



European Federation of Food, Agriculture  
and Tourism Trade Unions

**HOTREC**

Hotels, Restaurants & Cafés in Europe

**Joint EFFAT-HOTREC Statement  
on Undeclared Work  
in the European Hotel and Restaurant Sector**

The EFFAT and HOTREC member organisations in the European hotel and restaurant sector welcome the initiatives by the European Institutions concerning undeclared work and in particular:

- The Commission Communication on "Stepping up the fight against undeclared work" of 2007, COM(2007) 628 final;
- The European Parliament Resolution in relation to the Commission Communication, issued in 2008, T6-0466/2008;
- The Eurofound report on "Measures to tackle undeclared work in the European Union", 2008.

According to the Commission Communication undeclared work is defined as "any paid activities that are lawful as regards their nature but not declared to the public authorities".

According to the same Communication "the extent and characteristics of undeclared work appeared to differ widely in the Member States, with highs of 20% of GDP or more in some Southern and Eastern European countries". The European Parliament Resolution identifies the labour intensive sectors (among which the accommodation and catering sector) as the most affected by undeclared work. According to a survey carried out by EFFAT and HOTREC amongst their member organisations in 2008, the level of undeclared work in the hospitality sector was in most of the Member States estimated as high or moderate.

The Commission Communication acknowledges that employers, employees, self-employed as well as consumers "may engage in undeclared work because of the potential gain - compared to the risk of being sanctioned - in avoiding taxes and social security contributions, social rights (minimum wage, employment protection legislation, leave entitlements) and the cost of complying with regulation (registration requirements, health and safety regulations)."

Undeclared work causes a downward spiral of deterioration of conditions for all, employees and enterprises. Companies abiding by the laws and regulations find it difficult to compete with those who do not. Individuals working, without being declared to the authorities, may be exposed to great difficulties e.g. absence of rights to social security in case of illness or disability, absence of pension rights, unemployment benefits, etc.

The effects of undeclared work threaten the viability of social protection systems and can jeopardise labour legislation and collective bargaining agreements.

Undeclared work is an obstacle to the creation of proper employment and therefore weakens the opportunities for successful employment policies.

Undeclared work represents unfair competition, and it is therefore in the interest of employers and employees to fight it.

**EFFAT and HOTREC agree with many suggestions in the European Parliament Resolution, which**

3. "Calls on the Member States to consider improving incentives for regular work, which may include increasing the tax-free income band and, for employers, reducing the non-wage costs associated with legal employment;
5. Encourages the Member States to continue with tax and social security system reforms, and thus reduce the burden of taxation on the workforce;
8. Considers that action to combat undeclared work requires a comprehensive approach which covers matters relating to monitoring and control, the economic and institutional framework and sectoral and territorial development and involves concerted action at several levels and the participation of all stakeholders (public authorities, social partners, undertakings and workers);
10. Calls, therefore, for Community action to combat undeclared work to be more pro-active and incisive, so as to ensure that the modernisation of labour law in the Union is not confined to the purely theoretical level but is translated into effective, high-quality policies, and to ensure that improved job quality can be achieved in every case in accordance with the 'decent work' objective;
17. Calls on the Commission to submit proposals with a view to developing a set of generally accepted methods of measuring undeclared work based on a grid of data broken down by gender and sector, given the significantly differing extent to which men and women are engaged in undeclared work in many sectors, and the resulting indirect effect on the pay gap between men and women;
18. Stresses the essential need to set up a Community-level platform for the collection, in close cooperation with the Member States, of the information required for the establishment of a reliable database recording undeclared work within the Union, with due regard for the gender dimension and, in particular, the situation of women;
20. Calls on the Commission to consider establishing a database recording the various approaches and methodologies used to measure undeclared work by Member States aimed at promoting the sharing of good practices and knowledge transfer and evaluating the feasibility and transferability of the measures implemented;

23. Calls on the Member States to reduce the economic attractiveness of undeclared work by ensuring that their tax and social protection systems are as simple, transparent and accessible as possible, with efficient policies to create more and better jobs;
26. Believes that any reform of economic policies and tax and social protection systems in the Member States by Member States should be integrated and take into account the key causes of undeclared work;
27. Calls on the Member States to provide strong incentives for those who undertake to put undeclared work on a formal economic footing;
29. Encourages the Member States to make use of the policy tools they have at their disposal, combining preventive action and sanctions aimed at transforming undeclared work into regular employment, and where possible to coordinate the use of those tools in order to achieve greater coherence throughout the internal market;
30. Notes the important role that the social partners in many Member States have played in combating undeclared work and calls on the Commission and the Member States to give more support and encouragement to employers' organisations and trade unions in this fight; notes with concern that workers who do undeclared work often find they are not protected by important health and safety legislation and legislation on minimum wages and are denied the option of joining a trade union;
38. Is of the opinion that simplifying or reducing administrative burdens and procedures, especially for small and medium-sized enterprises, would diminish the use of undeclared labour and promote business activity in the Union;
60. Calls for permanent campaigns concerning the prevention of undeclared work, with information and awareness-raising initiatives at Community, national and local levels, involving the social partners, public authorities, chambers of commerce and employment centres, schools, prefectures and the various control and punishment systems;
62. Emphasises that Member States need to allocate more public funds to raising public awareness, inter alia, from the European Social Fund and the Community Programme for Employment and Social Solidarity – PROGRESS; suggests that activities to raise awareness should emphasise sanctions, costs, the risks of undeclared work and the benefits of declared work, such awareness raising being consonant with the main objectives of the Lisbon Strategy for growth and employment; invites the social partners to play an active role in that process;

**EFFAT and HOTREC** are convinced that the fight against undeclared work must constitute one of the most important elements of the European employment strategy. They are concerned about the negative image which a high rate of undeclared work can project on the sector.

As stated in their "Joint Declaration on EU-Enlargement" of November 2002, "EFFAT and HOTREC condemn illegal/undeclared work, and support any initiative of their affiliated organisations aimed at avoiding exploitation and social dumping".

Initiatives of the social partners at European, national, regional and local level could comprise e.g.

- joint information campaigns
- raising awareness amongst their affiliates
- joint engagement in measures to prevent and combat undeclared work
- collection and dissemination of examples of successful measures to combat undeclared work in the sector, incl. feeding them into the Eurofound 'knowledge bank' of cases "Tackling undeclared work in the European Union"<sup>1</sup>
- joint declarations, calling for e.g.
  - alleviation of fiscal and administrative burdens and of taxation on the workforce / non-wage costs
  - simplification of administrative procedures relating to recruitment and to the management of companies
  - incentives for regular work
  - adequate inspection and sanction mechanisms

Brussels, 3 December 2010

For EFFAT



Harald WIEDENHOFER  
General Secretary

For HOTREC



Anna TORRES  
CEO

<sup>1</sup> <http://www.eurofound.europa.eu/areas/labourmarket/tackling/search.php>