constitui uma preocupação europeia e mundial, especialmente desde 2008.

Neste sentido, a Estratégia de Lisboa reconhece que "o trabalho não declarado tem repercussões negativas que afetam os três pilares da Estratégia de Lisboa, nomeadamente os grandes objetivos da Estratégia Europeia de Emprego (pleno emprego, qualidade e produtividade do trabalho e coesão social)".

O trabalho não declarado tem efeitos económicos e sociais com impacto na economia nacional, na medida em que diminui as receitas fiscais e da segurança social.

Tende a distorcer a concorrência entre empresas, abrindo caminho ao dumping social.

As consequências do trabalho não declarado impõem a necessidade de sensibilizar e consciencializar a opinião pública, em geral, e os trabalhadores e empregadores, em particular, quanto aos seus riscos e aos efeitos positivos da declaração de todos os contratos celebrados e pagamento integral das contribuições e impostos, nomeadamente na atual conjuntura nacional e europeia, objetivando a formação de uma consciência social contrária ao trabalho não declarado.

O trabalho digno em todos os locais de trabalho, enquanto conceito agregador de princípios fundamentais no trabalho e no emprego, constitui um dos eixos estratégicos da atividade inspetiva da ACT, no qual se salienta o seu contributo para a proteção de direitos e garantias, incluindo a universalidade de proteção social a todos os trabalhadores, o que justifica um especial enfoque na problemática do trabalho não declarado.

Assim, o combate ao trabalho não declarado e a promoção do emprego sustentado constituem objetivos prioritários que constam do Plano de Atividades da ACT, razão pela qual a ACT se propõe promover em 2014 uma Campanha Nacional contra o Trabalho não Declarado.

Com a Campanha pretende agregar-se vontades e sinergias com os parceiros sociais e institucionais, gerando um efeito multiplicador no combate a este fenómeno, potenciando exponencialmente na sociedade portuguesa a intenção comum em reduzir e combater o trabalho não declarado. A ACT reconhece que através unicamente da sua ação, a eficácia desse combate fica longe do desejável.

Disclosure
Press
Electronic flyers
Social networks
Radio spots
Partners

Challenges/ difficulties when planning inspections against UDW

Entropy of the judicial system that tends to compromise the sanctioning of infringements and the deterrence of the phenomenon, feeding the widespread perception of impunity of offenders

Difficulty to notify defendants and jointly responsible persons in the context of labour offenses administrative procedures

Insufficient human, financial and material resources of the competent public authorities to fight against UDW in Portugal, in particular LI.

Factors inducing UDW, such as the economic crisis, austerity measures (including reduction of salaries and pensions), high level of unemployment, low level of employment and excessive tax and contributory burden over labour incomes.



National Campaign UDW 2014 Some results

**CAMPANHA NACIONAL
CONTRA O TRABALHO
NÃO DECLARADO**

**Trabalho não declarado
Mau para si. Prejudicial para todos**

GOVERNO DE PORTUGAL | MINISTÉRIO DA SOLIDARIEDADE, EMPREGO E SEGURANÇA SOCIAL | ACT
AUTORIDADE PARA AS CONDIÇÕES DO TRABALHO

**UNDECLARED WORK.
It's bad for you, harmful for all!**

National Campaign UDW 2014

Some results



If you have any questions please contact
707 228 448

For more information see
www.act.gov.pt



**NATIONAL CAMPAIGN
AGAINST UNDECLARED WORK**

**UNDECLARED WORK
IT'S BAD FOR YOU, HARMFUL FOR ALL!**



National Campaign UDW 2014

Some results

What's UNDECLARED WORK?

These are the situations of undeclared work:

- Lack of communication from workers to Social Security
- Partial or total no declaration of the compensation paid to workers to Social Security, to the insurer and to the Tax Authority
- False statements regarding retribution

Undeclared work can be the same as:

- Inadequate working conditions
- Discrimination and social exclusion

DID YOU KNOW:

- According to 2013 Eurofound data, informal economy in Portugal represents about 19.4% of the country's domestic income
- Undeclared work has both social and economic effects on the national economy once it decreases tax revenues and puts at risk the Social Security financial systems
- Undeclared work has negative effects on the worker's situation and labour relation, regarding retribution, organisation of working time, vocational training, protection in situations of illness, accidents at work, unemployment or retirement, as well as matters of safety and health at work
- Undeclared work has negative effects on the dynamics of business growth and on the opportunities of innovation and improvement of human skills
- The competitiveness among companies is distorted due to the unfair competition between those who respect and those who do not respect the rules
- Undeclared workers may be excluded from safeguard and health surveillance measures, as well as depending on conditions of wages insecurity conditions and without any social protection
- Public accounts suffer a loss of resources which leads to the breakdown of tax revenues and social contributions
- The return of undeclared workers to formal economy may constitute an important factor of economic recovery

The National Campaign against UNDECLARED WORK aims to:

- Promote a culture of fulfillment and knowledge of the rights and obligations concerning employment
- Alert the society, employers and workers for the advantages of declared work and also for the negative aspects of the non-declaration
- Alert, inform and promote the transformation of fully or partially undeclared work into regular work



What are the risks for the employer with UNDECLARED WORK?

- Undeclared workers sometimes are unhappy and may not be identified with the company, which is reflected in productivity and competitiveness of the company
- Undeclared workers are not covered by insurance for accidents at work therefore they have to assume all costs, in full, in case of an accident
- The employer will be charged with a serious misdemeanor, very serious or tax crime
- The employer will have to return all the subsidies received and pay all the missing contributions, being also responsible for social benefits unduly received by the workers

What are the risks for the employee with UNDECLARED WORK?

- The undeclared worker is not covered by insurance for accidents at work
- In case of an accident at work, the undeclared worker and his family will stay in an unprotected situation and will not benefit social protection from Social Security
- In case of illness or unemployment, the undeclared worker does not receive compensation or any allowance
- The undeclared worker is not entitled to a parental leave allowance
- The period of undeclared work and the undeclared payments don't count for the retirement
- The undeclared worker will have to return amounts received from social security

Awareness/ Information / Education

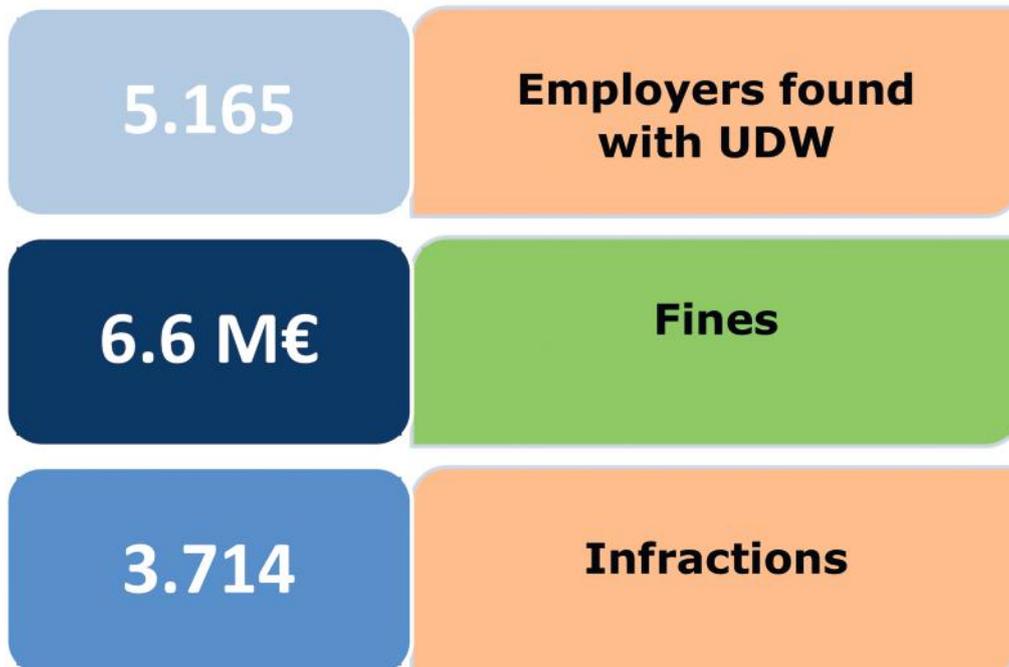
- **129 sessions**
- **6.607 participants**
- **Targets:**
 - Workers and their representatives
 - Employers and their organisations
 - Independent workers /service providers
 - Associations
 - Students (elementary and high school students)
 - University students and teachers



