



# LIGHTS ON!

Worker and social cooperatives tackling undeclared work

**Francesca Martinelli**

CECOP   
CICOPA Europe

EUROPEAN CONFEDERATION OF INDUSTRIAL AND SERVICE COOPERATIVES



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Nowadays, she is the director of the Centro Studi Doc Foundation, where she oversees research and development, and advocacy. She is also in charge of research, institutional communication, and international relations at the Italian cooperative Doc Servizi, and she is in the board of Doc Creativity.

Since 2019, she is also part of the direction of CulTurMedia, the Legacoop association dedicated to cooperatives operating in the cultural, touristic, and media fields. In 2020, she joined the advisory board of the PICO Foundation, which has the goal to support innovation and digitalization in Italian cooperatives.

In 2018 she was awarded the prize "Astrolabio del sociale – Pierre Carniti" announced by Centro Studi CISL, with an essay about innovative forms of cooperation and workers' representation in a European perspective, that she described as Pegasus company. In 2020, she wrote a chapter dedicated to Pegasus company for the book Cooperative bene commune (RomeTre-Press). She presents her research in conferences and seminars all over the world.

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## FOREWORD

Undeclared work is also a problem in Europe, so what are cooperatives doing about it?

Worker cooperatives, social cooperatives, and cooperatives of independent workers around the world, are engaged in a struggle against inequalities and the consequences of economic, social, and environmental crises by design. Their objective is to create, maintain, and promote sustainable quality jobs for their workers, who are also owners of their own enterprises, and govern them in a democratic manner. After decades of public discourse focused on employment figures, employability, and flexibility, as a means to make access to the labour market supposedly smarter and more efficient, we are finally witnessing a (timid?) political focus on quality employment coming not only from traditional actors, such as the unions or cooperatives, but also decision makers.

It remains to be seen whether this focus is amplified following the COVID-19 crisis, wheth-

er it is “too little too late”, whether the reforms required to ensure access to quality jobs for all will be crafted and implemented. However, what we do know is that, far from representing a direct opportunity, economic crises create conditions that greatly exacerbate well-spread phenomena such as undeclared work.

Through international networks and organizations like CICOPA, and in collaboration with international organizations such as ILO, worker and social cooperatives have looked at informal work with a perspective focusing on the Global South. Over the years we have gathered data, information, and qualitative elements to evaluate the contribution of worker and social cooperatives globally in the shift from the informal to the formal economy.

So why decide to look at the phenomenon of undeclared work with a specific focus on Europe? Because whilst we have long known that worker and social cooperatives in Europe are active in tackling the plague of undeclared



work, our knowledge has always been anecdotal and required further research. The economic crisis that seems endless since 2008 continues to have a devastating impact on areas such as: labour conditions, rights at work and decent access to social protection. The phenomenon of undeclared work in Europe ranges from the simple employment of workers without contracts to subtle employment “grey zones” that hinder workers’ rights and produces unfair competition and social dumping.

Sadly, the phenomenon is of great interest because it spreads across sectors, knows no national borders, and often intersects with human rights and workers’ identity (migrants, women, youths...).

In the following pages, you will meet inspiring women and men who have taken their destiny in their own hands and, through cooperatives, have found a way out of informal and undeclared work. The successes of these workers, which were also achieved through the invaluable help of their cooperatives and the cooperative federations on the ground, stand as testimony to the fact that cooperative values and identity are ever more valuable and relevant to the efforts being made to counter inequalities and to fight for a dignified working life.

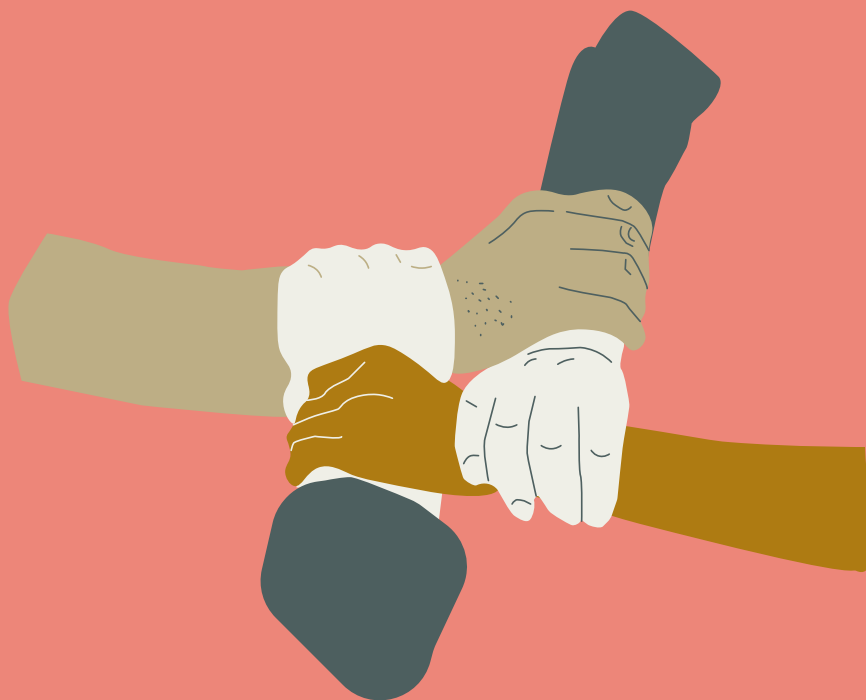
Francesca Martinelli’s research and the contributions of CECOP members to this report are one more piece in the puzzle of Social Europe that we want to achieve through quality and democratic jobs.

It was high time to study how worker and social cooperatives across Europe help people emerging from undeclared work, which was why we decided to turn the lights on.

Giuseppe Guerini , President

Diana Dovgan, Secretary General





# 1. INTRODUCTION

**Undeclared work is a predominant form of informal work** where work is explicitly hidden, even if there are laws in the country that might recognize it, while informal work also includes economic activities that are not formally recognized by law, even if they are not criminal activities. Today, the use of undeclared work can be explained by current trends such as the move towards more flexible working relationships, the growth of self-employment, sub-contracting, and the ease of setting-up groups of enterprises that operate across borders.

Undeclared work affects governments, businesses, and workers across Europe too, and implies **various negative impacts and consequences**. Workers who receive all, or part, of their income in an undeclared form are particularly vulnerable in terms of recognition, working conditions, wages, skills development, social protection, representation rights and occupational health and safety (OSH). Enterprises who make use of such labour ob-

tain unfair advantages over their law-abiding competitors. States in which a significant proportion of the labour force works in an undeclared form suffer from a reduction in tax revenues and social security contributions, which then has a negative effect on their welfare mechanisms.

Tackling undeclared work is a major global challenge, as reflected in the adoption in June 2015 of the **ILO Recommendation No. 204** concerning the transition from the informal economy to the formal economy, and the inclusion of a direct reference to formalisation in **Target 8.3 of the UN Sustainable Development Goals**. Finding a solution and supporting the transition from undeclared to declared work is a common purpose among local, national, and international institutions. In this context, cooperatives all over the world have proved themselves capable of enabling the formalisation process of transforming undeclared work into formal work, which is then integrated into the economy.

Across Europe, **cooperatives tackle undeclared employment**, connecting people who are usually isolated and developing new strategies to extend social protection to undeclared workers and increase their awareness of the benefits of formalisation. We can find similar examples in many economic sectors, from arts and culture to agriculture and logistics. By forming a cooperative, informal workers not only leave the undeclared economy but also obtain more control when they put themselves forward on the market and can negotiate better working conditions too.

Focusing on the **qualitative analysis of 11 case studies**, this report aims to show how the cooperative model can offer concrete practices to support the transition of undeclared workers into the formal economy and to become a tool at the disposal of the cooperative movement and policy makers to promote a better understanding of the potential of cooperatives in tackling undeclared work.

## 1.1. THE STRUCTURE OF THE REPORT

The report is organized into **three parts**: a theoretical background (chapters 2 and 3), a description of case studies (from chapter 4 to 7), and discussion and analysis (chapter 8).

**Chapter 2** draws a portrait of undeclared work in Europe, starting from its definition and the most common methods that are used to measure it. We describe the main features of undeclared work in Europe in the worldwide context and then focus on the numbers and main features of undeclared work in the European Union Member States. We close the chapter with insight on measures to fight undeclared work and the European Union approach. **Chapter 3** is dedicated to the main features of worker and social cooperatives, and cooperatives of independent workers.

From the fourth to the seventh chapter, the focus is on concrete experiences via the description of 11 case studies of cooperatives across Europe. We chose to divide the cases according to the sector of the cooperative and focus on the type of workers that the cooperative brings together. **Chapter 4** is devoted to migrants, including irregularly staying migrants, asylum seekers, and refugees. **Chapter 5** is dedicated to arts, media, and cultural workers. **Chapter 6** concerns unemployed people and vulnerable workers in rural areas, whilst **Chapter 7** focuses on gig workers. Each chapter is introduced by a description of the reasons for, and characteristics of, undeclared work in the field studied. Next, a description of undeclared work in the cooperative country introduces the practice description. For each cooperative, we focus on its main features, its most innovative activities, and its specific responses to undeclared work.

**Chapter 8** is dedicated to the discussion of the case studies. After an analysis of the main common characteristics of the cases, the focus shifts to how worker and social cooperatives and cooperatives of independent workers contribute to tackling undeclared work in Europe.

The conclusions of the report (**Chapter 9**) are devoted to the reasons why and how policy makers should support the cooperative model to enable European economy and society to tackle undeclared work.

## 1.2. RESEARCH METHODS

This narrative report, which has been written for an audience of practitioners and policy-makers, rather than for academics, provides a **study that connects undeclared work and cooperatives in Europe**. Since it represents one of the first pieces of research dedicated to the relationship between cooperatives and undeclared work in Europe, there is not an extensive bibliography<sup>1</sup>, and thus the main research method used has been a qualitative approach to better understand the cooperatives' mode of operation when it comes to undeclared work.

The **theoretical background** that describes the phenomenon of undeclared work in the European context and explains the definition, main data, and effects on workers, combines data published by major institutions (OECD, International Labour Organization, European Commission, Eurofound, etc.), analysis of undeclared work experts and the specific knowledge of interviewees about their working sector.

Starting from the theoretical background, the **choice of the cases** was based on the attempt to study sectors of activity and types of workers that are particularly affected by undeclared work practices, as well as a coherent geographical distribution among European regions. The 11 cases identified are situated in **8 European countries**, with the following geographical distribution: 2 in Northern Europe, 5 in Southern Europe, 3 in Western Europe, and 1 in Eastern Europe.



**Figure 1** - Geographical distribution of case studied in Europe.

<sup>1</sup> At global level this topic was recently studied in chapter 4 of CICOPA (2017), *Cooperatives and Employment: Second Global Report. Contribution of cooperatives to decent work in the changing world of work*, dedicated to “Work and employment in the informal economy and new work forms – Contribution of cooperatives”, in Co-operative College for WIEGO (2014), *Cooperatives and Workers in the Informal Economy: Possibilities and Challenges*, and in Mshiu, S. (2019), *The cooperative enterprise as a practical option for the formalisation for informal economy*, Expert in Cooperative Development The ILO Cooperative Facility for Africa (ILO CoopAfrica).

The selected cases on which the study is based are the following:

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BEC Družstvo, a Business and Employment Cooperative in the Czech Republic;

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By-Expressen, a cooperative of bicycle messengers in Denmark;

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CoopCycle, a confederation of riders' coops in France;

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De Coöperatie, a cooperative of freelance journalists in The Netherlands;

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Diomcoop, a cooperative that aims to regularise migrants in Spain;

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Doc Servizi, a cooperative of entertainment workers in Italy;

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GOEL, a cooperative group that aims to fight against the 'Ndrangheta mafia organization in Italy;

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Nazareth, a cooperative that hosts migrants and supports their job integration in Italy;

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RCOOP, a cooperative of hairdressers and beauty treatments experts in Belgium;

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Soglasnik Language Cooperative, a cooperative of linguistic experts in Slovenia.

The main **research methods** used are qualitative in nature, specifically the text analysis of websites and resources suggested by interviewees (e.g. non-financial reports<sup>2</sup>, dedicated articles or other kinds of reports) and semi-structured interviews. Interviews, which were conducted between November 2020 and February 2021 via video-conferences systems, have been held with the president, a board member, or a founding member of the cooperative in English, Italian, or French, and lasted between 50 and 80 minutes.

The semi-structured interview has been elaborated with the **CECOP** Secretariat and was divided into three parts: the first (A) dedicated to the description of the organization, the second (B) dedicated to the analysis from different perspectives of the research topic, namely undeclared work, and the third (C) dedicated to resources. The interview was based on some draft questions that have been used to guide each interview as follows:

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<sup>2</sup> Non-financial reporting, which is related to sustainability and corporate social responsibility, is a common practice among cooperatives, especially in Italy, where it is called "*bilancio sociale*" and it consists of a document with which a cooperative periodically communicates the results of its activity on a voluntary basis. Rather than being limited to financial and accounting aspects, it also includes social and environmental aspects.

## A. Description of the organization:

1. **TYPOLOGY** - Of which typology is the organization? (e.g. worker cooperative)
2. **SECTOR** - To which sector does the organization belong? (e.g. primary sector, secondary sector, service industry). Please specify the field (agriculture, logistics, tourism, etc.)
3. **LOCATION** - Where does your cooperative offer its services? (e.g. Northern Italy)
4. **VISION** - To which problems and needs does the organization respond? Please describe it. (e.g. riders' exploitation)
5. **ORIGINS** - When was the organization created? By whom?
6. **MISSION** - What is the mission of the organization? Please describe it. (e.g. obtain professional recognition)
7. **PRACTICE DESCRIPTION** - What are the main activities of the organization? Please describe them. (e.g. offer high standard services in the entertainment field).
8. **BUSINESS MODEL** - What is the economic and business model of the organization? Please describe it.
9. **INNOVATION** - What are the social or technologically innovative practices put in place by the organization? (e.g. platform cooperative)
10. **MEMBERS** - What is the background of the members of the cooperative? Who are the members of the organization? (e.g. musicians, migrants, municipalities, etc.). Please specify features in terms of gender, age, nationality, level of education.
11. **TURNOVER** - What was the turnover of the organization in 2019?
12. **COVID-19** - How does COVID-19 affect your organization? How do you cope with this?

## B. Undeclared work:

13. **COUNTRY** - What is the average level of undeclared work in the Country of the organization? Where is it most present? *[Information given by the researcher + personal experience of the interviewee]*
14. **SECTOR** - In the working sector of the organization, is there undeclared work? *[Information given by the researcher + personal experience of the interviewee]*
15. **ACTIONS** - Does the organization put in place some actions to combat undeclared work?
16. **COOPERATION** - How can cooperatives help fight undeclared work? What is their added value?
17. **RECOMMENDATIONS** - How should the Government or the EU tackle undeclared work?
18. Anything else to add? (Challenges and future perspectives)

### C. Resources:

A second set of questions has then been prepared to obtain the perspective of CECOP members, federations, or support organizations for cooperatives in industry and services about the topic of undeclared work. In this case, the questions were as follows:

#### CECOP study on cooperatives' actions to combat undeclared work:

1. Is undeclared work a problem within the sectors of activity in which your affiliated cooperatives operate (e.g. in many countries, healthcare workers and construction workers are often in informal work)?
2. If yes, how does undeclared work pose a challenge to you and your members (e.g. social dumping, unsafe working conditions, unfair competition)?
3. How does your federation fight undeclared work (awareness raising, support for workers at risk such as a hotline, administrative support for [migrant] workers, others)?
4. Are you aware of good practices among your affiliated cooperatives? Can you name successful examples of cooperatives fighting undeclared work?
5. In your opinion, why are cooperatives well equipped to fight undeclared work?
6. How can your government and the European Union support cooperatives in their efforts to combat undeclared work?
7. Do you have any resources (literature, links, etc.) to suggest?
8. Do you have additional comments?

The questionnaire was sent by CECOP's staff via Google Forms to its members the first week of December. The federations of Denmark, Malta, Slovenia, Poland, Spain, and Romania<sup>3</sup> answered the questionnaire. The discussion and policies have been significantly enriched thanks to their answers.

<sup>3</sup> Kooperationen Denmark, Koperattivi Malta, NAUWC Poland, UCECOM Romania, CAAP Slovenia, and COCETA Spain.



## 2. UNDECLARED WORK IN EUROPE

Undeclared work remains a widespread phenomenon around Europe and despite a slow decline in the last 15 years it has proven itself to be resilient. However, measuring its incidence is challenging. The European Commission estimates that in 2018 undeclared work in the Member States<sup>4</sup> represented about 16% of activities in the private sector (European Commission, 2018). While the ILO indicates an average of **25% of informal employment across the European continent**, and less than 20% considering only its most developed countries (ILO, 2018; OECD and ILO, 2019). In any case, a correct assessment of numbers and main features of undeclared work in each country, using both direct and indirect methods, is necessary to adopt consistent policy measures to tackle it.

### 2.1. DEFINING AND MEASURING UNDECLARED WORK

**Undeclared work is usually understood as a lawful remunerated activity**, which means a non-criminal activity (e.g. drug-trafficking)<sup>5</sup>, that is **hidden from the state for tax and social security purposes**, although legal definitions, if they exist, vary from country to country. Considering differences in the regulatory systems of the Member States, the European Commission defined undeclared work in the 2007 communication *Stepping up the fight against undeclared work*, as “any paid activities that are lawful as regards their nature but not declared to public authorities” (European Commission, 2007, p. 2).

<sup>4</sup> The United Kingdom is still included in the study.

<sup>5</sup> There are, of course, criminal activities in the informal economy, but most activities in the informal economy, although they are not registered or regulated, produce goods and services that are legal (ILO, 2002).



In this definition, undeclared work relates to tax and/or social security fraud and comprises a range of activities, from construction, renovation, or repair services to clandestine work by irregularly staying migrants, all of which are hidden and could also be described as “informal” (European Commission, 2018). Any activity can be **remunerated in “cash-in-hand” or “envelope wage payments”** (European Union, 2020) and, even if these transactions are not against the law per se, they are unreported to bypass official scrutiny. The European Commission definition excludes criminal activities that involve illegal goods or services, such as drug-trafficking. Consequently, the main difference between undeclared and declared work is that undeclared work is not declared to the authorities for tax, social security, or labour law purposes (Eurofound, 2013).

**Undeclared work refers to many circumstances** and can indicate either work carried out by a worker who may be a national, migrant, including irregularly staying one, who avoids paying taxes, or work given by an employer who avoids paying social contributions and taxes, or work undertaken by a worker for reasons other than financial reasons (e.g. undeclared work conducted for and by family members, neighbours, friends and acquaintances). The worker may be in an employment relationship or self-employed, and the employer may be a regular firm or a private household (ILO, 2013). The employment relationship may be periodic or full-time, low-paid, or well-paid, conflictual, or harmonious, non-voluntary or voluntary.

Considering these various features, undeclared work is usually classified into three major categories, namely employee work, self-employed work, and family work (Eurofound, 2013):

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In an **employment relationship**, undeclared work is within a formal enterprise, and it can be described as “undeclared waged employment.” In this case, the employee’s work can be either fully undeclared [the worker’s wage is entirely undeclared] or partially undeclared [a portion of the worker’s wage is declared, while the remaining portion is undeclared].

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In **self-employment**, the self-employed can perform own-account undeclared work for a formal enterprise or another client, who could be self-employed themselves.

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**Family work** is a form of socially embedded own-account undeclared work. In this case, a family worker delivers goods and services directly to consumers, who are neighbours, family, friends, or acquaintances, in an undeclared way.

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Eurofound (2021) underlines that undeclared work can be related to three other conditions crossing the previous classification:

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The **fraudulent contracting of work** can be a cause of undeclared work because it implies an employment or contractual relationship that does not correspond to the legal and/or formal requirement that qualifies that specific form of contracting work. One example is dependent self-employment or bogus self-employment, that could be described “as consisting of people whose conditions of employment are similar to those of employees, who have no employees themselves, and who declare themselves (or are declared) as self-employed simply to reduce tax liabilities, or employers’ responsibilities” (Heyes and Hastings, 2017). Dependent self-employment can be a deliberate attempt by employers to misclassify workers as independent, self-employed, while de facto they are an employee, for example, because their earnings come only from that job.

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**Bogus posted workers** and the misuse of posting practices can be a cause of undeclared work because posting is related to national and international specific obligations and rights that are difficult to keep under control due to the cross-border context. Posted work is related to cases of social dumping and unequal pay, with posted workers being paid – on paper – according to the minimum standard while, in practice, fees are levied for accommodation, food and necessary work equipment (Eurofound, 2017).

