



Undeclared work in the EU

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This report is available in electronic format only.

This survey data report examines the main findings on the supply side of undeclared work around the EU based on a Special Eurobarometer survey carried out in 2013. The report examines the survey methodology, the concept of undeclared work, the characteristics of those supplying goods and services on an undeclared basis, the types of work activities that are undeclared, and income levels from undeclared work, including the extent of the practice of offering cash in hand.

Introduction

Undeclared work is defined by the European Commission in its 2007 Communication [Stepping up the fight against undeclared work](#) (COM/2007/0628) as ‘paid activities that are lawful as regards their nature but not declared to public authorities, taking into account differences in the regulatory system of Member States’, excluding criminal activities as defined in national law.

It is important to try to curb undeclared work as much as possible, as this phenomenon results in less revenue to tax and social security authorities and risks undermining the financing of social services and competitiveness. It also runs counter to EU ideals of solidarity and social justice. Transforming undeclared work into regular employment therefore sits at the forefront of EU employment policy.

The 2007 Commission Communication identified the main drivers for the informal economy, set out successful ways to reduce it and proposed a series of concrete follow-up actions at European and national levels. In 2008 a [Eurofound study](#) identified two broad policy approaches:

- a focus on deterrence by improving detection or increasing penalties;
- encouraging compliance by preventing people from taking up undeclared work, enabling the legitimisation of previously undeclared work and changing attitudes.

This study found that the principal policy measures taken by Member States related to punishing non-compliance (a deterrence approach). Alongside these, prevention measures were becoming more commonplace.

A survey, [Special Eurobarometer 284 \(1.08 MB, PDF\)](#) conducted in 2007, supported the view of experts that part of the EU’s population is engaged in undeclared work. The study found that 5% of respondents had engaged in undeclared work over the previous 12 months.

A new survey, [Special Eurobarometer 402 \(8.47 MB, PDF\)](#) for which the fieldwork was carried out in 2013, revisits this issue, building on the findings of the 2007 survey.

Methodology

The survey was carried out between 26 April and 14 May 2013 by [TNS Opinion and Social](#) as part wave 79.2 of the Eurobarometer survey. It covered the population of the EU Member States aged 15 years-old and over.

The basic sample design is a multi-stage, random (probability) design. In each country, a number of sampling points was drawn with probability proportional to population size (for a total coverage of the country) and to population density.

The sampling points were drawn systematically from each of the ‘administrative regional units’, after stratification by individual unit and type of area. In each of the selected sampling points, a starting address was drawn at random. Further addresses (every nth address) were selected by standard ‘random route’ procedures, from the initial address. In each household, the respondent was drawn at random. All interviews were conducted face-to-face in people’s homes and in the appropriate national language.

For each country, a comparison was made between the sample and a ‘universal description’ derived from Eurostat population data or from national statistics offices. For all countries surveyed, a national weighting procedure was carried out based on this universal description.

A total of 26,563 interviews were carried out in the EU28; Croatia was included although not a full Member State at the time of the survey. Around 1,000 interviews were carried out in each country with the exception of Cyprus, Luxembourg and Malta, where around 500 interviews were conducted.

Concept of undeclared work

The survey sought to address the issue of undeclared work openly and to provide respondents with an exact definition of this phenomenon. The aim was to gain as accurate a picture as possible across EU countries with different cultural and economic backgrounds. Overall, this approach appears to have been successful, with the proportion of those refusing to answer the question of whether they had carried out undeclared work remaining relatively low. However, the proportion was higher in the case of questions about amounts of money earned and cash in hand.

Issues surrounding language and sampling mean that it is generally difficult to capture the views of illegal immigrants and this group of people is therefore not fully covered by the survey. This means that in countries where a large share of undeclared work is carried out by illegal immigrants, the figures reported for undeclared work may be too low.

In terms of the definition of undeclared work, survey respondents were asked to report on all remunerated activities which are in principle legal but circumvent declarations to tax authorities or social security institutions. Illegal activities such as smuggling or drug dealing were not asked about. The survey also did not cover undeclared work not carried out in return for money such as payment in kind, an exchange of services or mutual favours. It therefore only covers work involving activities that should be reported to the tax and social security authorities, but which goes unreported.

