

Institution: University of Sheffield		
Unit of Assessment: C-17 Business and Management Studies		
Title of case study: A national action plan for tackling the undeclared economy in Greece		
Period when the underpinning research was undertaken: 2006–2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s): Colin C Williams	Role(s) (e.g. job title): Professor of Public Policy	Period(s) employed by submitting HEI: 2006–present
Period when the claimed impact occurred: 2015–July 2020		
Is this case study continued from a case study submitted in 2014? N		
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>In August 2015, the Greek government agreed with the European Commission five conditions for receiving their bailout money. One of these was to develop a national action plan for tackling their undeclared economy. Based on his policy-focused research on undeclared work in South-East Europe, Professor Williams was appointed to lead the mission to Greece to produce this national action plan, funded by the European Commission. Following extensive consultation by Professor Williams with the Greek Government, Bank of Greece, trade unions and employer organisations, in July 2016, the national action plan was accepted and validated. The Greek authorities have subsequently implemented nearly all its recommendations.</p>		
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>For many decades, undeclared work was considered exploitative waged employment conducted under ‘sweatshop-like’ conditions and governments adopted an eradication approach. Professor Williams has undertaken research that has led to a more balanced view of undeclared work (i.e., paid activities not declared to the authorities for the purpose of evading tax and social security contributions and/or labour laws). He has revealed that much undeclared work is conducted on a self-employed basis, such as by entrepreneurs starting a business who often test-trade its viability in the undeclared economy. Consequently, Williams’ research has shown that a policy shift is required away from eradication and towards transforming undeclared work into declared work.</p> <p>Conventionally, participation in undeclared work was explained as a rational economic decision taken when the benefits outweigh the expected cost of being caught and punished. The policy solution was therefore to increase the costs of undeclared work by raising the actual or perceived penalties and probability of detection. However, Professor Williams has highlighted that there is also a need to improve the benefits and ease of operating legitimately if undeclared work is to be transformed into declared work rather than eradicated [R1, R2].</p> <p>Nevertheless, even when the benefits outweigh the costs, and the rational economic decision would be to participate in undeclared work, many do not. To explain this, Professor Williams has developed an alternative social actor approach [R3]. Grounded in institutional theory, this views undeclared work as resulting when norms, values, and beliefs (i.e. civic morale) do not align with laws and regulations (i.e. state morale). The solution is therefore to alter norms, values, and</p>		

beliefs (informal institutions) and also laws and regulations (formal institutions) so that they align [R4].

His research has revealed that these are complementary rather than competing approaches. Consequently, governments need to change not only the cost/benefit calculation, but also the symmetry between norms, values and beliefs, and laws and regulations, and that this is the most effective means of tackling undeclared work [R4, R5].

Professor Williams has been conducting research on South-East Europe since 2006, publishing 34 journal articles on tackling undeclared work in South-East European countries, including Greece. In addition, Williams was PI, in partnership with consultancy companies in Bulgaria (Vitoshka Research) and Croatia (Institute of Public Finance), on a €1.25m Marie Curie Industry-Academia Partnerships and Pathways grant (2013-2017), developing the capacities and capabilities for tackling undeclared work in South-East European countries [R6]. This expertise and experience in South-East Europe, coupled with a keynote speech at the High-level Conference for EU-28 Ministers of Labour in Dubrovnik in 2015, on tackling undeclared work in South-East Europe [R6], resulted in his invitation to lead the mission to Greece.

3. References to the research (indicative maximum of six references)

- R1.** Williams, C.C. (2014). *Confronting the Shadow Economy: Evaluating Tax Compliance and Behaviour Policies*, Edward Elgar. Available on request from HEI.
- R2.** Williams, C.C. (2017). *Entrepreneurship in the Informal Sector: An Institutional Perspective*. London. REF2.
- R3.** Williams, C. C., & Horodnic, I. A. (2016). Tackling the undeclared economy in the European Union: an evaluation of the tax morale approach. *Industrial Relations Journal*, 47(4), 322–340. <https://doi.org/10.1111/irj.12142>
- R4.** Williams, C. C., & Horodnic, I. A. (2015). Evaluating the prevalence of the undeclared economy in Central and Eastern Europe: An institutional asymmetry perspective. *European Journal of Industrial Relations*, 21(4), 389–406. <https://doi.org/10.1177/0143831x14568835>
- R5.** Williams, C. C., & Horodnic, I. A. (2016). Evaluating the policy approaches for tackling undeclared work in the European Union. *Environment and Planning C: Politics and Space*, 35(5), 916–936. <https://doi.org/10.1177/0263774x16670665>
- R6.** Williams, C. C. (2016). Tackling employment in the informal economy: A critical evaluation of the neoliberal policy approach. *Economic and Industrial Democracy*, 38(1), 145–169. <https://doi.org/10.1177/0143831x14557961>

