

Bridge Building Peer Review Report

Fighting Undeclared Work

Upon request from the Ministry of Finance, Labour and
Transfers of the Republic of Kosovo, 5-6 December 2024
(online)

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The Bridge Building (BB) Peer Review Report on Fighting Undeclared Work was developed within the European Centre's [Bridge Building Initiative](#) to follow up on the successful implementation of the project [BB Peer Reviews and Training—Mutual Learning Activities in BB countries](#) (06/2021 – 03/2024).

The content, analysis, opinions, and recommendations in this report do not necessarily reflect the views of the host country (Ministry of Finance, Labour and Transfers of the Republic of Kosovo) or the participating peer countries. The authors are grateful to Daria Jadric for proofreading and editing the report.



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BB	Bridge Building
EU	European Union
ILO	International Labour Organisation
RAS	Risk Analysis System
TAK	Tax Administration of Kosovo
UDW	Undeclared work

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1 Introduction

The Bridge Building (BB) Peer Review hosted by the Ministry of Finance, Labour and Transfers of the Republic of Kosovo was the seventh peer/policy review in a series of mutual learning events offered to BB countries¹ by the European Centre for Social Welfare Policy and Research (European Centre), following a methodology applied and widely used within the European Union (EU) Member States in employment, social and inclusion policies.

In implementing mutual learning activities in the BB countries, the European Centre provides answers to countries' needs related to finding fitting solutions to the multiple crises the societies are facing following the COVID-19 pandemic, including the energy crisis, the cost-of-living crisis, high inflation in many countries, all of which have huge impacts, especially on vulnerable groups. Peer reviews promote the mutual exchange of experience and knowledge transfer about the situation on the selected topic in a host country and respective peer countries.

The Bridge Building (BB) Peer Review focussed on fighting undeclared work in the BB countries and was held 5-6 December 2024 (online). Undeclared work (UDW) is defined by the European Commission as *"any 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"*.² If left unaddressed, UDW can lead to unfair competition among employers, weaken the enforcement of labour and social rights and enable social security fraud, making it a critical focus for policymakers and regulators in labour enforcement, tax administration and related domains. The aim of the peer review was to discuss

- *How to best fight undeclared work in the BB countries and the EU? What policy measures work well, and what does not work well?*
- *What measures have contributed to improving the situation in Kosovo and other BB countries? Were soft measures, hard measures (such as sanctions), or a combination of both most effective?*
- *What role does partnership play in fighting undeclared work?*

The event focused on exploring diverse policy approaches to combating UDW by sharing and exchanging best practices and lessons learned. It attracted significant interest from experts and officials, with a total of 64 registrations. The BB peer review

¹ The BB countries are Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Kosovo, the Republic of North Macedonia, the Republic of Moldova, Montenegro, Serbia, and Ukraine. See <https://www.euro.centre.org/domains/bridging-building>

² European Commission: Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions – Stepping up the fight against undeclared work (COM/2007/0628) EUR-Lex - 52007DC0628 - EN - EUR-Lex

was attended by delegations from the following BB countries: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Ukraine, Moldova and Armenia.

The event began with opening remarks and insights from Petrit Reka, Senior Officer in the Department of Labor and Employment at the Ministry of Finance, Labor and Transfers of the Republic of Kosovo; Roland Hanak, Head of the Bilateral Labour Market Cooperation Department at the Federal Ministry of Labour and Economy of Austria; and Anette Scoppetta, Deputy Director of the European Centre. Kosovo's contribution was presented by Antoneta Azemi, Advisor to the Minister at the Ministry of Finance, Labor and Transfers of the Republic of Kosovo, and Agron Hamiti, Director of the Planning and Risk Management Department at the Tax Administration of Kosovo. Their presentation highlighted Kosovo's experience with diverse policy approaches to combat UDW, emphasising soft measures such as awareness-raising campaigns, the use of digital tools, inter-institutional cooperation, and the strategic role of incentives in encouraging declared work. The delegations of the BB peer countries consisted of representatives of ministries of labour and/or social affairs in Albania, Armenia, and Moldova. Peer reflections on strategies to address UDW were shared by Eljo Mucaj, General Director of the State Labour Inspectorate and Social Services in Albania; Yevgine Vardanyan from the Ministry of Labour and Social Affairs in Armenia; and Nicolae Vasilenco, Deputy Director of the State Labour Inspectorate in Moldova. The event continued with expert contributions from Ardiana Gashi, Professor at the University of Prishtina; Urška Zagožen, Senior Financial Advisor in the Supervision Department of the Financial Administration of Slovenia; Anette Scoppetta, Deputy Director of the European Centre; Frédéric Lapeyre, Director of the Priority Action Program "Transition from the Informal to the Formal Economy" at the ILO; and Katrine Waaktaar-Slokvik, Head of Legal Affairs at the Norwegian Labour and Welfare Administration.