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The emergence of **new forms of employment**, such as casual work<sup>6</sup> or platform work, implies the emergence of new forms of contracting work that can be related to undeclared work because the growing flexibility of employment relationships and technological developments brings a new challenge to labour law and rights, social protection, and tax regulations.

Looking beyond classifications, the major challenge of undeclared work is measuring its extent and describing its features. For this reason, **undeclared work is measured with indirect and direct methods** (European Commission, 2007). Indirect methods interpret observable phenomena as a sign of the invisible economy and thus are based on the comparison of macroeconomic aggregates (e.g. national accounts, electricity consumption, cash transactions, etc.). Direct methods are survey-based and thus are based on statistical surveys and offer more data for comparison and wider details about a phenomenon. While indirect methods have been criticised for overestimating the level of undeclared work and not being able to describe its socio-economic characteristics, direct methods have been criticised for the tendency to underestimate the magnitude of undeclared work (European Commission, 2007). These are the reasons why the two measuring methods are usually combined: on the one hand, indirect methods, based on macroeconomic data collected and/or constructed for other purposes, identify the size of the undeclared economy, whilst on the other, direct survey methods identify its features describing who participates in undeclared work, what they do and why, with the purpose of instructing policy development (European Commission, 2018).

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<sup>6</sup> Casual work is a type of work where employment is not stable and continuous, and the employer is not obliged to regularly provide the worker with work, but rather has the flexibility of calling them in on demand. It is related to non-standard work and includes intermittent work and on-call work (Eurofound, 2019a).

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## Undeclared work or informal work?

The European Commission's definition of undeclared work is part of the broader International Labour Organization's definition of the informal economy. The **informal economy** also includes work which falls outside the scope of the law (ILO, 2013a) and refers to all economic activities, excluding illicit activities, by workers and economic units that are, in law or in practice, not covered or insufficiently covered by formal arrangements (ILO, 2015), while **informal employment** refers to working arrangements that are de facto or de jure not subject to national labour legislation, income taxation or entitlement to social protection or certain other employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.).

The ILO's interpretation even includes economies outside of Europe in which informal work covers a wider range of work, sometimes precisely because there are no tools or rules to define employment relationships or types of organizations. In fact, the concept of informal economy has often been used to illustrate pre-modern or survivalist economic activities (e.g. street vendors, shoe shiners, garbage collectors and waste pickers) outside the formal arrangements in developing countries (CICOPA, 2017).

In some countries, cooperatives can also operate in the informal economy. This is the case of economic units which are organised according to the cooperative principles, but not formally established or registered due to the lack of an appropriate legal framework to regularise cooperative enterprises or to the complicated administrative processes or an arbitrary bureaucracy that might discourage the establishment of a formal cooperative; the difficulties encountered by a cooperative in preparing itself to meet the formal conditions; the experience of community-level mutual help activities (ILO, 2013b; CICOPA, 2017).

In industrialised countries, informal work is more linked to deteriorating working conditions and is usually identified as **undeclared work**. Undeclared work is a form of informal work where work is explicitly hidden, even if there are laws in the country that might recognize it, while informal work also includes economic activities that are not formally recognized by law, even if they are not criminal activities. Undeclared work is rooted in the trend towards more flexible working relationships, the growth of self-employment, sub-contracting, and the ease of setting-up groups of enterprises that operate across borders.

In Europe, undeclared work is the predominant form of informal work and therefore the words "undeclared work", "informal work", "informal economy" and "informal employment" are often used in the European Union literature as synonyms, as well as "black work" and "shadow economy" (European Commission, 2007; Eurobarometer).

Considering the purpose of this report, which is focused on the European experience, the choice is to adopt the European Commission's definition of "undeclared work" described in the Communication of 2007, *Stepping up the fight against undeclared work*, which represents the reference point for all of the ensuing studies about the topic led by the European Commission (Eurofound, 2021).

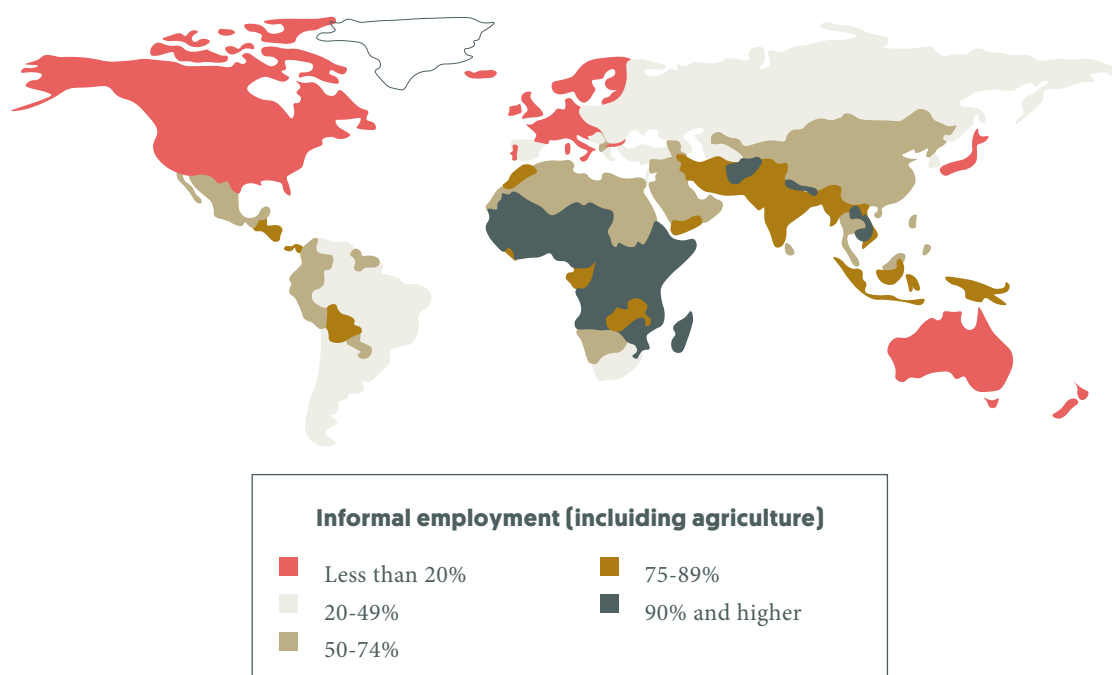
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## 2.2. UNDECLARED WORK IN EUROPE IN RESPECT TO THE WORLDWIDE CONTEXT

Across the world, people have diverse attitudes about undeclared work and the informal economy, but what is certain is that **informality is part of the daily lives of many workers in the world** and that it usually brings risks and vulnerabilities that are reflected in policy challenges.

According to the OECD and ILO publication *Tackling informality in the Informal economy* (2019), which was based on national surveys, **globally, 2 billion workers are involved in the informal economy**. But even if the informal economy and undeclared work are global phenomena, they manifest themselves in unique ways across countries and regions. While infor-

mal work is about 70% of all employment in developing and emerging countries, it is around 18% in developed countries. Moreover, there is also an important variation across regions, from 86% in Africa to about 68% in the Arab States and Asia and the Pacific, 40% in the Americas and 25% in Europe and Central Asia.



**Figure 2** - Share of informal employment in total employment, including agriculture [source: OECD/ILO, 2019].

In Europe itself there are some differences in the average level of undeclared work if we consider Northern, Southern, Western or Eastern Europe. **In Northern, Southern and Western Europe, undeclared work corresponds to 14.3%**, which is below the regional average, **while in Eastern Europe** undeclared work is above the regional average, corresponding **to 31.5%** of total employment (ILO, 2018).

Turning to the economic sectors, at the global level agriculture and industry are the sectors most exposed to undeclared work (almost 94% of agriculture workers and 57% of industry workers activities are informal). Unlike the rest of the world, the sectors in Europe where undeclared work is most common are agriculture (**71,6%**), aviation, tourism, construction, security services, cleaning, provision of childcare, commerce, road transport, and hotels, restaurants, and catering. While similar proportions of informality are found in the **industry (21.9%) and service sectors (20.2%)**. In Northern, Southern and Western Europe, undeclared work is even higher in the service sector (14.2%) than in the industry sector (10.1%) (ILO, 2018). Worldwide, 27.4% of undeclared work is in the formal sector<sup>7</sup>, while it has a larger proportion in Europe (7.9%) than in other world regions, representing more than half of total informal work (ILO, 2018).

Other features of European undeclared work seem to be mostly consistent with the world major trends, even if there is significant variation in the overall percentage considering that the

<sup>7</sup> The formal sector includes all those types of employment which offer regular wages and hours, which entail employment rights and on which income tax is paid; these elements are not present in the informal sector.

rate of informal work is higher in developing and emerging countries and therefore dominates in the Global South. Firstly, in Europe, **informality declines with the increase in the level of education**, with 77.1% of total workers involved in undeclared work having no formal education. Moreover, in Europe undeclared work is a greater source of employment for men (26.4%) than for women (23.6%), and for young workers (35.7%) than adults (21.8%). Additionally, informality is more present in rural (33.2%) than in urban (19.4%) areas. Finally, **own-account workers and workers in non-standard forms of employment are the largest groups (68.8%) engaged in undeclared work** (ILO, 2018).

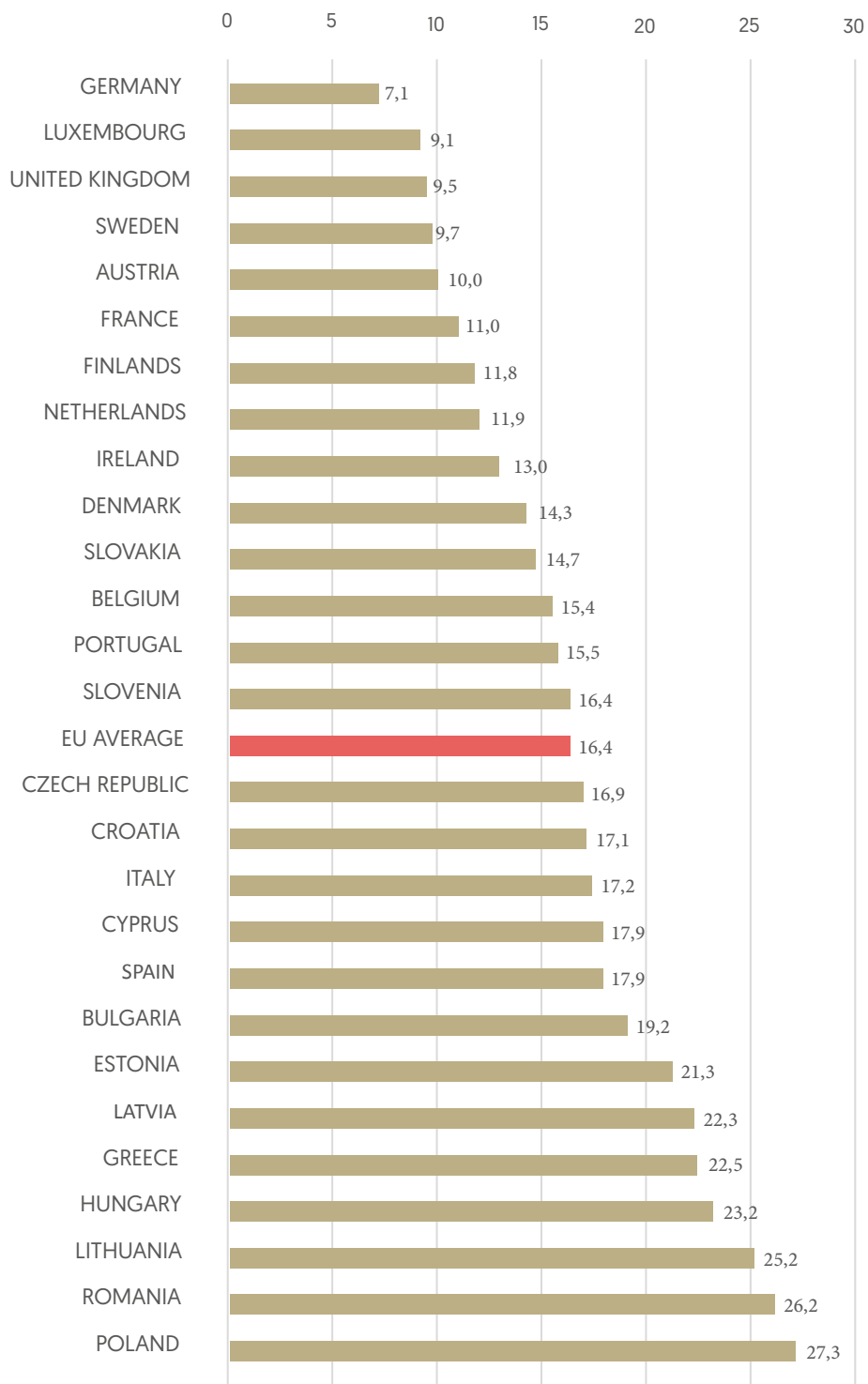
### 2.3. NUMBERS AND MAIN FEATURES OF UNDECLARED WORK IN EUROPEAN UNION MEMBER STATES

In the 2018 study, “An evaluation of the scale of undeclared work in the European Union and its structural determinants”, the European Commission used the Labour Input Method (LIM)<sup>8</sup> to measure the size of the undeclared economy, which is an indirect approach. Using this indirect method, **the European Commission estimates that, on average, 11.6% of total labour input in the private sector of the Member States is undeclared and undeclared work constitutes on average 16.4% of gross value added (GVA)** – this difference is due to undeclared labour being concentrated in sectors with higher labour productivity and the estimates exclude public sector and non-governmental organizations.

**Undeclared work in the Member States is not the same size everywhere.** The countries with a major proportion of undeclared work are largely new EU member states (NMS). Two exceptions to this rule are: Italy, which has a large proportion of undeclared work even if it is one of the EU founding members, and the Czech Republic, that has a lower amount of undeclared work than the EU average, even though it is one of the NMS. The lowest share of undeclared work in terms of labour input is recorded for the United Kingdom, Germany, and the Netherlands, where less than 3% of the total labour input is undeclared.

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<sup>8</sup> The LIM uses macroeconomic data to measure, for each Member State, the discrepancy between the reported supply of labour inputs (from the Labour Force Survey) and demand-side data on recorded labour demand (e.g. from enterprise surveys, company declarations to tax or social security authorities, or national statistical offices). The discrepancy between the two provides an estimate of the range of undeclared work (European Commission, 2018).



**Figure 3** - Undeclared work in the private sector as % of total GVA, LIM estimates for 2013. Notes: Estimates for Malta are not provided due to deficiencies of data sources for this member state [source: European Commission, 2018].

In Europe, **on average 61.8% of all undeclared work is within an employment relationship, 37.3% is in self-employment and 0.3% corresponds to family work.** There are considerable national variations to consider when reading these numbers. Over 90% of undeclared work is within an employment relationship in Poland, Bulgaria, and Italy, while in Portugal, in Germany, in the United Kingdom and the Netherlands, it is around 1-1.5%. On the other hand, most undeclared work in self-employment is in Cyprus, Netherlands, Portugal, Denmark, and Germany, while it is just 6.5% in Belgium, 5.3% in Bulgaria, 3.4% in Italy and 2.5% in Poland. Concerning family work, even though it is a small-scale phenomenon in most Member States, it is a major component in some countries, reaching 89.8% in Latvia, 69.4% in Estonia, and 68.2% in Romania.

These macroeconomic data can be completed by the **Special Eurobarometer 498 survey** carried out by the European Union in September 2019 and published in February 2020. The survey is the third Eurobarometer dedicated to undeclared work (the first one was published in 2007 and the second in 2013) and collects the personal experiences and attitudes to undeclared work of 27,565 Europeans from different social and demographic groups that were interviewed face-to-face (European Union, 2020).

The first outcome of the survey is that **one in ten Europeans** say they have purchased in the past year goods or services that might include undeclared work, where the majority of goods or services resulting from undeclared work are home repairs or renovations (30%), hairdressing and beauty treatments (27%), and repair services (19%). Moreover, Europeans prefer to purchase or be offered undeclared goods and services from someone they know, so the majority of providers are friends, colleagues, and acquaintances. The most common reason for making purchases under this condition is the **lower price**. Whilst very few Europeans stated that they had worked informally, one third of citizens know someone who has done so.

The Eurobarometer also reveals that the risk of undeclared work is greater for self-employed and posted workers, while very few employees receive undeclared cash as all, or part, of their wage, with one third receiving less than a quarter of their total remuneration in cash. Finally, even if the majority of EU citizens consider undeclared work unacceptable and think that no more than 30% of their country's population engages in undeclared work, half of Europeans perceive the risk of being detected by authorities as low.

Both macroeconomic data about the Member States and personal perception and experience of Europeans describe undeclared work as a large-scale phenomenon that represents an enduring challenge. Undeclared work concerns workers, businesses and governments across Europe and has negative effects on productivity and employment at both national and international level. At the national level, the related decrease of tax and social security revenues has budgetary implications that undermine the financial sustainability of social protection systems. At the European level, it undermines the level playing field among EU countries. For this reason, European institutions believe that undeclared work affects both policymakers and citizens and have activated a range of initiatives to reduce the extent of undeclared work.

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## False myths about undeclared work

Undeclared work across European countries is related to some common assumptions. Whilst some of these assumptions are confirmed by data, others are refuted.

The most common assumption about undeclared work is that it is directly related to **higher taxation levels**. Both the studies about undeclared work in the Member States conducted by Eurofound in 2013 and then by the European Commission in 2018 refuted this assumption. Data show that there is no significant relationship between undeclared work and the tax rate on labour, which means that higher tax rates are not correlated to a higher level of undeclared work. Conversely, the scale of undeclared work appears to be a result of under-regulation, not over-regulation, because where welfare regimes with a greater labour market intervention, social protection and redistribution are present, we witness a significant decrease in the level of undeclared work.

Another very common assumption is that undeclared work is directly associated with a **higher immigration rate**, but the European Commission data analysis of 2018 also refuted this misconception. A lower level of undeclared work seems to be related to net in-migration rather than out-migration.

What are higher levels of undeclared work related to?

In Europe, we find higher levels of undeclared work in the presence of lower GDP per capita, a higher perceived level of corruption, higher long-term and very long-term unemployment rates<sup>9</sup>, and higher income inequalities: all these features translate into a lower level of trust in public authorities and a higher level of inequality.

On the other hand, we find lower levels of undeclared work in more modernised systems of government that develop welfare regimes with higher levels of social protection and redistribution via a social mechanism and invest higher amounts of public money in labour market interventions to protect vulnerable groups and reduce poverty.

In short, the most relevant factor that impacts undeclared work is equality: **more equal societies have a smaller amount of undeclared work than less equal societies**.

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## 2.4. MEASURES TO FIGHT UNDECLARED WORK AND THE EUROPEAN UNION APPROACH

Tackling undeclared work is a major challenge, but the specific structures and features of undeclared work in each European country have significant effects on the way decision makers deal with it. For example, in countries where most undeclared work is in self-employment (e.g. Netherlands), national governments will introduce policy initiatives to support the transition from unemployment to self-employment by simplifying the creation of start-ups. However, in countries where most undeclared work is in employment relationships (e.g. Italy), national governments will work more on changing the attitudes of employers using notification letters or inspections. For this reason, not only is it vital to conduct a correct estimation of undeclared work in order to put in place appropriate policy measures, but it should be noted that the main responsibility for dealing with the issue lies with the national authorities because even if there are some common challenges related to undeclared work, there is no “one-size-fits-all” approach to fight it (Eurofound, 2013; European Commission, 2018; European Platform Undeclared Work, 2018).

Based on the characteristics of undeclared work, in the last ten years national authorities have adopted deterrence and/or compliance-based measures to fight against it (Eurofound, 2021; European Commission, 2021). Deterrence-based approaches introduce stricter penalties, improve inspections and detection strategies. Compliance-based approaches include preventive measures to promote compliance with existing rules. Some preventive measures are tax incentives, amnesties that legitimise previous undeclared work, awareness-raising to change behaviours and attitudes of people towards accepting to work informally.

At the national level, the measures mentioned are carried out by three types of enforcement bodies: labour inspectorates that tackle inappropriate activities concerning working conditions and/or health and safety norms; social security inspectorates that deal with fraud on social contributions; and tax authorities that fight tax evasion. Moreover, some countries also involve social partners, customs authorities, migration bodies, the police and the public prosecutor's office.

To support national governments fighting undeclared work, EU institutions have not only conducted research to identify and describe undeclared work in the Member States, but they have even put in place dedicated initiatives and proposed specific policies. Since 2001, the European Union has been tackling undeclared work directly and with the **Commission Communication of 2007**, Stepping up the fight against undeclared work, the transformation of undeclared work into declared work has become a priority challenge. In the 2007 communication, we already find some measures that are designed to shape initiatives and policies regarding undeclared work at the EU level.