4. Details of the impact (indicative maximum 750 words)

Tackling undeclared work as a condition for Greece receiving its bailout money

In August 2015, the Greek authorities and European Commission agreed a three-year European Stability Mechanism (ESM) support programme. This set out five conditions for Greece receiving financial assistance, one of which was that “the authorities will adopt an integrated action plan to fight undeclared and under-declared work” [S1].

To implement this, the European Commission appointed a United Nations (UN) body, the International Labour Organisation and in September 2015, Professor Williams was commissioned by the ILO to lead the mission to Greece to develop this action plan.

Prior to his arrival in Greece, the Greek employer organisations held four national-level workshops, and the trade unions held two workshops to diagnose the problem and recommend policy measures. These reports were presented to Professor Williams on his arrival in April 2016. During April, Professor Williams (accompanied by two national experts and with counsel from a Greek supreme court lawyer), met all relevant Ministers and Ministries of the Greek government, employer organisations, trade unions and the Bank of Greece. During May 2016, he then produced the diagnostic report and national action plan based on his above research [R3, R4, R5] about the most effective policy approach [S2].

In July 2016, at a validation meeting, this action plan was agreed by the Greek government, social partners, and European Commission [S3]. To oversee its implementation, and as recommended by Professor Williams [S2 Recommendation 1], a tripartite body, the Supreme Labour Council (ASE), was established by Law 4468/2017. From September 2017 to December 2018, the Greek authorities then implemented the following 14 recommendations of Professor Williams:

Increasing the costs of undeclared work

- Law 4554/2018 introduced a new fines system to transform undeclared work into declared work, reducing the €10,500 fine for an employer detected with an undeclared worker to €3,000 if they declared them employed for one year [S2 Recommendation 13]. This has resulted in 98.4% of undeclared employees detected now being legitimately employed for at least one year compared with only 50.2% before [S4].
- A real-time employment database (Ergani) was developed [S2, Recommendation 2]. A pilot project in 2017 using Ergani generated fines totalling €4.2m.
- An approach of strategic targeted inspections [S2 Recommendation 3], adopted in 2018, led to 587,383 employees being interviewed, which determined 34,663 were undeclared, leading to fines totalling €364.8m [S5].
- To reduce cash usage in the Greek economy [S2 Recommendation 14], it became mandatory from 01/06/2017 for employers to pay employees' wages into a bank account (Ministerial Decision no. 22528/430/2017).
- The maximum cash transaction in Greece was limited to €500 [S2 Recommendation 14].
- Under article 9 of Law 4554/2018, contractors became liable for a subcontractor's employees in relation to tax, social insurance and labour law violations [S2 Recommendation 6].

Improving the benefits of declared work

- Under Law 4488/2017, only businesses without labour law violations can bid for public procurement contracts [see S2 Recommendation 7].

- To encourage electronic payments [S2 Recommendation 14], citizens spending over 80% of their income by electronic transactions received an additional tax-free income allowance.
- Law 4446/2016 made mandatory point-of-sale (POS) terminals in all businesses [see S2 Recommendation 14].
- A receipts lottery was introduced in November 2017 [S6], encouraging customers to request receipts [S2 Recommendation 14]. Held every two weeks, 1,000 winners receive €1,000 each (€1m per lottery), with €23m paid out in the first year. 4.5m taxpayers participated in the first lottery and in the first 11 lotteries, 11.3 trillion receipts were submitted totalling €22.4 trillion. In the first 9 months, a 20% increase in VAT revenue resulted (an extra €2 billion) compared with the corresponding period of 2015 [S7].
- To make declared work easier, a simple SMS electronic declaration for overtime was implemented by Ministerial Decision (Protocol Number 32143/Δ1.11288 / 11-6-2018) [S2 Recommendation 8].

