

Draft Minutes of Meeting Regional meeting on undeclared work

Virtual meeting via Webex, 12 June 2020

On June 12, 2020 the *Employment and Social Affairs Platform, Regional Cooperation Council* organised a Regional online meeting on undeclared work meeting with the WB Ministries of Labour (MoL), Labour Inspectorate, Tax Administration and Public Employment Services (PES) representatives.

The purpose of the meeting was to discuss and agree on the regional cooperation objectives and activities for tackling undeclared work, developed in the framework of ESAP 2. Further, in light of the impact of the COVID-19 pandemic and measures related to its containment on economic activity and employment, participants shared and discussed current policy measures introduced to support the transition into declared work.

Mr. Nand Shani, ESAP Team Leader, opened the meeting by welcoming all participants on behalf of RCC. He said that the objective of the meeting is to present and discuss the activities and objectives within the ESAP project, specifically under the component on tackling undeclared work. Also, to discuss with participants on future challenges in terms of undeclared work, some reactions, policy responses, recovery strategies currently being implemented. He pointed out that the cooperation in common objective of transforming undeclared into declared work using a holistic, integrated approach used in the EU countries is of a significant importance. In order to achieve that objective the project has developed a roadmap, which is basically composed of proposed activities, topics and timeline under the ESAP project. The document represents an initial proposal and it is a subject of discussion and proposals of the participants. Mr. Shani mentioned the importance of the European platform on tackling undeclared work. The EU accession remains an important drive for reforming WB economies, since all of them are potential candidates. He draw the participants' attention to the recent document produced as part of annual multilateral, economic and financial dialogue between the EU and WB which took place this May and the joint conclusions of this dialogue highlighted both, challenges and give policy guidelines to the six WB economies plus Turkey. An important priority within the policy guidelines provided in this document is the importance of preserving the employment in the current context of the pandemic and its implications but also the importance of providing the incentives to formalisation of undeclared work into declared work. The activities proposed by the project are related to cooperation, joint action, mutual learning, sharing of knowledge. What the project aims through these activities is to make a progress as a region on implementing this holistic, integrated approach to tackling undeclared work. The project wants to support relevant WB institutions to develop more effective, more efficient tools that facilitate their own work in tackling undeclared work, to support their institutional capacities



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to do their work better. The peer learning process, in different formats, such as thematic reviews, seminars, mutual assistance projects, shall be also introduced through the project's activities. The aim is also to provide more knowledge on the topic through information analysis, small scale research and studies.

Session 1: Tackling Undeclared Work in the Western Balkans

Professor Colin Williams, EU Expert on Undeclared Work and RCC External Expert, started his presentation by providing a very general definition of undeclared work, which includes the most forms of informal employment. According to the definition it is a paid activity which is not declared to the state authority for the tax, social security or labour law purposes when they should be declared. He provided some brief background information on EU Network on Undeclared Work, which is in existence since 2016. Professor Williams also provided the three examples on development of the European Platform. The intention and proposal is to mirror and replicate the European Platform in the WB and create the WB Network on Tackling Undeclared Work. The members can learn from each other and it helps the alignment process in the accession process into the EU. Professor Williams presented the objectives of the network:

- *Cooperation and joint action*: the Network will facilitate closer cooperation across borders, to develop effective and efficient tools and support capacity building;
- *Mutual learning*: peer learning and peer reviews organised in different formats - thematic reviews, seminars or mutual assistance;
- *Increasing knowledge*: analyses of existing information and small scale research studies to better inform policy making and implementation and encourage innovative approaches to tackling undeclared work.

The basis of decision to establish the platform is to encourage a holistic integrated strategic approach across the economies. The first task of the European platform was to define what a holistic approach means and that is a following:

- a whole government approach joining-up on the level of both strategy and operations the policy fields of labour, tax and social security law, and involving social partners. It uses the full range of direct and indirect policy measures available to enhance the power of, and trust in, authorities respectively. The objective is to transform undeclared work into declared work in an effective manner.

There are three major components:

1: ***Shifting the objective from “reducing undeclared work” to “transforming undeclared work into declared work”***

2: ***Developing a whole government coordinated approach***

- 2.1 Introducing a cross-government joined-up strategy
- 2.2 Joining-up operations across government
- 2.3 Improving the involvement of social partners
- 2.4 Cross-government cooperation on data mining, matching and sharing

3: ***Implementing the full range of policy measures***

- 3.1 Implementing more effective sanctions



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- 3.2 Improving the risk of detection, including developing data mining, matching and sharing
- 3.3 Improving the ease and benefits of engaging in declared work
- 3.4 Implementing education and awareness raising campaigns
- 3.5 Modernising enforcement authorities

The proposal, as a WB network tackling undeclared work, is to help all the enforcement authorities in the WB to develop the capabilities and capacities, to learn from each other on every one of these issues. Professor Williams presented on how to do that in practice. More exactly he presented the six-month plan with activities and timeline.