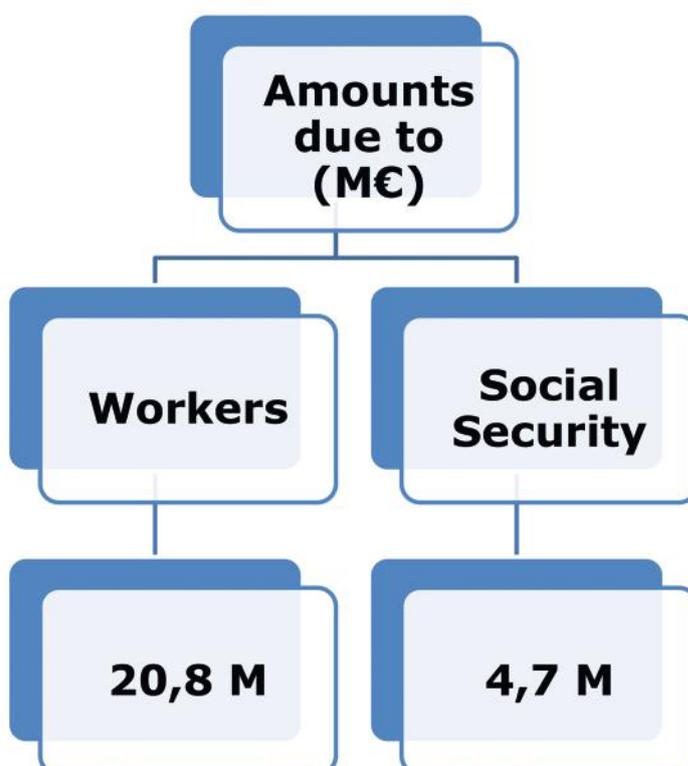
Inspection



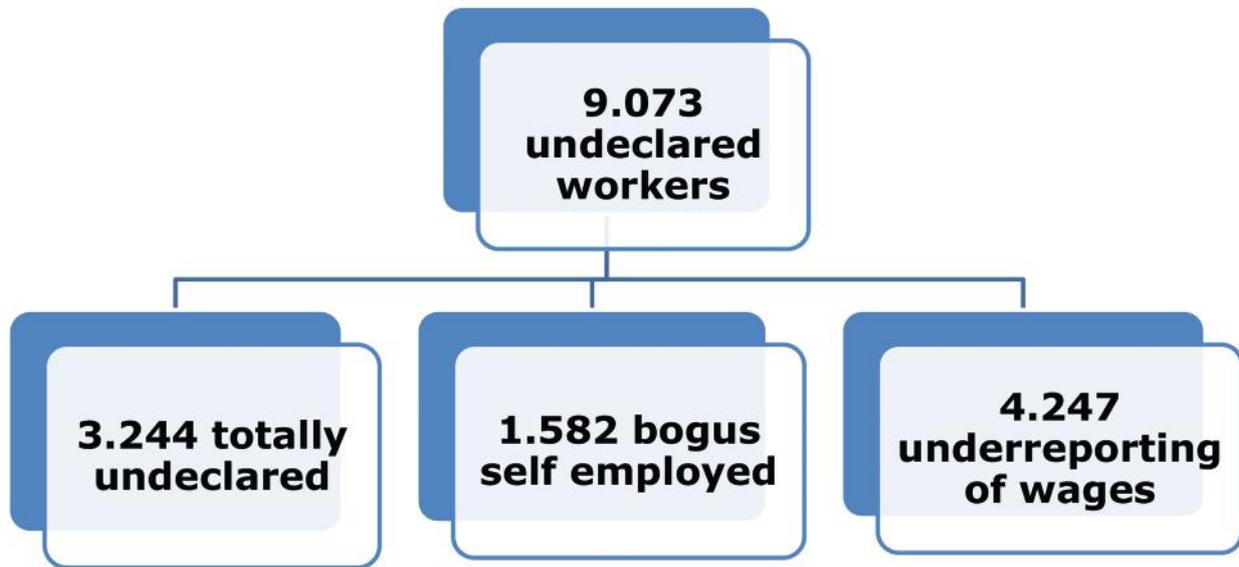
Inspection



Inspection



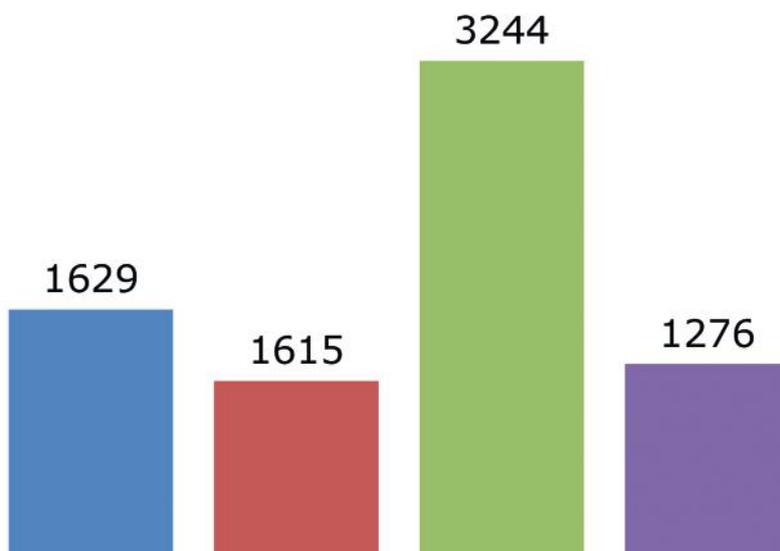
Inspection



Inspection

Totally undeclared

■ Men ■ Women ■ Total ■ Integrated



• 40% of the situations were corrected!

Conclusions: main measures to combat UDW



Preventive	Detection and sanctioning	Assessment and monitoring
Legal framework favourable to registration	Cross-border cooperation	Recollection, treatment exchange and data analysis
Information, awareness and reinforcement of collective bargaining	Collaboration between competent national authorities	Cooperation between institutes responsible for data statistics
Exchange good practices	Involvement of social partners	Continuous monitoring of results
Promote job creation policies	Strengthening of sanction mechanisms	



Conclusions



- 1st campaign of labour relations developed with social partners
- Great dynamic with partners
- Approach at the local level between various agents
- Development of methodology and specific instruments
- Difficult to detect situations and evidence - hidden phenomenon
- Existence of legal constraints
- Essential crossing data to optimize information and ensure effectiveness





Thank you for your attention!

fatima.pisco@act.gov.pt



International Labour Organization

"The effectiveness of labour inspection system and mechanisms of social dialogues strengthened"

Tripartite workshop

Undeclared Work in Ukraine: measurement, scope and ways to deter

Olexandr Tsymbal, National Institute
of Strategic Research

Main manifestations of undeclared work in Ukraine and urgency to overcoming this phenomenon



