

WAYS TO REDUCE UNDECLARED WORK

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Abstract

Negative consequences of undeclared work are reflected in the economy by distorting competition. Thus, employers who do not use declared work have fewer financial obligations and therefore are competing unfairly with those employers who use all kinds of resources and making real efforts to comply with legal obligations incumbent on them.

Keywords: undeclared work, the economy, competition, employer, employee, outsourcing

JEL Classification: K 31

Undeclared work is the most important issue in the field of labor relations. The concept of undeclared work (known as black labor) is the activity performed by an employee for and under the authority of an employer, person or entity without the legal provisions in force concerning the conclusion, performance, amendment, suspension and termination of the individual employment contract.

In Romania, as in European Union countries, undeclared work, by its nature, is difficult to say exactly, so the size of this phenomenon can only be estimated.

Undeclared work has negative effects in the short term but especially long-term, both for individuals and for society, and the state budget, there is a relation between contributions and tax and social security access rights and other social protection measures.

Failure to pay these legal obligations leads, on the one hand, the lack of revenue to the state budget, affecting also the social security systems, on the other hand - and most importantly - the fact that people can not perform undeclared work receive any of the forms of social protection under the law.

Whereas undeclared work involves insecure, with short-term perspective without professional development opportunities, lower wages than on employment, social protection without negative effects for those providing undeclared activity is also manifested precarious socio-economic position compared to workers employed illegally.

Negative consequences of undeclared work are reflected in the economy by distorting competition. Thus, employers who do not use declared work have fewer financial obligations and therefore are competing unfairly with those employers who use all kinds of resources and making real efforts to comply with legal obligations incumbent on them.

Undeclared work can occur only with the involvement of two parts, namely employers and their employees, based on unfair practices that deplete the sense of responsibility necessary in a society where resources is an important part of social helmet.

The main cause of the perpetuation of this phenomenon is the immediate financial advantage obtained both employer and employee, generated by evasion of taxes and social contributions.

It requires that all forms of combat undeclared work to fit in employment policies, because doing so will help state joint efforts to implement other strategies in the field of government (legal jobs, improving quality and productivity at work, strengthening social cohesion and the elimination of poverty, avoid market distortions).

The most common forms in which it manifests undeclared work are:

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- Agreement between employer and employee as a result of which the latter agrees to perform the work without signing an employment contract, which deprives the rights and obligations under the law;
- Failure to conclude individual labor contract for probation;
- Use by individuals for domestic personnel performing services and work in households without concluding an employment contract;
- Unlawful use of day laborers or seasonal employment (day laborers, apprentices and so on).

A gravity social and economic consequence it produces undeclared generates the following risk:

- A person who performs work has payment safety work performed, payment being made based on goodwill of the employer and, in fact, be postponed for days, sometimes months, in this case, tax evasion is committed by a person who performs work and the employer;
- A person who performs work without a contract lacks individual labor welfare: not receiving benefits from social insurance, health insurance, unemployment insurance, the accidents at work and occupational diseases, and those from consolidated budget, not paid vouchers, do not enjoy legal protection of women and children, not collective exercise of constitutional rights (the right to join unions and negotiate collective labor agreement), the right to bank loans;
- The employer has no legal possibility of empowering the worker for any damage caused by it, also lacks disciplinary prerogative;
- Social funds and the state budget are injured by avoiding the payment of social security contributions and taxes.

Identified causes of undeclared work generating situations are different:

- The high level of taxes and contributions;
- Mentality of employers covering all possible means maximizing profits and employee mentality seeking to supplement their income, which is most often at subsistence;
- Ignorance of the law in force associated with the failure to acknowledge the full consequences arising from failure to conclude individual labor contract;
- Poor law regarding employment of specific categories (best example are day laborers mainly used in agricultural activities and seasonal);
- The existence of categories of workers who provide work under the limit imposed by the law of 2 hours per day and 10 hours per week;
- Red tape for recording documents;
- Reduced number of jobs employer's bidders, resulting in acceptance provision undeclared;
- Lack of legislative harmonization of flexible forms of employment and employee protection embodied in the employer undue constraints on how the progress and termination of legal work.

Whatever form would show, undeclared work is not just a single cause, which determines the maintenance of this phenomenon in a vicious circle of cause and from the employer and the employee.