Month	Activity	Content
June 2020	Plenary	Work programme of Network COVID-19 challenges & responses: share learning
September 2020	Thematic Review Workshop	Developing a holistic integrated strategic approach
October 2020	Seminar	Preventative approaches
November 2020	Plenary	
December 2020	Working Group	Rethinking the future objectives, roles and competencies of labour inspectorates and tax authorities
December 2020	Mutual Assistance Projects	Six enforcement authorities complete Self-Assessment Questionnaire
June 2020 – July 2021	Small Scale Study/ies	Subject to be decided from following: - COVID-19 and undeclared work: impacts, challenges and policy responses; A sector study (e.g. construction; tourism; agriculture); A type of undeclared work (e.g., envelope wages; bogus self-employment; online platform economy).

Ms. Ada Huibregtse, ESAP Team Leader from ILO, said that ILO shares some components with RCC, such as the component on informal employment and undeclared work and component on labour inspection which they also, to some extent, share with RCC. Besides these two components there is a social dialogue component implemented by ILO. RCC and ILO are not competing with each other but trying to complement each other. When it comes to the first component, the aim is to generate quantitative evidence on what works and what does not work with regard to transition to formality in the region and improve availability and quality of data on the different dimensions of informality. The results will create the basis for evidence policy-making supporting improved policy design and implementation to reduce informal employment and undeclared work.

The second, Labour Inspection Component, aims to make informal employment and undeclared work the main policy areas for peer learning within the Network of Labour Inspectorates in the Western Balkans, established under ESAP 1) and mirroring the EU's Senior



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Labour Inspectors' Committee (SLIC). A peer-review will be undertaken to increase the regional knowledge and the understanding of the different labour inspection systems and practices for preventing and combating undeclared work. Based on the results of the peer review, tailored Inspection Guidelines for detecting undeclared work will be designed and pilot tested. The results will lead to an increased outreach of the Labour Inspectorates in preventing and combatting undeclared work.

As regards the first component, the main ILO objective is to have a more effective policy design and implementation to transform informal employment and undeclared work through better evidence. Therefore, ILO will start at the national level with the three WB economies. They will identify the approaches on how the transforming can be conducted which ultimately can help in reducing the informal employment. Once there is an agreement between the implementing economy and its respective institutions and ILO, the quasi-experimental impact evaluations shall be designed in order to identify the impact at the end of the intervention. The results of these quasi-experimental impact evaluations shall be shared with the rest of WB economies in order to see how the intervention can be implemented in these economies considering the given context.

As regards the second component, the objective is to generate better data on informal employment in order to increase the outreach of labour inspectorates to prevent and tackle undeclared work in cooperation with other relevant institutions. In terms of mutual learning and sharing of experiences, ILO is going to conduct the peer reviews, which will be used as basis for identifying the strengths and weaknesses of each institution and bringing together these institutions to provide the solution. The roadmap for this component is to get all labour inspectorates to create together a basis for the peer review methodology based on their identified need. Once the basis is created, ILO will finalise a methodology for each labour inspectorate, so they can implement the peer review in another economy. Based on peer reviews, ILO plans to develop the inspection guidelines for detecting the undeclared work. These guidelines and approaches are going to be piloted in two economies. Most of these activities shall be conducted independently of the RCC. However, they will review the results together with RCC and see how they can be used and integrated into the future activities.

ILO also has a component on social dialogue under which plans to conduct a regional tripartite preparatory workshop to develop the economic and social council monitoring mechanism at the national and regional level with a focus on undeclared work to some degree and collective agreements.

Ms. Fjolla Muja, Manager of the Division for International Cooperation and Tax Treaties of the Tax Administration of Kosovo^{*}, asked about the possibility to use the benefits of the mutual assistance project as they are very much motivated by one of examples mentioned by professor Williams.

^{*} This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence



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Professor Williams said that the projects are going to be implemented on first-come first-served basis. Therefore, the Tax Administration of Kosovo* is a first volunteer for the mutual assistance projects.

Mr. Bernd Wild, DG EMPL-International Affairs Serbia, Turkey & ACP, welcomed the participants on behalf of the European Commission and introduced himself briefly. According to his experience, when it comes to technical subjects, the cooperation works well. He mentioned that both, Mr. Shani and Ms. Huibregtse have a lot of experience and that participants are in good hands. However, participants need to invest, to commit and work together. He is optimistic that there will be some tangible outcomes, so by the end of the project the informality will be reduced.

Session 2: Thematic session on national response to COVID-19: Current trends and policies to tackle undeclared work in the Western Balkans

Mr. Shani said that the aim of the second session is to check the strengths, policies in place, especially in response to the current pandemic. The representatives of economies were encouraged to share some of current and future challenges, actions in terms of undeclared work but also actions, policies, strategies and reactions to the current situation.