In some countries, income from work that falls below a certain threshold does not need to be reported, while in others almost all income must be reported. The interpretation and comparison of country results therefore takes into account the considerable variation between countries in terms of tax systems and rules governing what is taxable.

People supplying undeclared goods and services

Survey respondents were asked whether they had carried out any paid work in addition to their regular employment, over the preceding 12 months. Due to the sensitive nature of this question, the answers should be interpreted as showing the lower limit of the extent of undeclared work due to the likely, and significant, level of under-reporting of undeclared work.

At EU level, a large majority (93% of respondents) said that they had not carried out any undeclared paid activities during the previous 12 months, while 4% said that they had, 2% refused to answer the question and 1% did not know. However, there was significant national variation, ranging from 11% of people reporting having carried out undeclared work in Estonia, Latvia and the Netherlands, 9% in Denmark, 8% in Lithuania and 7% in Croatia, Slovenia and Sweden, to only 2% in Cyprus, Germany, Ireland, Italy and Portugal, and 1% in Malta (Table 1).

Table 1: Apart from a regular employment, have you yourself carried out any undeclared paid activities in the last 12 months? (%)

	Yes	No	Refusal	Don't know
EU27	4	93	2	1
AT	5	90	5	0
BE	4	95	1	0
BG	5	93	1	1
CY	2	97	0	1
CZ	4	93	3	0
DE	2	94	3	1
DK	9	91	0	0
EE	11	85	3	1
EL	3	93	3	1
ES	5	93	2	0
FI	3	94	3	0
FR	5	94	0	1
HR	7	89	3	1
HU	4	90	5	1
IE	2	94	3	1
IT	2	93	4	1
LT	8	89	2	1
LU	5	94	1	0
LV	11	85	2	2
MT	1	96	2	1
NL	11	88	0	1
PL	3	94	2	1
PT	2	95	2	1
RO	3	88	4	5
SE	7	93	0	0
SI	7	90	3	0
SK	5	92	3	0
UK	3	97	0	0

Note: All respondents (26,563)

The survey also divided countries into four groups for purposes of analysis:

- the Nordic region;
- central and eastern Europe;
- southern Europe;
- continental Europe.

Respondents in central and eastern Europe and in Nordic countries were found to be most likely to be carrying out undeclared paid work and those in southern Europe least likely.

Compared with the previous survey of undeclared work carried out in 2007, there was a small drop of one percentage point in the number of respondents who said that they had carried out undeclared work in the previous 12 months. However, the question was asked slightly differently in the 2007 survey and so the figures are not strictly comparable.

In terms of sociodemographic groups and other groups, men were slightly more likely to be engaged in undeclared work than women (5% compared with 3%), as were those in the 15–24 age bracket (7%), particularly when compared with the over 55s (1%). Those who were unemployed and students (9% and 7%, respectively) were more likely to be engaged in undeclared work, particularly compared with retired people and managers (1% and 2%, respectively), as were those who struggled to pay their household bills most of the time (7% compared with those who do not (1%).

Dependent employees who had received part of their income as cash in the past year (26%) were much more likely to have worked on an undeclared basis than those who had not (3%). Finally, those who had paid for goods or services that may have involved undeclared work (14%) were more likely to have engaged in undeclared work than those who had not (3%).

When asked whether they knew anyone who worked without declaring their income or part of this to tax or social security institutions, 32% of respondents across the EU said that they did compared with 38% in the 2007 survey (Table 2).

Table 2: Do you personally know any people who work without declaring their income or part of their income to tax or social security institutions? 2013 (%)

	Yes		No		Refusal		Don't know	
	%	% change 2007–2013	%	% change 2007–2013	%	% change 2007–2013	%	% change 2007–2013
EU27	32	-6	63	+8	3	=	2	-2
AT	31	-5	59	+8	8	+1	2	-4
BE	40	-16	59	+17	1	=	0	-1
BG	33	-6	58	+17	3	-1	6	-10
CY	39	+4	58	+1	0	-1	3	-4
CZ	33	-7	62	+9	4	-1	1	-1
DE	27	-6	67	+6	3	+1	3	-1
DK	59	-6	40	+6	0	=	1	0