In all, the peer review sessions featured lively discussions on national experiences and best practices in addressing UDW. The evaluation of the peer review showed the following results: all respondents (total 6) agreed or strongly agreed that the event had increased their knowledge and that they had learned about useful approaches for their professional work. Furthermore, most respondents (83%) reported that the event allowed them to develop their professional network, and all respondents stated that they had received new policy perspectives for their job. They specifically highlighted the benefits of exchanging different country practices on UDW.

This report summarises the insights gained during the policy review and aims to share them with a broader audience. It is structured as follows: Chapter 2 informs on the host and peer country interventions in fighting UDW, and Chapter 3 highlights findings from research and insights from other countries. This is followed by Chapter 4, which outlines key issues discussed during the peer review, and Chapter 5, which

summarises the takeaways of the BB countries. Finally, Chapter 6 presents conclusions.

2 BB country interventions in fighting UDW

2.1 The situation of UDW in Kosovo³

The host country's paper, "Fight the Shadows, Embrace the Light - Pathways Towards the Formalisation of Work", informs that Kosovo's labour market is characterised by high inactivity and high unemployment rates, which require coordinated and effective interventions. Closely interrelated to this is the prevalence of informal work in Kosovo. According to the Ministry of Finance, Labour and Transfers of the Republic of Kosovo, 30% of the labour market is informal in Kosovo, which has significant social and economic impacts on the country:

- The lack of work contracts leads to insufficient protection of workers' labour rights. Weak enforcement of labour protections and low levels of participation in trade unions further worsen the situation. The lack of contracts also prevents workers from participating in the national pension scheme.
- Economically, high levels of informal employment impede competition, as businesses that hire informal workers do not adhere to regulations and pay lower taxes, giving them an unfair advantage. Thus, an environment where informality is "incentivised" is created. The prevalence of informal work can limit investment in skills development and innovation, as informal businesses tend to remain small and operate with limited resources. This restricts economic growth and the potential for the workforce to transition into higher-value industries.
- Finally, the high level of informality affects overall state revenue, leading to a lower level of public funds, which could otherwise be invested in a variety of key services for society. Moreover, high levels of informal employment can distort labour market statistics, inhibiting the process of evidence-based policymaking.

³ This section largely builds on the BB Bridge Building Peer Review Host country paper "Fight the Shadows, Embrace the Light" - Pathways towards formalization of work, written by Petrit Reka from the Ministry of Finance, Labor and Transfers, Kosovo and Agron Hamiti from the Tax Administration of Kosovo.

Given all this, Kosovo's high level of informal work puts workers in a precarious situation, affecting their well-being and the functioning of certain dimensions of the economy.

2.2 Kosovo's strategy in fighting UDW⁴

To address informal employment and prevent or mitigate the effects of this phenomenon, Kosovo has adopted a wide range of policy instruments.

For example, according to the host country Kosovo, employers, until recently, only had to declare their workers after they had started their work. This has led to cases where inspectors would find undeclared workers in a workplace, but employers would object that they had just started their employment. Employers thus still had time to declare them. To address this, legislative changes have been introduced that obligate employers to declare their workers before they start their employment. Moreover, the Tax Administration of Kosovo (TAK⁵) created a digital tool whereby workers can check whether they are declared by their employers (see Box 1). This has proven a useful tool for workers, contributing to their awareness and engagement. In parallel, the Kosovo Labor Inspectorate enhances its capacities by increasing the number of labour inspectors and restructuring the institution.

Box 1: Experience Box Kosovo

"Informal Employment or Undeclared Work" - Project for improving tax compliance in Kosovo

The project is one of eight projects aimed at improving tax compliance in Kosovo and has been implemented by TAK since 2021 with the following *objectives*:

- to increase the number of registered workers and the number of businesses declaring workers,
- to increase the declaration of wages on a real basis, and
- to increase the revenue from sectors categorised as higher risk for undeclared work.