Professor Williams said that this is a perfect example of how the network can work together and benefit from each other's learning. There was a pandemic and a closure of business and a lockdown and it changed our practices overnight. In case of many labour inspectorates, some were not defined as essential services and they stopped doing the physical workplace inspections. Also, a homeworking had been introduced for staff. There was a need to rethink on how to conduct the workplace inspections once they start to be conducted again. There was a need to think on what could be done at home by staff and what had to be done in the office, to rethink the offices and how they will be organised. In some cases, there was a need to think about new types of inspection, such as telephone inspections, video conference inspections, whether more digital solutions had been used, such as using the databases to identify risky businesses, whether warning, notification letters had been sent, how the working practices changed, how the respective institutions responded to this pandemic. Secondly, all economies introduced a short-term financial support for businesses and for workers in lots of national initiatives to provide the support to temporarily suspended employment contracts and paid for them by government to provide the support to self-employed, increase in some cases the minimum income support levels. That was done quickly and a lot of abuse of the system and illegitimate practices took place which will result in legal claims for that short-term financial support. In other cases, the economies used that short-term financial support as an opportunity and they decided to use it as an incentive to bring workers out of the undeclared economy into the declared economy. They introduced the regularisation initiatives. The issue is, whether the businesses are going to collapse once the short-term financial support is withdrawn, and if the formal businesses are closing, whether they are going to be replaced by unregistered businesses



in undeclared activities. He encouraged participants to talk on how this shift from the declared economy into the undeclared economy can be prevented, are there any preliminary evidence that the withdrawal of the financial support is leading to a decline in the declared economy and a growth in the undeclared economy and what can be done about that, what lessons can be learned.

Ms. Laureta Xhelilaj, Inspector of safety at work, General Directorate of State Labour and Social Services Inspectorate (SLISS) said that with the outbreak of the Pandemic Covid 19, SLISS initially issued an internal order and instructed the inspection body as well as economic entities, to take the right approach and measures in protecting themselves and others. In the first two days of the pandemic, SLISS issued an order to inspection bodies to control entities with a large number of employees, such as garment factories and call centers. She pointed out that only in the first two days of this order, 24 entities were suspended for non-compliance, and a large number of entities whose operations were closed, were checked for compliance with these measures.

With the tightening of measures taken by the government, scheduled inspections and fieldwork were suspended for two weeks. During this time, the SLISS served as a bridge of communication with businesses in order to inform, raise awareness and monitor the compliance of measures taken.

Pursuant to the Decision of the Prime Minister No. 15, dated 25 April 2020 "On the establishment of a Working Group to guarantee the implementation of safety protocols in the epidemic caused by Covid-19", the Inspection Body, in addition to monitoring complaints and accidents, as of 29 April 2020, was engaged in task force groups, within the directorate and other inspection bodies, monitoring measures taken by economic entities according to the protocol definitions for each activity. Thus, in addition to the engagement, the inspection body by May 21, 2020, inspected 3496 economic entities.

From March 10, 2020 until today, the official website of the IPHSH has served as a bridge of communication with all interested parties through the address Info.Sli.gov.al.

From January - May 2020, a total of 720 complaints, layoffs, requests for information, notifications were registered and processed.

SLISS has focused its work on the construction sector, in order to comprehensively control construction sites, due to the fact that a large number of workers work in it at the same time. The control in this sector was focused not only on checking and controlling working conditions, but also on checking informality. This is not only about controlling undeclared work, but also about gray economy, which consists of not declaring the actual salary, employment without a mandatory employment contract, non-payment of overtime work, in shifts, working days or public holidays.

Measures taken by SLISS in response to COVID-19 taken to help those working informally:

- SLIS became part of a working group that monitors compliance with certain protocols for various activities, with priority given to preventing the virus from spreading.

- SLISS committed to deal with complaints and layoffs, where about 60% of them had elements of informality.

The measures are no longer so strict, so as of today, SLISS has resumed physical inspections of garment factories and call centers to check whether measures such as distance



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between employees are being applied. Until yesterday, they did not interrupt inspections in construction due to informality and working conditions. The PES was the main institution for government financial packages. It should be noted that during this period there were a lot of complaints from people who could not benefit from these packages. These were people who were excluded from social security scheme. The Tax Authority processed the complaints which were substantiated. Therefore, the Tax Administration conducted inspections and was able to re-include these people in the scheme. After that, they managed to get financial support.

Mr. Suljo Kasapović, Assistant Director - Head of the Sector for Inspection Supervision, Notification and Investigation and **Ms. Ifeta Fazlić**, Assistant Director - Head of the Department for Registration, Control and Collection of Contributions from the Tax Administration of the Federation of BiH, said that at the very beginning of the pandemic, the Tax Administration of the Federation of BiH took a number of measures aimed at controlling the situation and protecting the health of employees, taxpayers and citizens. Work with clients was limited to a period of 8 to 12 o'clock for receiving requests, contacting clients by phone and e-mail, and a direct contact with clients was reduced to the minimum, and employees were equipped with protective gloves and masks.

As of 16 March 2020 when the state of the accident was declared in the Federation of BiH, the Tax Administration of the Federation, in order to prevent the spread of coronavirus during the crisis, instructed employees over 60, who have chronic diseases and pregnant women to use the annual leave, taking care to provide a minimum number of employees for the smooth functioning of the Tax Administration.

Furthermore, the Tax Administration banned the clients from entering the business premises and facilities of the Tax Administration. The Tax Administration has issued a series of press releases that are published on both the Tax Administration website and the official Facebook page. All correspondence between the Tax Administration and citizens / taxpayers took place via e-mail, fax or telephone, as well as via post.

Sufficient disinfectants (with antiseptic and disinfectant) and other means for general disinfection of floor and tangible surfaces are provided, as well as a sufficient amount of protective means (gloves, masks, hand disinfectants) for all employees who worked, for all official vehicles, etc.