	Yes		No		Refusal		Don't know	
	%	% change 2007–2013	%	% change 2007–2013	%	% change 2007–2013	%	% change 2007–2013
EE	33	-5	64	+8	2	-1	1	-2
EL	54	+7	42	-8	2	=	2	+1
ES	33	+6	63	-3	2	-1	2	-2
FI	30	-7	68	+7	1	=	1	=
FR	38	-9	60	+9	1	+1	1	-1
HR	41	-	54	-	3	-	2	-
HU	29	-16	62	+15	8	+2	1	-1
IE	25	-2	69	+10	3	-2	3	-6
IT	37	-2	53	+7	6	=	4	-5
LT	35	-5	59	+6	4	+2	2	-3
LU	35	-13	64	+13	1	+1	0	-1
LV	46	-15	50	+15	3	+1	1	-1
MT	20	-14	71	+11	3	+1	6	+2
NL	55	-11	43	+10	0	=	2	+1
PL	28	-17	67	+17	3	+1	2	-1
PT	28	+3	65	=	3	=	4	-3
RO	20	-9	67	+16	4	-1	9	-9
SE	39	-17	60	+19	0	-1	1	-1
SI	48	-4	47	+3	3	+1	2	=
SK	36	-3	58	+2	4	+3	2	-2
UK	15	-9	84	+10	0	-1	1	=

On a national basis, this percentage ranged from 59% in Denmark, 55% in the Netherlands and 54% in Greece, to 25% in Ireland, 20% in Malta and Romania, and 15% in the UK (Table 2). Compared with 2007, these national percentages have increased in only four countries:

- Greece (up seven percentage points);
- Spain (up six percentage points);
- Cyprus (up four percentage points);
- Portugal (up three percentage points).

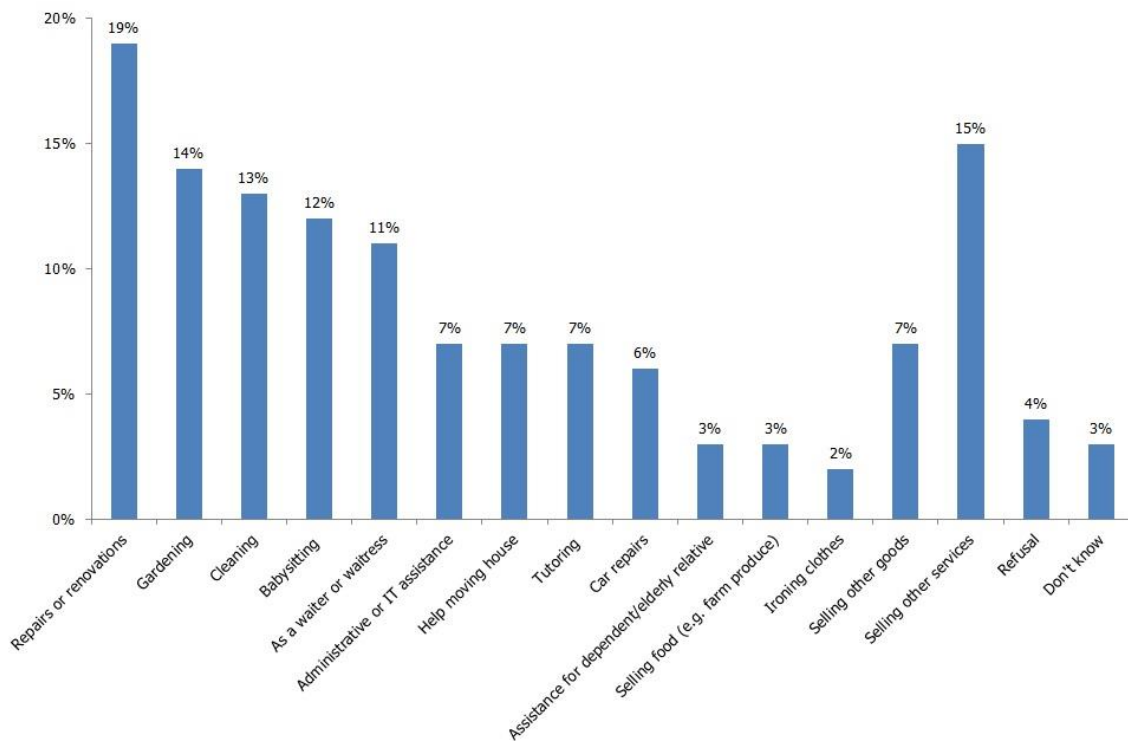
The Eurobarometer report notes that ‘these [four] countries are facing some of the toughest economic problems in Europe and have exceptionally high rates of unemployment’.