## The 2007 Commission communication on Stepping up the fight against undeclared work proposes the following measures:

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Reducing the financial attractiveness of undeclared work stemming from the design of tax and benefit systems and the permissiveness of the social protection system regarding the performance of undeclared work.

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Administrative reform and simplification, in order to reduce the cost of compliance with regulations.

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Strengthening the surveillance and sanction mechanisms, with the involvement of labour inspectorates, tax offices, and social partners.

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Cross-border cooperation within the EU and awareness raising for specific action: agriculture, aviation, tourism, and the hotel, restaurant, and catering sector.

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To date, the “**European Platform Tackling Undeclared Work**” is the most relevant EU-level initiative introduced to fight undeclared work. Set up in 2016, the Platform’s goal is to link national authorities (e.g. labour inspectorates, social security inspectorates and tax authorities) with the Commission and international bodies, such as Eurofound, European Agency for Safety and Health at Work (EU-OSHA) and the ILO, to better prevent undeclared work through the sharing of knowledge and best practices and the identification of common principles for inspections. The Platform’s activity is also included in Priority 5 (A stronger Europe in the world) of the **Strategic Agenda for 2019-2024**, which outlines six top priorities that reflect the main priorities for the EU and the European Parliament. Under the terms of the priority, in 2019 the Platform became a permanent working group of the newly created **European Labour Authority (ELA)**, which aims to establish a fairer internal market across Europe for citizens, reinforcing the role of the platform in the exchange of cross-border information. One of the most important outcomes of the Platform’s activity is the need to tackle undeclared work using a holistic policy approach (European Platform Undeclared Work, 2018).

According to the European Platform Tackling Undeclared Work, **a holistic approach to deal with undeclared work means a combination of deterrence and compliance-based measures and the involvement of all the social partners and key stakeholders in joint actions against undeclared work**. At first, national governments should focus not only on deterrence measures, but on preventing informal work practices: a strategic approach that associates direct and indirect policy measures enhances the power of, and the trust in, the authorities, which in turn ensures more compliant behaviours. Moreover, the holistic approach requires a joint action to transform undeclared work into declared work permanently, and this means, at national level, sharing the policy with social partners on labour, tax, and social security law at strategic and operational levels, and at the international level to build a cross-government approach.

## Policy pointers in the holistic policy approach to tackle undeclared work

Within the holistic approach, in 2020 Eurofound report identified some policy pointers to fight against undeclared work:

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**Fostering compliance with regulation:** advice could be developed to support companies on their path to compliance, especially small and medium-sized enterprises. Expertise and adequate resources in the bodies tasked with monitoring compliance needs to be ensured.

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**Developing workers' information and voice:** raising awareness of rights, providing workers with practical, easy-to-understand information, and encouraging them to negotiate for their rights are important. This would mean supporting employee representation at all levels, helping to denounce fraudulent situations.

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**Monitoring business models as part of the employment equation:** certain business models, like the platform industry or work on demand, need to be monitored given their potential impact on employment relationships and work organization.

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**Ensuring flexibility and protection in parallel:** regulation is needed to balance the protection of workers with a company's need for flexibility. This is an important step to ensure stability and better knowledge of, and respect for, the rules.

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**Addressing the consequences of precarious work:** it will be necessary to raise awareness of the impacts of precarious employment on workers and business models. Precarious employment assumes that it involves relationships that do not deliver for workers what a 'good job' should: skills recognition and improvement, resources (especially financial) to make ends meet and developing employability.



### 3. MAIN FEATURES OF WORKER AND SOCIAL COOPERATIVES AND COOPERATIVES OF INDEPENDENT WORKERS

In Europe, most undeclared work is related to micro and small enterprises, and workers in the majority of cases are unprotected, have no formal recognition, operate as individuals or in small groups, have no access to financial services and nor do they have representation or a voice. For this reason, undeclared workers are susceptible to all types of risks and their transition to declared work is slow and challenging. Worldwide, cooperatives are playing an increasingly important role in facilitating job creation, economic growth, and social development, and thus also have a role in work formalisation because they can transform vulnerable and fragile workers into legally protected workers who are fully integrated into the “mainstream” economy.

This specific role of cooperatives has already been recognised in 2002 by the International Labour Organization within the Recommendation No. 193 - Promotion of Cooperatives, which in the second chapter dedicated to Policy framework and role of Governments states:

*Governments should promote the important role of cooperatives in transforming what are often marginal survival activities (sometimes referred to as the “informal economy”) into legally protected work, fully integrated into mainstream economic life.*

Ever since its creation, the ILO has acknowledged the role of cooperatives, creating a specific department, ILO COOP, which in 2020 celebrated its centenary, to advise on cooper-

ative matters (Levin, 2003). The ILO Recommendation No. 193, adopted in June 2002, replaces, and expands Recommendation No. 127, which was centred on developing countries, and incorporates the International Cooperative Alliance's 1995 definition of cooperatives:

*A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.*

Even if the majority of cooperatives operate in agriculture, finance, wholesale and retailing, health care, housing and insurance, and traditional worker cooperatives operate in industry and services, including social services, today the cooperative model is applied to new fields of activity, such as information and communication technology, tourism, and cultural and creative industries. Undeclared work is a widespread phenomenon in every economic sector and cooperatives can tackle it in every field thanks to their specific features.

**Cooperatives are established by people who share specific needs**, such as maintaining and creating jobs, developing production (which is worker cooperatives' main purpose), finding a house, obtaining credit, etc., and cooperative members achieve goals together that they could not achieve alone. Members own and control the cooperative by making decisions democratically on the basis of the "one member, one vote" principle, regardless of the share of capital held.

Members can be **workers, producers, users, or clients** according to the type of cooperative, and thanks to the ownership structure, their financial engagement, and their democratic participation in the governance of the cooperative, they collectively become entrepreneurs of the cooperative. In this way, they can shape the structure of the cooperative according to their needs and be sure that they will work in lawful and safe conditions. Moreover, the internal financial rules, which imply the accumulation of capital, both under the form of nominal and non-transferable cooperative shares and of common reserve funds, guarantee the enterprise's resilience and the investment of profits in the cooperative's activity.

Finally, **each cooperative is closely connected to other cooperatives and to the community it belongs to**. Not only do cooperatives belong to bigger and worldwide networks of cooperatives, but they also have a concern for the surrounding community. For this reason, cooperatives are used to establish alliances, networks, federations, groups, and consortia not only among cooperatives, but also with formal and informal actors at local, national, and international level.

**CECOP** is one of the international networks of the cooperative world. As the European region of CICOPA, which, since 1947 has been a sectoral organization of the International Cooperative Alliance (ICA), CECOP represents the voice of European cooperatives in industry and services and mainly worker and social cooperatives, as well as cooperatives of independent workers (CECOP and CICOPA, 2012; CICOPA, 2018; CECOP, 2019).

Among the various types of cooperatives, worker and social cooperatives are characterized by worker ownership, which means that cooperatives are owned and controlled by their employees. In Europe, since the cooperative model has been developed under the modern employment relationship system, **cooperatives prefer to establish full-time and permanent jobs** instead of part-time and temporary jobs, aiming to offer employees quality jobs with rights, benefits, and social protection typical of the standard employment relationship (Eurofound,

2019b). Beyond this common feature, worker and social cooperatives and cooperatives of independent workers have some specificities.

The mission of the **worker cooperative** is to offer better working conditions than the market, create and maintain sustainable jobs and generate wealth for their members. To achieve this goal, the cooperative offers fair remuneration and uses common reserves to consolidate the enterprise. The cooperative is managed by worker-members who are not only owners of the cooperative, but also directly involved in the common production of goods and services (e.g. manufacturing, information and communication, arts, etc.), which are sold to the external market by the cooperative. In Europe, the status of worker-member is equivalent to the status of salaried employee (except in Spain), where the worker-member is not subordinated to a specific employer while their work is subordinated to, and supervised by, their cooperative as a legal person.

**Social cooperatives** have a purpose of general interest which is related to the provision of social, health, educational or environmental services or in the job placement of disadvantaged and vulnerable workers (migrants, people with a disability, long-term unemployed, former detainees, addicts, etc.), or both. Social cooperative can adopt a multi-stakeholder governance model because their members can be workers, users and other community members (e.g. associations, municipalities, public authorities, voluntary workers, service beneficiaries, etc.) who are thus involved in the exercise of the cooperative activity. The first social cooperatives were created in Italy, but today they exist in various European countries, often regulated by specific national laws<sup>10</sup>.

**Cooperatives of independent workers** aim at mutualising services or equipment (e.g. accounting services, marketing services, consulting and legal services, co-working spaces, etc.) among members to promote their production or business activities which are performed on their own account. For this reason, they are also called “shared service cooperatives.” The cooperative is managed by worker-members who can belong to various economic activities (e.g. entertainment, communication, IT, etc.) and, depending on its members’ role, it can be described as an “artisans’ cooperative”, “freelancer cooperative”, and so on. Although the main goal of the independent producers/workers cooperative is not to provide employment solutions to the workers, cooperatives of such typology place a strong emphasis on generating sustainable employment by bringing together workers who are usually isolated and precarious on the job market and providing solutions to non-standard employment.

In the following pages, which focus on **11 case studies**, we will see how these specific cooperative features can be a concrete tool to support the transition of undeclared workers into the formal economy. The cases studies are classified in four sections according to the kind of workers the cooperatives deal with: migrants, including irregularly staying migrants, asylum seekers and refugees (Diomcoop, Nazareth, RCOOP); arts, media, and cultural workers (De Coöperatie, Doc Servizi, Soglasnik Language Cooperative); unemployed people and vulnerable workers in rural areas (BEC Družstvo, GOEL); and gig workers (By-Expressen, CoopCycle, York Collective). Looking beyond classifications, we will see that the cooperatives studied act as a support system for fragile workers who have precious few bargaining powers.

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<sup>10</sup> Social cooperatives (Italy, Poland, Greece, Hungary), Collective interest cooperative societies (SCIC) in France, social initiative cooperative in Spain, social solidarity cooperative in Portugal.





## 4. MIGRANTS, INCLUDING THE IRREGULARLY STAYING ONES, ASYLUM SEEKERS, AND REFUGEES

The labour exploitation of migrants through undeclared work in Europe concerns **mainly third country migrants**, who can be differentiated into four groups: legally residing third-country nationals with a work permit (e.g. refugees), legally residing third-country nationals with a restricted work permit (e.g. students or au pairs), legally residing third-country nationals without the right to work (e.g. asylum seekers who are not yet authorised to work), and irregular third-country nationals (e.g. undocumented migrants).

The report *Counteracting undeclared work and labour exploitation of third-country national worker* (2021), which is part of the 2019-2020 work programme of the European Platform Tackling Undeclared Work, emphasises that most non-EU workers involved in undeclared work come from countries with lower wages and limited job opportunities, and often with

a higher rate of informal work. Their risk of being involved in labour exploitation grows if they are low-skilled workers and/or lack sufficient language skills.

With the regards to the sectors in which they work, they are mainly employed where there is high demand for a flexible workforce and in labour-intensive jobs, such as in agriculture, construction, domestic work, and transport. Migrants also work undeclared in hotels, restaurants, and beauty salons, while some of them are self-employed in small-scale and unregistered businesses (street vendors, car washes) and earn their income in cash. Even though many of these sectors are difficult to monitor, some of them are highly gendered, which generates disproportionate discrimination and exploitation risks for women (e.g. domestic sector) and men (e.g. construction).



Third-country workers are usually introduced to undeclared work mainly by private contacts and informal networks, fraudulent temporary work agencies, online recruitment, and pick-up spots. The most exploitative conditions are usually related to fraudulent agencies, gangmasters and some private networks, such as groups from the same ethnic background or wider family members.

The following case studies explore how cooperatives can overcome the difficulties of third country migrants belonging to one of the abovementioned groups: the Spanish Diomcoop, which was established by a group of street vendors, the Italian cooperative Nazareth, which supports the job placement of disadvantaged people and the Belgian RCOOP, which was at first created to formalize the undeclared work of afro-hairdressers.

#### 4.1. DIOMCOOP (SPAIN)



##### Undeclared work in Spain

Undeclared work in Spain, from the point of view of the Labour and Social Security Inspectorate, involves fraud or concealment from the public social security system, both as regards the registration of workers and enterprises and as regards contributions to the public Treasury. The main typologies of undeclared work in Spain involve companies or workers not registered with the social security system; foreign workers without a work permit; workers who work while receiving unemployment or other social benefits; full-time jobs declared as part-time jobs; envelope wages; and unpaid or non-declared overtime. Moreover, Spain is one of the nine EU countries with the highest level of fraud related to posted workers. In Spain, the shadow economy was estimated at 23.1% of GDP in 2012 [European Platform Undeclared Work, 2017].

Spain is one of the older EU Member States where the undeclared economy is larger than the EU average, with undeclared work representing 8.8% of the total labour input in the private sector (17.9% of GVA). Undeclared work is more prevalent in family work (18.1%) than in self-employment (17.2%) or work conducted in the context of an employment relationship (6.2%) [European Union, 2018], with 41% of Spaniards declaring that they personally know people who work without declaring all or part of their income, and 45% of Spaniards who tend not to trust the Labour inspectorate in their efforts to tackle undeclared work and 47% not trusting the tax and social security authority [European Union, 2020]. One of the main motivations to be part of the informal economy, at least for low-qualified self-employed workers, is the inability to afford taxes and Social Security contributions. Moreover, undeclared work has been found in companies of all sizes, with half of the Spanish population stating that in 2019 they paid such firms or businesses for goods or services [vs. 26% EU average] [European Union, 2020].

The Eurobarometer 498 identifies three main sectors in which Spaniards have paid for goods or a service that included undeclared work: home repair and renovations (32%), hairdressing or beauty treatments (23%), repair services (20%).

**Diomcoop** is a multi-stakeholder cooperative<sup>11</sup> that was established in 2017 in Barcelona, Spain, between the Municipality of the city and a group of street sellers. Today, Diomcoop aims to fully address the basic needs related to the employment, training, regularisation, and rights of migrants who are in a situation of administrative irregularity and social vulnerability, through a cooperative.

The idea of Diomcoop was born in 2015 when a street seller in Barcelona died because of police brutality. This tragic event led **some street sellers from Sub-Saharan Africa to try to find a solution to their condition of exploitation and vulnerability**: without a formal working permit, migrants cannot rent a flat or have a regular job and are forced to stay in the informal economy, working as informal street sellers or undeclared workers for restaurants and hotels or, even worse, work in illegal activities such as selling drugs, or prostitution. To tackle this situation and have the opportunity to have rights and a good life, they went to the Barcelona Municipality and asked for a solution. Among the solutions proposed by the Municipality, the group of street sellers chose to create a cooperative, since they believed in the ideals of social economy and solidarity that they had already encountered in Africa.

After six months of training on the management of a cooperative in Spain, in 2017 the cooperative was co-established by 15 street sellers and the town hall under the name of Top Manta. At first, the cooperative had a productive model based on sales of clothing on the streets. In a short time, cooperators understood that this approach which was suggested by the Municipality was not the right choice to develop their business for two main reasons: firstly, because of the dumping practices of other sellers who were not paying taxes and selling counterfeit products; secondly, when they arrived in Spain they started to sell on the street because it was the best work available for people without a work permit<sup>12</sup> but, if they had had a choice, they would have done something different. When the members of the cooperative realized this, they chose to invest in the skills acquired in Africa as painters, artists, chefs, carpenters, communicators, and accountants and apply their masters and doctorate degrees.

Members of the cooperative changed its name to Diomcoop and started to sell various services. Today, Diomcoop provides logistics (setting up of festivals and events, transportation of equipment and goods, etc.), **cleaning** (offices, private apartments, shops, etc.), **and catering services** (with dishes typical of African and Spanish cuisine). Additionally, after the experience of selling counterfeit clothes on the street, Diomcoop's couturiers wanted to guarantee the traceability of handcrafted products and for this reason created their **fashion brand**, Diambaar.

Over the years, they have integrated new members and people in a situation of vulnerability for the provision of long term or temporary services, thereby generating a positive turnover process<sup>13</sup>. Each member has a triple level of participation in the project: as an owner and worker of the cooperative and a beneficiary of the cooperative actions. These three elements contribute to **the principal goal of the cooperative, which is the regularisation of immigrants**. Concretely, Diomcoop covers the basic needs and rights of the project participants,

11 At a legal level, Diomcoop is registered as a SCCL, *Societat Cooperativa Catalana Limitada*, Limited Catalan Cooperative Society, which is a company formed by physical or legal persons who, under the principles of equality of opportunity and good will, variable capital, and democratic management, have joined forces to improve the economic and social situation of their members and the community environment by engaging in a collective business activity. They can develop any economic or social activity (see the website of Iniciatives Econòmiques: <http://iniciativeseconomiques.com/emprendors/index.asp?w=pg&s=19&a=79>).

12 In Spain, the procedure to obtain a work permit takes 3 years.

13 In 2017 there were 15 people, 12 men and 3 women. In 2018, they became 16 members. In 2020 the cooperative had 18 members. Most, although not all, come from Africa.

including training for personal and professional development<sup>14</sup>. Thanks to the training time in the cooperative, migrants obtain both the work permit and professional certificates that they can then use to obtain a more stable job in another company. Through training and regular work, Diomcoop supports migrants' employment and their empowerment in the long-term.

Thus, the first objective of the cooperative, which was to provide a solution to overcome the dangers of informal street activities thanks to the opportunities offered by the formal structure of the cooperative, has evolved into a much more ambitious project to regularise the situation of irregularly staying migrants.

### Covid-19: the commitment to the local community

During the lockdown, Diomcoop worked for free to help clinics that needed masks and gowns. After this experience, they started to sell masks with Diambaar. Moreover, Diomcoop has helped the street sellers who could no longer sell on the street by teaching them a new job when possible, making connections to obtain support (e.g. dressmakers who could not be integrated into the cooperative were helped to obtain a diploma by covering the cost of their training).

The empowerment of migrants in the long-term in Diomcoop is also related **to a strong commitment to the society to which they belong**. To change the perception of migrants, Diomcoop carries out awareness-raising and reflection actions on human rights in schools and civic centres through conferences, interventions in forums and schools, and has created an interactive board game that illustrates the causes and social consequences of immigration and unauthorized street vending (by playing the game people realise the difficulty of obtaining papers). In Diomcoop, members believe in the strength of self-organization and mutual support to respond to collective problems, and they are committed to cooperativism and the Social and Solidarity Economy because they see the cooperative as an instrument for personal and collective development, community action and social cohesion<sup>15</sup>.

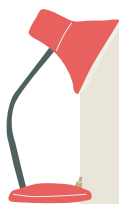
*“Without papers we couldn't have a job, rent a flat or work, but we were exploited by restaurants, hotels and so on. When a street seller died as a result of police brutality, we decided to do something. Enough is enough: we didn't come from Cameroon or Ghana to sell drugs or prostitute ourselves, but to do something good, to have rights and a good life”*

Marie Faye, Diomcoop

14 From the interview, African saying: “Mieux apprendre à pêcher que de donner un poisson” (It is better to teach someone to fish rather than to give them a fish).

15 Vision: “We seek to ‘change the look’ of street vending and show that behind the blanket there are values, potential and a lot of dignity. As cooperative members, we want to position ourselves as active subjects of this society with rights and duties and get out of the invisibility situation in which we found ourselves. We believe in the strength of self-organization and mutual support to respond to collective problems, and that is why we are committed to cooperativism and the Social and Solidarity Economy”.

## 4.2. NAZARETH (ITALY)



### Undeclared work in Italy

In Italy, a single definition of undeclared work does not exist. From a legal perspective, undeclared work is any regular and remunerated activity that has not been declared to the authorities, while according to the Italian National Institute of Statistics (ISTAT), it should always be considered as the sum of “black” labour (the worker does not have any contract and is unknown to fiscal and enforcement authorities and therefore do not have any legal protection) and “grey” labour (the worker is regularly hired, but the number of working hours declared is lower than the actual amount, or the declared remuneration is lower than the actual sum) (European Platform Undeclared Work, 2017).

Today, Italy is one of the older EU Member where the undeclared economy is larger than the EU average, with undeclared work representing 12.9% of total labour input in the private sector (corresponding to 17.2% of GVA), and 44% of Italians declaring in 2019 that they personally know people who work without declaring all or part of their income. Undeclared work is more prevalent in the context of an employment relationship than in self-employment (3.4%) or family work (2.9%), with over 90% of all undeclared work taking place in the context of an employment relationship (17.2%) (European Union, 2018). According to ISTAT data, in 2018 the undeclared economy in Italy amounted to about 192 billion EUR, corresponding to 10.8% of GDP.