Field inspections were not carried out during this period affected by the COVID-19 virus, especially at the very beginning of the crisis. The work of the minimum number of inspectors was reduced to a desk-based control, using data available to the Tax Administration, analysing turnover through fiscal devices, analysing the status of reports and de-registrations based on employment, then using telephone, e-mail to access data and to respond to inquiries from taxpayers regarding enforcement regulations during a pandemic.

As regards to abuses by businesses and workers of the short-term financial support arrangements introduced they still cannot claim that there was abuse by businesses and autonomous enterprises due to the fact that the Law on Mitigation of Negative Economic Consequences entered into force on 08.05.2020 which is also the deadline for submitting applications for subsidising social security contributions to the Tax Administration for the month of April 29.05.2020, and for May 10.06.2020 and June the deadline is 10.07.2020.



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The law prescribes which taxpayers are entitled to subsidise social security contributions in the amount of BAM 244.85 per month per employee, then non-payment of profit tax advances, non-payment of income tax advances and what conditions they must meet to exercise the right.

Pursuant to its actual jurisdiction, the Tax Administration keeps records of paid contributions and income tax for all taxpayers, and thus it will be able to control whether the taxpayer has settled the obligations for contributions and income tax as of February 2020, which is one of the conditions for exercising the right to subsidise social security contributions. Furthermore, the Tax Administration keeps records of applications and de-registrations of insured persons on the basis of employment submitted by employers and autonomous enterprises, and at any time, i.e. on a daily basis, has an overview of the number of employees of taxpayers.

Also, the Tax Administration keeps records of the realised fiscal turnover of taxpayers subject to fiscalisation through fiscal devices connected to the Tax Administration server, so it will have control over whether the turnover in the month for which the subsidy is requested had a decline of 20% and more compared to the same month in 2019, which is also another condition for exercising the right to subsidise contributions.

As regards a regularisation scheme for undeclared businesses or workers they said that in the period from 01.01.2016 to March 30, 2020, the Tax Administration of the Federation of BiH performed about 23,900 inspections in which it was determined that 2,599 taxpayers perform the activity - operate without approval. 7,253 unregistered workers were found, and in 1,847 cases taxpayers who did not install fiscal devices were found, i.e. did not record turnover. In 6,175 taxpayers, non-recording of turnover through fiscal devices was determined. 4,445 buildings were sealed and penalty charge notices in the amount of BAM 32,243,222 were issued in 13,135 inspections. From the mentioned data, it is evident that the Tax Administration of the Federation of BiH significantly focused its activities on the evident existence of "undeclared work", which includes the segment of work without approval and employment of undeclared workers.

On May 31, 2020, the Decision on declaration of an end of the state of the accident caused by the coronavirus in the Federation of BiH came into force. The Tax Administration of the Federation of BiH, is currently analysing the data on number of employees for the period from 16.3.2020 to 31.5.2020 for all taxpayers by business units. They pointed out that each year the Tax Administration of the FBiH makes an Annual Inspection Plan, which defines the risks and in the plan for 2020 there are 19 of them, where based on these risks, the taxpayers which will be subject of controls in the coming period, are assigned electronically.

They are of the opinion that the introduced short-term financial packages will not prevent the growth of the undeclared economy in the recovery period, because these are short-term packages. The long-term packages, measures and policies should be considered that would improve the awareness of every citizen that the legal business is more profitable in any case than a business in the gray zone.

Ms. Maja Ilić, Head of Department for Analytical Affairs of Labour Inspectorate of Serbia, said that Republic of Serbia declared a state of emergency on March 15, 2020 which lasted until May 6, 2020. The Minister of Health issued the Order declaring the epidemic of infectious disease COVID-19 on March 19, 2020.



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The recommendation was given to employers to enable employees to work from home as of March 18, 2020. Employees older than 60, employees with children up to the age of 12, employees with diagnosed chronic diseases (cardiovascular, oncological, pulmonary diseases and diabetes) worked from home.

After the declaration of the coronavirus pandemic, and before the introduction of the state of emergency on the entire territory of the Republic of Serbia, labour inspectors received e-flyers with instructions for proper hand washing and instructions on prevention measures for coronavirus and protection against the spread of COVID-19.

Both during the state of emergency and at the time of increased risk of further spread of contagious disease in the territory of the Republic of Serbia, labor inspection activities were aimed at taking measures within the competence of the labor inspection to prevent the spread of the COVID-19 epidemic and to protect labour and OSH rights and prevent violations, as well as to provide the advice and information to employees and employers regarding the organisation of work and measures to be taken to protect the safety and health of employees during the state of emergency.

As from the declaration of the state of emergency in the Republic of Serbia, all labor inspectors received and regularly used masks, gloves and visors. Also, all labor inspectors received appropriate disinfectant for work surfaces and hand rubs. At their working premises, labor inspectors respected the recommended physical distance of 2 meters.

Labor inspectors were recommended to reduce the number of contacts with clients, to display visible information at the entrances of buildings where the working premises of the department and labor inspection department were located, to access the labor inspection by mail, telephone and e-mail. It was also recommended to display the contact details of the department and department of labor inspection (address, telephone number, e-mail address), including information that the labor inspection will duly answer all questions and requests.

The health condition of employees and their families was regularly monitored (through conversation and asking for information). Heads of departments and heads of labor inspection departments were authorised to make decisions to suspend the work of each employee if they learn from a reliable source that any labour inspector or member of their family had symptoms.