Main *activities* include an information campaign for workers and employers, gathering information from key institutional actors involved in addressing undeclared work, sharing or combining data among related institutions during

⁴ This section includes information from the BB Bridge Building Peer Review Host country paper "Fight the Shadows, Embrace the Light" - Pathways towards formalization of work, written by Petrit Reka from the Ministry of Finance, Labor and Transfers, Kosovo and Agron Hamiti from the Tax Administration of Kosovo.

⁵ <https://www.atk-ks.org/>

preparations for visits, conducting joint inspections with other agencies that enforce labour and occupational health and safety legislation, sending notifications to the category of businesses identified as high-risk for undeclared work, paying short visits with a special focus on sectors identified as higher risk and businesses identified as medium-risk, and carrying out inspections of businesses identified as high-risk.

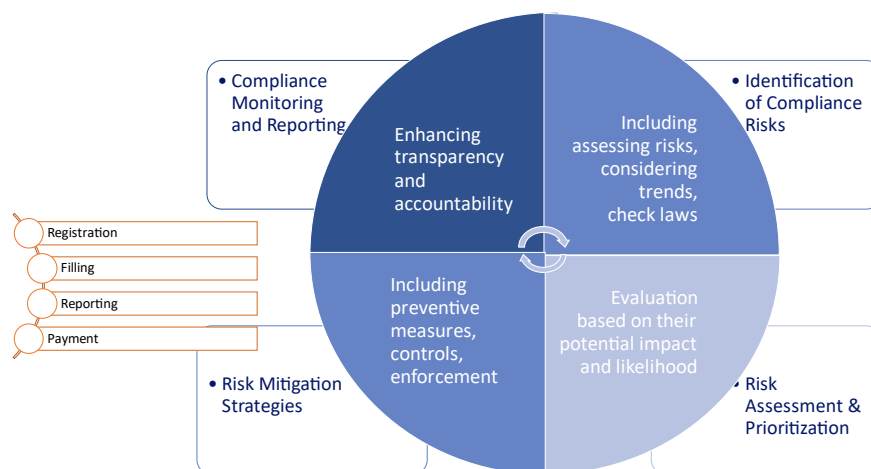
The main *challenges* related to these new initiatives concern the legal framework, considering that the applicable law in Kosovo does not specify the time when a contract should be signed. It is thus necessary for workers to receive a written contract on the first day of employment. The creation of an Electronic Employment Registry, which will contain all information about workers from the date of commencement of employment, is regarded as necessary.

The *results* achieved so far include an increase in the number of registered workers, an increase in the number of businesses declaring workers, an increase in the amount of declared wages based on real data, and an increase in revenues from sectors categorised as higher risk for informal employment.

Source: BB Bridge Building Peer Review Host country paper “Fight the Shadows, Embrace the Light” - Pathways towards formalisation of work, written by Petrit Reka, Ministry of Finance, Labor and Transfers, Kosovo and Agron Hamiti, Tax Administration of Kosovo.

Further initiatives include Kosovo’s multi-pronged compliance and implementation strategy that was presented during the peer review. An innovative system is used to identify compliance risks through data-driven risk profiling (see Figure 1). Risks are assessed using scoring methodologies that consider factors such as tax complexity, historical non-compliance and industry. The system is used to implement and monitor targeted remediation plans. Moreover, project-based initiatives are defined, including policy and procedural advancements comprising changes in legislation, improved internal data management and enhanced digital outreach to employees. Ongoing challenges include improving information exchange with external institutions and stakeholders, identifying UDW workers and addressing the need for additional staff and capacity.

Figure 1: Kosovo’s Compliance Risk Management Model



Additional government initiatives to increase the number of jobs and formalise work are implemented under the slogan “jobs and justice”. As part of this initiative, Kosovo has implemented several measures to promote formal employment and enhance labour market participation, including:

- The launch of the "Superpuna" matchmaking platform⁶: a dedicated platform connecting young job seekers and employers, incentivising both parties to engage through formalised employment relations.
- Subsidy programs to promote formal employment: the government introduced diverse subsidy initiatives to encourage formal employment, targeting unemployed individuals, women, and persons with disabilities.
- The Employee Verification Services⁷: a new online service introduced by the tax administration that allows workers to verify whether their employers have declared them.
- The welfare and unemployment reform: changes were made to welfare benefits to encourage a return to formal employment.
- Legal changes to eliminate loopholes: Employers are now required to declare their employees before they commence work with a five-day window to formalise employment contracts. Penalties for not declaring workers were also increased.