Wages in envelopes

Informal employment

Who measures

Ministry of Economic Development and Trade of Ukraine



Informal employment in the formal sector

Employment in the informal sector

Who measures

State Statistics Service of Ukraine



How it is determined

As a part of the shadow economy

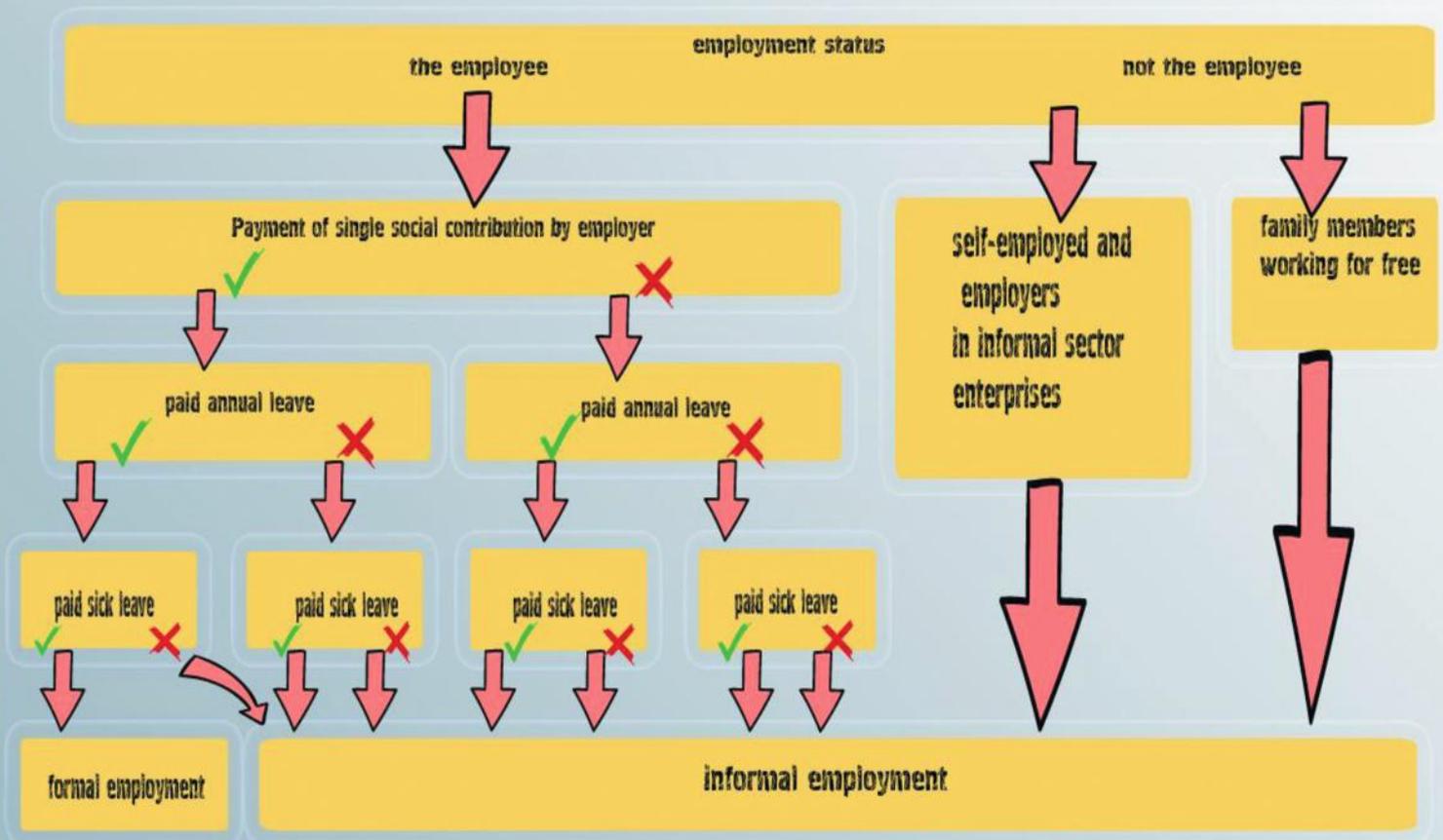
The shadow economy - the economic activity of business entity which is not registered in accordance with the established procedure, performance of works and delivery of services, evasion of taxes, collections (mandatory payments), statistical questionnaire surveying and submission of statistical reporting what results in violation of the statutory established norms (levels of the minimum wage, working hours, work conditions and safety, etc).

How it is determined

Exists in both formal and informal sectors of economy. Covers all type of non-standart work and all being employed but de jure and de facto not covered by national labour law, tax system and social protection system. Defined as total number of informal workplaces in enterprises of formal or informal sectors or in households (within the reported period).

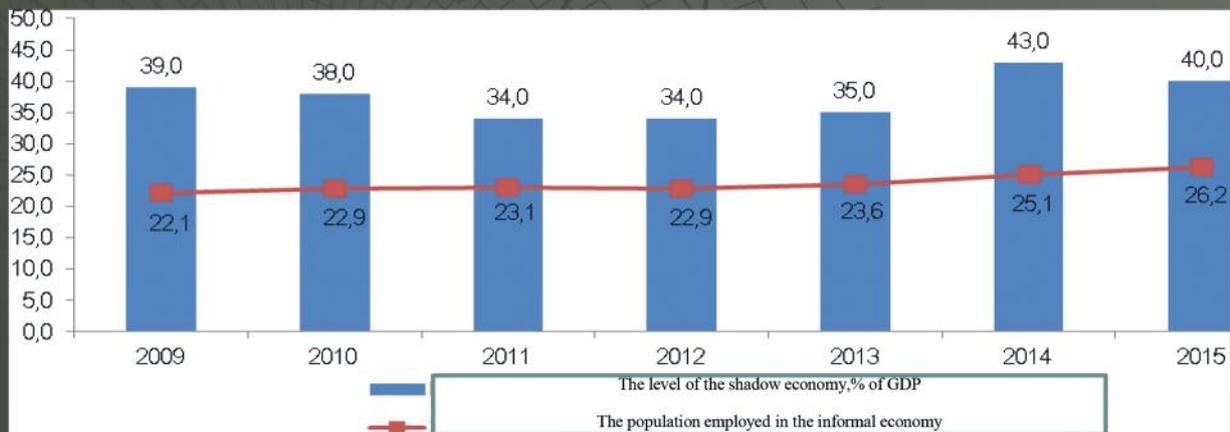
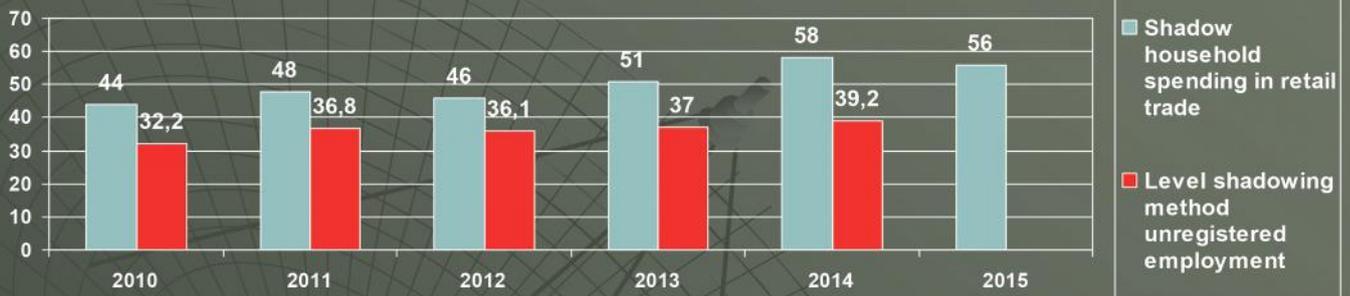
The procedure for determining informal employment