During the state of emergency, the staff was mostly engaged in office work, completing ongoing unfinished cases, receiving telephone reports, audio reports and e-mail applications submitted by employees and other citizens, as well as responding to them.

The Labor Inspectorate sent employers recommendations on taking preventive measures for safety and health at work and letters requesting information on measures taken and implemented for safety and health at work to prevent the spread of the infectious disease COVID - 19.

During the state of emergency, inspections were carried out mainly due to injuries at work, inspections upon the request for postponement of the execution of the decision on termination of the employment contract, as well as inspections related to employees' reports due to lack of protective equipment (gloves, masks, etc.) hand rubs, as well as for non-compliance with other preventive measures in the field of safety and health at work.

During the state of emergency, the Labor Inspectorate:



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- received 4650 telephone, audio, and e-mail reports submitted by employees and other citizens
- carried out 1,572 inspections, of which 644 inspections as per the requests submitted by employees, which is 41% of the total number of the inspections performed

Labor inspectors acted mostly ex officio and on the requests submitted by employees, as follows:

- 417 actions due to lack of protective equipment (gloves, masks, etc.), and non-compliance with other preventive measures in the field of safety and health at work
- 79 inspections per report of undeclared work
- 126 inspections related to termination of employment contract,
- 26 inspections upon requests submitted by pregnant women and mothers
- 317 supervision upon requests submitted by employees for other violations of labour rights (non-payment of salaries, wage compensation, failure to provide transportation for the employees to their workplace).
- 71 inspections related to injuries at work, namely 1 supervision over fatal injuries at work, 3 inspections related to collective injuries at work, 55 inspections related to serious injuries at work and 12 inspections related to minor injuries at work

In the period from March 16 to May 6, 2020, the Labor Inspectorate headquarters received 194 emails (complaints) which primarily referred to the requests of employees to conduct inspections due to the termination of the employment contract, as well as because their employer did not provide them with protective masks and gloves, and they worked at a distance of less than 2 meters, or the employer did not provide transportation from home to work and vice versa or provided transportation for too many passengers at once who did not wear protective masks, due to which their health was at risk, and some employees sought advice and answers to questions related to employment status and the exercise of labour rights during the state of emergency.

All complaints sent to the labor inspection by e-mail were forwarded to the labor inspectors for further action.

Regarding the submitted complaints, in addition to other steps taken, the inspectors gave 24 advice to the employer, of which 18 related to the delivery and use of protective masks and gloves, - 3 decisions were made ordering correction and 1 decision on prohibition of work at the workplace, and 3 request were filed for initiating misdemeanor proceedings against the legal entity and the responsible person in the legal entity.

On March 25, 2020, the National Contact Center of Inspection Services was launched as the only contact point for the submissions to the national-level inspections.

In the period from March 26 to May 6, 2020, the Labor Inspectorate received 297 complaints from employees and citizens of the Republic of Serbia through the Contact Center, which mostly related to the exercise of employment rights, but also to the non-application of preventive measures in prevention of virus infection caused by COVID 19

Labor inspectors acted preventively on all questions by phone in terms of providing information on the rights and obligations of employees and employers. In case the question did



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not fall under the competence of the labor inspection, employees and employers were referred to the relevant inspections and institutions.

Following the declaration of a state of emergency due to coronavirus, the Labor Inspectorate received 388 audio reports (Government issues), which is about 15 the number of questions received before the introduction of the state of emergency. The Labor Inspectorate answered to all the questions.

As regards the undeclared work the Government of the Republic of Serbia has adopted the National Programme for Combating Informal Economy with the Action Plan for the Implementation of the National Programme for Combating Informal Economy for the period 2019-2020.

The Republic of Serbia has the Working Group for Suppression of Informal Work ("Undeclared Work"), whose activities are carried out by the Labor Inspectorate.

The Labor Inspectorate reports regularly to the Working Group for the Combating Informal Work ("undeclared work"). The WG has organised and carried out coordinated joint inspections in various economic activities, and due to the established mutual cooperation and exchange of information with other inspections, achieved significant results in combating undeclared work and informal economy.

The members of the Working Group for Combating Informal Work, chaired by the Director of the Labor Inspectorate, are representatives of the Labor Inspectorate, representatives of the Tax Administration – Control Department, Ministry of Trade, Tourism and Telecommunications – Department of Market Inspection and Tourism Inspection Department, Ministry of Youth and Sports - Department of Inspection Affairs in Sports, Ministry of Construction, Transport and Infrastructure – Inspection Department (State Construction Inspector and State Road Transport Inspector), as well as representatives of the Coordination Commission of Support Unit, Ministry of Interior and NALED.

The Government of the Republic of Serbia adopted the Programme of Economic Measures to Support the Economy, which was formed on the basis of international experience (adopted measures in developed economies and economies in the region), recommendations of the International Monetary Fund and European Commission respectively, and measures proposed by national domestic business associations.

The legal framework for the implementation of the Programme of Economic Measures is the Regulation on Fiscal Compensation and Direct Benefits to Business Entities in the Private Sector and Financial Assistance to Citizens for Mitigating the Economic Consequences of the COVID-19 Pandemic.