Moreover, considering that agriculture is often one of the sectors with the highest rates of informal employment, the current administration is introducing a new and flexible approach to the declaration of workers, which is expected to encourage their registration in this sector. During the Peer Review discussions, the Labour Inspectorate of Kosovo also highlighted that their previously limited inspection capacity had been significantly bolstered. This progress was achieved through increased staffing, strategic use of data, outreach and awareness campaigns and collaborative joint inspections with the tax administration.

Taking a **comprehensive approach which utilises all the tools available to the institutions in a coordinated and effective way** is regarded as important in Kosovo when drafting approaches towards the elimination of a phenomenon, as the Kosovo host country paper informs. According to the paper, decision-makers should integrate both soft and hard policy instruments available in their toolkits. Every action should use wide-ranging information campaigns delivered in an interactive and intuitive manner. Financial incentives and disincentives should be utilised in an effective and efficient manner. Legislation should be amended to the changes in the

⁶ <https://superpuna.rks-gov.net/>

⁷ <https://www.atk-ks.org/en/njoftim-per-te-punesuarit-verifikiko-deklarimin-nga-punedhenesi-juaj-2/>

world of work. Last but not least, institutions should coordinate their actions closely with one another to increase their impact, optimise the utilisation of limited resources, and relieve burdens that uncoordinated actions can put on society.

2.3 Peer country reflections

Following the host country's presentation, the three BB peer countries—Albania, Armenia, and Moldova—presented their approaches to fighting UDW.

Albania: The three main pillars of UDW intervention presented in Albania's approach encompass inspections, awareness-raising and inter-ministerial cooperation. Albania launched an interactive website for employers where users learn more about declaring their workers. The peer country also presented its Risk Analysis System (RAS), which uses machine learning based on data from past inspections and other methods to target strategically industries and employers during inspections. The Albanian delegation noted that many violations are detected through inspections guided by the RAS (see Box 2).

Box 2: Experience Box Albania

Risk Analysis System (RAS) as part of the MIRA SYSTEM in Albania

The planning of inspections through an integrated RAS system enables the orientation and *monthly planning of inspections on a fully automated risk basis*, which are based on advanced technologies such as "*Data Mining*" and "*Machine Learning*". It assesses risks based on the history of inspections, including specific risk factors for each sector or other indicators. This advanced system was completed in December 2023 with the technical and financial support of the *ILO* and the *EU*.

Some 48% of annual planning is used by companies with a potential risk of violating the legal provisions on informality. Most of these companies are active in trade (48%), manufacturing (17%), construction (12%) and other economic sectors (33%).

The results of well-targeted planning can be seen in the inspection data, where the highest number of informal labour violations are currently found in planned inspections, in contrast to previous years when this data was found in random inspections for flagrant violations.

Source: Ministry of Economy, Culture and Innovation, State Labour Inspectorate and Social Services, Albania, slightly adapted information from the PowerPoint slides (5/12/24)

The Albanian ministry is focusing on new areas to combat UDW, such as targeting the grey economy, facilitating rapid information sharing between ministries, regulating non-traditional forms of work (such as seasonal and cross-border employment), organising joint awareness campaigns, managing foreign employment in Albania,

overseeing employment agencies, and increasing the capacity of the labour inspectorate.

Armenia: Armenia reports a 34% rate of UDW and is implementing various programs to formalise employment. Currently, the country provides support to individuals with disabilities and displaced persons with plans to expand these programs to include youth and women. Moreover, initiatives are being proposed to leverage social assistance programs to encourage individuals to transition to formal employment. For instance, modifications to the family benefit system are under consideration. A key challenge identified in Armenia is the need to strengthen the capacities of labour inspectorates and reduce reliance on strict enforcement measures. Another key challenge identified through research in Armenia is that many workers hesitate to participate in the formal economy due to concerns that their bank debts may be collected from their declared salaries. To address this issue, Armenia has introduced an initiative that allows undeclared workers with bank debts to officially declare their employment while redirecting their income taxes to help repay these debts.