Characteristics of primary employment



Various aspects of undeclared work in terms of the shadow economy and informal employment

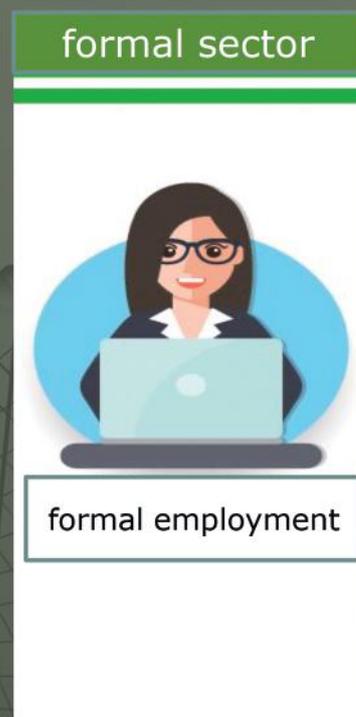
- 13 pct - The average difference between the share of informal employment and shadow work on the method aggregate level of shadow economy in unregistered employment ;
- The dynamics of informal employment is better correlated with indicators of shadow household spending in retail than with the level of the shadow economy



General parameters informal employment in Ukraine in 2015

16443,2 thousand people - the number of the employed population Ukraine

- ◆ 12139,9 thousand people - the population employed formally (that's 73.8% of the employed population)
- ◆ 4303,3 thousand. - the population employed informally (that's 26.2% of the employed population)



Two sub-groups of informally employed population:

formal sector



informal employment

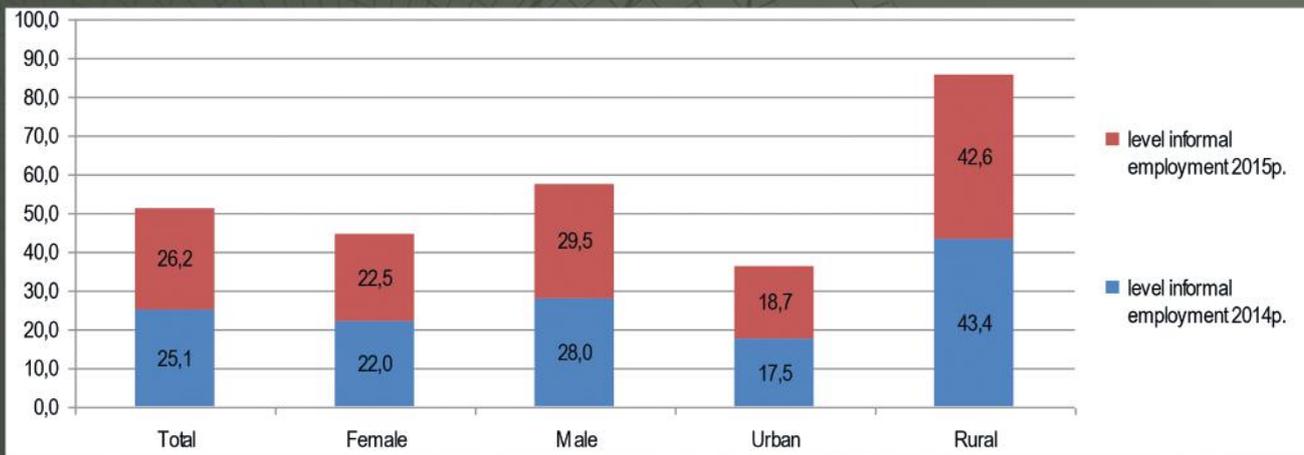
2075,1 thousand - the number of persons employed informally in the formal sector (48.2% of the employed informally)

informal sector



informal employment

2228,2 thousand - the number of employed in the informal sector (51.8% of the employed informally)



formal sector



Неформальные занятости

informal employment

informal sector



Неформальные занятости

informal employment

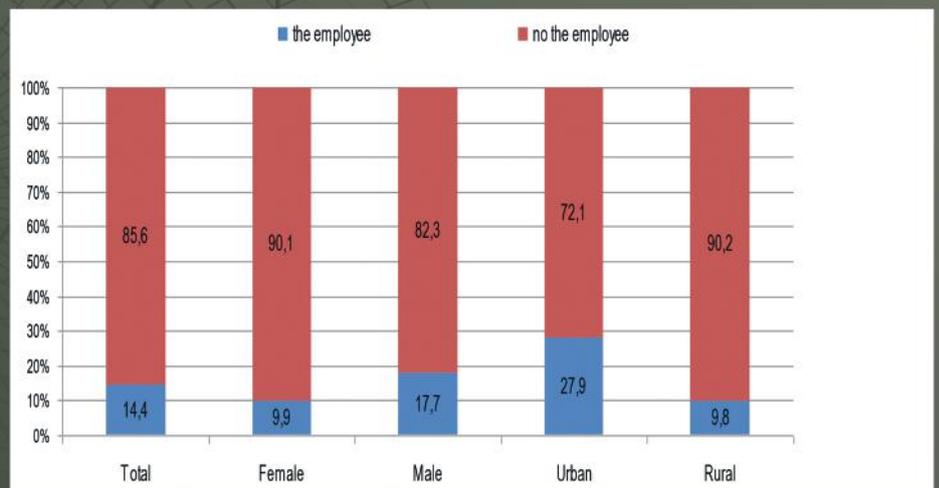
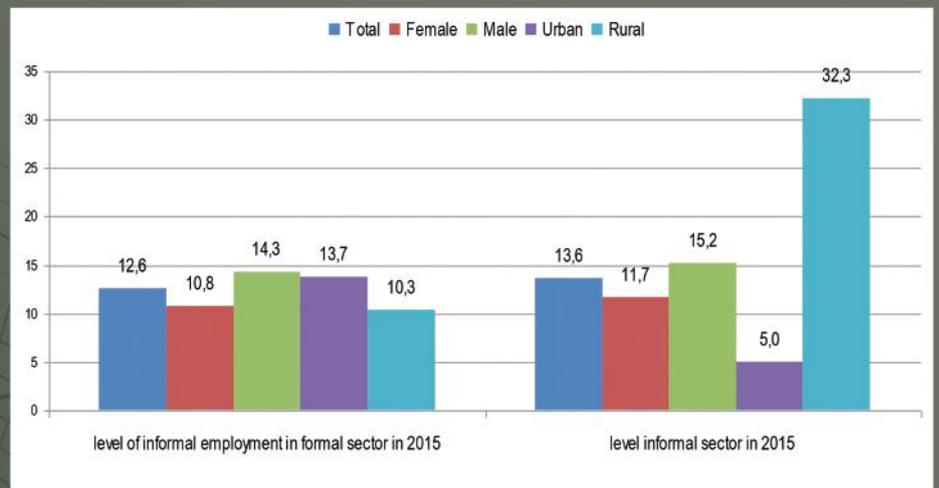
A significant difference only in the context of settlement

informal sector



informal employment

The majority work in the informal sector as employers or self-employed. However, among male and urban residents their share significantly less.