Those who know someone who carries out undeclared work (10%) were more likely to be engaged in undeclared work than those who did not (1%).

Type of undeclared work

Those respondents who said that they had carried out undeclared work were asked about the type of work that they had carried out. Respondents were asked to choose from a number of options, with multiple answers possible. The most often-cited activity was undertaking repairs or renovations (cited by 19% of respondents), followed by gardening work (14%), cleaning work (13%), babysitting (12%) and working as waiting staff (11%). In addition, 15% said that they had carried out other kinds of undeclared work and 7% said that they had been involved in undeclared activities involving goods not listed in the questionnaire (Figure 1).

Figure 1: Type of undeclared work, EU28, 2013



Note: Based on a total of 988 respondents who had carried out undeclared work in the past 12 months.

Due to the small size of the sample, it is not possible to extract any meaningful national trends. However, it is possible to say that respondents in southern Europe were much less likely to have carried out undeclared work in repairs, renovations and gardening and much more likely to have carried out undeclared work in cleaning. Respondents in continental countries were much more likely to have carried out undeclared work in babysitting, repairs or renovations and gardening, while those in Nordic countries were much more likely to have carried out undeclared work involving selling other services.

There were significant differences by socioeconomic group and type of experience. In the case of repairs and renovations, men were more likely than women to have engaged in this activity (29% compared with 2%), as were people aged 55 years-old and over (28%, compared with 10% of 15–24 year-olds), those who had left full-time education aged 15 years-old or under (32%, compared

with 12% of those who left aged 20 years-old or over), and manual workers (27%, compared with 4% of managers). Men were more likely than women to have engaged in gardening (19% compared with 7%), as were retired people (21%).

Women were more likely to have engaged in cleaning than men (25% compared with 5%), as were those who had left full-time education aged 15 years-old or under (31%), house persons (32%), the unemployed (22%) and those who struggled to pay household bills most of the time (22%).

Babysitting was more likely to be carried out by women (25% compared with 3% of men), 15–24 year-olds (28%), students (31%), those who almost never struggled to pay household bills (17%), and those who said that they do not know anyone who carried out undeclared work (24%).