Aligning norms, values and beliefs with the formal laws and regulations

- A pilot campaign on the benefits of declared work, targeting schoolchildren, was implemented in 20 schools in Attica. 1,000 t-shirts, pens and stickers with the logo “Decent Work #Our Right” were distributed [S2 Recommendation 20].
- 1,000 hard copies of Professor Williams’ report [S2] were distributed to all labour inspectors and officials in other Ministries.
- A [90-second youtube video on the benefits of declared work](#) has had over 784,000 views [S2 Recommendation 17].

Further strengthening the impacts

These results were achieved in the 3-year ESM period until December 2018. To implement the remaining policy recommendations in the 2016 report [S2], Professor Williams has since undertaken three additional European Commission missions:

- From December 2018 until May 2019, the European Commission Structural Reform Support Services Unit (now DG Reform) commissioned Professor Williams to design and implement a pilot study on training inspectors [S2, Recommendation 4] to use data mining [S2, Recommendation 2] to better target their inspections [S2, Recommendation 3]. The outcome in the four pilot regions was that the total number of registered working hours for employees across these four Greek regions increased by 35.7% and, to take another example of its impact, registered full-time employment in the restaurants and cafes industry increased by 70% [S8].
- In December 2019, Professor Williams led a European Commission mutual assistance project to Greece to provide support on implementing the remaining policy recommendations in the 2016 report. All the remaining recommendations were included in the resultant report, and actions were agreed by the Greek authorities [S9].

- In September 2020, a follow-up visit was undertaken to assess progress and offer further advice and support [S9]. The finding was that progress had been made on implementing all of the remaining recommendations from the 2016 report.

5. Sources to corroborate the impact (indicative maximum of 10 references)

- S1.** European Commission (2015a) Memorandum of Understanding between the European Commission acting on behalf of the European Stability Mechanism and the Hellenic Republic and the Bank of Greece, Brussels: European Commission, Available at: https://ec.europa.eu/info/sites/info/files/01_mou_20150811_en1.pdf (page 22)
- S2.** Williams, C.C., Demetriades, S. and Patra, E. (2016) Diagnostic Report on Undeclared Work in Greece, International Labour Office, Geneva
https://www.ilo.org/emppolicy/pubs/WCMS_531548/lang--en/index.htm (Page 4 for acknowledgement of Collins contribution and Recommendation 1, p.79; Recommendation 2, p.80; Recommendation 3, p.80; Recommendation 4, p.81; Recommendation 6, p.82; Recommendation 7, p.82; Recommendation 8, p.83; Recommendation 13, p.84; Recommendation 14, p.85; Recommendation 17, p.87; Recommendation 20, p.88)
- S3.** 2016 Validation event for Greek national action plan involving the Greek government and social partners, and European Commission
(<https://www.eurofound.europa.eu/publications/article/2016/greece-2016-national-general-collective-labour-agreement-signed>).
- S4.** Confirmation of impact of implementation of recommendation 13 see p.3
(<https://ec.europa.eu/social/BlobServlet?docId=22206&langId=en>).
- S5.** Ministry of Labour, Social Security and Solidarity- Labour Inspectorate (SEPE), (January 2018), "Operational Business Plan on tackling undeclared work- ARTEMIS"
(https://government.gov.gr/wp-content/uploads/2018/06/ARTEMIS-2017_.pdf).
- S6.** Receipts lottery website (<https://www.aade.gr/menoy/miniaies-synallages-kai-lahnoi>).
- S7.** Confirmation of impact of implementation of recommendation 14
(<https://www.naftemporiki.gr/story/1300421/tax-receipt-lottery-finally-debuts-in-greece-on-thur>) and (https://www.keeptalkinggreece.com/2017/12/01/greece-lottery-tax-evasion/#.WIPTCmnr_uc.email).
- S8.** Confirmation of impact of implementation of recommendations 2, 3 and 4
(<https://ec.europa.eu/social/BlobServlet?docId=22265&langId=en>).
- S9.** Confirmation of progress of all national recommendations
(<https://ec.europa.eu/social/BlobServlet?docId=16358&langId=en>).