A crucial feature of Italian undeclared work in the context of an employment relationship concerns part-time employment: on the one hand, one fifth of part-time contracts correspond to full-time contracts; whilst on the other, a common practice is to understate the taxable amounts by paying workers cash-in-hand, which corresponds, on average, to 40% of overtime hours worked. Moreover, migrant employment is becoming more and more common in Italy, with 55% of irregularly employed migrant workers claiming to be underpaid (ISFOL, 2014). In terms of the reasons behind this phenomenon, people in Italy choose to work informally for economic, administrative, and cultural reasons. Of these three, the biggest challenge is cultural, because any legislative and policy change will not be fully effective until informal work is considered to be a relevant socio-economic problem (European Platform Undeclared Work, 2017).

The Eurobarometer 498 identifies three main sectors in which Italians have paid for goods or a service that included undeclared work: hairdressing or beauty treatments (48%), cleaning or ironing (31%), home repair and renovations (28%). Moreover, half of Italians think that the risk of being detected by an authority inspection is small, and they tend to trust neither the labour inspectorate nor the tax and social security authority. (European Union, 2020).

**Nazareth**<sup>16</sup> is a social cooperative that was founded in 2001 in Cremona, Italy. At first, the cooperative<sup>17</sup> carried out the planning, implementation and management of educational and assistance services aimed primarily at minors and families. In 2013, Nazareth also integrated

<sup>16</sup> Website: <http://www.coopnazareth.net>.

<sup>17</sup> Italian social cooperative of type A.

the activity of job placement of disadvantaged people<sup>18</sup>. Today, the Nazareth Cooperative pays particular attention to the world of migrants, specifically unaccompanied foreign minors, asylum seekers and refugees<sup>19</sup>.

The key values of the cooperative are **social cohesion, subsidiarity and solidarity** and are pursued through the use of qualified workers and the collaboration of about fifty Cremonese volunteers (young people and adults), that ensure the link with the territory, together with constant dialogue with the public and private institutions<sup>20</sup>. Volunteers and links with the territory play an important role in the cooperative, which is also strongly related to the Catholic community of Cremona.

Over the years, Nazareth has chosen to strengthen its activity in the area of **job placement for disadvantaged people**, such as former prisoners or current prisoners (they work outside but sleep in prison) people with disabilities and migrants, with the purpose of supporting people who have fewer job opportunities and are often forced into undeclared work.

Nazareth has developed job placement mainly in two sectors: social agriculture (from 2014 they have an organic farm certified without pesticides and work with machines) and tourism (from 2017 they have managed the Cremona campsite and guesthouse)<sup>21</sup>. Working in the agriculture and tourism sectors, Nazareth wishes to prove that the work in these fields could be done with regular contracts and outside undeclared work. As a result of this choice, as a productive enterprise, Nazareth suffers from unfair competition and the risk of losing workers who could be more interested in obtaining higher wages because they are paid cash-in-hand. The cash-in-hand opportunity is particularly attractive for migrants, while inmates struggle to work in the formal and legal market because most of them have been used to earn more money in much easier ways<sup>22</sup>.

To integrate disadvantaged people in regular work activities, Nazareth organises gradual training courses. Detainees or people with a disability begin with an internship of 3-6 months of training and then move on to a fixed-term contract and then eventually to an open-ended contract. Training and job activities take into account both the freedom limitations of prisoners and the difficulties of people with disabilities. Workers employed by the cooperative carry out their work and at the same time are tutors of disadvantaged workers.

One of the main activities of Nazareth is developed in close synergy with the Sol.Co Cremona Consortium<sup>23</sup> and concerns the management of the Giona Day Centre. The centre offers **daytime**

18 In 2013, Nazareth became a social cooperative of type A and B.

19 Nazareth is part of the Italian Protection System for Asylum Seekers and Refugees (*Sistema di protezione per richiedenti asilo e rifugiati, SPRAR*) which is the service of the Ministry of the Interior that manages the reception, assistance, and integration projects of asylum seekers at the local level.

20 Budget 2019: 1.6 million public funds for migrants, 400k private money obtained by selling the job placement products (300k agriculture and 100k tourism), 200k public money (2/3), and family money (1/3) for minority protection, 100-150k public money for social housing. In total, 2.3 million turnover, of which 1.8 million of public money and 500k of private money.

21 During the Covid-19 pandemic they have continued their activity for migrants, reducing group activities by carrying out activities at home or remotely, and during the summer focusing on outdoor activities. Activities related to child protection have been reduced. Job placement accelerated in agriculture: in the 2nd half of 2019 they tried to understand how to improve the sales of their products and they had started to deliver them. However, when Covid-19 exploded the demand was enormous, with 350 orders per week and they needed help from volunteers. Nazareth's activities in the tourism field, collapsed entirely (campsite closed, guesthouse open only for health workers).

22 The average wage in Nazareth is around 1,000-1,200 EUR net.

23 The Nazareth coop is a member of the Sol.Co Cremona Consortium that offers various services to the territory: accredited supplier of services at work (Mestieri Cremona); training Service of the Sol.Co Cremona Consortium; associated group of GPs, specialists and physiotherapy; Centro Welfare Italia; Cremona Welfare for the provision of "light" health services, territorial cen-

**support programmes for disadvantaged families and adolescents, mostly migrants.** The centre carries out many individualized projects, which include targeted support in training, school support, expressive, sport and artistic workshops, and job orientation. Minors of the Giona Day Centre participate in working activities too, but in their case when they go to the campsite or the farm they are accompanied by an educator and they work more on soft skills and job culture (e.g. what is a workplace, how to relate to colleagues, bosses and customers). Giona also operates as a link between the local community and community of migrants, since it is part of the “enhanced foster care” model developed by Nazareth.

### The “enhanced foster care” model

Since 2008, the Giona Centre and other day centres in the area of Cremona (oratories of Maristella and Castilverde) have been part of the “enhanced foster care” model (*modello dell'affido potenziato*) that deal with the protection of minors. In addition to the fact that minors are not placed in a community but a house with foster carers, the Nazareth cooperative provides everything they need in the day centre, offering around the clock support. At first experimental and now part of the common practice as an integrated reception system, the model integrates foster care (hetero-family, mono-cultural and intercultural family<sup>24</sup>) with essential daytime care and vital integration work in the territory (involvement of volunteers and local associations).

During their time in the centre, integration paths are also made available to the minors through the organization and participation in art, cultural, and sport events open to the territory, the daily weaving of formal and informal relationships with citizens, and the opportunity to volunteer in associations. Moreover, in Giona the beneficiaries are trained and provided guidance about the Italian world of work, the active search for work and the search for internships or contract opportunities in companies in the Cremona area. In the training, beneficiaries learn the benefits of legal work compared to undeclared work, which means not only respect for oneself and the economy, but even for the state that is welcoming them and whose commitment to train and integrate them in Italy may be returned in the form of the payment of taxes.

*“Our aim is to break down barriers to exercising freedom for people who have had more difficulties than others because of their history. Usually prisoners, people with disabilities and migrants are seen as niche groups, but when they sell fruit and vegetables, citizens change their way of looking at them. Our work has made it possible to introduce in the territories a vision of community that also includes disadvantaged people, also thanks to voluntary activities.”*

Giuseppina Baggi, Nazareth

tre of child neuropsychiatry; social-health voucher service; “Harmony” consortium for actions aimed at promoting the well-being of the elderly population.

<sup>24</sup> Hetero family is when the unaccompanied foreign minor is placed outside the parental network within the 4th degree. Mono-cultural foster care consists in the entrusting of an unaccompanied foreign minor to a foster family of the same origin or the same cultural area. Intercultural foster care is when an unaccompanied foreign minor is placed in a foster family of a different origin or a different cultural area.



### 4.3. RCOOP (BELGIUM)



#### Undeclared work in Belgium

Belgian legislation does not provide an exact definition of undeclared work, except for the Belgian Social Criminal Code that defines undeclared work as “all work done in contravention to social legislation under the competence of federal authorities.” In Belgium, the main typologies of undeclared work are performed by foreign workers in an irregular situation; Belgian workers or legal residents; Belgian workers or legal residents who benefit from social allowances such as integration allowance and social assistance; Belgian workers or legal residents with a false status (bogus self-employment, volunteers, or trainees with social allowances such as integration allowance and social assistance). Additionally, Belgian workers or legal residents may carry out partially undeclared work, and undeclared work may correspond to the work of a self-employed person who does not declare all their income to the tax administration (European Platform Undeclared Work, 2017). According to the Belgian National Bank, the shadow economy in Belgium amounted to 17.9 billion EUR in 2017, or 3.6% of GDP.

In Belgium, undeclared work is 11.9% % of total labour input in the private sector (15.4% of GVA). Undeclared work is more prevalent in the context of an employment relationship (13.2%) than in self-employment (6.5%) or family work (8.8%) (European Union, 2018), with 41% of Belgians saying that they personally know people who work without declaring all or part of their income.

The main sectors where undeclared work is found in Belgium are the construction sector, with 34% of Belgians having paid for good or services that included undeclared work, gardening (18%) and hairdressing or beauty treatments (17%).

The Eurobarometer 498 identifies that half of Belgians consider the risk of being detected to be high, and 57% of Belgians tend to trust the Labour inspectorate in tackling undeclared work, and 59% trust the tax and social security authority (European Union, 2020).

**RCOOP**<sup>25</sup> is a cooperative that brings together professionals in the hairdressing and beauty treatment sector and was established in 2018 in the Matongé district of Brussels, Belgium.

Hairdressing and beauty treatments are the third main sector where undeclared work is carried out by workers in Belgium. In Brussels, Matongé is the district with the highest level of afro hairdressers working informally. Being aware of this, in 2017 the local cells of the Labour Inspectorate carried out a series of unannounced inspections, which is one of the good practices typically used to address undeclared work in Belgium.

<sup>25</sup> Website: <https://rcoop.be>.

The various labour inspections put the issue of the status of hairdressers in Matongé into perspective. In the hairdressing sector, undeclared work is particularly widespread because the formal sector requires three years of training followed by a management diploma. Many people, above all migrants with previous expertise and a diploma as hairdressers in their countries of origin, have difficulty obtaining the diploma (for a range of reasons, including language barriers, having a family to look after, lack of knowledge of the Belgian context) and thus cannot work formally by becoming self-employed or creating a company.

In this context, RCOOP was created at the initiative of several cooperatives dedicated to supporting entrepreneurs, such as JobYourself, with the support of the Municipality of Ixelles and the Region to provide an innovative solution to legalise the economic activity of hairdressers in the Matongé district, thereby supporting self-management and self-entrepreneurship.

By joining the cooperative, each hairdresser or beauty treatment specialist acquires the status of **independent active member** (*indépendant associé actif*) and can start to work formally under the umbrella of the cooperative using its VAT number<sup>26</sup>. In this way, the cooperative guarantees access to the profession in Belgium. If people who enter the cooperative do not have a diploma, they have to present evidence of years of practice (e.g. certification of their country of origin, photo of them working) and then the cooperative supports them to obtain the diploma necessary to work in the field.

In RCOOP, members are considered as self-employed people who collectively participate in the cooperative which carries out activities for them related to accounting, monitoring and management of VAT declarations. Moreover, members receive a monthly emolument from the cooperative, which is a type of salary, based on the turnover of each activity. The cooperative offers personalised entrepreneurial and commercial support (e.g. development of the business plan), and training to improve both entrepreneurial skills (social media communication, commercial, etc.) and financial and accounting skills.

For those who do not have a space to exercise their profession, RCOOP is based in a **co-working** space which is a beauty salon. Sometimes, external hairdressers rent the space too. This practice helps to expand the network created by RCOOP.

At first, RCOOP was composed only of female African hairdressers, but then they decided to open to everyone, and every sector and it became a **multicultural cooperative**. Today, RCOOP is composed of 20 persons who also provide sewing, beauty treatments and massage services<sup>27</sup>. People join the cooperative for different reasons: some because they cannot speak French very well, others to obtain the diploma, or just because they want to be part of a cooperative. Most people stay in the cooperative for about 18 months, which is the average time required to start an independent activity, while others decide to remain in the cooperative.

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26 During the Covid-19 pandemic members understood even more the sense of work in a declared form: by being part of the formal system, the hairdressers of RCOOP were entitled to obtain Governmental aid because they paid taxes, even if the beauty salons were closed.

27 RCOOP has only one employee and thus its management costs are low. The costs are covered by a share of the gross margin, 4-6-8%. The activity is profitable for at least 14 members (note that the cost of having an Afro hairstyle is low compared to the time that it takes).



Thanks to its commitment to the local community, in 2019, RCOOP won the **Social Economy Prize** as a Brussels junior social enterprise. Moreover, RCOOP was the first Brussels salon to participate in hair recycling with the initiative of fair hairdressers that transforms hair waste into marine filters that capture hydrocarbons in ports.

*“Joining the cooperative helps people to get out of undeclared work, also because most of them did not know how to get out. Moreover, since they were working legally and paying taxes and contributions, all the workers were entitled to aid from Covid-19 and were enthusiastic about it.”*

Marie-Charlotte Pottier, RCOOP



## 5. ARTS, MEDIA, AND CULTURAL WORKERS

In Europe, **arts, media, and cultural workers experience higher levels of precariousness compared to workers in other sectors** due to their atypical work patterns, which are characterized by intermittence, heterogeneity, and instability (Culture Action Europe and Dâmaso, 2021) often leading to low incomes and only restricted access, or even no access at all, to social protection schemes, such as unemployment benefits, sickness and maternity leave, and schemes covering accidents at work.

Artists and cultural workers usually work part-time, without an open-ended contract, and combine employment and self-employment throughout their careers in other sectors (services, education, etc.). Moreover, **self-employment is higher** in the cultural and creative sectors (33%) than in employment for the total economy (14%) (Erns & Young, 2021).

Since that most arts, media and cultural workers acting as atypical workers are usually isolated on the labour market, they also suffer from a lack of bargaining power. For this reason, they can be forced to work undeclared or with fraudulent contracts, such as bogus self-employment.

**Bogus self-employment** is a widespread phenomenon in the European arts, media, and cultural fields (Charhon and Murphy, 2016). It occurs when the worker is formally declared as self-employed on the basis of a service contract, but the work they perform fulfils all the criteria that are used by national law and practice to characterise an employment relationship. Bogus self-employment has negative consequences in terms of the health and safety and social security of the workers concerned because it implies the risk of a worker losing their social rights.

Moreover, the higher level of cross-border mobility of arts, media and cultural workers includes atypical situations that are not easily translated into pre-existing categories associated with visas, social protection, or taxation, and can fall into the category of **bogus posted work**.

In the following paragraphs, we focus on the practices of three cooperatives operating in the arts, media and cultural fields that use a collective approach to address the above mentioned difficulties: the Dutch De Coöperatie, a cooperative owned by journalists, the Italian Doc Servizi, which is the biggest Italian cooperative in the artistic and cultural field, and the Slovenian Soglasnik Language Cooperative, established by a group of young translators who were searching for better working conditions.

## 5.1. DE COÖPERATIE (THE NETHERLANDS)



### Undeclared work in the Netherlands

In Dutch society, payment in cash is often associated with undeclared work. For this reason, the Dutch tax authority describes undeclared work as work that is not reported to the tax authority and is usually paid in cash. While the Central Bureau for Statistics (CBS) and the Labour Inspectorate and other controlling authorities define undeclared work as “work which is legal as such, but without registration for income tax and social security”, thereby making a clear distinction between undeclared work and criminal activities. To better understand this definition and the following paragraphs about undeclared work in the Netherlands, there are two main features to underline: 1) undeclared work data excludes all activities that are unlawful as regards their nature, but also some lawful activities in some member states, but not others, which means that even if some drug transactions are legal in the Netherlands, they are not in the EU database; 2) money earned through hobbies and for family or friends without profit are mostly times tax-free and do not therefore need to be declared. In 2012, the Dutch shadow economy represented 9.8% of GDP, making it one of the smallest in Europe (European Platform Undeclared Work, 2017).

The Netherlands is one of the EU countries where the lowest share of undeclared work in terms of labour input is recorded, with 5.2% % of total labour input in the private sector, and 11.9% considering the GVA. Undeclared work is more prevalent in self-employment (24.2%), which includes cases of bogus self-employment (Heyes and Hastings, 2017), than in work conducted in the context of an employment relationship (1.1%) (European Union, 2018). Of 7 million workers, 1 million are self-employed in the Netherlands, with most of them work in the cleaning and health care sectors, which are sectors with a higher rate of undeclared work. The most common sectors of undeclared work are housekeeping, construction, hospitality, and agriculture and, according to the Eurobarometer 498, in the top 3 of goods and/or a service that included undeclared work for which Dutch have paid in 2019, we find cleaning and ironing (37%), home repair and renovations (28%), and hairdressing and beauty treatments (18%) (European Union, 2020).

**De Coöperatie**<sup>28</sup> is a cooperative of independent journalists<sup>29</sup> established in Amsterdam, Netherlands, in 2016. In the Netherlands, 67% of journalists are self-employed and experience very precarious and vulnerable working conditions that often fall into the category of dependent self-employment. Furthermore, when the activity of journalist is carried out as a secondary job, in most cases it is not declared to the authorities (Blommaert, Van Damme and Meyer, 2019). Most journalists work for a publishing company that retains 70% of the profit generated by each article, while the journalist receives the remaining 30%. De Coöperatie's members decided to reverse this power relationship, **transforming the publishing company into a cooperative owned by freelance journalists**. This way, the journalist is no longer employed by the publisher, but the publisher is at the service of the journalist. Today, De Coöperatie has about 700 journalists all over the Netherlands.

As a publisher, De Coöperatie owns a **publishing platform** that supports three specific channels: Reporters online<sup>30</sup>, which is a generalist platform that groups together all the contents of independent journalists; over 200 personal websites for authors to publish their articles (participants and members of the cooperative can get a complete website within a day); and a dedicated magazine for refugee journalists. Since the platform is provided by the cooperative, the three publishing channels are connected via a content database and journalists can publish the same article on multiple channels. Beyond the activity designed to spread its content, each journalist receives help from the cooperative in bringing their work to the reader and in online newsstands via investment in the social media channels.

As well as owning the platform, De Coöperatie has established a **new revenue model for journalists**, which is no longer based on media advertisement, but on crowdfunding. The platform integrates a tool for readers to make donations to support the journalists (e.g. PayPal)<sup>31</sup>. Consequently, the cooperative has also inverted the profit logic with 90% of income for each article going to the journalist and 10% to the cooperative.

The 10% is used to support the management costs of the cooperative<sup>32</sup>. Additional income comes from membership fees and a wide range of other services for journalists. Beyond the publishing platform, De Coöperatie offers a **co-working space** that can be rented as an office, training programmes and collective insurance against injuries. Working together, journalists have the opportunity, even if they are self-employed, to be better protected, to join a network and to become better journalists focusing more on the quality of the content they create.

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28 Website: <https://decooperatie.org>

29 The founder defines it as a mix between a consumer cooperative and a purchase and sales cooperative, in Dutch: *inkoop coöperatie* or *verkoop coöperatie*.

30 Website: <https://reportersonline.nl>.

31 15-20 freelance journalists earn around 6-7,000 EUR monthly using this tool.

32 The management costs of the cooperative are around 80,000 EUR.

### The “*Matchingsfonds*” of De Coöperatie

The *Matchingsfonds* was established as a foundation in 2016 to financially support freelance journalists. It was built on the principle of matching funds, which are usually set up to be paid in proportion to funds available from other sources. In De Coöperatie, all freelance journalists can apply for a work grant and the fund is used to give extra help to journalists' projects that have already covered part of their budget. The *Matchingsfonds* has traditionally approached four groups of donors: public and social organizations, the government, foundations, and the business community. In 2020, the *Matchingsfonds* was used to distribute work grants created by the Lira Foundation (writing journalists) and Pictoright (photographers), together with the Ministry of Education, Culture and Science, to compensate for the impact of the Covid-19 epidemic on freelance newsprint journalists and photographers. In 2021, the *Matchingsfonds* will keep on making work grants available to limit the impacts of corona on newsprint journalists and photographers, as well as broadcast journalists.

*“Many journalists, as well as many self-employed workers without personnel in the Netherlands did not choose to work autonomously and live within a grey area where they do not have full control over their work and just rights. Cooperatives can bridge this grey area.”*

Teun Gautier, De Coöperatie

## 5.2. DOC SERVIZI (ITALY)



### The economic impact of undeclared work on live music

Entertainment workers in Italy experience a significant degree of discontinuity in their activity that implies a very low income. One of the reasons behind this is that undeclared work is very common in the entertainment field. In 2019, The Centro Studi Doc Foundation<sup>33</sup> presented research about the impact of the undeclared economy on the live music sector in Italy.