Areas recorded a prevalence of undeclared work are varied: construction, operation and Wood Industry, agriculture, textiles, small trade, small transport, bakery, food and services, associations.

Categories of persons identified that working irregular employment are:

- People with low levels of education;
- People without professional qualifications or low skilled;

- Unemployed, who do not want to lose benefits and social benefits;
- Young people, who often do not have the necessary experience and do not realize the importance of contributing to social security funds;
- Persons with no income or low income;
- People who want to supplement their income through work practice in gray, which can be defined as that form of provision of work the employee receives a part of the wages without their manifest on state fiscal policy;
- Pensioners;
- Foreign citizens;
- Children for whom the consequences of providing an activity outside the legal framework may seriously affect physical and mental development later.

Prevention of undeclared work

For prevention of undeclared work, the Labour Inspection envisages civil society awareness about the consequences of undeclared work practice through the following means:

- Carrying out information campaigns aimed at employers and employees must be intended to highlight the negative effects of work;
- Realization of roundtables, the territorial labor inspectorates, in cooperation with trade unions and employers, with the participation of experts in employment law, sociologists, economists, psychologists, representatives of the National House of Pensions and Other Social Insurance Rights, Ministry of Health, Ministry of Education, Youth and Sports, Ministry of Finance and so on, on issues concern the employment relationship and their interference with other social relations;
- Designing and editing the Labour Inspection a guide for employers and employees on the disadvantages of practicing free distribution of undeclared work and vocational schools, high schools, colleges, through territorial labor inspectorates;
- Creation of a permanent contact with local media, in order to form a proper and responsible civic attitude, bad undeclared;
- Creation site web Labour Inspection of interested citizens to provide information about employment laws in force;
- Discussion of the radio and television broadcasts large audience, held in each inspectorate, on identifying and combating undeclared work;
- Training of the employers on their obligations in labor relations with employees, when the actions of guidance and control by labor inspectors;
- Active involvement of social partners either through direct cooperation with the Labour Inspectorate or the Economic and Social Council in helping to promote the necessary legislation and access to funds for Labour Inspection to prevent undeclared work.

Detect cases of undeclared work is one of the main objectives of the Labour Inspectorate, given that the measures imposed by labor inspectors and sanctions applied driving offenses to deter the practice of undeclared work. In this sense, the media have been extended by:

- Setting up hotlines undeclared work;
- Use inside inspectorates of mailboxes where interested persons can provide information on undeclared work without their identity;
- Background checks and type "campaigns" in sectors with high incidence in the use of undeclared work;

Carrying out cross-checks on the basis of cooperation agreements with other institutions 'Line' with new practices and controls long distance control;

- Increased media coverage of the negative aspects of undeclared work by presenting results of the control.

Combating cases of undeclared work is the main focus of action for Labour Inspection. Main courses of action to combat undeclared labor cases are:

- Fix undeclared direct effect of practice, by requiring employers to enter into written individual employment contracts for persons identified as providing undeclared work;
- Intensify checks that employers were detected cases of undeclared work;
- Take measures binding legal provisions in the field of labor relations and find out how to fulfill them in due time;
- National dissemination strategy by broadcasting commercials through the Romanian Television Society and the Romanian Radio Broadcasting;
- Publicizing local organizing by labor inspectorates press conferences, roundtables, which transmit messages to all citizens of the disadvantages provision undeclared;
- Proposals for collaboration with various radio and television broadcasts in pursuit of enabling all participants in the labor market to intervene and address the issues raised in the practical application of restrictive labor legislation.

Inter-institutional cooperation provides a unitary action in identifying and combating cases of undeclared work and good cooperation between the Labour Inspectorate and other central and local public authorities, non-governmental organizations involved in these tasks.

In this regard, the Labour Inspection concluded cooperation protocols to reduce undeclared work with the following institutions: General Inspectorate of Romanian Police Authority for Aliens, the Financial Guard State Construction Inspectorate, the National Trade Register Office, the Romanian Immigration Office National Agency for Fiscal Administration, the Romanian Gendarmerie. These protocols signatory institutions assumed responsibility for operational information on situations in which the existence of undeclared work.

Inter-institutional cooperation aims to increase interoperability and reduce human and material costs through efficient use of existing databases and exchange of relevant information, such as to support sectorial making better decisions.