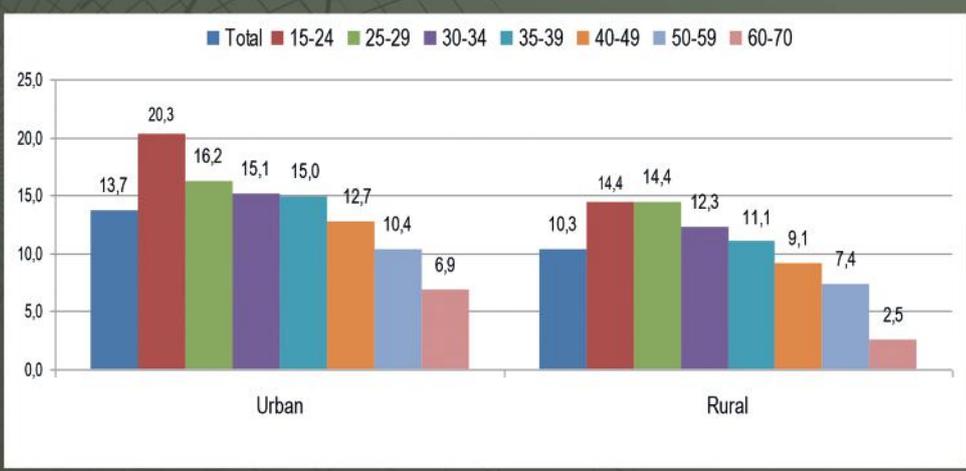
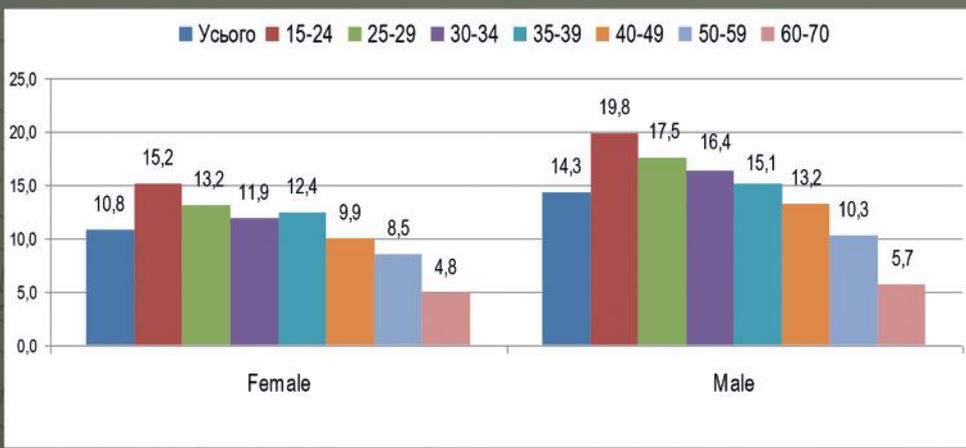


Gender and settlement features of informal employment in the formal sector, depending on age

The older person so less chance that he/she will work as undeclared

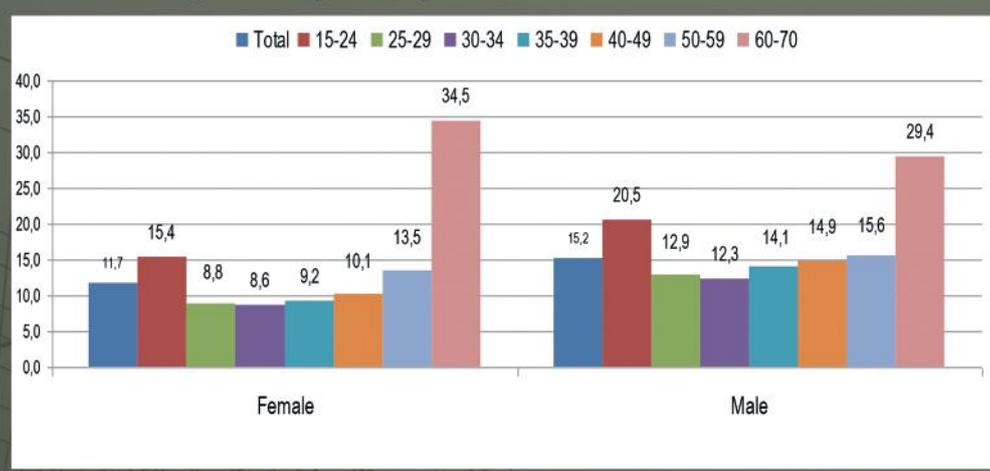
Among men and urban residents, this tendency is clearer.

The most vulnerable to informal employment in the formal sector are young people under 24 years.

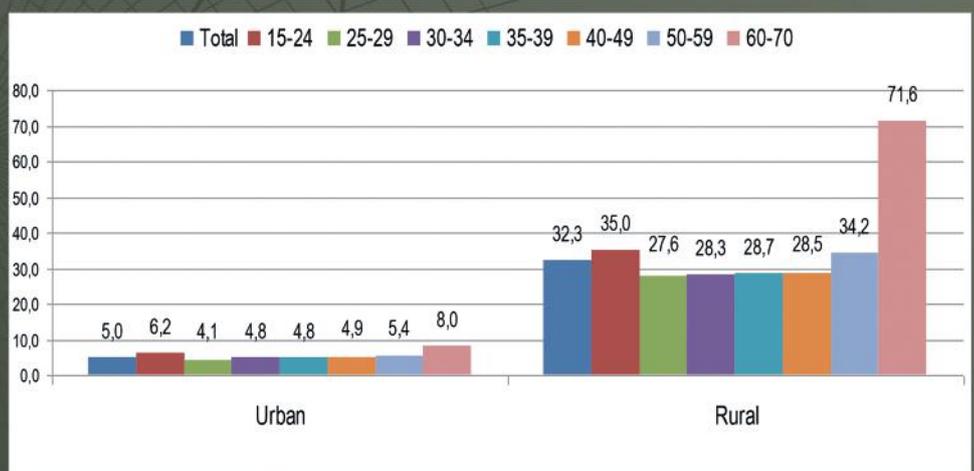


Gender and settlement features the share of employment in the informal sector, depending on age

Most sensitive age groups regarding employment in the informal sector are young persons 15-24 and over 60 age.

