


# Innovative strategies for combating unregistered employment

## Slovenia

	<p><b>Summary</b></p> <p>In Slovenia, innovative strategies have been implemented to combat undeclared work and unregistered employment.<sup>i</sup> It includes the introduction of the Prevention of Undeclared Work and Employment Act<sup>ii</sup> (ZPDZC-1) in 2014 (and later amendments to the law) to tackle ongoing tax losses and lack of cooperation among stakeholders, the Postal Orders project launched by the Financial Administration of the Republic of Slovenia (FURS) in 2018 to identify individuals receiving postal order payments but who do not have a registered status, and the Act on Tax Verification of Invoices<sup>iii</sup> (ZDavPR) which required businesses to issue and validate invoices for every cash transaction while connecting to a central information system for efficient monitoring.</p>
<p><b>Title of the practice in original language</b></p>	<p><i>Zakon o preprečevanju dela in zaposlovanja na črno (ZPDZC-1);</i> <i>Strategija: Delo na črno posameznikov - prodaja preko družbenih omrežij z dostavo Pošte Slovenije;</i> <i>Zakon o davčnem potrjevanju računov (ZDavPR).</i></p>
<p><b>Name(s) of authorities/bodies/organisations involved</b></p>	<ul style="list-style-type: none"> <li>▶ Financial Administration of the Republic of Slovenia (<i>Finančna Uprava</i>);</li> <li>▶ Courts in Slovenia.</li> </ul>
<p><b>Sectors</b></p>	<p>All</p>
<p><b>Target groups</b></p>	<ul style="list-style-type: none"> <li>▶ Legal entities (directly targeted);</li> <li>▶ Self-employed individuals (directly targeted);</li> <li>▶ Employers (directly targeted);</li> <li>▶ Regulatory bodies (indirectly targeted);</li> <li>▶ Judicial authorities (indirectly targeted).</li> </ul>
<p><b>Purpose of measure</b></p>	<p>Prevention</p>



## Aims and objectives

The Prevention of Undeclared Work and Employment Act, the Postal Orders project, and the Act on Tax Verification of Invoices are part of a strategy by the Slovenian Government to combat unregistered employment and undeclared work.

### Background context

- ▶ The Prevention of Undeclared Work and Employment Act (*Zakon o preprečevanju dela in zaposlovanja na črno or ZPDZC-1*) in Slovenia was implemented on 18 August 2014 (certain amendments and additions to the law subsequently adopted). It was initiated in response to ongoing issues of tax loss and lack of cooperation among stakeholders. The Act was introduced to address unregistered employment and work, with the aim of reducing tax evasion and fraud in Slovenia. It prohibits work without a valid contract, introduces measures like "personal supplementary work,<sup>iv</sup>" and emphasises transparency in cash transactions;
- ▶ The Postal Orders project (*Strategija: Delo na črno posameznikov - prodaja preko družbenih omrežij z dostavo Pošte Slovenije*) launched in 2018, incorporates data about postal delivery of goods as provided by the Post of Slovenia, and involves cross-checking this information with declared work records. Such comprehensive monitoring is made possible through the implementation of specific regulatory measures;
- ▶ The Act on Fiscal Verification of Invoices (*Zakon o davčnem potrjevanju računov or ZDavPR*) was implemented in 2016. The ZDavPR is also relevant to the fiscalisation of receipts, particularly for cash payments. The Act continues to be relevant, as evidenced by a Slovenian fiscal policy interface being fully compatible with ZDavPR in 2022.

### Key objectives of the measure

#### General Objective:

- ▶ To provide specific regulations and strategies that can facilitate better combatting of undeclared work.

#### Specific Objectives:


- ▶ To verify the legal basis for employment;
- ▶ To enhance transparency and reduce the informal economy;
- ▶ To identify undeclared work post-legal entity deletion.



## Main activities

- ▶ Implementation of the Prevention of Undeclared Work and Employment Act (ZPDZC-1):
  - ▷ Enforce the legal provisions outlined in the ZPDZC-1, including the prohibition of work without a valid contract;
  - ▷ Conduct regular audits and inspections to ensure compliance with the act by legal entities, self-employed individuals, and employers;
  - ▷ Establish mechanisms for the verification of the legal basis for employment, highlighting the importance of proper documentation.
- ▶ Execution of the Postal Orders Project:
  - ▷ Collaborate with the Financial Administration of the Republic of Slovenia (FURS) and other relevant stakeholders to gather and analyse data from the Post of Slovenia;
  - ▷ Use data analytics to identify individuals receiving postal order payments without a registered status, especially those advertising work (on social media) that has not been properly notified or registered;
  - ▷ Implement targeted measures, such as investigations and interventions to address instances of undeclared work identified through the project.
- ▶ Operation of the Act on Tax Verification of Invoices (ZDavPR):
  - ▷ Ensure widespread adoption of the ZDavPR by businesses, emphasising the issuance and validation of invoices for every cash transaction;
  - ▷ Establish a centralised information system for efficient monitoring of fiscal transactions, connecting businesses to the system to enhance transparency;
  - ▷ Collaborate with judicial authorities and courts to address cases of non-compliance and fraud related to fiscal transactions. This collaboration involves the exchange of information between the tax authorities and the judiciary, as well as the coordination of investigations and prosecutions;
  - ▷ Regularly update and maintain the compatibility of the Slovenian fiscal policy interface with ZDavPR.