The research analyses the data and information for the year 2018 obtained from sector studies, institutional data (ISTAT and INPS) and the data obtained from field research carried out among musicians and sector operators. The main findings of the research are:

- The live music sector in Italy is little known, as evidenced by the fact that there are conflicting definitions of what it is. This incongruity in terms of definitions is also reflected in the numbers of the sector because, according to the data sets used, the number of Italian musicians can vary from 20,000 to 45,000 (2018 data).
- The live music sector has an important economic impact, which in 2018 amounted to 3.4 billion EUR, generated by the turnover of 1.55 billion and related activities of 1.8 billion EUR.
- Field research has shown that 9 out of 10 events in clubs and popular festivals are part of the undeclared economy. Furthermore, payment is often received partly in regular form and partly cash-in-hand.
- Every Euro paid informally to a worker corresponds to 8 EUR of undeclared economy.
- To calculate the impact of the informal economy in a specific field, it is necessary to consider the 25% error margin of the figures obtained. Considering this methodological element and by cross referencing the data, the Centro Studi Doc Foundation estimated that undeclared activities in the live music sector in Italy in 2018 represented a figure of around 4 billion EUR.

At the end of 2019, the Centro Studi Doc Foundation launched the campaign “*Moltiplica la Musica*” to collect proposals to combat illegal work and informal work in the live music sector. The proposals collected are now part of the proposals to reform the entertainment system presented to the Italian Government by the Forum Arte e Spettacolo<sup>34</sup> in September 2020.

**Doc Servizi**<sup>35</sup> was established in 1990 in Verona, Italy, as a self-management platform cooperative, which is an evolution of a classic worker cooperative. At the beginning of 2020, Doc Servizi had about 6,800 members, 33 branches all over Italy<sup>36</sup>, 1 branch in Paris, and closed

<sup>33</sup> Website: [www.centrostudidoc.org](http://www.centrostudidoc.org).

<sup>34</sup> Website: [www.forumartespettacolo.org](http://www.forumartespettacolo.org).

<sup>35</sup> Website: [www.iprofessionistidellospettacolo.docservizi.it](http://www.iprofessionistidellospettacolo.docservizi.it).

<sup>36</sup> At the end of 2019, Doc Servizi had 6,861 working members. Most of the members are Italian musicians and stage technicians, with a smaller % of actors, dancers, entertainers, teachers. In 2019, the average age was 39 years old and 84% were male. Due to Covid-19, in 2020 Doc Servizi lost 2,500 members because they no longer worked and 60% of its profit in comparison to 2019, with a turnover of 23 million EUR.

2019 with about 58 million EUR of turnover. Doc Servizi is today part of a bigger network, called Doc Net<sup>37</sup>, composed of seven societies that together cover all sectors of the cultural and creative industries, and which at the beginning of 2020 had more than 8,400 members and closed 2019 with 71 million EUR of turnover.

Doc Servizi was created by a group of musicians to find a solution to the uncertain landscape they were facing due to a high level of undeclared work, isolation and administrative burden related to working in the entertainment field. **Artists chose the cooperative model to obtain decent work at the best economic and moral conditions** and to collectively valorise their work as entertainment professionals. Since then, the aim of the cooperative is to develop networks among workers and platforms to enhance human contribution, which is at the core of art and culture.

In the cooperative, artists acquire the **double status of worker-members**: as workers, they become employees of the cooperative<sup>38</sup> and access social protection schemes of employees, such as health insurance, retirement, family and sick leave, unemployment benefit, and the certainty of working in a safe and legal context; as members, they become entrepreneurs of the cooperative and, through democratic management, they can choose how to direct the business to achieve the goals that they would not achieve on their own.

Worker-members of Doc Servizi chose to organize themselves to **safeguard a certain level of autonomy** in the execution of their work because workers in the artistic sector are unique and cannot be replaced due to their professionalism and specific skills. Starting from this awareness, professionals in the cooperative organise themselves to be free to manage their specific activity and at the same time be able to collaborate in the cooperative, where they share the management costs, investments for the future and their aspirations as a community. This cooperative model can be defined as a **self-management cooperative** because it combines the continuity of a working relationship with respect for artistic individuality. This is a characteristic which, over the years, has attracted all of the professions that revolve around the world of entertainment (technicians, teachers, photographers, communicators, etc.) as well as other professionals accustomed to working with high levels of independence (computer scientists, artisans, journalists, etc.).

Over the years, members have organized themselves to make more and more services available to better carry out their work. In addition to sharing the costs of administrative and accounting management, they have also chosen to optimize the cost of specialized consultants who can help them in all matters concerning work activity (e.g. employment contracts, social protection, specialised training, workplace safety, bureaucracy to work abroad, etc.). Furthermore, members set up offices for the promotion of their business (marketing and communication, tenders office) and professional communities to improve exchanges amongst peers. Specific business units have also been created to support some professionals, such as a travel agency for those who are often on tour, e-commerce to sell products, an independent publishing house, and a promotion agency for artistic projects.

37 Doc Net is the first joint cooperative group (*gruppo cooperativo paritetico*) in the cultural world, and it is composed of five cooperatives (Doc Servizi, which is the group leader, Doc Educational, Doc Creativity, Hypernova, STEA) and two Ltds (Freecom and Doc Live). Website: <https://docservizi.retedoc.net/en/>

38 The employment contract applied is the Italian “on-call job contract” (art. 13-18 of D.lgs. 81/2015 “Jobs Act”). The contract remains active even when the work activity is suspended, and it guarantees the continuity of the employment relationship and social security.

To manage all this activity, in 2012, Doc Servizi's members introduced an **in-house digital platform**, which initially started as a management software to better manage discontinuous work, and over the years increasingly became a tool to support self-management. From the heart of the platform dedicated to work management, today various platforms are connected and connect members with customers (e.g. showcase sites or e-commerce of products).

### The commitment to the entertainment world

Culture and creative workers have in common the experience of a high degree of discontinuity in their work activity, which also implies a very low income. An interesting exception is represented by the category of stage technicians who, thanks to their growing sensitivity to the application of safety measures in the workplace, which entails the need to track the work, have become less dependent on undeclared work over the last decade. This awareness was born in 2011 after the death of a technician due to a work-related accident. After the accident, Doc Servizi promoted the "Table for legality and safety in the entertainment field" and involved trade unions to develop good practices to protect entertainment workers from the risks of work accidents. This action led to two important results: the first national collective agreement in the field of cooperative workers in entertainment signed by Cgil, Cisl, and Uil and the Italian Cooperative Alliance, and a decree about safety for stage technicians (Martinelli, 2017). The contract was renewed at the beginning of 2020 and involved all cultural and creative industry workers, including platform workers.

Since the advent of Covid-19 in Italy, with the support of the Centro Studi Doc Foundation, Doc Servizi has been active in supporting its members. The study centre launched a petition for the entertainment world that got over 50,000 signatures and led to the recognition of bonuses for workers and support for businesses.

### The Italian joint cooperative group

The joint cooperative group (*gruppo cooperativo paritetico*) is a group organization for cooperative enterprises introduced into the Italian Civil Code in 2003. It responds to the cooperatives' need to be able to take advantage of integration tools among companies. The joint cooperative group is a flexible legal instrument suitable for developing forms of group aggregation, with the aim of providing an adequate size to compete on large national and international markets.

*"Undeclared work is never good for anyone, which is why we decided to create Doc Servizi more than 30 years ago to take back control of artists' work. In the cooperative, workers get all the social protection without losing autonomy in the management of their own activity. To me, having the freedom of a freelancer with the advantages of an employee is the ideal working relationship."*



### 5.3. SOGLASNIK LANGUAGE COOPERATIVE (SLOVENIA)



#### Undeclared work in Slovenia

In Slovenia, undeclared work and undeclared employment are both prohibited, and they include activities that are pursued without being declared to legal authorities or without permission to carry them out in the country. The most frequent forms of undeclared work are employers that provide work to individuals with whom no employment or civil law contract has been concluded; employers who have failed to enter employees into relevant social insurance systems and employers who de-register employees from social insurance while they still work for them; and violations in the employment of foreign persons (European Platform Undeclared Work, 2017). According to the Statistical Office of Slovenia, the share of the shadow economy in 2010 was 8.3% of Slovenian GDP.

Slovenia is one of the New Member States with an average level of undeclared economy slightly below the EU average, but it still constitutes 13.4% of total labour input in the private sector, corresponding to 14.7% of GVA. In Slovenia, undeclared work is more prevalent in the context of employment relationships (14.3%) than in self-employment (9.3%) and family work (2.1%) (European Union, 2020). The Eurobarometer of 2019 identifies three main sectors in which Slovenians have paid for goods or a service that included undeclared work: repair services (33%), hairdressing or beauty treatments (28%), home repair and renovations (28%).

Particularly vulnerable in Slovenia are migrants, cultural and creative workers, and young people. Migrant workers from the south, such as Bosnia, encounter problems of low payment (cash in hand) without regular social benefits and of intermediary labour agencies that offer only semi-contractual arrangements. In the field of creative jobs (artists, translators, designers, educators, etc.), the main features of undeclared work are a lack of social security, substantial unfair competition, and bogus self-employment. Many young people, mostly the young without any formal employment experiences, work informally, regardless of the sector to which they belong because of the “student work arrangement” that acts as a substitute for the regular employment of young people.

The main reason for the informal economy to exist are the financial gains for working (or consuming) in it and the main challenge to face in tackling undeclared work is the attitude of the Slovenian population in terms of their acceptance of illegal activities and perception of how widespread they are in Slovenian society. According to the Eurobarometer 498, the level of risk of being detected in Slovenia is one the lowest among all EU countries, with 60% of Slovenian respondents said that there is a small risk of being detected by tax or social security institutions in the case of not declaring income (European Union, 2020).

## Employment conditions of translators in Slovenia

In the spring of 2017, Soglasnik Language Cooperative conducted a survey among translators and copy editors (about 300 took part, which is quite a representative number by Slovenian standards) on working conditions and labour rights. The results show that the average translator or copy editor is a woman between 26 and 35 years old, holding a university degree, who often works outside her working hours, even when she is ill, and whose agreed rate with translation agencies is half or [even lower] of the recommended rate.

Key findings:

- Only 9% are in regular employment, others work as freelancers (majority) and are in precarious situations, there is little undeclared work though;
- the vast majority of translators and copy editors also work on weekends and holidays, in the evenings and at night, but most of them do not charge higher rates when doing so;
- almost 60% of translators are paid less than €13 per standard page by translation agencies (19% of all respondents receive €10 or less per standard page);
- 41% of respondents take up to 14 days of annual leave (15% up to one week);
- only 29% of respondents always or usually take a break from work when ill;
- 84% of respondents are in favour of more alliances between translators/copy editors; nevertheless, 66% are not part of any group/association, and those who are mostly are just members of the Slovenian Facebook group called “Prevajalci, na pomoč”.

**Soglasnik Language Cooperative**<sup>39</sup> (in Slovenian: *Jezikovna zadruga Soglasnik*) is a cooperative of language workers<sup>40</sup>, including translators, language teachers, proof-readers, and interpreters, that was founded in 2014 in Ljubljana, the capital city of Slovenia.

It was established in 2014 by a group of **young language students** who had just finished studying and wanted to enter the labour market. But after the world economic crisis in 2008/2009, translators were facing very difficult working conditions, such as dumping among professionals and the only choice was to work as self-employed with a lack of social benefits and precarious working conditions. The young professionals did not want to get a job at any kind of condition but **wanted to work for fair wages and in a fair working environment** which was not oriented to purely profit but based on personal participation and shared responsibility of the management.

The 15 young language professionals discovered the cooperative model and in 2014 they set up Soglasnik Language Cooperative, the **first cooperative in the language field in Slovenia**, where the majority of cooperatives in Slovenia are agricultural and forestry cooperatives<sup>41</sup>. The cooperative aims to guarantee fairer payments not only for its members but on the Slovenian language market as a whole (against price dumping,) fighting precarious conditions of workers in the linguistic field.

<sup>39</sup> Website: <https://www.soglasnik.si>

<sup>40</sup> Soglasnik Language Cooperative is a producer cooperative but has a long-term plan to become a worker cooperative.

<sup>41</sup> They are thinking about building their association in Slovenia to support the creation of similar cooperatives in the cultural and creative field. In 2021, Soglasnik also became part of an initiative to start a new cooperative alliance of so called “young cooperatives”, founded after 2000, since the only cooperative alliance in Slovenia is an alliance of agricultural and forestry cooperatives.

Even though the price and wage dumping policies of language agencies made it very problematic for them to enter the market as a cooperative following the fair price principle, today the cooperative has 17 members, mostly women, and closed 2019 with a turnover of 110,000 EUR. In the cooperative, there are three employees with an open-ended contract, with two full-time and one part time, while other members are employed with one-year contracts because the cooperative does not have enough resources to employ them all full time<sup>42</sup>. There is also a group of 20 freelancer translators to outsource extra work to. Even if they are not a member of the cooperative, Soglasnik Language Cooperative also provides them with fair working conditions via fair rates, which are the highest rates for translation per page in Slovenia.

Most of Soglasnik Language Cooperative's clients are cultural institutions, theatres, cinemas, NGOs. In other words, organizations that choose to support their model of fair prices, which are not the cheapest. Other clients are companies that need translations for legal papers. There are also some clients from the public health sector or different industries (e.g. electronic, cable, car industries) that appreciate good quality language services and can understand their vision and cooperative standards.

The members desire to obtain better conditions not only for themselves, but for the market and the community, is demonstrated by their **activity within the local community fund**. They have chosen to allocate 1.2% of their total revenues to the fund which promotes various projects, for example, free language teaching assistance for disadvantaged children or free Slovenian language courses for refugees.

*“Our motto is fair work for fair wages.”*

Daša Ložar and Tina Perić of Soglasnik Language Cooperative

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42 Considering the total income, 70-75% covers workers, and co-workers, while 25-30% remains in the cooperative for the marketing, administration, and commercial activities. Considering each activity, the greater part of the revenue goes to the person performing a job.



## 6. UNEMPLOYED PEOPLE AND VULNERABLE WORKERS IN RURAL AREAS

In Europe, the majority of **inhabitants of rural areas are more at risk of poverty or social exclusion** than urban inhabitants. In 2014, 27.2% of the rural population of Europe Member States were at risk of poverty and social exclusion compared with 24.3 % of the population living in urban areas, with higher poverty levels in the Southern and Eastern Member States (Eurostat).

The report *Poverty and Social Exclusion in Rural Areas* (2008) identifies four categories of problems related to rural areas that determine the risk of poverty and social exclusion: demography (e.g. the exodus of residents and the ageing population), remoteness (e.g. lack of infrastructure and basic services), education (e.g. lack of preschools and difficulty in accessing primary and secondary schools), and labour markets (e.g. lower employment

rates, persistent long-term unemployment and a greater number of seasonal workers). In this context, the most vulnerable groups are usually children, young people, women, older workers, lower skilled workers, and unemployed people.

The report underlines that undeclared work in rural areas can appear in various form. Firstly, the unemployed seem reluctant to claim public benefits and prefer to seek a second or third job as an alternative, often in the undeclared economy sector, due to a combination of inadequate access to information about public benefit entitlement and a culture of independence and self-reliance. Moreover, the higher reported unemployment rate might be partly due to a **higher rate of undeclared work or under-employment in rural areas**. Finally, seasonal workers (often em-

ployed in the agricultural sector), women and migrants are often employed in the undeclared economy, and even when they are regularly employed, the lack of continuity in their job may imply their exclusion – or only partial inclusion – in the social security system, and therefore a more pronounced risk of poverty and social exclusion.

The selected case studies illustrate how cooperatives in the rural areas of Eastern and Southern Europe tackle undeclared work: the Czech BEC Družstvo, which is a Business and Employment Cooperative created to help unemployed people, and the Italian GOEL, which aims to defeat the mafia through legal employment.

## 6.1. BEC DRUŽSTVO (CZECH REPUBLIC)



### Undeclared work in the Czech Republic

In the Czech Republic there is no definition of undeclared work, but the Employment Act defines informal work as dependent work performed outside of an employment contract or performed by a foreigner without a valid work or residence permit (European Platform Undeclared Work, 2017).

According to the last European Union survey, 7.7% % of total labour input in the private sector is undeclared, and this increases to 16.9% considering the gross value added. The highest incidence of undeclared and illegal work in the Czech Republic is among workers holding multiple jobs in the context of employment relationships (7.9%) and among the self-employed (7.1%) (European Union, 2018). In 2019, the size of the so-called undeclared economy in the Czech Republic corresponded to about 10% of total GDP, representing a figure of CZK 500 billion (19.25 million EUR), and involved almost 200,000 workers (in 2013).

Most of the workers who sell goods and services in the informal economy are small crafters, low-income workers or unemployed people, with a prevalence of undeclared work in hairdressing or beauty treatments (38%), home repair and renovations (34%) and food (e.g. farm produce) (21%) (European Union, 2020).

According to Eurobarometer 498, one fourth of Czechs declare that they would be prepared to accept payment from an employer that is not declared to the authorities. Czech workers tend to be involved in the undeclared economy because in the Czech Republic there is a high tax burden on low-wage earners through social security contributions, one of the EU's largest tax burden gaps between the self-employed and employees, and a high administrative burden imposed on employers by the three systems of tax collection (European Platform Undeclared Work, 2017).

**BEC Družstvo**<sup>43</sup> is a Business and Employment Cooperative (BEC) that operates in the Olomouc and Moravian-Silesian Region, which are the regions with one of the highest unemployment rates in the Czech Republic. BEC Družstvo was formally established in January 2012 by three founding members<sup>44</sup>, although the idea of founding a BEC dates back to 2004, thanks to a meeting with similar cooperatives in France, Spain and Sweden. Until 2012, the BEC operated as a social business-oriented entity because it took several years to clarify the procedure to establish a cooperative.

### The Business and Employment Co-operative (BEC)

The first BEC was created in Lyon, France, in 1994 (where it is called: *Coopérative d'Activités et d'Emploi*, CAE), to respond to the social needs of isolated self-entrepreneurs and offer them a valid alternative to the individual creation of an enterprise, making it possible to test a project within the framework of a shared company, the cooperative [Bost, 2014].

In France, at an operational level, a new entrepreneur who joins a BEC benefits from a legal framework and social protection through the acquisition of the status of “employee entrepreneur” [law No. 2014-856 of 31 July 2014 on the Social and Solidarity Economy, SSE]<sup>45</sup> by signing a CESA [*Contrat d'entrepreneur salarié associé*, Contract of employee entrepreneur member], a contract with essentially the same characteristics as a permanent contract. Additionally, a BEC is an entrepreneurial platform supporting entrepreneurs in many ways: legal, administrative and accounting management, entrepreneurial education (e.g. in communication, marketing, sales, etc.), experience sharing with other entrepreneurs, and participation in the governance. The entrepreneurs retain their autonomy in the management of their business (brand name, customer management, definition of rates, etc.), but at the same time become employees of the cooperative, where they are also able to practice “multi-activity”, which means that they can put in place different and various economic activities [Martinelli, 2017].

The main objective of BEC Družstvo is to **support employment in rural areas through the implementation of the BEC methodology**. It focuses on supporting the development of micro-businesses of disadvantaged people, especially the unemployed, but also people without stable work and people who wish to legalize their activities by exiting undeclared work. Today, BEC Družstvo is the leader of a network of five BEC in the Czech Republic, which work to improve the ecosystem for developing other similar experiences in the country.

People that are disadvantaged usually face discouraging conditions to enter the labour market, namely isolation, lack of ambition, knowledge and the confidence needed to develop a business career. In this context, BEC Družstvo's purpose is to set up a sustainable model to support disadvantaged people in the **transition from inactivity to employment** in the framework of a cooperative providing a safe environment to experiment with new business ideas. The cooper-

<sup>43</sup> Website: <http://bec-coop.cz>.

<sup>44</sup> In accordance with § 221 et seq. Act No. 513/1991 Coll. (Czech legislation) - Cancelled as of 1. 1. 2014 - transformed by Act No. 90/2012 Coll. and by Act No. 89/2012 Coll. A special law to support BEC still does not exist in the Czech Republic.