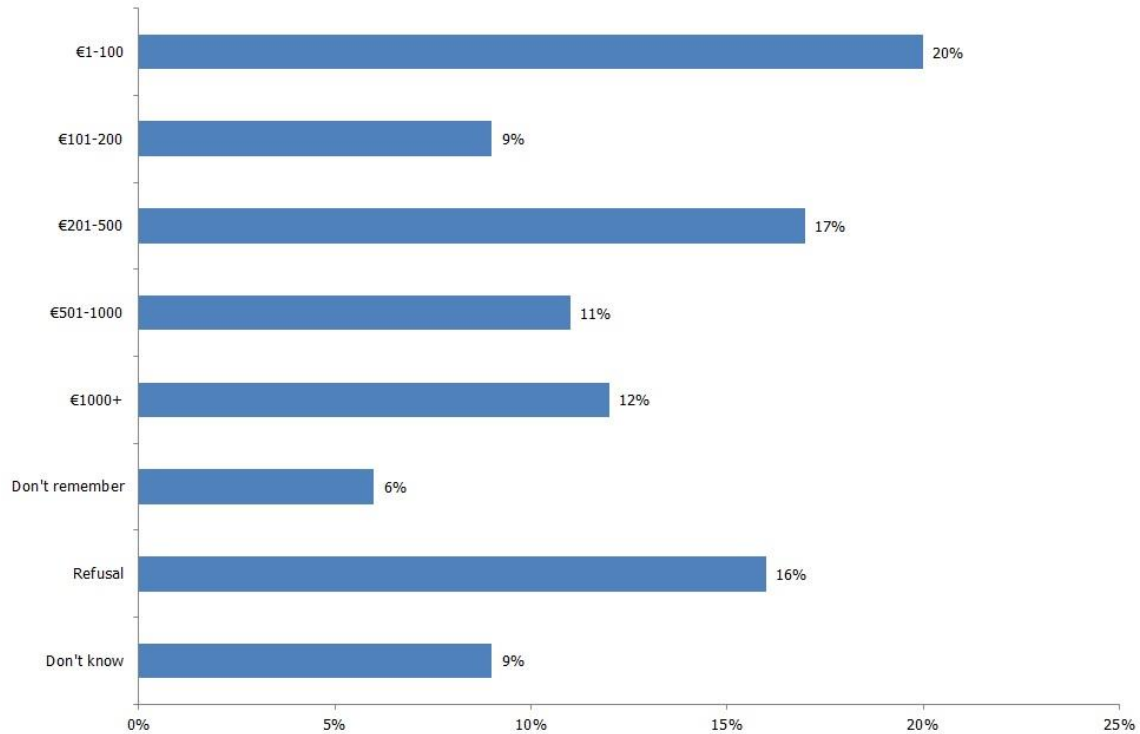
Waiter/waitressing was more likely to be carried out by women (18% compared with 6% of men), 15–24 year-olds (20%) and students (20%).

Finally, the selling of ‘other services’ was more likely to be carried out by 25–39 year-olds (24%), the self-employed (24%) and other non-managerial white-collar workers (22%).

Amount earned through undeclared work

Those who said that they had carried out undeclared work during the 12 months before the survey were asked to estimate how much they had earned from this. Overall, 46% estimated their earnings from undeclared work at no more than €500, 20% estimated that they had earned €1–100, while 9% estimated €101–200 and 17% estimated €201–500. A total of 11% of respondents estimated their earnings at €501–1,000 a year, while 12% estimated more than €1,000 a year. In addition, 16% refused to answer this question, 9% did not know and 6% said they did not remember how much they had earned (Figure 2).

Figure 2: Approximately how much money did you earn from these undeclared activities in the last 12 months?



Notes: EU

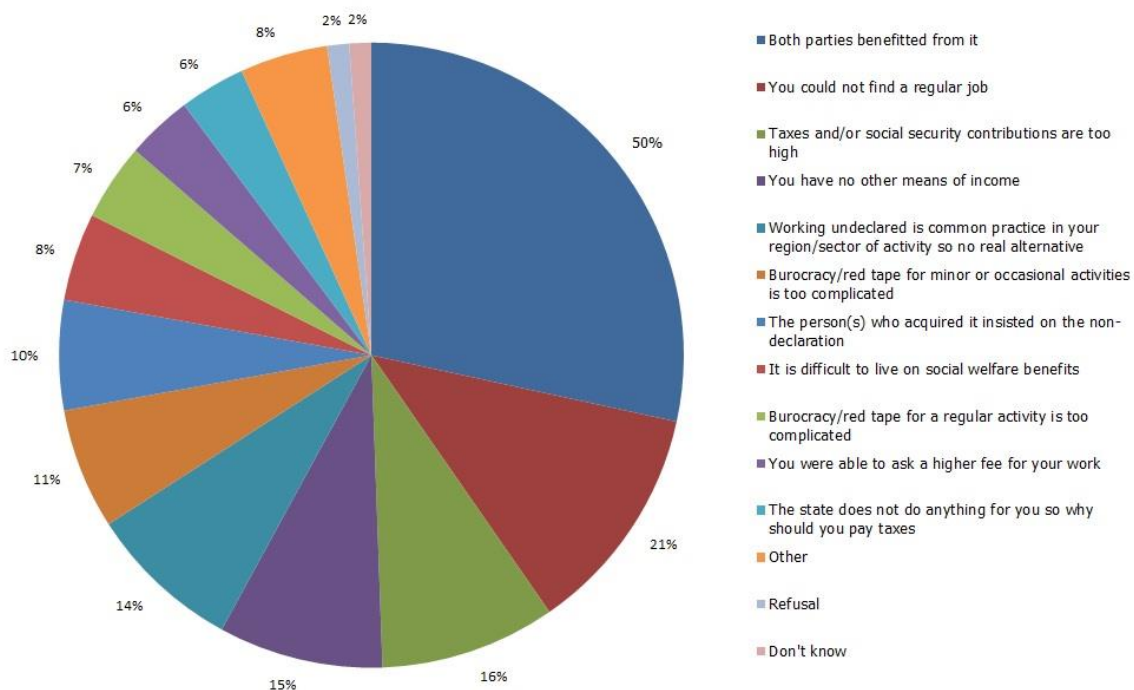
Based on a total of 988 respondents who had carried out undeclared work in the past 12 months.