The Regulation governs fiscal benefits and direct payments from the budget of the Republic of Serbia to economic entities in the private sector to mitigate the economic consequences of the COVID-19 pandemic.

The programme is about the efficient implementation of fiscal measures without unnecessary procedures, in order to ensure the timely provision of targeted assistance. Also, the measures are temporary, both in terms of direct payments and deferral, i.e. the reduction of certain tax liabilities.

All economic entities in the private sector can benefit from the measures under the Programme, provided that from 15.03.2020 until the date the Regulation came into force, they did not reduce the number of employees by more than 10%, not taking into account the



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employees who concluded a fixed-term employment contract with a business entity in the private sector before 15.03.2020 for the period ending in the period from 15.03.2020 until the date of entry into force of the Regulation.

Business entities are eligible for non-refundable funds for a period of three months (May, June, July), which will certainly have an effect on employers not to lay off employees.

Ms. Fjolla Muja, Manager of the Division for International Cooperation and Tax Treaties of the Tax Administration of Kosovo*, said that the entire staff received a circular letter on taking the necessary measures regarding the reorganisation of work within the institution and determining the number of employees according to the departments/divisions needed to perform essential activities.

This circular letter determines the organisational units as well as the number of officials who will carry out activities from 8.00 to 16.00, and those who are authorized, due to the situation, to work after the working hours, from 16.00 to 22.00 hrs.

Out of the total number of 830 employees in TAK, 120 of them work in the office and the rest work from home.

An emergency team has been established, consisting of functional pillar leaders and department directors, to oversee and coordinate activities throughout the emergency situation, according to their areas of responsibility.

TAK has taken measures to disinfect all offices within TAK, as staff has daily contact with taxpayers, parties, and there is a constant possibility of virus infection from these contacts. Also, as a preventive measure, all staff involved in official activities has been provided with disinfectants, masks, and gloves.

The project of reimbursing the citizens with fiscal coupons has been suspended for a while, in order to prevent the spread of COVID-19 virus through envelopes with fiscal coupons, and on this occasion, a notice for taxpayers regarding this issue has been published.

In addition to working remotely, TAK has also started organising training sessions during May 2020, in order to increase staff knowledge. The areas of training are:

- Problem solving and decision making;
- Code of Ethics;
- Law on VAT;

The Tax Administration of Kosovo*, following the declaration of a pandemic, received some additional duties and responsibilities from the Ministry of Finance.

After the declaration of the pandemic, the phenomenon of increasing prices of food and pharmaceutical products was noticed. To prevent this phenomenon, the Tax Administration of Kosovo*, through electronic and print media, has informed citizens that an unreasonable price increase can be reported to the TAK.

TAK inspectors immediately processed all information received from citizens, and imposed fines and penalties on individuals and companies for identified irregularities. This activity has been carried out together with the Market Inspectorate and the Economic Crimes Police.



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Following the Government's decision to restrict movements, the TAK was authorised to establish a system (module) for the issuance of online certificates to businesses, to issue the movement permits to its employees who were authorised to work.

In order to inform taxpayers and all other interested parties, TAK has published the COVID-19 link, for updated information on measures, actions as well as decisions taken by TAK and the Government regarding the COVID-19 situation (<http://www.atk-ks.org/covid-19/>).

By the Decision of the Minister of Finance and Transfers, the deadline for submitting declarations, reports, and payments of tax liabilities for all types of taxes/contributions has been extended until 30 April 2020.

The Minister issued a decision on temporary exemption from VAT on all imports of raw materials related to wheat and flour for the production of bread and its products.

In April 2020, the Government of Kosovo* has decided to approve the Operational Plan for Emergency Fiscal Packages according to which, a large part of its implementation was delegated to the Tax Administration of Kosovo* which, through developed software, has enabled applications for benefits of this package, businesses for compensation of workers' salaries according to the respective categories, as well as the compensation of rents.

Applications for fiscal packages will be reviewed by the Commission, established by the Ministry of Finance and Transfers, which is led by TAK

The second decision of the Minister of Finance and Transfers extended the deadline for declaring, reporting, and paying tax liabilities until 15 May 2020 for the following types of taxes:

- payroll tax;
- pension contributions;
- Value Added Tax (VAT)
- Deduction of other income tax;
- annual corporate income/personal income taxes

Audits were temporarily reduced, mainly focusing on completing the ongoing audits from the time before COVID-19 and shifting the enforcement towards the possible abuse of relief measures.

The second decision of the Minister of Finance and Transfers also extended the deadline for declaring and paying tax liabilities until 30 June 2020 for the following types of taxes:

- Quarterly tax and pension contributions for corporations;
- Quarterly tax and pension contributions for individual businesses

Promote the use of instalment payments for those taxpayers who do not have the capacity to pay in full and timely. This service is provided electronically at no cost to taxpayers.

Ms. Angelina Mededović, Chief Labour Inspector of the Inspection Directorate of Montenegro, said that the Labor Inspection operates on two lines of supervision: in the field of labor relations and employment and in the field of occupational health and safety. The priority task of the Labor Inspectorate is to suppress the grey economy on the labour market, as a manifestation of the grey economy, and to provide a safe workplace from the aspect of protection and health at work.