Moldova: According to the Moldovan delegation, the share of individuals with informal employment accounted for 23% of all employed persons in 2023. The practice of striking verbal agreements is more common among men (9.2%) than women (5.2%). The highest proportions of employees working solely based on verbal agreements are estimated in agriculture at 61.8%. For comparison, in construction, it is 12.8%, trade 5.7%, and industry 3.7%). Of the total employees, 7.5% have informal jobs and simultaneously receive their wages 'under the counter', with the highest share in agriculture estimated at 62.8%. For comparison, in construction, it is 13.2%, and in trade, 5.5%. (BB Peer country reflection Moldova, ppt).

Moldova applies a definition of UDW that is enshrined in Moldova's labour code. The delegation reports that this definition hinders effective enforcement, compounded by the inspectorate's limited capacity. At the company level, economic pressures in sectors such as agriculture, coupled with weak organisational culture, exacerbate the problem. On the employee side, it was emphasised that many workers, particularly in rural areas, face limited alternatives to UDW and often lack awareness of their rights, leaving them vulnerable to exploitation. Initiatives implemented in Moldova include the National Program to Reduce Informal Employment 2022-2026. It is designed to improve legislation, strengthen institutional capacity and create policies that promote formal employment. Other initiatives encompass internal reforms, including legal amendments, the introduction of sanctioning powers for the State Labour Inspectorate since July 2023, capacity enhancements through updated inspection standards and upgraded tools, services and efforts to boost inspectorate competence through specialised training and the integration of international expertise. In addition, new campaigns started in 2023: the labour inspector recruitment campaign titled "Your Superpower" and the "Switch to White" inspection campaign. The initiatives aim to address UDW, including upgrading and

modernising systems to detect and manage UDW, raising public awareness about the importance of formal employment, strengthening outreach to employers and workers and implementing joint inspections.

The similarities with the Kosovo system found by Moldovan colleagues include the prevalence of UDW, the high share of the active population employed in the informal economy (16% for Moldova) and the negative implications of UDW for the countries. In addition, both countries have implemented programmes to address informal employment and have used diverse policy instruments to combat UDW, including laws and normative acts. Finally, intensified efforts are being made to enhance the capacity to fulfil the regulatory mandate through modernisation and organisational restructuring. Moldova is investing in developing social partnerships and awareness-raising campaigns and is enabling the digitalisation of processes. Differences reported by Moldovan representatives to the situation in Kosovo include the governance structure and institutions responsible for formalising UDW (in Moldova, there are two central authorities, the State Labor Inspectorate and the State Tax Service, which are responsible for monitoring, preventing and combating UDW) (BB Peer country reflection Moldova, ppt).

3 Findings from research and insights from other countries

In addition to the BB peer reviewing exercise, findings from research and insights from other countries were shared during the BB peer review. These include the following:

- According to **Williams & Gashi** (2022), four types of formal institutional failure contribute to UDW. These are: (1) formal institutional resource misallocations and inefficiencies; (2) formal institutional voids and weaknesses; (3) formal institutional powerlessness measuring the capacity to enforce law and regulations; and (4) formal institutional instability and uncertainty measuring the frequency of changing the laws and regulations. Williams & Gashi (2022) suggest that it is crucial for countries to improve procedural justice, enhance procedural fairness, and improve redistributive justice. This is especially necessary as it helps to foster a *“paradigm shift from a ‘cops and robbers’ mentality to a service-oriented perspective”* (Williams & Gashi, 2022, p.92).
- The **Norwegian** expert informed us that they implement a joint management model for inter-agency collaboration against work-related crime where the Tax Administration, the Norwegian Labour Inspection

Authority, the police, and the Norwegian Labour and Welfare Administration join forces to combat the crime of UDW.

- **Slovenia** shared how they use fiscal cash register data to detect UDW. When cash transactions are carried out and invoices are issued and validated, data is transferred to the fiscal cash register. The central information system of the Financial Administration receives the information for every single invoice in real time. Based on the system's analysed data, the Financial Administration plans targeted controls and follow-up measures. An alarm system is in place that sends an e-mail to the head of the local control department in case of incorrect or false information (e.g. incorrect tax numbers, an operator registered as an unemployed person, a wrong type of insurance, etc.). Thus, the system allows on-site supervision in real time (see box 3).

Box 3: Experience Box Slovenia

Fiscal Verification of Invoices (Fiscal Cash Register) in Slovenia

Slovenia has introduced the Act on Fiscal Verification of Invoices, which has aided efforts against UDW, requiring all cash transactions by businesses and individuals to be recorded and transmitted in real time via an internet-enabled cash register to the Financial Administration's central system. Each invoice includes key details such as the location and tax number of the issuer, ensuring traceability.