The median annual earnings from any undeclared work carried out in the past year in the EU28 were €300. The median annual level of earnings from undeclared work was highest in the Nordic countries, at €465 compared with €300 in the other three country regions.

Reasons for carrying out undeclared work

Those who indicated they had carried out undeclared work were asked about their reasons for doing so (Figure 3). The commonest reason, cited by 50% of respondents, was that both parties (the worker and those receiving the work) benefited from this. A total of 21% of respondents said that they carried out undeclared work because they could not find a regular job and 16% said that they did so because tax and/or social security contributions were too high. A further 15% said that they had no other form of income and 14% claimed that undeclared work was common practice in their region or sector, and that there was therefore no real alternative. A total of 11% said that the bureaucracy in the case of occasional work was too complicated, while 10% said that the people they were working for insisted on it being undeclared.

Figure 3: Among the following, what were the reasons for doing these activities undeclared?



Note: Based on a total of 988 respondents who had carried out undeclared work in the past 12 months.

There were some significant differences between the four country groups. For example, respondents in the Nordic and continental countries were much more likely to mention that both parties benefited from undeclared work than those from other countries (65% and 62%, respectively). Those from Nordic countries were also more likely to mention bureaucracy being too complicated (14%).

Those from southern Europe were more likely to mention their inability to find a regular job (41%), the fact that they have no other form of income (26%), and the fact that undeclared work is a common practice in their region or sector (21%).

Respondents in eastern and central Europe were more likely to claim that ‘the state does not do anything for you, so why should you pay taxes’. This difference was striking compared with responses from the Nordic countries (15% compared with 2%).

There were also differences between socioeconomic groups and on the basis of personal experience.

- Men tended have earned more from undeclared work in the past 12 months (€402) than women (€231).
- Older people, for example, those aged 55+ (€500) and those aged 40–54 years-old (€400), tended to have earned more from undeclared work in the past 12 months, particularly when compared with 15–24 year-olds (€200).

- Those who had left full-time education aged 15 years-old or under tended to have earned more from undeclared work in the past 12 months (€400) than those who had left education aged 16–19 years-old and those who left aged 20 years-old or more (€300 in each case).
- Retired people and manual workers tended to have earned more from undeclared work in the past 12 months (€465 and €460), particularly compared with managers (€171).
- Those who said they knew someone who had carried out undeclared work tended to have earned more from undeclared work in the past 12 months (€360) than those who did not (€200).
- Those who had bought goods or services that might have involved undeclared work in the past year tended to have earned more from undeclared work (€400) than those who had not (€250).
- Dependent employees who had been paid any of their income as cash in the past year tended to have earned more from undeclared work (€500) than dependent employees who had not (€345).

Envelope wages

The survey also looked at those people who received ‘envelope wages’, or cash in hand. These are dependent employees whose employers pay all or part of their wages in cash without declaring it to the social security or tax authorities.

Overall in the EU, only a very small minority (3%) said this was the case, with a further 2% refusing or unable to answer the question. This is a slight fall from the 5% who said that this was the case in the 2007 survey (Table 3). However, the results varied by country, ranging from 11% of dependent employees in Latvia saying they had received some or all of their wages as cash in hand, followed by Croatia (8%), Greece, Romania and Slovakia (7%) and Bulgaria, Hungary and Lithuania (6%), to just 1% in Germany, Finland, France and Sweden, and 0% in Malta.