Locally, labor inspectorates will establish direct relations with other institutions, such as prefectures and local municipalities, the Financial Guard, National Agency for Fiscal Administration through its subordinate units, the County Police Inspectorate, Inspectorate of the Gendarmerie Inspectorate in construction, local media.

Besides national cooperation is necessary to promote the exchange of experience in the field of competence of the Labour Inspection bodies and international institutions through:

- Organization of seminars and conferences, with participation of experts from Member States of the European Union;

- Initiate and develop twinning programs in alignment with the best practices of the European Union regarding the phenomenon of undeclared work.

Should be reviewed and strengthened laws regarding criteria and penalties for non-compliance relating to tax and social contribution for combating undeclared work. Must be brought changes to labor market rules to facilitate and encourage access to legal forms of employment, in terms of how atypical employment, as did Spain, or defining new types of contracts for various activities, such as Italy.

-We have initiated actions in information campaigns against undeclared work. German example "illegal ist unsozial" can be seen as encouraging people to participate in detecting and combating undeclared work.

Some states have initiated information campaigns about the risk of illegal employment in construction where recourse to this means giving up protection against construction defects or unauthorized use of transportation companies where there is no protection against theft and

damage. Of course all these examples that have been successful in saving Western countries will be implemented in our country taking into account the specificities of the Romanian economy.

The problem of undeclared work in the private service sector is characteristic of Belgium, France, where they were introduced based services vouchers worth, which housewives can buy for home services at low prices, but also contain taxes and social security contributions.

Another approach was detained in northern Europe, which focused both on reducing taxes as well as subsidies for qualified services and encouraged the use of legal work and not the undocumented.

Rebates and grants to repair and upgrade houses have to be implemented to help repair homes legally and can result in informal sector employment shift in the law.

Subsidies for domestic services were introduced in Germany and Denmark to encourage the shift domestic services (cleaning and gardening) in the lawfully. State grants are awarded as part of the wages to be granted to employees and thus reduce the cost to be paid by customer service.

Most states have amended tax legislation regarding taxation of employees and tax deductions. Changes have some positive results in combating undeclared work.

Employer Guide from 1998 also recommends EU member states to study the possibility of reducing VAT intensive service sectors.

Another type of intervention is restructuring and professionalization of the supply in certain sectors. Liberalization of goods and services also acted as a structural intervention favoring declaring certain services.

Actually most serious administrative requirements are requirements imposed by the economy which has been recognized by the European Commission in its "Recommendations for simplifying and improving the business environment for starting a business."

Based on the best results obtained by the Member States are recommended a set of measures to reduce administrative measures imposed new businesses, including constraints arising from taxes and social contributions.

Social partners can play an important role in combating undeclared work. Must be initiated this collaboration with trade unions in the sectors concerned. In France, for example, the government and unions have worked in information campaigns to encourage people to declare construction work or moving services. Moreover signed a tripartite agreement for reinstatement undeclared in the legal and monitoring its social partners.

Outsourcing² can be a solution for combating undeclared work, as well as an opportunity to save companies near insolvency threshold?

In the business is fully verified statement that consumes other human resource human resources. Thus, the cost of an employee is not given only by salary. From recruitment, and initial specialization, even in the office and computer work, continuing with tax and other taxes paid in addition to salary. In addition, there is continuing need for specialization due to the dynamic legislative changes. All these are efforts that the employer must submit to have a productive employee and continuously connected to the changes quite often lately. And after he will meet in all requirements, we are finally in a position to recruit again, because the employee has found a better job and leave. Thus, we consider that the service provider can manage its resources more

² In economics the term known as outsourcing, define productive delegate tasks, objectives, non-strategic business areas (essential) to organizational segments belonging to foreign entities that offers a better price-quality ratio and have expertise (producing better) in areas specialized. It is not a partnership between two equals but rather by external providers subcontracting of ancillary activities within a firm (business). The term outsourcing is a summary of the English expression outside-resource-using, freely translated: resource utilization (resources) external (outside). Outsourcing can include a wide range of activities, from business processes (eg production of parts) to the functions of the company.

efficiently because its scope is specialized and offers a diverse work environment and thus more attractive in the medium and long term.