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The Ministry of Health on March 26, 2020 issued an Order declaring a coronavirus epidemic while on June 2, 2020, the end of the epidemic was declared, when Montenegro officially became the first corona free economy in Europe (after 28 days from the last identified case of infection). The Ministry of Health and the National Coordination Body adopted timely measures for protecting the public health. Montenegro had 324 cases of coronavirus (9 with a fatal outcome).

The slogans "STAY AT HOME", "LEARN AT HOME", "DISTANCE, HANDS, MASK" disciplined the citizens and greatly contributed to preventing the spread of coronavirus.

During the epidemic, the Labor Inspectorate performed inspections within its competence, in order to protect the rights of employees, in the most expedient way, which included the protection of labor inspectors themselves. Employers were contacted by phone or e-mail, except in situations that required an immediate insight and a fact-finding on the ground, when inspectors used personal protection (masks, gloves, disinfectants).

During this period, there was an increase in the number of complaints from workers. The most frequently reported irregularities referred to: termination of employment or non-extension of fixed-term employment, termination of informal work, changing of employment from fixed-term to indefinite duration, unpaid salaries and wage compensations, non-issuance of salary calculation, manner of using annual leave and paid leave, non-application of occupational safety measures and non-application of measures by orders of the Ministry of Health during the epidemic caused by the new coronavirus.

The Labor Inspectorate instructed the employers on how to provide certain rights to employees and pay salaries, i.e. salary compensations to employees who were in self-isolation or quarantine, who worked from home, used paid leave or annual leave. Therefore, the advisory character of the Labor Inspection should be emphasised, since the inspectorate provided explanations and instructions to both employees and employers regarding their rights and obligations and the application of certain labor law institutes in a state of epidemic.

In addition, during each field inspection, labor inspectors included controls regarding compliance with measures and recommendations adopted during the coronavirus epidemic and the use of protective equipment by employees in controlled facilities, as this segment of surveillance fell under the jurisdiction of the Inspectorate as of 25.03.2020. Where measures and recommendations on protective equipment for employees and social distance were not followed, preventive actions were taken and employers and employees were warned to strictly apply the prescribed measures.

Constant controls were performed on construction sites as well as at larger economic entities that did not interrupt their activities.

As the introduction of measures by the Ministry of Health, activities from mid-March were limited or prohibited, and the situation on the ground showed that "illegal" work was not pronounced in this period, but there were sporadic cases, mostly found on construction sites, which did not interrupt work.

Trends in the tourism industry, which is a strategic branch of development of Montenegro, will be reflected in the volume of labor demand, when it can be expected that informal work will be more pronounced.

It is uncertain how the labor inspection will work in the coming period, but during the summer tourist season, starting from June to the end of August each year, intensified (all-day)



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inspections are organised, with a larger number of labor inspectors rotating from northern and central parts of Montenegro, which contributes to a significant suppression of the grey economy and informal employment.

Through packages of financial support measures, the Government helps and encourages the preservation of economic and social stability. For now, the Montenegrin economy has overcome the crisis period and is returning to normal operating. No significant layoffs were recorded, and mainly, the employment of those with a fixed-term contract and those who were engaged in informal work was terminated.

Labor Inspection, through a proactive approach in working with other state bodies and institutions (Tax Inspectorate, Border Police of the Police Administration ...), as well as local self-government bodies (Communal Inspection and Police ...), but also with the use of all available mechanisms and capacities, and professional attitude towards work obligations, constantly strives to increase efficiency and effectiveness in work.

Strengthening the administrative and technical capacity of the Labor Inspectorate, as well as the implementation of the new Labor Law, should raise the level of effectiveness of this inspectorate by increasing the number of inspections and employers being controlled, which will contribute to more visible results, especially in combating the grey economy in the labour market, in all segments of undeclared work.

Ms. Edina Dešić, Director General for Labour Market and Employment of the Ministry of Labour and Social Welfare of Montenegro, referred shortly to the measures undertaken by the government to support the economy during the pandemic. She pointed out that measures are more or less the same as measures undertaken in other WB economies. They are mainly related to subsidies for those enterprises that were closed during pandemic. Montenegro has declared itself as a corona free economy. There are also subsidies for companies that were at risk during the pandemic. They were not closed but their operations were significantly reduced. The most important subsidies are those granted for new employment. This is a measure related to undeclared work. This means that if companies which have been already registered employ new employees for at least six months they are entitled to receive subsidies in the amount of minimum wage. Companies are obliged to contract these employees for at least 12 months' service with the company after completion of the subsidy. Having in mind that this is a difficult period for any economy the new employments can not be expected in the coming period besides some sectors, such as IT sector. The aim of these measures is to encourage people working informally to formalise their activities. The future will show what will be the results of these measures. What is the most important is that these subsidies are part of the second package of measures. At the moment the Government of Montenegro is preparing the third package of measures which will directly support the Montenegrin economy.

Mr. Mladen Frchkovski, Adviser for creating and implementing the active labour market policies, Ministry of Labour and Social Policy of Republic of North Macedonia, provided via email the answers to the fourth and fifth question from the background note:

There are/were two interest-free credit lines for companies "Covid 1" and "Covid 2" for liquidity and job retention, which indirectly affects the prevention of potentially increased informal employment.