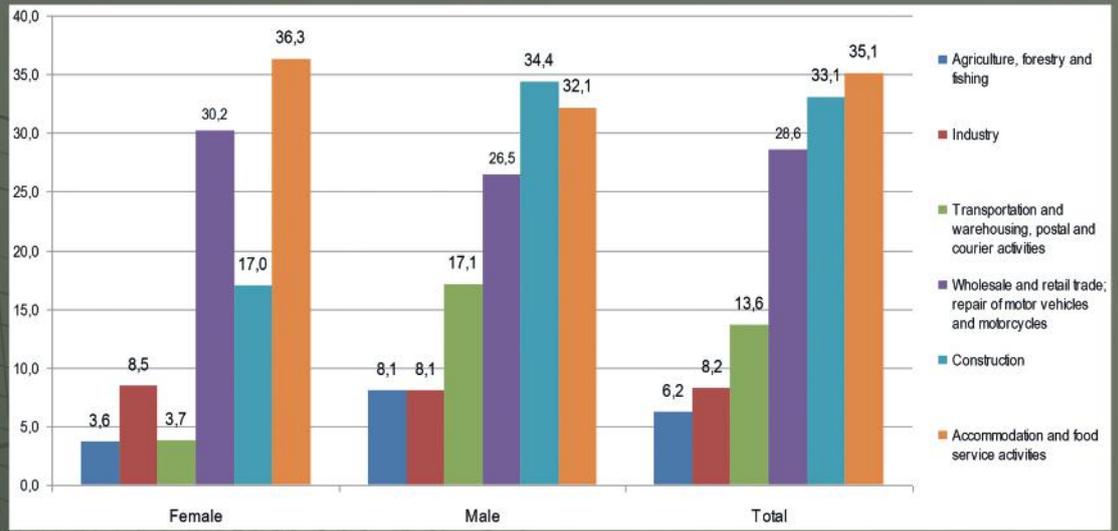


At the age difference between urbans expressed strongly Softer

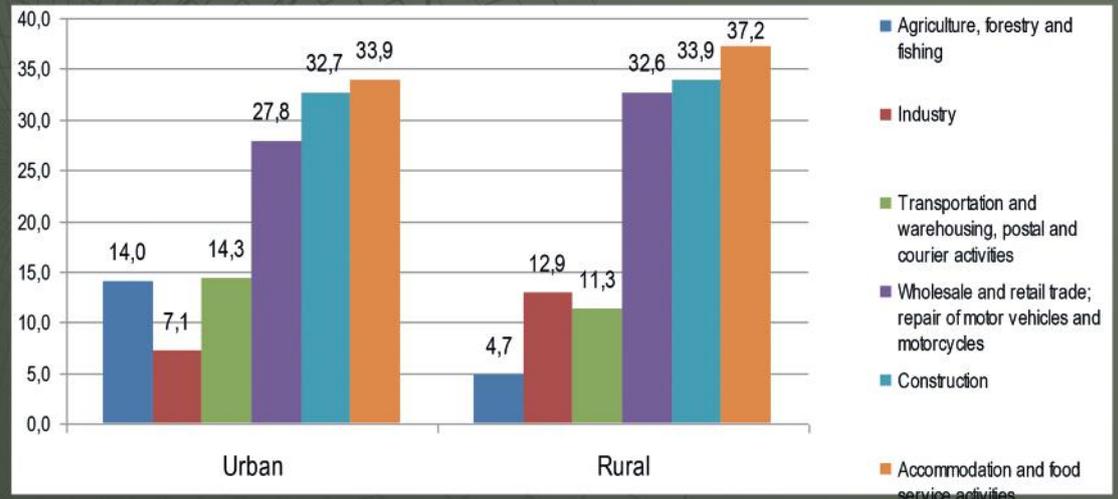




Types of economic activity by gender

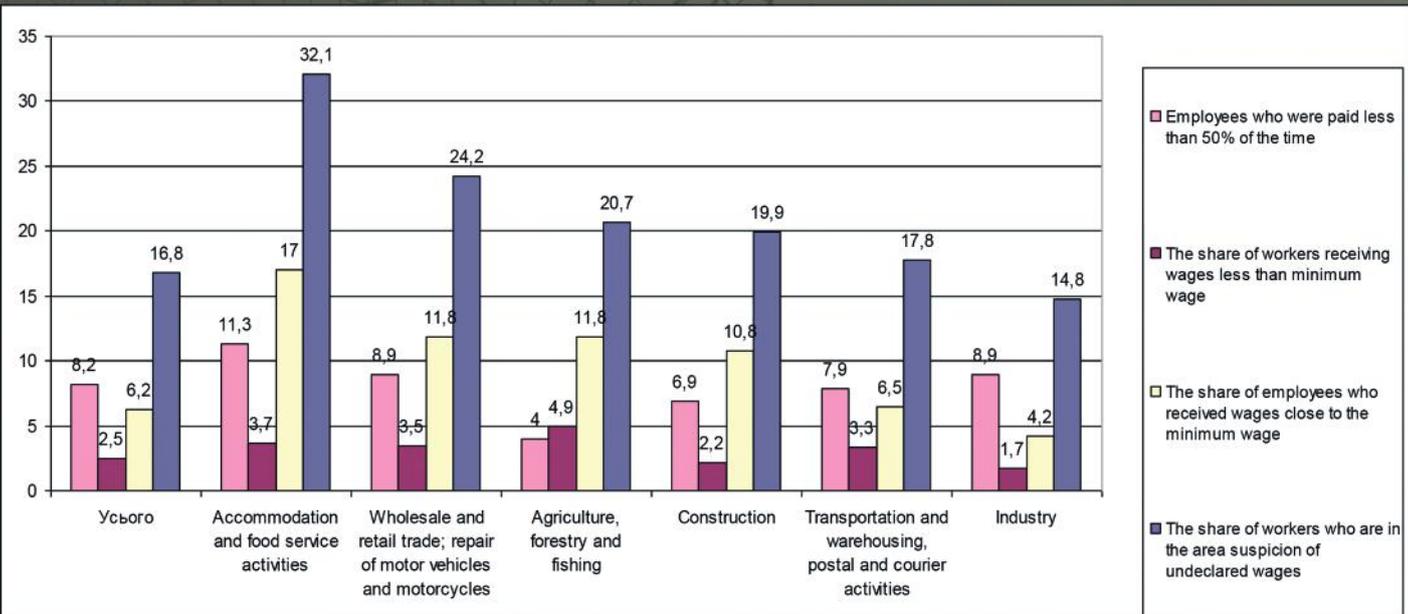


Types of economic activity by types of settlements



Signs underdeclared work in the formal sector of registered full-time employees

Ranking of economic activities the share of full-time employees in the formal sector, for which there is reason to talk about the risk of undeclared work closely corresponds with the ranking of economic activities in terms of informal employment in the formal sector



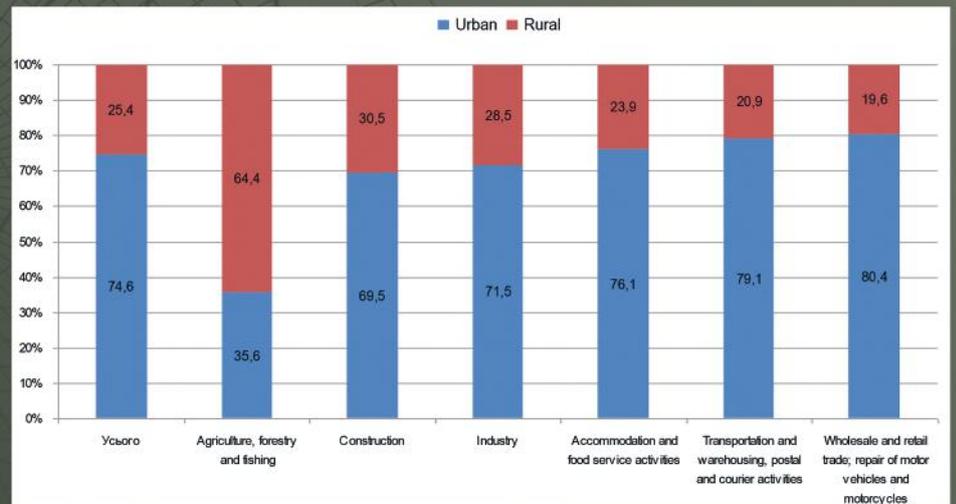
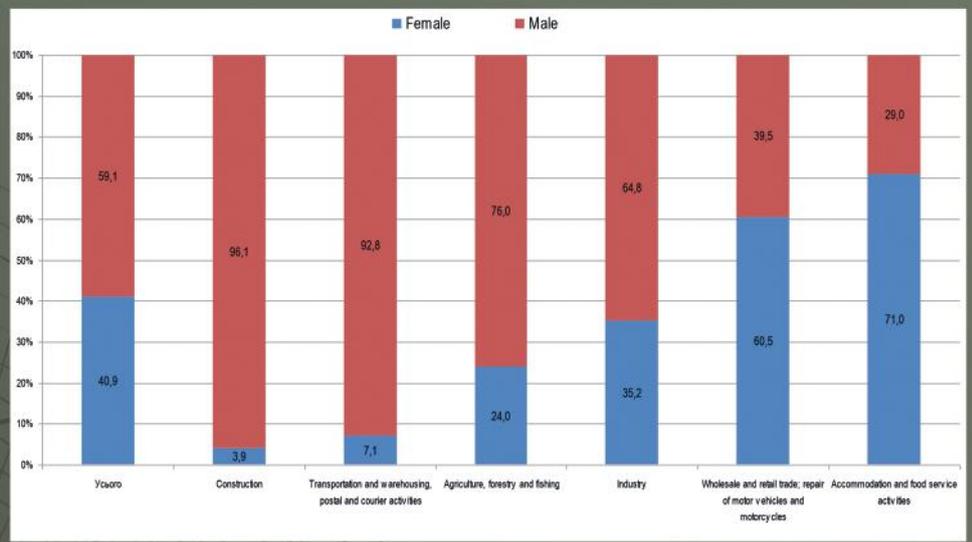