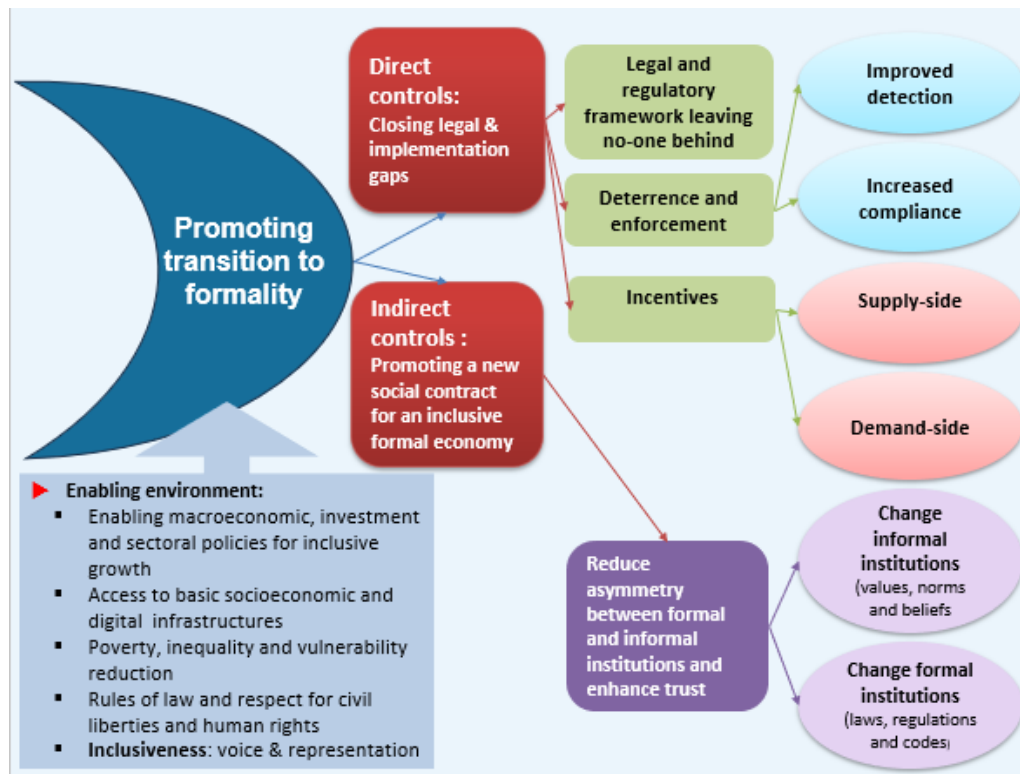
This system allows the Financial Administration to take a *more data-driven and strategic approach to inspections*. By analysing transaction volumes in relation to declared employees, authorities can identify potential cases of UDW. The mandatory issuance of receipts also helps detect undeclared self-employment, while recorded business locations facilitate targeted inspections. Additionally, the system flags irregularities in business registration. This strengthens risk analysis and enforcement efforts.

Source: Financial Administration of the Republic of Slovenia, slightly adapted information from the PowerPoint slides ppt (5/12/24); European Labour Authority, *Certified Cash Registers - Slovenia: Cooperation between Different Public Authorities Responsible for Identifying, Tackling, and Preventing Undeclared Work*. [SI-Cash Registers.pdf](#)

- A recently accomplished **analysis of evaluations on UDW within the EU** (European Commission, 2023) showed that Central and Eastern Europe has a higher share of recommendations to tackle determinants of UDW (22% in Central and Eastern Europe vs 8% in Western Europe) compared to other European regions. In Western Europe, evaluations focused more on increasing tax compliance, possibly suggesting the presence of different types of UDW (e.g., bogus self-employment). Moreover, the study finds that where the underlying tax morale within a society is low, increasing enforcement efforts will have a marginal effect. Instead, more emphasis must be placed on responding to the underlying issues driving low tax morale. The study also found that indirect measures play an important role in tackling elements of UDW, especially those relating to tax non-compliance. Simplifying communication is a cost-effective way of increasing compliance and reducing the overall costs of enforcement.

