


# Methods and techniques for tackling undeclared work in construction

## Cyprus

	<p><b>Summary</b></p> <p>The Ministry of Labour and Social Insurance has implemented a suite of measures to combat undeclared work among workers in the construction sector and to ensure that construction companies are complying with basic labour laws.<sup>i</sup> The measures include a new legislation framework, a complaints hotline, and inspection campaigns.</p>
<p><b>Title of the practice in original language</b></p>	<p><i>Μεθοδοι και πρακτικες αντιμετωπισης της αδηλωτης απασχολησης στον οικοδομικο τομεα</i></p>
<p><b>Name(s) of authorities/bodies/ organisations involved</b></p>	<ul style="list-style-type: none"> <li>▶ Labour inspectorate (<i>Υπηρεσία Επιθεορίσεων</i>);</li> <li>▶ Ministry of Labour and Social Insurance (<i>Υπουργείο Εργασίας και Κοινωνικών Ασφαλίσεων</i>).</li> </ul>
<p><b>Sectors</b></p>	<p>Construction and woodworking</p>
<p><b>Target groups</b></p>	<ul style="list-style-type: none"> <li>▶ Employers (directly targeted);</li> <li>▶ Workers involved in undeclared work (indirectly targeted).</li> </ul>
<p><b>Purpose of measure</b></p>	<p>Deterrence: improve detection</p>

	<p><b>Aims and objectives</b></p> <p>The purpose is to minimise undeclared work and tackle under-declared salaries. The importance of following proper procedures is underlined in the measures so that employers and employees adhere to labour regulations.</p>
<p><b>Background context</b></p>	<ul style="list-style-type: none"> <li>▶ Cyprus faces challenges such as illegal immigrants, undeclared workers, unregistered salaries, and unfair competition;</li> <li>▶ Cyprus has implemented complex techniques and strategies to combat the demand and supply of unreported employment in the construction sector. The Ministry of Labour and Social</li> </ul>



	<p>Insurance has been fighting undeclared work for 10 years, establishing the Labour Inspectorate and conducting over 6 000 inspections annually and enforcing over 30 labour laws;</p> <ul style="list-style-type: none"> <li>▶ Inspections of the construction industry began in 2009 when undeclared work was at 25%;</li> <li>▶ The Social Insurance (Amending) (No2) Law of 2017 was introduced to fight undeclared employment and additional issues such as the failure to register an employee for social insurance or understating remuneration in order to reduce social insurance contributions;</li> <li>▶ Specific regulations for the construction industry are contained in the Employees in the Construction Industry (Basic Terms of Service) Law of 2020 covering working hours and overtime, holidays, provident funds, and gratuities<sup>i</sup>;</li> <li>▶ Inspections carried out as part of a campaign by the Ministries of Labour and the Interior found that, in the month from August to September 2023, 7% of workers inspected in construction, hotels and leisure centres were undeclared.<sup>iii</sup></li> </ul>
<p><b>Key objectives of the measure</b></p>	<p><b>General Objective:</b></p> <ul style="list-style-type: none"> <li>▶ To minimise undeclared work and to tackle under-declared salaries in the construction sector.</li> </ul> <p><b>Specific Objectives:</b></p> <ul style="list-style-type: none"> <li>▶ To ensure proper procedures are followed by employers and workers, and to make employers aware of their responsibilities while also having the opportunity to rectify any illegal practices that may be involved in, and to comply with law provision;</li> <li>▶ To report any problems or implementation issues concerning inspections to the Minister, striving to ensure the smooth functioning and adherence to regulations on construction sites;</li> <li>▶ To maintain safety, accountability, and efficient operations throughout the industry.</li> </ul>
<p><b>Main activities</b></p>	<ul style="list-style-type: none"> <li>▶ Evaluation of available information is carried out to determine the selection of construction sites for inspection;</li> <li>▶ The head inspector responsible for the operation promptly informs the employer about the purposes of the inspection;</li> </ul>

	<ul style="list-style-type: none"> <li>▶ It is mandatory for all individuals undergoing inspection to wear a bracelet for identification purposes;</li> <li>▶ Throughout the inspection process, every employee's details are thoroughly checked using the social insurance information system to clarify if the person found at the workplace is registered;</li> <li>▶ On an operational construction site, the 2020 law means that every contractor or employer must keep a daily sign-in and sign-out list of who enters and exits the site each day. At any given time, an inspector has the authority to request and inspect this list whenever necessary;</li> <li>▶ Individuals who have not registered for social insurance are identified and listed in a notification for violating undeclared work. This notification is then handed to their respective employers or employer representatives. Along with this notification, the employer is informed about their obligations and their rights in relation to the situation;</li> <li>▶ Once the notification is issued, any information provided by the employer (which may prove that an offence has not been committed) is evaluated within a 5 calendar-day deadline. On the sixth day, a decision is made, and a fine is issued and mailed to the registered address of the employer;<sup>iv</sup></li> <li>▶ Upon receiving a fine, the employer is required to pay it within 30 days to benefit from a 30% reduction of the total amount. If payment is not made within 30 days, the fee will increase by EUR 50 for each day payment is delayed.</li> </ul>
<p><b>Funding/organisational resources</b></p>	<ul style="list-style-type: none"> <li>▶ The measures are state-funded. The Labour Inspectorate's resources cover all economic sectors and include a supervisor, eight inspectors, and 30 assistant inspectors reporting to the General Director of the Ministry for Labour.</li> </ul>



**Outcomes**

Since labour inspections in the construction industry began in 2009, undeclared work has fallen by 15 percentage points from 25% to 10% in 2022.