Table 3: Employees who received all or part of their wages in cash in the past 12 months, 2013

	Yes		No		Refusal		Don't know	
	%	% change 2007-2013	%	% change 2007-2013	%	% change 2007-2013	%	% change 2007-2013
EU27	3	-2	93	+4	2	-1	2	-1
AT	2	-2	90	+5	7	+2	1	-5
BE	4	-2	95	+1	1	+1	0	=
BG	6	-8	87	+14	3	-3	4	-3
CY	2	-2	93	=	1	+1	4	+1
CZ	5	+2	93	=	2	-2	0	=
DE	1	=	96	=	2	=	1	=
DK	2	=	96	-1	1	+1	1	=

	Yes		No		Refusal		Don't know	
	%	% change 2007-2013	%	% change 2007-2013	%	% change 2007-2013	%	% change 2007-2013
EE	5	-3	91	+3	3	+2	1	-2
EL	7	+4	8	-9	4	+4	1	+1
ES	5	=	91	+5	3	-3	1	-2
FI	1	-2	98	+1	1	+1	0	=
FR	1	=	98	+2	0	-1	1	-1
HR	8	-	86	-	4	-	2	-
HU	6	-2	85	+1	8	+1	1	=
IE	2	=	93	+20	3	=	2	-20
IT	2	-5	90	+11	6	-4	2	-2
LT	6	-5	90	+4	2	+1	2	=
LU	3	+2	95	-3	1	+1	1	=
LV	11	-6	83	+5	4	+1	2	=
MT	0	-1	95	-1	2	+2	3	=
NL	3	+1	96	-2	0	=	1	+1
PL	5	-6	90	+6	3	+1	2	-1
PT	3	-1	93	+7	3	-1	1	-5
RO	7	-16	73	+27	4	-3	16	-8
SE	1	-2	99	+2	0	=	0	=
SI	4	-1	91	-1	4	+2	1	=
SK	7	=	88	+6	4	+3	1	-9
UK	2	+1	96	-1	0	-1	2	+1

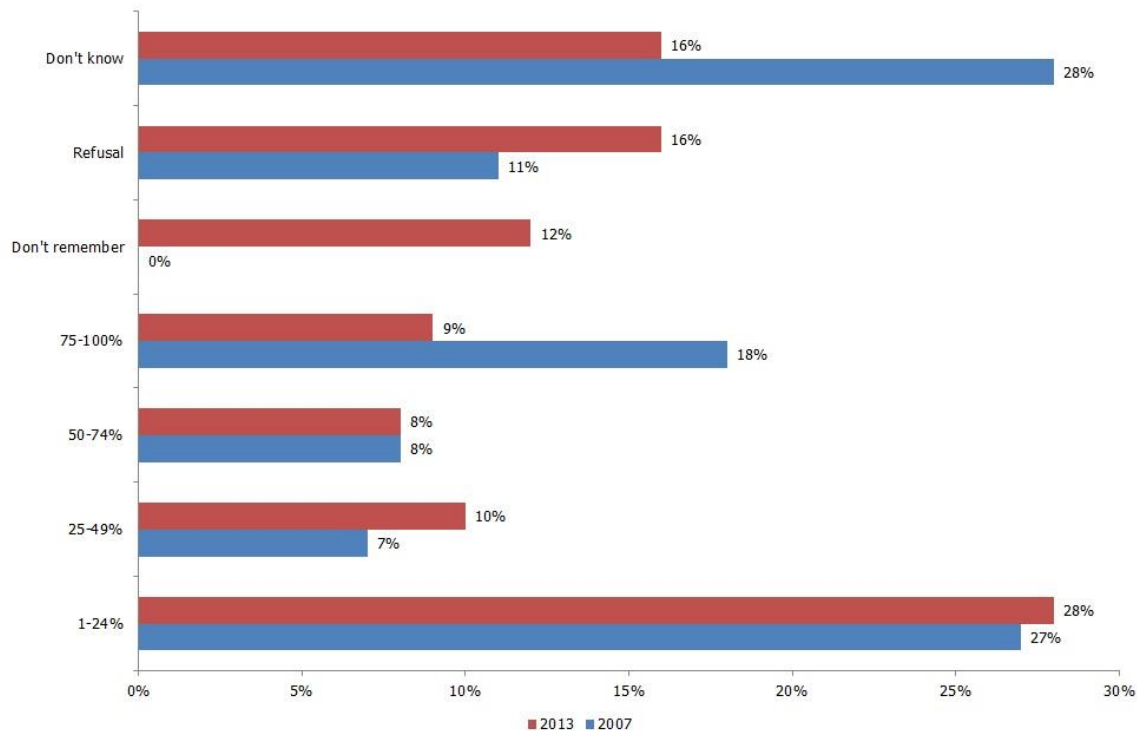
Overall, the survey found that by region, central and eastern European countries all had proportions of dependent employees receiving cash in hand that were higher than the EU average, whereas all Nordic countries had proportions that were lower. In southern Europe, only Greece (7%) and Spain (5%) reported higher than average shares of cash in hand.