- Finally, the ILO expert highlighted the need for a “**multi-level intervention model for transition to formality**”, which includes setting up enabling environments (macroeconomic, investment and sectoral policies for inclusive growth, access to basic socioeconomic and digital infrastructures, etc.) that apply both direct controls (closing legal and implementation gaps) and indirect controls (promoting a new social contract for an inclusive formal economy) (see Figure 2).

Figure 2: Multi-level intervention model for transition to formality



Source: ILO, PowerPoint slides, adjusted (6/12/24)

4 Key issues discussed

Participants engaged in debates by reflecting on the presentations during working group discussions. Key issues included the need to build trust, raise awareness among workers, reshape incentives to discourage informality, create accessible online resources for workers and employers, update legal frameworks and engage civil society, workers and employers to emphasise the benefits of declaring work. Participants particularly highlighted the need for reliable, up-to-date data that

capture emerging trends in UDW influenced by migration, digital platform work⁸, evolving labour market dynamics and economic downturns. Additionally, participants underscored the importance of fostering inter-institutional cooperation to enhance enforcement and coordination efforts.

Participants also discussed legal loopholes, such as the previous regulation in Kosovo that allowed employers to delay declaring workers for up to two weeks after they started work, which has since been closed to strengthen enforcement and improve compliance. The practical implementation of new legal frameworks and policies requires careful planning and monitoring to ensure success, including mechanisms to track compliance and evaluate their effectiveness over time. Participants also highlighted challenges in exchanging data, coordinating institutional cooperation and collecting high-quality data to support enforcement efforts since current data systems inadequately capture the extent of UDW, particularly in the context of demographic trends like youth emigration. Outsourcing and subcontracting often involve chains of subcontractors to obscure responsibility and circumvent enforcement mechanisms that would otherwise be more straightforward for the regulating authority (Weil, 2014). BB countries may wish to review their enforcement strategies to explore potential approaches for addressing these evasive practices more effectively.

Reflecting on the presentations and discussions, several **recurring themes and challenges** were identified across the presentations and exchanges:

- *Economic incentives and inequality*: Economic incentives for both employers and workers, combined with workers' lack of awareness and insufficient job opportunities, continue to drive UDW, particularly in industries like agriculture and construction, where UDW is especially prevalent. The discussions also highlighted how UDW perpetuates inequalities. Participants underscored the need for further research to better understand the underlying drivers of informality.
- *Balancing hard and soft measures*: While some participants emphasised the effectiveness of punitive measures, others highlighted the importance of public education on compliance and offering the opportunity to self-correct. Finding the right balance between these approaches remains a challenge.
- *Capacity building*: Many labour inspectorates reported challenges with staffing and resources. Building capacity through training, expanding staff and strategic use of resources was widely recognised as essential.

⁸ Enforcement authorities face significant challenges in tackling undeclared work and social dumping in new forms of work including platform work, especially in the areas of food delivery, transportation of passengers and cleaning services (see, for instance, Scoppetta & Prinz, 2023).

Several **innovative strategies and promising practices** were highlighted:

- *Digitalisation*: Many participants were very enthusiastic about the potential of digital tools and technologies to boost their enforcement capacity and effectiveness, specifically in terms of public education through websites and interactive tools or improved inspection and outreach targeting through data analytics and machine learning as implemented by Kosovo and Albania.
- *Changing the incentives around UDW*: Countries shared various examples of incentives designed to encourage the transition from informal to formal work, including subsidies, tax breaks and programs that tie social assistance to formal employment requirements. Innovative initiatives, such as Kosovo's "Superpuna" matchmaking platform and Armenia's debt repayment scheme through redirected taxes, showcased creative approaches to incentivise participation in the formal economy.
- *Strengthening legal frameworks*: Updating labour codes and closing legal loopholes, such as those previously exploited in Kosovo, were common focus areas. Enhanced sanctioning powers and streamlined legal procedures were also identified as critical enablers of effective enforcement.
- *Fostering inter-institutional cooperation*: Despite the difficulties noted above, collaboration among labour inspectorates, tax administrations and other relevant institutions was highlighted as essential for tackling UDW.
- *Building trust*: Some participants emphasised that building trust with the public requires sustained efforts in raising awareness and ensuring transparent communication. They also highlighted the importance of actively engaging civil society and social partners to reinforce these trust-building initiatives.

Overall, the discussions underscored the complexity of tackling UDW and the necessity of a multifaceted approach that combines legal, economic, and technological strategies. Moving forward, further exchange, discussion and research will be crucial to driving long-term reductions in informality.

