



“The voice of SMEs in Europe”

Press Release

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Undeclared work is back on the agenda thanks to the EC

• UEAPME calls on the other European Social Partners to get actively involved against moonlighting

Brussels, 24 October 2007. UEAPME, the European craft and SME employers’ organisation, welcomed the communication “Stepping up the fight against undeclared work” published by the European Commission today (Wednesday). According to UEAPME, the text is both a good analysis of the underlying causes of the recourse to the informal economy, which is particularly detrimental for small businesses, and a wake-up call for Member States to increase their efforts to trim down “black market” activities. Moreover, UEAPME fully shared the EC’s call on social partners to agree on concrete initiatives in the field of undeclared work.

“The worrying data presented today show that the estimated level of undeclared work is twice the average European unemployment rate. Against this background, inactivity is no longer an option”, said UEAPME President **Georg Toifl**, who made of undeclared work one of the top priorities of his mandate. *“The European Commission must be praised for putting back on the agenda such an important issue – it is now time for Member States and social partners to take up the message and follow suit”*, he continued.

High levels of taxation and inadequate social security systems are still the main drivers of the shadow economy, the EC reconfirmed today. UEAPME has repeatedly insisted on the need to reduce the gap between full labour costs for employers and the net income for employees as a key measure to discourage moonlighting particularly in labour-intensive sectors, and therefore appreciated the EC proposal to further reduce taxation on labour. Other causes can be found in the existing obstacles to the intra-EU free movement of labour and in the increasing use of subcontracting, which main contractors use more often to profit of undeclared work in lower levels of the production chain in many sectors, not only in those traditionally more exposed to the shadow economy.

However, UEAPME criticised the European Commission for totally overlooking the real benefits of flexible labour contracts in tackling undeclared work and only concentrating on some negative aspects. Flexible contractual arrangements are indeed a key element of flexicurity as recognised by the EC itself in its recent communication on flexicurity principles, and cannot be approached only from a negative perspective.

Undeclared work, said UEAPME, takes different forms in different Member States. Each Member State should therefore find the right policy mix to tackle such a complex phenomenon in its own territory. However, the European level is equally important as a platform for the exchange of information and good practices, commented Mr Toifl. *“Every initiative that sheds light on the causes of undeclared work enables policymakers to find better responses. The European dimension is of great importance as regards access to comparable data and up-to-date information, as clearly demonstrated today”*, he explained.

Finally, UEAPME repeated its request to the other European Social Partners to continue serious discussions about this sensitive issue. The joint analysis on the challenges facing European labour markets recently adopted by the European Social Partners is a good basis for further work, said Mr Toifl: *“We must build on our first achievements to go further and draw a list of concrete recommendations on undeclared work, on which we could not agree so far. We will need to step up our efforts in the coming months, starting with the forthcoming framework of action on employment. The EC is calling once again on social partners to get actively involved in the fight against undeclared work – it would be irresponsible not to pay attention to it”*, he stated.

“The European Commission has grasped the nettle of undeclared work in today’s communication. We hope that the main findings of the text will be included in the upcoming Lisbon Strategy report, since Europe will never meet its targets for more and better jobs otherwise. We trust that the European Social Partners will be willing further discuss this issue, which should also take centre stage at the next European Council”, he concluded.

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EDITORS’ NOTES: UEAPME is the employers’ organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 84 member organisations, which represent crafts and SMEs across Europe, covering over 11 million enterprises with 50 million employees. UEAPME is a European Social Partner.

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