<sup>45</sup> LOI n° 2014-856 du 31 juillet 2014 relative à l'économie sociale et solidaire or Loi Hamon. See OECD/European Union (2017), “The Law on the Social and Solidarity Economy (SSE), France”, in *Boosting Social Enterprise Development: Good Practice Compendium*, OECD Publishing, Paris, ch. 7.

ative acts as a non-traditional business incubator for new entrepreneurs where disadvantaged people have the opportunity to test their business idea with the support of experts and a group of peers who are dealing with similar problems, while benefiting from appropriate working conditions and a secure income, both provided by the BEC. For this reason, BEC participants are also called “paid entrepreneurs”<sup>46</sup>, who are salaried workers.

Following the French pathway, when disadvantaged or unemployed people join the BEC they have to go through three phases: preparation, testing a business and independent business activities<sup>47</sup>. In the preparation phase, BEC participants are trained on how to become an entrepreneur via interactive educational programmes and training approaches that include business support (law, marketing, sales, identifying clients, ...), counselling, exchange, and dissemination of examples of good practice, and innovation in social entrepreneurship. In the second phase, they become employees of the cooperative and benefit from 6 to 12 months of salaried work as so called “**paid entrepreneurs**”, in order to safely verify whether their business is competitive in the real market by testing their business plan and selling their services or products. As mentioned, during this testing phase entrepreneurs receive a salary for 6 to 12 months even if their activity is not making a profit. At the end of this phase, advisers from BEC Družstvo, in cooperation with the testing entrepreneurs, analyse the results of their activity and whether it is sustainable. If the business activity is viable, entrepreneurs have two choices in the third phase of their incubation: either become self-employed and enter the labour market independently to develop their business or, if they have generated a profit during the testing phase, they can choose to use this profit to extend their participation in the cooperative and develop their business activity within the cooperative as employees. In this latter case, they become full members who participate in the development of the cooperative<sup>48</sup>.

Thanks to this structure, the cooperative is a combination of micro-enterprises that together form one multi-activity enterprise whose **members provide a mutually supportive environment for each other**. The BEC’s primary goal is to support business activities in rural areas, regardless of their legal form, and ensure the long-term sustainability of created jobs, developing and expanding business skills. This means that the BEC has to offer the external national market a wide range of business activities in many fields (accounting, manicure, massage, education, crafts, ...).

In Czech society, the BEC represents an innovative incubator for entrepreneurs. The BEC method is a common-based and participatory approach where groups of entrepreneurs are trained together in gaining entrepreneurial skills through training, coaching, mentoring, and supporting a valuable knowledge transfer. BEC enables entrepreneurs to experiment with their business idea while benefiting from a secure income, unlike already existing business support instruments that do not focus on stabilizing the incomes for start-up entrepreneurs in their early days. Once the business is established, the entrepreneur is not forced to leave and set up independently but can stay and become a full member of the cooperative.

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46 Their economic model is based on 60-70% of public resources (regional authorities offices, EU Minister of Social Affairs and Employment) and 30-40% of own resources, of which 10-13% from the turnover of workers testing their activity in the cooperative and the remaining part is covered by the sale of services and products to consumers. They are searching for new ways to fund their activities: social funds, establishment of a foundation to support entrepreneurs’ wages, public and private investors. The total net turnover they achieved is about 3,409,000 CZK (130k EUR).

47 During Covid-19, BEC had problems with the incubation of new projects and 2020 will be affected by a 20% fall in revenue.

48 Since the beginning of their activity, BEC has employed 5-10 entrepreneurs each year. Most of their participants come from one of the 14 Labour Offices present in each region. Today, they are six: 3 members and 3 employees.



This approach leads to the **long-term stabilization and development of entrepreneurial activities and self-employment** with a success rate of new business created around 40% (against the 16% of unemployed people supported by active employment policy implemented by government-based Labour offices in the Czech Republic) based on a turnover of 5-10 entrepreneurs incubated each year (for a total of 65 “paid entrepreneurs” up until the end of 2020). In this way, the BEC support system is an example of an active policy for disadvantaged workers because it reduces the amount of undeclared work and helps people to stop being dependent on minimum social benefits, saving money for Government support<sup>49</sup>. Moreover, the choice to improve the business performance of disadvantaged people, especially in rural areas where most of the people are unemployed, increases economic activity and helps maintain a social life in rural areas.

### **A transparent system to support entrepreneurship**

The entire system of business testing for so-called “paid entrepreneurs” is based on transparent accounting, which corresponds to the legal conditions for doing business in the Czech Republic. Every paid entrepreneur must comply with the legal conditions, thanks to which the cooperative directly verifies in practice whether their business is sustainable or not in the future. It is a system and principle of business on trial, whilst maintaining and guaranteeing an income, so that undeclared work is eliminated. All income and expenses are carefully recorded, analysed - each paid entrepreneur has their own separate accounting centre – and generates reports on gross profit or loss. The cooperative has developed internal guidelines and procedures that meet all the conditions for enabling business testing within legal standards.

### **The “Roma Business Plan”**

A specific project of BEC Družstvo related to undeclared work is the programme called “Roma Business Plan” for Roma communities and social workers working with them. The project aims to develop entrepreneurship in the Czech Republic, supporting their transition from informal workers to formal workers. Unfortunately, the project stopped due to the Covid-19 pandemic.

*“The BEC model enables the transition from inactivity to the labour market with the possibility of overcoming the riskiest period of starting one’s own business for people who would never start their own gainful activity without assistance or would do so undeclared in the informal economy.”*

Ivo Škrabal and Eva Škrabal, BEC Družstvo

<sup>49</sup> BEC Družstvo calculated that the Government saves each year more than 60% of foreseen expenditures on social benefits for the people involved in the project.



## 6.2. GOEL (ITALY)



### A key challenge in Italy: the practice of “capolarato” in agriculture

A peculiar phenomenon of undeclared work in Italy is the illegal recruitment of agricultural workers for very low wages, a practice which is called “caporalato.” In “capolarato”, a mediator, often linked to criminal organizations, illegally provides jobs to workers, who are mostly irregularly staying migrants and takes a percentage of their earnings. This is an extreme form of undeclared work, and it is very close to slavery (the pay-per-hour is 2.5 to 3 EUR). In Italy, agriculture has traditionally been a sector with a high volume of undeclared work because of its seasonal character and because workers are hired daily. For this reason, in the summer and autumn months, ad-hoc local task forces have been set-up to tackle illegal job mediation in agriculture and undeclared work in tourist areas. Nevertheless, migrants carrying out undeclared work remain a key challenge in Italy, since breaking the link between migration and informal work is difficult, because irregularly staying migrants do not always have alternative options besides than working in the informal economy [European Platform Undeclared Work, 2017].

GOEL<sup>50</sup> was established in 2003 by a community of people, social enterprises, and social cooperatives in Locride, an area of Calabria, which is a region located in the southern part of Italy. Today, GOEL is a cooperative group made up of 12 social cooperatives, 2 agricultural cooperatives, 2 voluntary associations, 1 foundation, 29 mainly agricultural companies and many professionals and volunteers involved individually<sup>51</sup>. The cooperative group has 350 employees and closed 2018 with a turnover of 8 million EUR<sup>52</sup>.

The name GOEL has biblical roots, and it means “the redeemer”, which is the same liberating role that the Cooperative Group intends to play for the excluded and marginalised social groups on its territory. GOEL’s core goal, which is rather political and cultural than entrepreneurial, is “the redemption and true change of Calabria” through **legal work, social promotion and active opposition to the ‘Ndrangheta**, which is one of the main Italian Mafia organizations based in the region of Calabria, dating back to the late 18th century. GOEL was created to demonstrate that acting ethically is not only right but can also be effective in producing wealth and development.

<sup>50</sup> Website: <https://www.goel.coop>.

<sup>51</sup> GOEL is a joint cooperative group (*gruppo cooperativo paritetico*) composed of 5 entities: 2 service entities, of which the social cooperative of group B is the group leader providing services to the whole group, carrying out research and development, owning the brands, coordinating all the entities and the voluntary association; and three consortium-type entities, in which GOEL social consortium regroups social cooperatives offering social and responsible tourism services, GOEL Bio groups together agricultural cooperatives and Made in GOEL, a social cooperative of type B that works in the production of 360° services, but is best known for the management of an ethical fashion brand, CANGIARI.

<sup>52</sup> Out of 100 financing and investment instruments: 70% bank loans; 20% private foundations; 10% of public and state funds. In terms of income by sectors, social-health services are financed by the public authorities, while tourism, food, and fashion brands work in the private market. GOEL needs economic freedom to denounce collusions between ‘Ndrangheta and deviant Free Masonry. They seek national and European funds because their denunciation of these organizations reduces access to regional instruments. Moreover, Covid-19 has a devastating impact in some sectors: tourism with all related activities (tour operators, accommodation facilities, restaurants), fashion (beyond their brand, they also work on behalf of third parties for big brands, such as Versace) and other territorial projects have failed. Only agribusiness has had better results.

To change and redeem Calabria, at the centre of GOEL's activity there are **disadvantaged people**, with a focus on tackling social exclusion, the common good of local communities and territories they belong to, respect for legality and formal correctness, especially of worker rights, the independence, transparency and nonviolence of collaborations among cooperatives and institutions, internal democratic participation and equity and mutuality among cooperative members, and the safeguarding of the environment and the ecosystem.

### Fighting against the 'Ndrangheta using public opinion

In the past GOEL was often attacked [2-3 times a year] by the 'Ndrangheta because of its main purpose. To fight against the mafia organization, GOEL invented the "Festa della Ripartenza" [GOEL, 2021], the party of the restart: every time that GOEL suffered from damage caused by mafia activity [bombs or fires], the cooperative group organizes a party involving the local community and local public opinion. GOEL reacts to the social and economic depression that the perpetrators of these attacks would like to cause through a major mobilisation of its national and international network. Mobilisation generates positive effects for the affected company, which is able to restart: during every party, GOEL publicly reports these positive consequences and emphasises how each attack, rather than weakening it, strengthens the Group. After three Restart Parties, GOEL has not been attacked for over two years, showing that the strength of a system based on social roots and social consensus can beat even a very strong enemy.

In the local development sector, GOEL has launched several entrepreneurial initiatives in different fields, **from social and health services to sustainable tourism, agri-food, and fashion.**

In the social and health sector the GOEL Cooperative Group manages two host communities for children and teenagers who come from difficult backgrounds and have been the victims of marginalisation and, sometimes, of violence, two health residences for people suffering from mental illness, numerous reception activities for migrants seeking political asylum and unaccompanied foreign minors, promoting their integration in the small municipalities of the territory, and various social and health assistance activities for disadvantaged people from marginalized backgrounds.

GOEL has also developed some brands, namely CANGIARI, which means "to change" in Calabrian dialect, the first eco-ethical brand of Italian high fashion that uses only organic yarns and fabrics that reflect the ancient Greek-Byzantine tradition of the Calabrian handloom, a made in Italy supply chain formed by the GOEL social cooperatives; GOEL Bio, the first social cooperative to bring together farms that explicitly oppose the 'Ndrangheta; I Viaggi del GOEL, a tour operator specialised in responsible tourism; GOEL Consulting & Communication, which offers consultancy to companies for the development of ethical products and ethical communication services.

GOEL also promotes projects to **support entrepreneurship at the local level**, including Campus GOEL, which is the first ethical-innovative business incubator in Calabria.

### GOEL Bio: tackling undeclared work in agriculture

GOEL Bio has introduced important elements of innovation for work in the agricultural supply chain against illegal hiring, “caporalato” and undeclared work. In Calabria, agriculture is affected both by the presence of the mafia and the fact that it is one of the Italian Regions with the most fragile economy, meaning that there is a lack of economic resources to invest in new projects.

To address this situation, GOEL first of all analysed the economic model of the selling of agricultural products and realised that the fight against undeclared work is not a last-mile fight: for example, the average cost for a kg of organic oranges in Calabria is very low (5-10 cents in 2009), in these circumstances either the workers are exploited to pick the oranges in the field or the oranges are left to rot. In other words, the conditions of exploitation are rooted in the supply chain industry, where large-scale retail trade, industry, farms, and consumers are all guilty of contributing to the final exploitation of workers.

Starting from this awareness, GOEL chose to recreate at least the production chain to manage it completely and used the cooperative model to mediate with the fragile economic reality. Thanks to the involvement of members who collectively invest in the project as owners and entrepreneurs of the cooperative, they established the brand, GOEL Bio, which reduces organic waste, transforms fixed costs into variable costs and sets the price of a kilogram of organic oranges at 45 cents, which is the highest price ever paid in Calabria.

The setting of the right price helps to establish respect for labour rights. Additionally, the farmers themselves established a tool for controlling the supply chain. The tool is based on several provisions and includes a sort of peer-inspection model: GOEL Bio members can make surprise visits to the fields and if there is an illegal worker, the company will contractually leave GOEL Bio, pay a fine for image damage of 10,000 EUR for each person working undeclared in the fields and, finally, the case will be referred to the labour inspectorate. Moreover, they also check the congruity between the product and the workers employed and declared to the INPS register during the season (e.g. 1,000 quintals of citrus fruits cannot be picked by one part-time worker in a month).

So far, GOEL Bio has never found undeclared work in any field of its consortium members, but the agricultural cooperatives of GOEL chose to develop this control mechanism because they understood how much ethics and image are important and fundamental for the market. The sales prove that they are right: their farms are suppliers of NaturaSi, Swiss Coop, the German fair-trade circuit Legal und Lecker amongst others because more and more people reward quality along with the ethical considerations and the guarantee that work controls are carried out, there is no dealing with the mafia and the supply chain meets environmental standards.

*“GOEL was born with a political-cultural objective and not an entrepreneurial one, social entrepreneurship is a tool to allow the redemption and systemic change of Calabria. For us, this means confronting the ‘Ndrangheta and deviant Free Masonry, proposing ethics as a factor of development. Acting ethically is not only right but also effective, because it can produce wealth and development in the area, whereas any path that does not follow ethics creates disasters.”*

Vincenzo Linarello, GOEL



## 7. GIG WORKERS

In the gig economy, workers become “gig” workers, where “gig” comes from the entertainment word “engagement” that indicates unique and occasional working relationships (Howes, 2016). Gig workers can be drivers, riders, teachers, ... who have in common the fact that they work for a platform. The platform matches workers’ activities according to consumer needs and takes a percentage from the transaction it intermediates. This “match-making” is carried out through applications usually based on an in-house algorithm that provides automated task allocation, shifting a range of managerial responsibilities from humans to machines (Aloisi, 2016). In this working model, **gig workers experience a general lack of bargaining power** and complain about non and low payment, income insecurity, the lack of compensation for their capital equipment, health and safety risks, blurred boundaries between work and private life, and lack of transparency regarding surveillance practices, rating systems and the task or job allocation (Vandaele, 2018). These

situations leading to possibilities of exploitation are the result of the legal vagueness of the relationship between the digital platform, as an intermediary, and the gig workers (Martinielli and Bozzoni *et al.*, 2019).

In most cases, company owners of digital platforms exonerate themselves from taking responsibility as employers and **consider workers as self-employed**. For example, online food delivery platforms, such as Deliveroo, Uber Eats and Foodora, deny the existence of employment relationships with their workers, leaving an ever-increasing number of workers misclassified as independent contractors denied their fundamental workers’ rights. As a result, there has been a **wave of protests** in the United Kingdom, Germany, the Netherlands, Belgium, France, Italy, and Spain condemning the exploitative nature of this work, which could be considered as an example of fraudulent contracting of work and, in particular, of **bogus self-employment**. This type of fraud can be a cause of undeclared work

because it implies an employment or contractual relationship that does not correspond to the legal and/or formal requirement that qualifies that specific form of contracting work. A clear case of fraudulent contracting of work has been found, for example, in Denmark in the context of delivery work. Riders have been traditionally hired as employees in Denmark, and the attempt of international platforms to consider them self-employed was unusual in the Danish context and thus strongly attacked by unions.

Another typology of fraud carried out on digital platforms and related to undeclared work is the **“account subcontracting practice”**, also called “swapping of accounts.” This practice indicates a gig worker who rents their account to other workers and in exchange keeps a percentage of their profit. This is a practice widespread among riders (Alderma, 2019). The two main reasons behind this practice are: the purchase of an account with a good ranking to elude the algorithm and have the opportunity to work; the impossibility to open a personal account, which is the condition of irregularly staying migrants, asylum seekers or minors. Irregularly staying migrants are the most exploited because they do not have alternative options to working in the informal economy and most of the digital platforms do not assume their responsibility to verify the actual use of the accounts.

In the following pages, the three case studies coming from the cooperative world will offer three different perspectives related to the work of riders: the Danish By-Expressen, which is a cooperative of bicycle messengers that existed before the advent of the gig economy, CoopCycle, a confederation of rider cooperatives, and York Collective, a cooperative that some riders established in reaction to the exploitation of the gig economy. In different ways, the three studied realities prevent riders from potentially falling into undeclared work (e.g. bogus self-employment) or help some undeclared workers to move from undeclared to declared work (e.g. avoiding the practice of “account swapping”).

## 7.1. BY-EXPRESSEN (DENMARK)



### Undeclared work in Denmark

The Danish tax authorities define undeclared work as legal productive activities that are not reported and taxed according to existing legislation, while if the unreported activities are performed by foreigners without a work permit, they fall into the category of illegal work. The following are exempt from the definition of undeclared work: unpaid activities performed to assist friends and family members; young people aged 15 years and under<sup>53</sup> and pensioners (if their income is below 1,410 EUR, 10,500 DKK, per year) may work in private households without reporting their income. In 2014, the contribution of undeclared work to GDP was 1.6% [European Platform Undeclared Work, 2017].

In Denmark, 9.6% % of total labour input in the private sector is undertaken on an undeclared basis, and 14.3% considering the GVA. The most important feature of Danish undeclared work is that only 3.0% is in the context of an employment relationship, while 58.9% of informal work is in self-employment and 38.1% is in family work [European Union, 2018]. Undeclared work is

53 Children under 13 are not allowed to work for any employer, 13-14 years old may at the most work 2 hours on school days and 7 hours on free days, plus the weekly working hours cannot exceed 12 hours on school weeks.

commonly performed for friends and relatives and the vast majority of services are bought from private individuals, not firms. According to the Eurobarometer 498, 53% of Danes paid friends, colleagues or acquaintances for goods or services (vs. 36% average EU), 31% paid other private persons or households, 11% neighbours, and 19% relatives. Moreover, in 2019, 30% of Danes bought goods or services in an undeclared context because it was a favour amongst friends, relatives, or colleagues [European Union, 2020].

The main reasons for this specific feature are that undeclared work mainly takes the form of extra hours performed by workers who already have a full-time job (mostly in the construction sector) and the high level of income taxes and a VAT rate of 25% [European Platform Undeclared Work, 2017].

The three main sectors in which Danes have paid for goods or a service that included undeclared work are home repair and renovations (36%), gardening (28%), and buying other goods or services (19%).

**By-Expressen**<sup>54</sup> is a bike courier cooperative<sup>55</sup> that operates in the logistics sector in the area of Copenhagen, Denmark. The cooperative was established in 2012 by three dedicated bicycle deliverers, with the vision to spread the cargo bike as a solution to the logistics industry's challenges within the green transition, via a local approach. They borrowed their name, which means "City Express", from a defunct Copenhagen courier company, which in the first half of the 20th century delivered goods on cargo bikes long before the bicycle deliverers started in Copenhagen in the 1990s. Today, By-Expressen is Copenhagen's only independent, employee-owned courier company and they deliver exclusively on cargo bikes. With about 40 employees, they closed the 2019 books with a turnover of about 250k EUR, which is growing every year.

As mentioned before, in Denmark, riders have been traditionally hired as employees and the attempt of international platforms to consider them self-employed was unusual and thus strongly attacked by unions. In this context, By-Expressen is an example of how riders were considered in Denmark before the advent of the gig economy.

By-Expressen was neither influenced by the prospect of working on international platforms, nor was its business affected by their arrival on the Danish market. In fact, **the key element of By-Expressen's business activity is differentiation**: the cooperative operates in the logistics sector at all levels. They deliver everything, from keys, letters, documents, bags, food, and flowers to moving boxes, from regular deliveries to large volumes, at any required time and place, for web shops, retail, and customers with larger distribution requirements. Moreover, the business model of By-Expressen is based on B2B relationships<sup>56</sup> with clients operating in various sectors: legal, medical, pharmaceutical, fashion (clothing), photography (material for photo shoots), publishing (books, newspapers, magazines).

<sup>54</sup> Website: <https://by-expressen.dk/?lang=en>.

<sup>55</sup> By-Expressen is not legally a cooperative because there is no legislation about cooperatives in Denmark, but there are many legal frameworks for co-ownership. They chose to be an ATS, which is a private company owned by multiple co-owners, meaning that they are essentially a coop, but not legally a cooperative. They are collectively thinking about changing the company structure due to their growth.