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117 companies with 3001 workers can get grants from the second loan offer. The "Covid 2" line goes through the Bank of Republic of North Macedonia, and 83 companies can apply online. A good portion of the funds for MIA are available from the Development Bank, twenty million for 117 companies, and EUR 1.6 million were paid for 83 companies. This second interest-free line "Covid 2" amounts to EUR 8 million and according to the information of the Development Bank will be completely exhausted

The public call was published for the period from April 25 to May 13, 2020. Middle management could apply for office services from all available options, and were allowed to use the credit line "Covid 1" which was intended for tourism, catering and transport and a total of 94% of the planned funds were paid. From the first interest-free credit line, EUR 5.2 million were paid to 704 companies out of 738 approved companies. Most of these funds were allocated to micro-enterprises that employ up to 10 people, or even 77%, while 21% were small companies that employ up to 50 people.

They estimate that the credit line has managed to meet the needs of micro and small trade companies for turnover within a reasonable time, with as much as 77 % of the total approved applications being micro companies. Both interest-free credit lines are part of government measures aimed at protecting liquidity and jobs, as well as supporting the development and increasing the competitiveness of companies.

In the coming period, the Development Bank will offer a new line worth EUR 31 million to support all micro and small companies.

Ms. Huibregtse said at the end that ILO is conducting a number of analyses on COVID-19 pandemic impact on employment and undeclared work in WB economies. They have already completed the assessment for Republic of North Macedonia and currently are preparing the one for Bosnia and Herzegovina and Montenegro and Albania and Kosovo* will follow. Those assessments are focused on Laws on working hours of employees and financial and operational effects of pandemic on employers. ILO had been using different techniques from survey data gathering, analyses, LFSs and other data provided by statistics offices in each WB economy to ultimately determine to some extent what are the main impacts on employment and economy. Ms. Huibregtse said that she can share this information with participants as soon as it becomes available. She can share a full or shorter version of the assessment for Republic of North Macedonia via email.

Mr. Wild said that this is an ambitious exercise that participants embarked on. However, it is worthwhile because the governments of WB economies have committed to do this. Some sixteen months ago the WB governments committed to the European Pillar of Social Rights. A decently remunerated salary is a key element of this. It is politically high in the agenda. And it also fits in a lot of enlargement processes. He pointed out that he is heavily engaged every spring in the ERPs. Each WB economy writes ERP and informality is represented in each WB economy with between 18-40%. This is a clear goal which requires political action. The social policy is a clear part of the economic policy and this needs to be addressed consequently. He informed briefly the participants on the state of play of the European Platform. The European Platform is planning to conduct a social media campaign on fair working conditions, which has been postponed due to pandemic to September 2020. There will be also a week of action in the



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European Platform against undeclared work where the observers and members will conduct joint inspections. It is necessary to be visible otherwise there will be no impact. This is something where the project can learn a lot from. It is something which can be planned for the end of the project when there are some tangible activities to share.

Mr. Shani ended the meeting by summarising the next steps. ESAP Project will prepare a detailed report on what has been discussed in the meeting along with the presentation and share them with participants. This meeting shall be used to seek any additional written feedback on the roadmap proposed, concrete activities proposed and then as of September the project hopes to return to normality and to embark on actual implementation of these activities. The important aspect of this work is the content of it, the fact that the stakeholders are working together through regional cooperation to enhance our capacities to tackle undeclared work. The formal establishing of network in some of the economies will require additional in-country consultations. This meeting was focused on the content of regional cooperation, the priority topics that need to be covered through the regional cooperation activities. Therefore in the coming weeks the project will send a final deadline for feedback on the content of the activities in the next two years before the roadmap is considered as final.

Ms. Dešić asked at the end whether there is any back-up plan in case the WHO announces the second wave of the pandemic. She also asked a question regarding establishing of network, more exactly she asked Mr. Shani to precisely explain how the network was envisaged since some documents received in the past stated that there will be two participants per economy. Whether something has changed in regard to this, which level these representatives should come from. What is the deadline for providing feedback on representatives.

Mr. Shani responded that we are hoping for the best and preparing for the worst. The project has been already discussing some contingency plans if the situation continues to be difficult. In that case there will be a need to switch to a lot of online working activities which does not do justice to proper regional cooperation and face-to-face meetings. However, there is a hope that the project will be able to continue with activities in a regular way as of September. In case the situation deteriorates this plan B shall be properly developed on paper and stakeholders shall be consulted.

As regards the participation in the network, the way it has been envisaged is to have the representative from both, the Labour Inspection and Tax Authority that are of operational background while also having the political support from the higher level. Mr. Shani is of the opinion that the representatives of the Ministry of Labour also need to be involved as the institution which provides strategic guidelines to the overall processes tackling undeclared work.

Professor Williams added that it depends on the activity. There is a need to have formal representatives from each economy, preferably one from Tax Administration and one from MoL or Labour Inspectorate. For plenary meetings and more strategic meetings it is often good to have someone involved in strategy when there are discussions on cross-government cooperation. However, for mutual assistance projects, joint operations, then from the operational aspects it is much better to have the Head of Labour Inspectorate. When it comes to data mining, data



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analysis then it is better to have someone from data analysis unit within government. His personal view, having experience at the European Platform, is that it would be good to have people who have thinking in terms of strategic and operational plans as permanent representatives.