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## **Second stage Social Partners' consultation on enhancing EU cooperation in the prevention and deterrence of undeclared work – BUSINESSEUROPE reply**

### **Background**

On 4 July 2013 the European Commission launched social partners' consultation, in accordance with Article 154 TFEU, on enhancing EU cooperation in the prevention and deterrence of undeclared work.

On 29 January 2014, the European Commission presented a second stage social partners' consultation, arguing in favour of the creation of a new EU platform gathering member states' authorities and other stakeholders involved in shaping policies aimed at preventing and deterring the undeclared work.

With this paper, BUSINESSEUROPE would like to comment on the second stage consultation document, reiterating the main points from the reply to the first stage social partners' consultation.

### **Comments**

1. Undeclared work is a serious problem from a business perspective as it distorts competition between companies which comply with the law and those which do not, hampering economic and employment growth. BUSINESSEUROPE supports efforts to combat the undeclared work effectively.
2. The Commission consultation document states that "*the analysis concluded that the preferred option would be the establishment of a European Platform*" however little evidence is provided on why this option is chosen. BUSINESSEUROPE is not convinced about the added value of creating a new EU structure, and would prefer to organise EU cooperation on undeclared work within the existing bodies, while avoiding the overlap with the existing forms of cooperation.
3. Member States differ in terms of the scale and types of undeclared work, as well as in terms of enforcement mechanisms and bodies. Deterring and preventing undeclared work, including in cross-border situations, is a task primarily of national authorities. Therefore, to be effective, any cooperation at the European level should build on the willingness of those who have the responsibilities and focus on issues where they see the benefits of exchanging experience. BUSINESSEUROPE therefore remains of the opinion that membership in the EU platform should be voluntary, to ensure that those involved are truly interested in the cooperation.

4. With regard to the scope of the platform, BUSINESSEUROPE believes that:
  - a) It should discuss both preventive actions (such as fair, efficient and stable fiscal system, awareness rising, appropriate regulatory environment, administrative simplification) as well as deterrent measures (such as inspections, sanctions), as successful policy strategies to address undeclared work consist of a combination of both.
  - b) Its focus should be on both domestic and transnational issues.
  - c) Bogus self-employment should not be discussed by the EU platform on undeclared work as it is not an undeclared but wrongly declared activity. It is a separate problem, linked mainly to tax/social security policy.
  - d) The main goal should be to organise the exchange of best practice and information on tackling undeclared work and to improve knowledge and measurement of undeclared work. In this context, creating a knowledge bank and carrying out evaluations of different measures used in the Member States as well as EU wide awareness raising campaigns could be helpful. Moreover, identifying solutions for data sharing, which would enable national authorities to exchange information in a secure way could be of added value.
5. The main goal of the platform should be to share practices and information. Nevertheless, the Commission consultation document suggests that the EU platform could “*go beyond sharing information and best practices*”. While the document is not clear on what is meant by that, BUSINESSEUROPE underlines the fact that the EU has no competence to undertake other initiatives, given that deterring and preventing undeclared work is a task primarily of national authorities.
6. For example, the Commission consultation document suggests that one of the outcomes of increased EU cooperation could be to identify “common principles and/or standards for inspections”. BUSINESSEUROPE is against this proposal because of subsidiarity reasons. There is currently a wide diversity among Member States in terms of how inspections and controls are organised and Member States should retain the competence to adapt the methods and practices used to their labour market and institutional context.
7. The Commission document suggests the Platform could create working parties “*for the analysis of specific issues or the development of specific action projects.*” BUSINESSEUROPE underlines that if the EU platform is established it is important to avoid overlaps and duplications with existing forms of cooperation (e.g. various expert groups working on social security and tax issues, Employment Committee, Social Protection Committee). In order to gain efficiency, before establishing any new “working parties” it must be clear that the existing bodies cannot fulfil the intended aims.