<sup>56</sup> By-Expressen did more B2C during the pandemic (warehouse, restaurants, etc.) because their clients adapted to the situation of people working from home and had to deliver directly at home instead of to the office. They also received governmental support from the national package of Covid-19 relief.



The decision taken by By-Expressen bicycle messengers to differentiate their business is based on two main needs: to be avoid being precarious and depending on one industry and better organising their working activity. Having specific contracts with each client means that working time for one entire month can be already scheduled in advance<sup>57</sup> and the cooperative's income becomes predictable<sup>58</sup>. This is also one of the reasons why, **with the advent of the new gig economy platforms, the cooperative did not suffer from a market contraction.**

This way of working has been built over the years using a **teamwork-based approach**, which is a non-hierarchical, horizontal, and tailored approach built around their working and personal needs. By-Expressen's members believe that a community-focused approach is integral to achieving a more egalitarian workplace, performing better together, and doing their best for the community. For this reason, they collectively establish the parameters of their work.

With regards to job contracts, **all the workers are employed by the cooperative**, with access to relevant social protection schemes and they are paid the same hourly wage, regardless of the type of work they perform or their responsibility in the cooperative; so, an administrative role is paid as much as a delivering or website management activity.

To organize their working time, By-Expressen has a scheduling team that ensures that every messenger receives the timetable for the entire month one month or two weeks in advance. The team is required to consider individual needs and requests and makes adjustments if people are sick or want to add extra-hours.

In the company, there are various job opportunities, full time for regular workers who are employed for 30 hours per week, and part time for students who usually work 5 to 15 hours a month. To guarantee mutual pay, which means to work enough to obtain the amount necessary to pay all the workers, and mutual flexibility, some must work full time, while those who work less have to respect a lower requirement of at least 1 or 2 days a week.

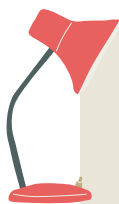
*“We have chosen to work with a human rather than an algorithmic approach, because our starting point is individual needs and requirements rather than top down and market forces.”*

Thor Sebastian Solheim Ross, By-Expressen

<sup>57</sup> Basic contracts include daily deliveries at specific times and days (e.g. lunch for office), while ad hoc contracts specify how to manage urgent deliveries (e.g. deliveries within an hour).

<sup>58</sup> Every client receives an invoice at the end of the month.

## 7.2. COOPCYCLE (FRANCE)



### Undeclared work in France

In France, illegal work involves several different types of major fraud, which contravene or abuse elementary rules linked to independent professional activities on behalf of an enterprise, as well as rules linked to the hiring or employment of employees. These forms of fraud are dissimulated (hidden/not declared) work (*travail dissimulé*); bargaining; illicit workforce loans; employment of a foreigner without a work permit; accumulation of irregular jobs and replacement income fraud. In 2013, the shadow economy represented 10.8% of GDP in France (European Platform Undeclared Work, 2017).

The fight against illegal labour has become more effective in recent years, with fewer, but better targeted and more efficient controls. According to Eurobarometer 498, 61% of French people tend to trust the Labour inspectorate in tackling undeclared work, and 60% trust the tax and social security authority. Today, in France, undeclared work corresponds to 8.8% of total labour input in the private sector (11% considering the GVA).

Undeclared work is mainly more prevalent in family work (44.7%) than in self-employment (34.9%) or work conducted in the context of an employment relationship (5.2%) (European Union, 2018). Consequently, 41% of French people paid friends, colleagues or acquaintances for goods or services (vs. 36% EU average) and 26% paid other private persons or households, 9% neighbours, 11% relatives, with 25% of French people admitting having bought undeclared goods or services because it was a favour amongst friends, relatives or colleagues (European Union, 2020).

The Eurobarometer of 2019 identifies three main sectors in which the French have paid for a goods or a service that included undeclared work: home repair and renovations (31%), gardening (27%), repair services (18%). Whilst the construction industry, the transportation sector and seasonal work in farming are the main sectors for all categories of illegal work, the hotel and catering services, the food retail sector, and the services sector (personal care services) are the main sectors for using a bogus status or foreigners without a work permit, while the entertainment sector is the most affected by dissimulated work and bogus status (European Platform Undeclared Work, 2017).

**CoopCycle**<sup>59</sup> is a European federation of bike delivery coops and it is based in Paris, France. CoopCycle was created in 2016, starting from the experience of French couriers who lost their jobs when Belgium-based start-up, Take Eat Easy, declared bankruptcy. The Federation at first brought together former gig workers in Belgium, France, Germany, and Spain who chose to turn to democratic business models as a reaction to the precarity of the gig economy, and today is composed of 37 riders' cooperatives present in seven countries and two continents.

The CoopCycle association was born as a group of volunteers<sup>60</sup> that helps bikers to join forces and organize, and it is governed democratically by coops. CoopCycle enables cooperatives to

<sup>59</sup> Website: <https://coopcycle.org/en/>.

<sup>60</sup> Since January 2020, there are two employees (one full time developer and one part time administrator). The association has 20 volunteers.



stand united and to reduce their costs thanks to **resource mutualisation and pooling of services** (software, administrative, legal, insurance) or solidarity mechanisms (creation of a support fund and an aid fund)<sup>61</sup>. Since September 2017, it works on several topics, including the creation of an anti-capitalist economic model, based on the Commons; the development of the CoopCycle software; and political lobbying, legal toolbox, and global coordination because CoopCycle also aims to create strong bargaining power to protect the bikers' rights.

**The platform is a full-fledged bike delivery software** that enables workers to manage their deliveries and shops and restaurant owners to create their own page. The software is protected by a reciprocity license, which guarantees its use by cooperatives and other social economy actors only. For workers, the platform manages tasks from the web or the smartphone app and tracks in real-time couriers and tasks statuses, importing tasks from a file and exporting them to report. For restaurant owners and customers, the platform manages restaurants and menus and provides smartphone apps for payments secured by Stripe. The platform could be connected to external e-commerce software, such as WordPress Woocommerce, and it is translated into every language of the network.

The CoopCycle federation is open to bike delivery professionals who respect the values of the social and solidarity economy. CoopCycle's main goal is to empower couriers and more generally workers. At the same time, CoopCycle has developed a free access code that can be only used by companies with a strong ethical code. For this reason, they use a new license, the **Coopyleft**, that ensures that the companies using the CoopCycle's software comply with the following requirements: to use a cooperative model in which workers are employees and to fall within the definition of social economy actors as set out by the European Union.

### Project to support riders

One of the main purposes of CoopCycle is to ensure that local communities, public opinion and politics acknowledge that riders are part of the city because they have an impact at various levels: environmental because they participate in the reduction of air pollution and traffic decongestion and at the work level because establishing a place dedicated to them in each local community while supporting cooperation among riders, implies fairer delivery and job integration of disadvantaged workers. Two CoopCycle projects support this vision.

The Covid-19 pandemic has exponentially expanded the delivery sector, leading to intensive and fast-growing activities for the majority of CoopCycle's members in every field (from food delivery to other goods). The lockdowns related to Covid-19 have even accelerated the implementation of a project that encourages city councils to promote delivery coops, notably in France, where municipalities are very interested in developing ethical projects. For example, the Municipality of Châtillon, which is located in the southwestern suburbs of Paris, is working on the La Maison du Vélo project that will give CoopCycle, free of charge, a place that riders will manage and where they will have the opportunity to rest and have a shower.

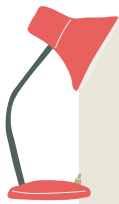
61 Since the beginning, the management costs are covered above all via subventions and grants. A tiny part comes from a percentage (2%) of the turnover of the cooperatives' federation in exchange for the use of the delivery platform.

Another example is the project of the Association Régie de Quartier de Stains, based in the northern suburbs of Paris, which is an organization of local people that has been set up to solve neighbourhood issues. Within this association, CoopCycle is participating in a project supported by the council of Paris that aims to help disadvantaged people, above all immigrants, to integrate within the labour market. The association uses delivery activities and bicycle repair workshops to teach people how to work (e.g. basic skills to work together). After the training, people will receive support from the municipality to build their rider cooperative.

*“The cooperative model is antithetic to undeclared work because workers are forced to participate, take decisions, and organise their work.”*

Édith Darin, CoopCycle

### 7.3. YORK COLLECTIVE (UNITED KINGDOM)



#### Undeclared work in the United Kingdom

In the United Kingdom, undeclared work is associated with the “shadow economy” or “hidden economy”, and the terminology is often related to the focus of the different interest groups, where the perceived damage caused by informal work as a combination of financial and welfare considerations. In the UK, the key activities that contribute most to the extent of UDW are second job holders where the secondary activity is hidden; those workers and businesses fully hidden in the shadow economy and illegal migrants working in the shadow economy (European Platform Undeclared Work, 2017). According to the Institute for Economic Affairs (IEA) the size of the UK shadow economy in 2012 was 10.3% of GDP.

With only 2.7% of the total labour input of the private sector generated by undeclared work (corresponding to 9.6% of GVA), the UK is acknowledged to have one of the lowest rates of undeclared work in the EU. The reason for this low undeclared work shares in the EU is that the country recognises both the need for a regulatory framework with sufficient weight to act as a disincentive for undeclared work and the positive impact of incentives. Consequently, 44% of UK inhabitants think that the risk of being detected is high, and half of them tend to trust Labour inspectorate and tax and social security authority in tackling undeclared work (European Union, 2020). However, the main challenge for the UK is to control the abuse of labour and in particular the casual employment of illegal migrant workers or workers from within the EU who are exploited (European Platform Undeclared Work, 2017).

The evidence suggests that the main motivation for undeclared work is financial gain, with undeclared work more prevalent in family work in the UK, with 11.5%, than in the context of employment relationships (1.4%) and in self-employment (7%) (European Union, 2018), even if the self-employed are a key group where undeclared transactions take place because the main method of payment is cash.

According to the Eurobarometer Survey 498 conducted in 2019 across the EU, in the UK the majority of goods and services are exchanged between friends, colleagues and acquaintances (30% of all transactions), and other private persons/households (33%). This means that only just over one quarter of transactions were with businesses.

The three main sectors in which UK inhabitants have paid for goods or a service that included undeclared work are home repair and renovations (39%), gardening (23%), and hairdressing or beauty treatments (20%).

York Collective is a cooperative of cycle couriers incorporated in January 2020 in York, United Kingdom, that operates within York's Outer Ring Road. The idea of setting up York Collective dates back to the meeting with CoopCycle in 2018, but it took some time to adapt the federation's platform to the UK system.

The cooperative has been established by four young people who had experienced working for gig economy platforms as riders and the related absence of social security and safety. For this reason, the aim of the cooperative is to offer a response to the exploitation of the gig economy perpetrated by unaccountable multinational corporations under the auspices of innovation. It provides an alternative offering decent working conditions for couriers and developing valuable and long-term relationships with York businesses and customers. Social responsibility, ethical work and an environmentally friendly way of working are at the heart of their vision.

York Collective's delivering activities started with the advent of the Covid-19 pandemic and the related lockdown. As well as their solidarity work, which led them to deliver free meals to hospitals<sup>62</sup>, in March they began working in the food delivery sector for small businesses. At a certain point, they realized that this business model was not sustainable because they did not have a clear idea about how much they worked each day. Today, the main clients of York Collective are a retail association and last mile suppliers of groceries (small independent businesses) that the cooperative invoices monthly, while the customer pays directly to the stores. In this context, the CoopCycle's platform is used by customers to book, manage and track orders and by customer businesses to take orders.

With regards to the work organization, the schedule is manually composed because CoopCycle's platform, unlike the ranking practices used in the gig economy, does not use an algorithm to match workers with deliveries; instead, the platform records working activities. This supports one of the main CoopCycle rules that its federation members have to respect, which is to provide decent and formal working conditions to riders.

To guarantee decent work, York Collective chose to pay-per-hour and not pay-per-drop, with a benchmark higher than the minimum amount for gig economy workers. York Collective's goal is to employ riders, as currently the members employ themselves on a self-employed basis. However, they have both insurance as members of the cooperative and the guarantee of working under safe conditions<sup>63</sup>.

<sup>62</sup> The project is called thesupercollective, which regroups restaurants to help the local community and hospital.

<sup>63</sup> Today, York Collective is composed of four worker-members, but the cooperative still does not generate enough work for its members to work full time (they work on average 8 hours per week), meaning that have to keep on working in other companies.

### **The strengths of cooperation compared to gig economy platforms**

By establishing the cooperative, gig workers, who are usually exploited, isolated, and outsourced by platforms, become protagonists of their work and as members they can collectively and democratically define their working conditions.

In the cooperative, worker-members access decent working conditions because they acquire employee status with the related social protections and benefits, obtain higher wages than gig workers (e.g. pay-per-hour and not pay-per-drop for riders), subscribe to specific insurances via the cooperative and have the certainty of working in a legal and safe environment. Additionally, they define their working time according to their needs and avoid the shifting of human responsibilities to an algorithm based on unequal and opaque rankings.

To guarantee decent working conditions to members, the cooperative needs to have a regular income. For this reason, cooperatives usually apply a different business model to the gig economy platforms. Whilst gig economy platforms' revenues are based on the matching between supply and demand, making them "extractive" platforms, cooperatives try to establish more B2B relationships than B2C, with monthly invoices to the businesses and an indirect relationship with the final customer. Considering that workers are at the same time members and owners of the cooperative, no speculation is possible, and incomes cover the work of members and the management costs.

In terms of the use of the technology, whilst in the gig economy platforms algorithms are used to shift management responsibilities from humans to machines in a logic of control, in cooperatives technology is used to achieve members' goals and enhance their activities (e.g. work tracking can be beneficial to ensure declared work and improve working conditions).

*"Working in the gig economy is fairly like typical undeclared work, while if you want to join CoopCycle federation you have to respect some criteria. One of the criteria is to declare work to the state authority and the digital platform helps keep track of work".*

Matt Nicholson, York Collective





## 8. COOPERATIVES TACKLING UNDECLARED WORK IN EUROPE: MAIN INSIGHTS

In the previous chapters, we described the concrete experiences in tackling undeclared work of 11 case studies of cooperatives all over Europe. For each cooperative, we firstly characterised the national context and the specific field of intervention which is related to the type of workers that the cooperative brings together. The portrait of the main features, most innovative activities and specific responses to undeclared work deployed by each study case shows how **cooperatives are relevant to tackle undeclared work** and how they can provide solutions to the related problems.

In order to better understand this role that cooperatives can play in the transition from undeclared to declared work, the following paragraphs are dedicated to the **discussion of the case studies**. After an analysis of the main common characteristics of the cases, we

will broaden our perspective and investigate the contribution of worker and social cooperatives and cooperatives of independent workers in addressing undeclared work in Europe.

### 8.1. COMMON CHARACTERISTICS OF CASE STUDIES IN TACKLING UNDECLARED WORK

Although each cooperative described in the report was established for different reasons and developed in different contexts, **the 11 cases share some common characteristics in tackling undeclared work** (Mshiu, 2019).

Undeclared workers are usually **isolated workers who experience fragile and precarious work in the labour market** with few

bargaining powers and are often exploited in the context of poor economies. The reasons for these conditions are several and various and consequently **the cooperative offers tailored answers**.

For some workers, their difficulties are related to their administrative position, that can be irregular, for migrant workers for example, with the cooperative becoming a legal framework to access a declared and regular job position (Diomcoop, Nazareth, RCOOP). For arts, media, and cultural workers who have in common the experience of a strong discontinuity in their work activity, the cooperative offers the opportunity to obtain more stable contract conditions, develop networks to find new job opportunities and find a framework within which they practise new professions (De Coöperatie, Doc Servizi, Soglasnik Language Cooperative). Sometimes, difficulties are related to belonging to rural areas, where there are usually not only fewer, but even unfairer, job opportunities above all for unemployed people and/or vulnerable minorities. In these cases, cooperatives use the force of the collective to build tailored job experiences and support disadvantaged people to enter the labour market (BEC Družstvo, GOEL, Nazareth). Some workers have suffered from the pressure of multinational platforms that recently introduced the practice of gig work, and so established cooperatives to reaffirm their control of their job via the collective ownership of the company (By-Expressen, Coop-Cycle, York Collective).

Whilst most undeclared workers have no legal status, thus no legal recognition of protection, **for cooperatives regular and declared work is the key to enhance and emancipate fragile workers**. Except for the experience in the Netherlands, all the cooperatives described aim to offer decent working conditions in the context of a salaried employee relationship. According to the different circumstances and aims pursued, contracts can be temporary or open-ended, but in each case, workers are hired as employees to guarantee their access to related rights and social schemes. Moreover, removing workers from the “shadow economy” of the labour market means not only giving workers the rights they deserve, but even transforming them into contributing members of the community they belong to, through the payment of taxes and social contributions.

In addition to decent work, **training and lifelong learning are key assets to empower members of the cooperative**. On-the-job training, peer-exchanges, mentoring or counselling, specialised training, compulsory training, regardless of the form and the type of the training, are all present in the project of every cooperative. Training can focus on soft skills and/or hard skills, acquiring completely new skills or updating skills.

A feature particularly evident in cooperatives dealing with social issues, but even present in the other cooperatives studied, is that **their management model integrates a dual nature**: on the one hand, the cooperative offers services, support, and decent work to members and, on the other hand, the cooperative sells services on the market. Members are both beneficiaries of the cooperative services and providers of the services that the cooperative offers on the external market. Especially in the more socially focused cooperatives (BEC Družstvo, Diomcoop, Nazareth, RCOOP), this model generates a positive turnover of members, with the purpose being to help a higher number of disadvantaged people.

In establishing the cooperative, members choose **a business model based on a mutualistic approach, with decent work, rather than profit, at its core**. The mutualistic approach of the

cooperatives described in the report revolves around some key practices that are often integrated: sharing the management costs of the company (e.g. administration and accounting); increasing opportunities for members in terms of services (e.g. communication and marketing, specialised counselling) and job opportunities (e.g. e-commerce, marketplace); accessing specific funds or calls for tender at public or private level to support various project; ensuring regular incomes to guarantee stable jobs, via the establishment of long-terms contracts with clients in a B2B perspective (this is particular important to eradicate the bad practices associated with gig work).

The described cooperatives are not only dedicated to members' issues, but they give special **attention to local problems and/or to the community or the field they belong to**. This social vocation can be translated into economic support or participation in solidarity practices of the local community (Nazareth, Soglasnik Language Cooperative, York Collective, RCOOP), awareness-raising activities and/or lobbying at national or international level (BEC Družstvo, CoopCycle, Diomcoop, Doc Servizi, GOEL), and commitment to global causes, such as climate change (By-Expressen, RCOOP).