The gender structure of economic activity

In gender structure of economic activity In the trade sector and informal employment HoReCa a "female's face"

Settlement structure of economic activity

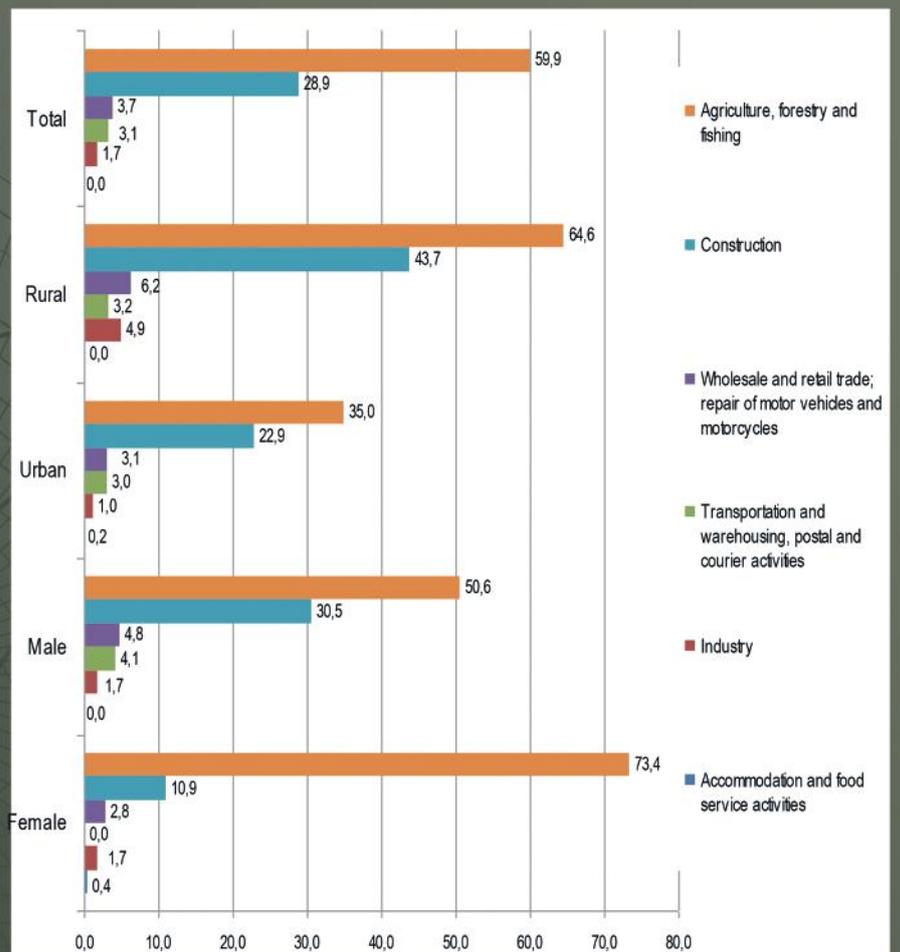
Only in agriculture predominate in rural areas

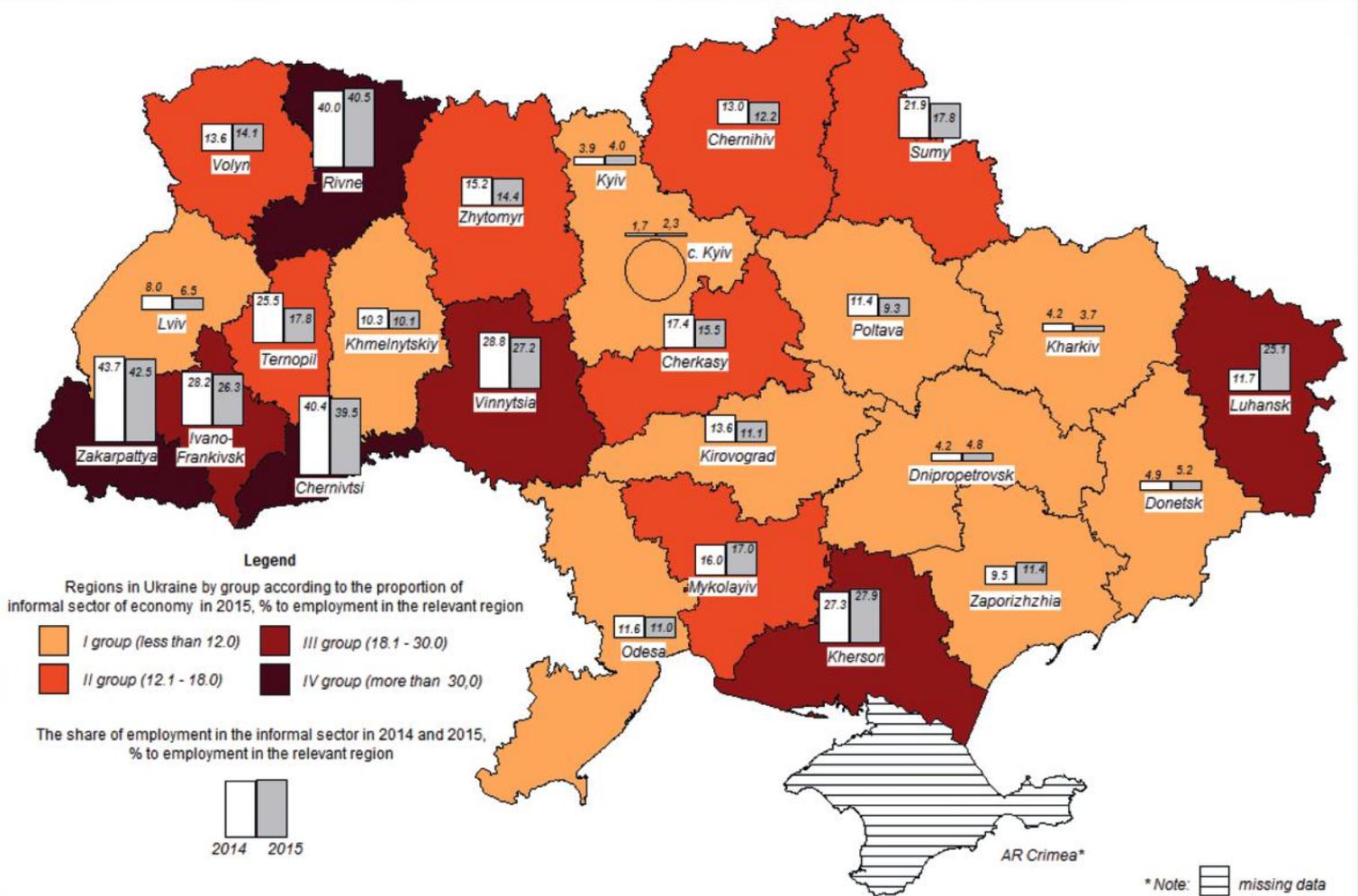
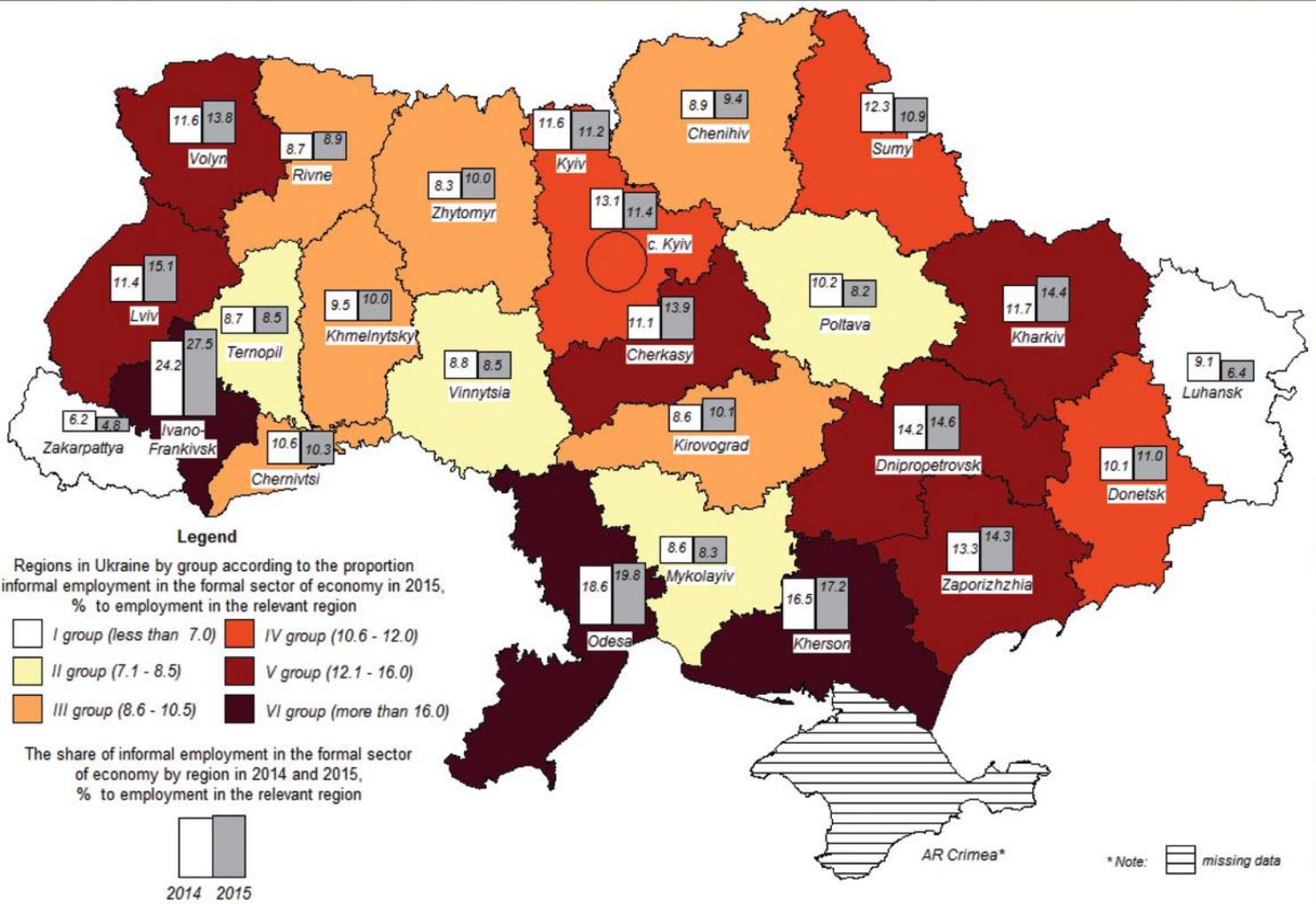