However, any process outsourcing services regardless implies a transfer of responsibility³. With great importance, but also represents an increased risk, staff should be chosen according to clearly defined criteria, depending on the needs of your company is to outsource. It should be taken into account past and provider values, its business approach, flexibility, adaptability, skills, abilities, knowledge and experience of team, accreditation and certification, price, quality level guaranteed (Service Level Agreement), references, reputation, and category (multinational or local).

In the supplier selection process should involve all departments will collaborate with suppliers, not only management, but also the final beneficiaries of services. Their early can create a precise and detailed tendering so that the company can obtain all the information that matters on the supplier. An example of this is the existence requirement of ISO certification provider which if not included in the request for proposals, but it is absolutely necessary, can create further problems.

Because every aspect of collaborative outsourcing relationship is or should be provided by contract, it is very important for the parties to define, in the phase preceding the signing of the contract of services, roles, responsibilities and response times that both parties would have to assume. In any outsourcing relationship to optimize flows of information and documents, it is recommended to have an account manager in supplier team that is responsible for taking information from the customer and filtering, to transmit them to his colleagues.

Another important element for mutually beneficial collaboration are the criteria for evaluation and performance measurement, which should be clearly defined early in the collaboration. Thus, you should set those KPIs (Key Performance Indicators), and the frequency of their application and penalties for non-compliance. If dependable performance indicators are not clearly defined or if there are no penalties for non-inserting them in the contract becomes useless.

Use of performance indicators should incorporate what is called a business in terms of SLA - Service Level Agreement, or continuous measurement and constant quality level of services. The company should include all elements of interest in ALS: response time and accuracy for solving services.

Another important aspect when deciding to outsource or switching is the accountability for the work done. The agreement must specify the responsibilities that are penalties if these responsibilities are not met. Also, customers should seek professional liability insurance providers where besides the damage that can be proven very easily occur and consequential damages. An example would be where an undertaking, where the companies that have outsourced payroll services wrong or delayed payment of wages, may face disruption of production for one day, what if that translates production units the loss of tens, hundreds of thousands of dollars and maybe even million.

Even if, sometimes, commercial contracts are certain matters that go into writing, because there is a so-called "gentleman's agreement" between the parties which concluded that

³ In 2005, global outsourcing market was estimated at 30-40 billion annually. Doing business is dependent on project type conjuncture situation, while outsourcing can provide long-term revenue. For this reason, IT firms must have both types of businesses. Contracting projects grew about 5% in 2006. But expect strong growth in the outsourcing, some examples being, desktop and network outsourcing giant Allianz and long awaited project Herkules German Federal Army. Allow large outsourcing orders still expected even more is expected in the future make a selective outsourcing, is dividing a large project into several smaller project. Besides outsourcing contracts for a period of five years will be renegotiated this year or next year. Given the intention of firms to reduce costs, will be able to talk to a reduction in margins. Taking into account production overcapacity can make the argument that IT branch is connected to steel 21st century.

collaboration should be noted that if both client side and the supplier changes those who initiated the collaboration, who will arrive can say that what is written there. This is a great truth and great risk in commercial contracts.

However, termination of contracts clause is an aspect often neglected because parties beginners do not consider this a priority. The company must, however, be careful not to enter into a contract to keep her captive for a period of time, without being able to give where services do not meet the quality of what was agreed at the beginning of the collaboration.

In conclusion, we believe that outsourcing can bring many benefits to a company when it is experienced with a sense of responsibility and in accordance with the specific needs of the company. These include cost reduction, access to expertise, resources and know-how collaborators, simplifying processes for the company, and the efficiency in terms of time. At the same time, means little control over outsourced services and an increased risk because of dependence on foreign firm. Therefore, choosing the right provider is of major importance⁴.

Therefore, it is easier to impose requirement and obligations of a supplier firm than an employee, because the customer is more demanding than the employer.

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⁴ Romania, like many other countries in Eastern Europe, mainly the Czech Republic and Bulgaria, compete with countries like India and China outsourcing market for IT projects in the U.S., Canada and EU countries. Considered a second "Internet bubble", outsourcing is an industry with a turnover of around 49 billion USD per year. It can be seen a small increase in prices in Romania, supported by a decrease in the supply of IT professionals in Romania. However, even in these conditions, the average price (industrial) per hour, 18 euro puts us at an advantage over other countries in Eastern Europe and warrant status in a favorite destination for outsourcing derived mainly from European firms.