<p><b>Achievement of objectives</b></p>	<ul style="list-style-type: none"> <li>▶ At the start of inspections in the construction industry in 2009 the percentage of undeclared work stood at 25%; by 2022 this figure had fallen to 10%;</li> <li>▶ Inspection results are published at the end of each month. These results are based on the findings of inspections, a risk assessment process, and reported cases.<sup>v</sup></li> <li>▶ In 2023, a labour inspection campaign focused on checks in the construction industry, hotels and leisure centres found that from 28 August to 22 September 7% of employees inspected were undeclared.<sup>vi</sup> Inspections were carried out covering 418 employers and 1 387 employees, of which 98 (or 7%) were undeclared (67 of those persons were from third countries). This resulted in administrative fines totalling EUR 157 900.<sup>vii</sup></li> </ul>
<p><b>Lessons learnt and success factors</b></p>	<p>A key success factor is the collaboration between the Labour Inspectorate and other government departments like tax, welfare, and customs to conduct joint inspections. Other factors contributing to success include sharing details of efforts and outcomes on monitored areas on social media and putting a hotline in place to report violations.<sup>viii</sup></p>
<p><b>Transferability</b></p>	<p>The measures are transferrable to other Member States. The necessary legislation would need to be put in place to ensure feasibility.</p>

## Further information

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<p><b>Useful sources and resources</b></p>	<p><b>Department of Labour Inspection:</b></p> <p><a href="https://www.mlsi.gov.cy/mlsi/dli/dliup.nsf/index_en/index_en?OpenDocument">https://www.mlsi.gov.cy/mlsi/dli/dliup.nsf/index_en/index_en?OpenDocument</a></p> <p><b>Link to the Labour Inspectorate’s social media and hotline:</b></p> <p><a href="https://www.facebook.com/labourinspectoratecy">https://www.facebook.com/labourinspectoratecy</a></p> <p><b>Ministry of Labour and Social Insurance:</b></p>

<https://www.mlsi.gov.cy/mlsi/mlsi.nsf/home-en/home-en?OpenForm#example4/1>

**The Social Insurance (Amending) (No2) Law of 2017:**

[http://www.cylaw.org/nomoi/arith/2017\\_1\\_001.pdf](http://www.cylaw.org/nomoi/arith/2017_1_001.pdf)

**The Employees in the Construction Industry (Basic Terms of Service) Law of 2020 (52(I)/2020):**

<http://www.cyprus.gov.cy/>

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<sup>i</sup> Cyprus crackdown on undeclared labour, 2 March 2022, available at: <https://www.ekathimerini.com/economy/1178758/cyprus-crackdown-on-undeclared-labor/>

<sup>ii</sup> Gratuities are usually paid by an employer to employees when a task is achieved or the year is ending. Not all employers give gratuities to their employees nor are they required to do so by legislation. However, if they do, they must notify the Social Insurance Department and insure the amount they paid to the employees.

<sup>iii</sup> Cyprus: Few undeclared workers, many third-country illegal ones, *In-Cyprus*, 26 September 2023, available at: <https://in-cyprus.philenews.com/news/local/cyprus-few-undeclared-workers-many-third-country-illegal-ones/>

<sup>iv</sup> Hiring undocumented workers can result in fines of EUR 500 per employee per month of violation. Employers must provide proof of legality within five days of hiring or face a EUR 3 500 fine (the Law presumes that the employee for whom the violation occurred was employed from six months prior to the date of identification of the offence. It is up to the employer to prove otherwise). Employers with 10 or fewer insured employees can be fined up to EUR 10 000. See ELA (2023), forthcoming, *Undeclared work in the construction sector: Learning resource paper from Platform seminar, Bratislava, 16 May 2023*

<sup>v</sup> Targeted inspections to enterprises in each sector are carried out in accordance with a risk assessment and information received through the hotline of the Ministry of Labour and Social Insurance Department. Source: the presentation at the EU Platform tackling undeclared work seminar on *Undeclared work in the construction sector in Bratislava in May 2023, entitled Methods and techniques to tackle undeclared work in the construction sector in Cyprus, on behalf of the Cyprus Labour Inspectorate.*

<sup>vi</sup> *In-Cyprus* (September 2023), *op cit.*

<sup>vii</sup> *Ibid.*