Types of economic activity among demographic groups

Employment in the informal sector dominates employment in agriculture.

In construction - a large amount of employment in the informal sector in rural areas and among men.





Economic activity	Size of the critical threshold	Region	Number of regions with critical threshold values in economic activities
Agriculture, forestry and fishery	Equal or above 80%	Vinnytsia, Volyn, Zakarpattya, Ivano-Frankivsk, Rivne, Ternopil, Kherson Chernivtsi	8
Construction	Equal or above 70%	Vinnytsia, Volyn, Zakarpattya, Ivanj-Frankivsk, Rivne, Kherson, Chernivtsi	7
Wholesale and retail trade, oth. together with Accommodation and food services activities	Equal or above 40%	Zakarpattya, Ivanj-Frankivsk, Odesa Sumy, Kherson	5
Transportation, storage, postal and courier activities	Equal or above 20%	Volyn Dnipropetrovsk Ivano-FrankivskOdesa TernopilKhersonChernivtsi	7
Industry	Equal or above 13%	Volyn Zararpattia FrankivskOdesaRivneTernopil KhersonKhmelnyskyChernivtsi	9

Proposals for general policy principles to prevent and combat undeclared work

- ◆ Prevention: by creating favorable conditions for opening, doing and closing business; by creating a system of advising employers and workers on the most effective law enforcement ways;
- ◆ Containment through the use of strong sanctions to be imposed on those engaged in the undeclared labor;
- ◆ Cooperation between public authorities and social partners in thwarting the undeclared labor.



Measurement and analyses

- ◆ SLS should take a lead in implementation of the policies to deter undeclared work in collaboration with other parties.
- ◆ Clearly distinguish labour and other economic relations and define relevant criteria. Agree on the focus for SLS (one of them or both)
- ◆ Give definition to undeclared work, its forms and unit of measurement. Amend statistics tools to collect necessary data
- ◆ Distinguish criteria for labour law non-compliance and violations related to undeclared employment.
- ◆ Combine statistics tools and monitoring tools based on investigation practices + risk profiles.
- ◆ Approve methodology for definition, measurement and assessment of undeclared work in Ukraine.



Detection and sanctions

- ◆ Better status of SLS and of labour inspectors.
- ◆ Inspection visits without previous notice.
- ◆ Moratorium will hamper efforts to deter undeclared work.
- ◆ Systematic control over legal and actual address of legal entities.
- ◆ Efficient framework for interagency cooperation.
- ◆ LI should have relevant powers, prerogatives, staff, methodologies, technical means etc to deter undeclared work.
- ◆ Risk assessment and targeted inspection visits.
- ◆ Mid-term and long-term planning of inspection visits.
- ◆ Differentiated sanctions, losses of using undeclared work should be higher than benefits



Prevention

State policies

Simple and easy registration, running and closing down on business;

- ◆ Increased motivation for DW: better public administration; anti-corruption policy, closing down converting centres; increased access to loans, state programmes supporting business; access to tenders for business using declared work only.
- ◆ Predictable and socially justified economic policy, promoting development of production and trade, protection of property rights, support to long term activities on innovations;
- ◆ Better access to social services and social protection, correlation between social contributions, taxes and access to social welfare;
- ◆ Tax reform: obligation for citizens to pay taxes and social contributions but employers.

SLS work:

- ◆ – better function of preventing undeclared work;
- ◆ – information to citizens , education, advisory support for declared activities;
- ◆ – 24/7 hotlines and consultation on legal duties and rights of employees;
- ◆ – better responsiveness of labour inspectors to workers' appeals;
- ◆ – register of entities practicing undeclared work and public access to it;
- ◆ – consideration of claims of ex-undeclared workers.

Collaboration with social partners and others

- ◆ Amendment of legislation in the way that efforts to deter UW become priority for social partners.
- ◆ SLS and EO's joint advocacy for declared work.
- ◆ SLS and TU's joint training and consulting on UW and tools to detect it.
- ◆ Other parties could be involved in detection and fight against undeclared work.
- ◆ **information dissemination and work with Mass media**
- ◆ SLS – system of information campaigns promoting policy of UW prevention, advocacy of importance and benefits of DW for society and each individual.
- ◆ SLS - Permanent learning of new fraudulent practices in labour market.
- ◆ Introduce electronic declaration of work, set up uniform information base to exchange data among several institutions (social security, tax, fiscal etc) public access to the inspection visits results and naming and shaming of those using undeclared work.