The proportion of those who were unable to answer the question was particularly high in Romania (16%), and quite high in Hungary (8%), Austria (7%) and Italy (6%) (Table 3).

In terms of national changes compared with 2007, the most significant increase was seen in Greece where the proportion of those receiving cash in hand rose by four percentage points. The most significant decreases were seen in Romania (down by 16 percentage points), Bulgaria (down by 8 percentage points), and Latvia and Poland (each down by 6 percentage points).

When asked what percentage of their gross annual income was paid in cash, the largest number of respondents said that the figure was less than a quarter (28% of respondents, which is broadly similar to the 27% recorded in the 2007 survey). One in 10 said that cash accounted for between a quarter and a half of their income (7% in 2007), while 8% said that it accounted for between half and three-quarters of their income (unchanged from 2007). However, only 9% said that it accounted for between three-quarters and all of their income, a significant fall on the 18% recorded in 2007 (Figure 4).

Figure 4: Approximately what percentage of your gross yearly income in your main job did you get this way?



Commentary

This is an important survey in that it aims to document undeclared work across the EU, a phenomenon that is, by its very nature, difficult to measure with any degree of accuracy. Even in this survey, it is clear that there are problems in measuring the precise extent of undeclared work in the EU. This is due to factors such as the sensitive nature of the subject and the difficulty of covering undeclared work by illegal immigrants. It is also difficult to make country comparisons, as the nature and status of undeclared work varies, and in some countries is so common that it may not be perceived and reported as such. Therefore the survey concludes that ‘these findings only provide a measure of the lower limits of undeclared work activities, and differences between countries may reflect social and legal norms as well as behavioural differences’.

Nevertheless, the survey contains important findings such as the fact that one in 25 people in Europe say that they have participated in undeclared work in the past 12 months. This is a 1 percentage point fall from the 2007 findings (4% compared with 5% in 2007, though the two surveys are not strictly comparable here as the question was asked slightly differently). Furthermore, one in three people said they knew someone who had carried out undeclared work.

The commonest type of work identified by the survey as being carried out on an undeclared basis was repairs and renovations. The amount of money earned through undeclared work in the past 12 months was relatively small (a median of €300), indicating that undeclared work is not the major source of income for those who engage in it. Overall, the most common reason for engaging in undeclared work is that both parties benefit from it.

Overall, it is interesting that the results of the survey reproduce gender stereotypes to a large extent in terms of the occupations and sectors in which men and women tend to undertake undeclared work. Furthermore, the reasons why people undertake undeclared work seem to be delineated along regional lines, with those in southern Europe engaging in undeclared work due a lack of work in the formal sector, while those in central and eastern Europe tending to cite a lack of engagement with the state while those in northern Europe were more likely to cite high levels of bureaucracy. A total of 21% of respondents overall claimed that the reason for carrying out undeclared work was a lack of jobs in the formal economy.

It is vital to try to estimate the extent and nature of undeclared work as workers engaged in this activity are more vulnerable in terms of working conditions, health and safety, hours of work and general well-being at work. Understanding the reasons why people engage in undeclared work may help to limit this practice and so improve working conditions for these workers.

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