COOPERATIVE	COUNTRY	WORKERS CONCERNED BY UNDECLARED WORK	HOW THE COOPERATIVE FIGHTS UNDECLARED WORK	INNOVATIVE PRACTICE
BEC Družstvo Social cooperative founded in 2012	Czech Republic	Unemployed and disadvantaged people in rural areas	Supporting the development of micro-businesses through the implementation of the BEC methodology to counteract unemployment and undeclared work in rural areas	Introduction of Business and Employment Cooperative (BEC) methodology in the Czech Republic
By-Expressen Worker cooperative founded in 2012	Denmark	Bicycle messengers	Spreading the use of cargo bikes as a solution to the logistics industry's challenges within the green transition via a local approach, while offering stable contracts to bicycle messengers	Differentiation of the business and teamwork-based approach built around working and personal needs
CoopCycle Federation of worker cooperatives founded in 2016	France	Riders	Helping riders to join forces and organize in cooperatives with the purpose to overcome the bogus self-employment of transnational delivery platforms, thanks to the sharing of some services, such as the digital platform to manage orders	The platform is provided under the Coopyleft license to ensure that companies are using a cooperative model in which workers are employees and meet with the definition of social economy actors as defined by the European Union
De Coöperatie Cooperative of independent workers founded in 2016	Netherlands	Freelance journalists	Reversing the power relationship between publishers and journalists via the establishment of a cooperative publishing company owned by freelance journalists to guarantee sustainable careers	Introduction of a new revenue model for journalists based on crowdfunding



COOPERATIVE	COUNTRY	WORKERS CONCERNED BY UNDECLARED WORK	HOW THE COOPERATIVE FIGHTS UNDECLARED WORK	INNOVATIVE PRACTICE
Diomcoop Social cooperative founded in 2017	Spain	Migrants	Fully address the basic needs of employment, training, regularisation, and rights of migrants who are in a situation of administrative irregularity and social vulnerability, through a cooperative.	Creation of a model that supports the regularisation of immigrants via a legal path
Doc Servizi Cooperative of independent workers founded in 1990	Italy	Entertainment, cultural and creative industry workers	Find a solution for the high level of undeclared work, isolation and bureaucratic difficulties related to work in the entertainment field.	Introduction of the concept of self-management in the model of worker cooperative, where members have, at the same time, the same rights as employees and the freedom of the self-employed
GOEL Joint cooperative group founded in 2003	Italy	Local community of people living in rural areas and threatened by 'Ndrangheta illegal practices	Transformation of Calabria through legal and declared work, social promotion, and active opposition to the 'Ndrangheta	Application of an economic model based on the concept of "effective ethics" that leads to a revision of the supply chain
Nazareth Social cooperative founded in 2003	Italy	Migrants and disadvantaged people	Job placement of disadvantaged people, with dedicated training to the benefit of legal work	The "enhanced foster care" model, which is an integrated reception system for migrants in the context of the protection of minors
RCOOP Cooperative of independent workers founded in 2017	Belgium	Hairdressers and beauty treatment experts	Offering an innovative solution to legalise the economic activity of migrant hairdressers in the Matongé district of Brussels supporting self-management and self-entrepreneurship	Creation of a model that supports the regularisation of immigrants' work in the beauty field via a legal path
Soglasnik Language Cooperative Cooperative of independent workers founded in 2014	Slovenia	Language professionals	Guaranteeing fair pay on the Slovenian language market and fighting precarious conditions of workers in the linguistic field	Creation of the first cooperative in the cultural and creative field in Slovenia
York Collective Worker cooperative founded in 2020	United Kingdom	Riders	Offering an answer to the gig economy exploitation carried out by unaccountable multinational corporations by offering decent work conditions to riders and developing valuable and long-term relationships with York businesses and customers	Introduction of decent work in gig work practices

## 8.2. HOW WORKER AND SOCIAL COOPERATIVES AND COOPERATIVES OF INDEPENDENT WORKERS ADDRESS UNDECLARED WORK IN EUROPE

Given the complexity of the phenomena of undeclared work, cooperatives on their own cannot be a turn-key solution. In the second chapter, we saw that **to tackle undeclared work it is necessary to adopt a holistic approach with national authorities being fully engaged** in the fight. But even if there is no “one-size-fits-all” approach to deal with undeclared work, cooperatives can contribute in various ways to address the problems related to it, as also recognised by the ILO Recommendation No. 193.

In industrialised countries, informal work is mostly linked to the deterioration of working conditions that, to some extent, has been accelerated by technological developments and the related spread of transnational digital platforms (CICOPA, 2017). Since the year 2000, in Europe the deterioration of working conditions is due to the growth of more flexible forms of employment that, standing at the margins of standard employment<sup>64</sup>, are commonly described as non-standard employment (Eurofound, 2020).

Non-standard employment means that working time, health and safety requirements and responsibilities are not regulated as well as in standard employment. Furthermore, non-standard workers only have restricted access, or even no access at all, to social protection schemes, such as unemployment benefits, sick and maternity leave, and schemes covering accidents at work. This is the experience, for example, of many workers in the entertainment sector who, due to the uncertainty and isolation typical of their working activity, are at risk of precarity and often are forced to work informally. Then there is also the situation of gig workers who fall into the case of dependent self-employed or bogus self-employed, which is identified by Eurofound as a fraudulent contracting of work and can be a cause of undeclared work because it implies an employment or contractual relationship that does not correspond to the legal and/or formal requirement that qualifies that specific form of contracting work.

Therefore, especially in Europe, the contribution of cooperatives to the transition from undeclared to declared work applies mainly to people who are increasingly suffering the negative effect of the informalisation of work and employment. In these cases, **worker cooperatives and cooperatives of independent workers** could be particularly helpful for workers in the informal economy (CICOPA, 2017). In fact, the main goal of worker cooperatives is to provide formal and decent employment to their members, offering worker-members direct employment and access to social rights and protection. Similarly, to worker cooperatives, even if the main goal of the cooperative of independent workers is not to provide employment solutions to the workers<sup>65</sup>, cooperatives of such typology place a strong emphasis on generating sustainable employment by joining the forces of workers who are usually isolated and precarious on the labour market and providing solutions to non-standard employment, such as access to social security schemes (CECOP, 2019).

<sup>64</sup> In standard employment, the job is continuous, full-time, with a direct relationship between employer and employee based on labour law.

<sup>65</sup> Cooperatives of independent workers mutualise services or equipment (e.g. accounting services, marketing services, consulting and legal services, co-working spaces, etc.) among members to support their production or business activities which are performed on their own account. Most of such cooperatives offer workers the flexibility and autonomy of being freelancers, while providing the status and social protection of employees.

As we saw in chapters 5 and 7, respectively devoted to arts, media and cultural workers and gig workers, these typologies of cooperatives have been created to respond to the **specific needs of people mostly working, whether by choice or by necessity, as self-employed workers** or in sectors where this kind of work form prevails<sup>66</sup> (CICOPA, 2017). The cooperatives studied consistently encourage people to control their own work and to emerge from undeclared and non-standard working conditions, while maintaining a high degree of autonomy in their work (in the case of art, media, and cultural workers' cooperatives) or at least working hour flexibility (in the case of riders' cooperatives).

In both worker cooperatives and cooperatives of independent workers, when technology acquires an important role in the management of the cooperative and, in particular, when workers who democratically govern the cooperative enterprise constitute a digital platform to support the exchange of goods and services between them and with clients, we are faced with what is today called a “**platform cooperative**.” For the time being, “platform cooperative” is a neologism that describes the control of technology by the worker-owned cooperative, in contrast to the extractive model of transnational platforms used by companies such as Uber, Deliveroo or TaskRabbit.

If we apply this definition, in the cases studied we have four examples of platform cooperatives: De Coöperatie, which has introduced a platform to manage various media channels owned by the cooperative and supports crowdfunding mechanisms for journalists; Doc Servizi, which uses a digital platform to manage the discontinuous activity of its members, optimise the cost of services and create new job opportunities; CoopCycle, which is a second-level cooperative network created by worker cooperatives of riders to also share the cost of a digital platform to manage restaurant orders; and York Collective, which uses the CoopCycle's platforms to manage its activity.

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### The Platform Cooperativism movement

The debate about an alternative to the gig economy and its effects on the informalisation of work and deterioration of employment in industrialised (but not only) countries is currently being led by the “platform cooperativism” movement<sup>67</sup>.

The term “platform cooperativism” was coined in 2014 by the scholar activist Trebor Scholz (Scholz, 2014; Scholz, 2017, Scholz and Schneider, 2017) and today identifies an enterprise co-operatively owned and democratically governed by those who depend on it (workers, users, and other relevant stakeholders) that builds a digital platform (website, mobile app, or protocol) to facilitate the trading of goods and services. Applying the cooperation definition and its principles to digital platforms, from an ambiguous matching system, the technology becomes a tool at the service of workers (Martinelli and Bozzoni *et al.*, 2019). This perspective overturns the relationship between technology and work that a transnational platform creates; in a cooperative, the digital platform is owned by cooperative members, which means that there is the involvement of both owners and workers. For this reason, workers have complete control over the platforms' products and services, prices and rates, governance, and the use of personal data. In platform cooperatives, people are not exploited by the digital platform, rather they control it.

Following this idea, a new generation of digital entrepreneurs inspired by cooperative principles is growing all over the world, also with the help of specialised courses, such as “Platform Coops Now!”, the online global course dedicated to start-up creation, which has been organised since

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66 Self-employment is higher in the cultural and creative sectors (33%) than in employment for the total economy. Gig workers are usually independent workers in relation to the platform.

2020 by Trebor Scholz with the support of the New School, Mondragon University, and many local partners all over the world. At the same time, there are also long-standing cooperatives that have begun to identify with the movement's theoretical framework, thanks to their proactive relationship with technology.

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In a labour market where people experience more and more difficulty in finding standard employment, disadvantaged workers, such as migrants, unemployed workers, above all in rural areas, and people with a disability, are even more inclined to accept sub-standard working conditions and work undeclared. Again, for these workers, **social cooperatives** in particular can play a role in helping them to obtain decent work.

Social cooperatives have a purpose of general interest which is related to the provision of social, health, educational or environmental services, or in the job placement of disadvantaged and vulnerable workers (migrants, people with disabilities, long-term unemployed, former detainees, addicts, etc.) or both. In the cases described in chapters 4 and 6, respectively devoted to migrants and unemployed people and vulnerable workers in rural areas, cooperatives provide a formal framework that ensures entry into the labour market under the formal conditions of declared work, with access to a **training path appropriate to their status**.

In the cases of Diomcoop, RCOOP and Nazareth, the cooperative supports the **integration of migrants** through declared and legal employment. In RCOOP, the integration is based on the formal recognition of migrants' economic activities as real businesses according to the country's own rules. In the case of Diomcoop, obtaining a job outside the informal economy also allows people to live within the Spanish law, while in the case of Nazareth, migrants, as well as learning a new job, also attend work training courses to learn the value of paying taxes and contributions in the host country.

In fragile economies, typical of rural areas, and particularly for vulnerable workers who are forced more than others to work undeclared due to the labour market conditions, the cooperative model can be seen as an opportunity to get out of the informal economy through the **creation of an enterprise**. In the case of GOEL, creating a cooperative is a viable path because it does not require significant capital and can be a shared investment among people who have the same purposes, while in BEC Družstvo, joining the cooperative means having concrete economic and training support to re-enter the labour market with an entrepreneurial project.

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## **Main contributions of worker and social cooperatives and cooperatives of independent workers to the transition from undeclared to declared work in Europe**

### **1. The creation of formal job opportunities**

The first action of cooperatives in tackling undeclared work consists in the creation of formal job opportunities. The formal framework of the cooperative offers a suitable form for creating jobs for workers in the fields that are subject to precarious and informal work conditions, notably in very fragile economies or for very vulnerable workers (e.g. migrants) who cannot find jobs in the formal economy. Additionally, the low capital requirement to set up a cooperative can make it a viable option for those with limited resources.

### **2. Overcoming isolation and obtaining better working conditions**

By joining a cooperative, undeclared workers become part of a community and overcome the isolation which is often related to their condition. Moreover, being part of a collective, workers find both a concrete alternative to exploitation and a voice to defend their rights and to negotiate better working conditions when they enter the market (e.g. access to social protection, working in safety and security, better rates, etc.). In the event that workers also become employees of a cooperative, they can exercise their representation and trade union rights and be protected by a collective agreement.

### **3. Empowerment of workers**

Meeting members' needs and aspirations, the cooperative becomes an opportunity for the empowerment of workers. In the cooperative, undeclared workers not only find opportunities to work legally and to enjoy all related rights at work, but as members they are also directly involved in the company and through democratic governance ("one member, one vote") they build the cooperative according to their wishes and achieve goals they would not achieve alone. Being also engaged at the organizational level, members may experiment with new roles, develop new skills and have access to leadership experiences.

### **4. Savings and contributions to the State**

Undeclared workers who join the cooperative not only benefit from social protections and benefits to which they are entitled, but also become active members in society and therefore pay social contributions which help to finance solidarity and social funds.

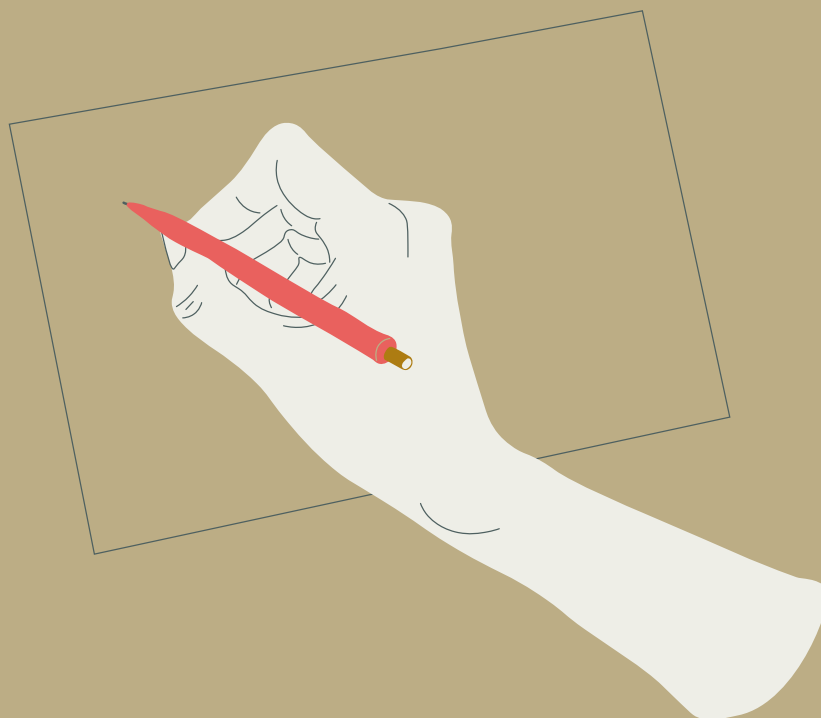
### **5. Opportunity for integration**

For migrants, the cooperative can also become a tool for integration within the local community. The cooperative allows the migrant to enter the socio-economic system of the new country through work and also offers opportunities to learn the local norms and rules of behaviour.

### **6. Exploring new employment arrangements**

To address the deterioration of working conditions accelerated by the recent technological developments, undeclared workers experiment with innovative models of cooperatives to collaborate and take control of their own work. These new forms of work communities introduce new legal frameworks and develop innovative ways of using existing institutional instruments by combining various forms of employment that allow both flexibility and security.

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## 9. CONCLUSIONS AND PROPOSALS

Tackling informal work is a global major challenge that concerns 2 billion workers all over the world and that involves, on average, 25% of all European workers (ILO, 2018). This is also why **the European Commission has been putting in place programmes to tackle undeclared work since the early 2000s**. Studies and policy on undeclared work show that the only way to tackle it effectively is to use a holistic approach, which is a combination of deterrence and compliance-based measures that involve all the social partners and key stakeholders in joint actions to combat it.

In this context, starting from 11 case studies of worker and social cooperatives and cooperatives of independent workers, in this report we have also observed how cooperatives can effectively contribute to addressing the issue of undeclared work in Europe. For vulnerable and precarious workers who are forced into undeclared work due to their limited bargaining power, joining or forming a cooperative can provide an opportunity to

work through formal arrangements. In this way, **cooperatives become a concrete alternative for undeclared workers to formally enter the labour market**.

Just as there is no one-size-fits-all approach to tackling undeclared work, cooperatives propose different solutions depending on the target group. Even if the primary purpose of the studied cooperatives is to provide formal and decent employment to their members, they seem to be particularly flexible and offer services and solutions tailored to the context and the problems to be solved. Thanks to this **flexible approach**, cooperatives tend to try to ensure good employment for workers, even during economic downturns such as the one caused by Covid-19. This is also one of the reasons why cooperatives have shown resilience in times of Covid-19 and thus experts expect cooperatives to become more commonplace in the economic and labour market crisis resulting from the Covid-19 pandemic (Eurofound, 2020).

However, all these positive features do not imply that cooperatives are the definitive solution to the problem of undeclared work or that they are particularly recognised and supported by the states to which they belong.

First of all, we have to stress that even if the cooperative model is often mentioned as a good tool to address various social problems such as undeclared work, **cooperatives are not directly designed to engage in these social problems, but rather to meet members' needs and aspirations** (CICOPA, 2017). This means that the solutions proposed by them may not always completely fill the gaps encountered by undeclared workers in terms of quality of work, labour rights, social protection, or rights at work.

Moreover, cooperatives, as well as other lawfully acting enterprises, are unfairly disadvantaged due to competitors acting illegally. This **unfair competition** becomes even more difficult to address when cooperative members are mainly people in vulnerable conditions (CICOPA, 2017). Therefore, creating a cooperative can be an opportunity to tackle undeclared work, but is not a sufficient condition for success.

The development of cooperatives is also challenging because they often suffer from **insufficient support at the national level**. Although cooperatives bring workers out of unemployment and undeclared work, transforming them into active members of society and thus reducing the costs borne by the state, the interviewed cooperatives claim not to have proportionate access to support mechanisms for enterprises and funding, nor an adequate recognition and valorisation, from a regulatory point of view, of their organizational form when innovative.

Public authorities at the national and European levels can play a key role in addressing these problems faced by cooperatives and therefore the difficulties related to undeclared work.

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## **Policy pointers to support cooperatives tackling undeclared work**

To address the problems related to undeclared work, public authorities at the national and European levels can support cooperatives by:

### **1. Promoting the cooperative model as a tool to tackle undeclared work**

The cooperative model should be recognised and promoted as an opportunity for undeclared workers to obtain better working conditions and greater control over their work. To this end, trade unions and local governments should be better informed, and workers and citizens better educated, about the cooperative model and the opportunities it offers to tackle undeclared work. A better knowledge of the model can also support the development of horizontal strategies to combat the informal economy involving cooperatives.

### **2. Guaranteeing cooperatives access to funding and support mechanisms for enterprises**

Especially in the most fragile areas, such as, but not exclusively, rural territories, cooperatives should have the necessary support to access the market and become sufficiently competitive, because supporting the competitiveness of enterprises could be an effective preventive measure against undeclared work. For this reason, cooperatives that regularise the position of undeclared workers, even if they are not immediately economically self-sufficient, should have access to both business support funding and specific (long-term) funds to expand their ability to get people out of undeclared work. Funding can take the form of investments or tax relief and both public and private funding should be supported.

### **3. Recognising an appropriate legal framework for innovative models of cooperatives**

Cooperatives' experiments that allow the transition from undeclared to declared work should be encouraged. Therefore, public authorities should create an environment and legal framework that fosters cooperatives that, for example, introduce new forms of employment and innovative ways of using existing institutional instruments to formalise workers. At the national level, this also means making it easy and not too expensive to create a cooperative. If the burdens, obligations, and bureaucracy are too demanding, it becomes easier, especially for the most vulnerable workers, to continue moving into undeclared work.

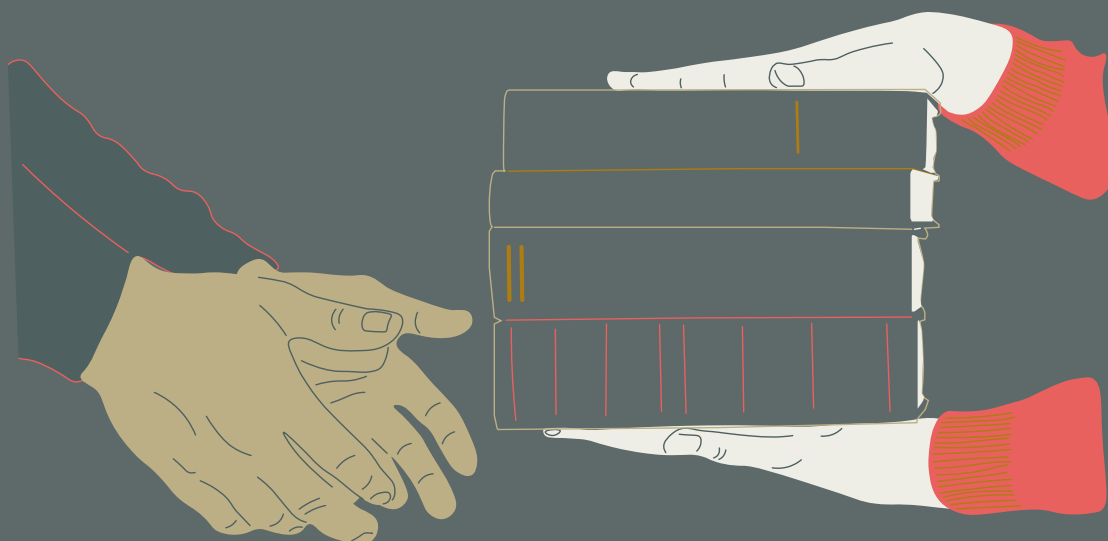
### **4. Activating the local level to support the cooperative model**

There are various ways in which local authorities can support cooperatives that help with the regularization of workers. For example, municipalities can subsidize virtuous activities with sponsorships and calls for tender, offer training courses, organise public events to educate about the cooperative model, accommodate requests from undeclared workers and direct them towards the cooperative model.

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## About CECOP

CECOP is the European confederation of industrial and service cooperatives. It represents the voices of worker cooperatives, social cooperatives and independent workers' cooperatives. CECOP works to create a supportive environment for cooperatives, so that they can operate to their full strength and fulfil their mission of providing sustainable jobs and high-quality services to communities. Our aim is to build a fairer Europe and contribute to sustainable economic growth, to bring democracy and solidarity to the workplace.

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