5 Key takeaways

Key takeaways expressed by the BB countries' representatives include their strong interest in applying policies and strategies discussed in the peer review. Participants from Kosovo emphasised addressing the root causes of informality, improving transparency in inspections and creating incentives to formalise work. They also aim

to enhance interinstitutional cooperation and see the need to build trust between institutions and social partners. Participants from Armenia highlighted the importance of integrating policies across sectors and the need for prevention and risk detection. The Norwegian joint management model for inter-agency collaboration was cited as a compelling example. In Moldova, incentives to formalise work are regarded as necessary.

There is a common interest in increasing digitalisation in enforcement practices, particularly leveraging AI and machine learning and restructuring incentive systems to promote formal employment. In addition, participants discussed concrete country-specific actions to advance their efforts:

- **Kosovo** plans to expand the current cooperation between institutions through forums and conduct studies to explore the root causes of informality. Kosovo also aims to establish new agreements on data exchange with peer institutions, analyse the utilisation of AI in enforcement practices and ensure that technological developments are up to date with evolving work dynamics.
- **Armenia** focuses on involving local citizens in the process and developing mechanisms that align with new forms of work, ensuring that the guarantees available in the formal sector are considered and integrated into these new work arrangements.

In conclusion, the present BB countries aim to step up their efforts to modernise their systems, strengthen cooperation and tackle informality through innovative approaches and inclusive policies.

6 Conclusions

This report provides insights into the peer review on *Fighting undeclared work in the BB countries* (online, 5-6 December 2024). The Peer Review explored Kosovo's approach to tackling UDW, with peer reflections from Albania, Armenia, and Moldova. The event facilitated a rich exchange, leveraging the knowledge and policy evidence of BB countries from across the UN-Europe region.

Although discussions revealed that UDW remains a significant challenge to the regulation and development of labour markets in the BB region, governments of the participating countries have made efforts to combat UDW, including the following:

- Kosovo presented its **national strategy** for combating UDW through a combination of legislative reforms, digital tools and innovative public engagement strategies.
- Albania introduced its **machine learning-based enforcement approach**, the MIRA system, alongside new initiatives to strengthen inter-ministerial cooperation.
- Armenia focused on restructuring incentives around informal work through **social assistance programs and subsidies** (i.e. undeclared workers with bank debts to formalise their employment while redirecting income taxes toward debt repayment).
- Moldova outlined a series of **legislative measures** to increase public awareness about the benefits of formal employment, expanding outreach to employers and workers and enhancing joint inspections.

The discussions revealed a clear set of common challenges to tackle UDW in national BB contexts, as well as promising strategies and opportunities. Economic incentives, limited job opportunities and lack of awareness continue to drive UDW across the BB countries, particularly in agriculture and construction. Participants emphasised the need to balance punitive enforcement, public education, and self-correction mechanisms to improve compliance. Moreover, labour inspectorates across countries have been struggling with limited capacity, a situation that calls for investment in training, recruitment and strategic resource allocation.

Digitalisation emerged as a major opportunity for the BB countries, with participants eager to harness digital tools to enhance enforcement, expand public education through interactive platforms and improve inspection targeting using data analytics and machine learning. Reshaping incentives to encourage formal employment was another central theme during the BB peer review, with countries introducing subsidies, tax breaks and social assistance reforms. Strengthening legal frameworks was a shared priority, focusing on updating labour regulations, closing loopholes and enhancing sanctioning powers. Facilitating practical inter-institutional cooperation was deemed essential, emphasising the opportunities for data sharing and joint inspections between labour inspectorates, tax administrations and other institutions. Lastly, building public trust was highlighted as a crucial factor in combating UDW, requiring sustained awareness campaigns, transparent communication and active engagement with civil society and social partners.

The peer review provided a valuable platform for knowledge exchange, policy reflection, and mutual learning among participating countries. The discussions highlighted shared challenges and innovative strategies for tackling undeclared work, demonstrating that a combination of legislative reforms, digital tools, enforcement mechanisms, and public engagement is essential for fostering a sustainable

environment in which formal employment thrives. Moving forward, sustained collaboration and knowledge-sharing across the region will be essential for driving long-term progress in reducing undeclared work and fostering fair, inclusive, and resilient labour markets in the BB countries.

References and further reading

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