	<ul style="list-style-type: none"> <li>▶ Coordination and cooperation with authorities and organisations:             <ul style="list-style-type: none"> <li>▷ Facilitate cooperation between the Financial Administration of the Republic of Slovenia, courts, regulatory bodies, and other relevant stakeholders;</li> <li>▷ Conduct awareness campaigns targeting legal entities, self-employed individuals, employers, and employees to promote understanding and adherence to the implemented measures;</li> <li>▷ Collaborate with regulatory bodies and judicial authorities to address indirect targets such as the reduction of the informal economy and the identification of undeclared work post-legal entity deletion.</li> </ul> </li> </ul>
<p><b>Funding/organisational resources</b></p>	<p>The funding and organisational resources to accomplish the Prevention of Undeclared Work and Employment Act in Slovenia are primarily allocated to the Financial Administration of the Republic of Slovenia (FURS).</p>

	<p><b>Outcomes</b></p> <p>The impact of these practices has been multifaceted, affecting various aspects of the Slovenian labour market, including the formalisation of employment, worker protection, regulatory compliance, identification of undeclared work and real-time data analysis, and on-site interventions.</p>
<p><b>Achievement of objectives</b></p>	<ul style="list-style-type: none"> <li>▶ The practices undergo regular assessments by the Financial Administration of the Republic of Slovenia (FURS) to ensure compliance and identify areas for improvement;</li> <li>▶ Over 5 000 entities have participated in training, and numerous publications have been disseminated to promote legal compliance and proper invoicing;</li> <li>▶ The analysis indicates a notable decrease in undeclared work and improved fiscal compliance, affirming the strategies' effectiveness.<sup>v</sup></li> </ul>
<p><b>Lessons learnt and success factors</b></p>	<p>Effective use of fiscal data, constant monitoring, and the cross-checking of collected data in the records of the official bodies contribute to success.</p>

### Transferability

This practice is transferable to other contexts with similar legal and economic structures, requiring a robust fiscal data system and real-time supervision.

## Further information

### Contact

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### Useful sources and resources

#### Prevention of Undeclared Work and Employment Act:

<http://pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6765#>

#### Act on Fiscal Verification of Invoices:

<http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO7195>

#### Legislation of the Slovenian Labour Inspectorate

<https://www.gov.si/en/state-authorities/bodies-within-ministries/labour-inspectorate/legislation-of-the-labour-inspectorate/>

<sup>i</sup> Williams and Bezeredi (2019) describe unregistered employment as **wholly** undeclared employment (paid work without a legal written contract or terms of employment). This compares to employers paying some of their (formally employed) employee's salary as an official declared wage and the rest as an undeclared (envelope) wage in order to avoid paying their full tax and social contributions on their formal employees. They add that, "Although the informal economy as a whole has been subject to widespread evaluation in recent years (for a review, see Williams & Schneider 2016), unregistered employment has received little attention." See, Williams, C.C. and Bezeredi, S., (2019), *Explaining and tackling unregistered employment : evidence from an employers' survey*. *Journal of Contemporary Central and Eastern Europe*, 27 (2-3). pp. 173-189. ISSN 2573-9638. Available at: <https://doi.org/10.1080/25739638.2019.1694254>

<sup>ii</sup> Government of the Republic of Slovenia. ,

"Zakon o preprečevanju dela in zaposlovanja na črno" PISRS – Pravno informacijski sistem Republike Slovenije; [www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6765](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO6765)

<sup>iii</sup> Government of the Republic of Slovenia. Zakon o davčnem potrjevanju računov" PISRS - Pravno-informacijski sistem Republike Slovenije, [www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO7195](http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO7195)

<sup>iv</sup> "(1) Personal supplemental work may be performed in accordance with the conditions laid down in the Act on the Prevention of Illegal Work and Employment (Official Gazette of the RS, No. 32/14, **47/15** – ZZSDT, 43/19, 121/21 – ZJN-3B in 78/23 – ZORR; hereinafter: the Act) and in accordance with the conditions determined by this policy.

(2) Personal supplemental work is considered when an individual himself performs work from the first paragraph of Article 12 of the Act, which he does not perform for a legal entity, a foreign legal entity or



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*a self-employed person and on the condition that special regulations do not stipulate otherwise, and are specified under A of Annex 1, which is an integral part of these regulations.*

*(3) Personal complementary work is considered when the individual himself manufactures and sells products or collects and sells forest fruits and herbs in accordance with the third paragraph of Article 12 of the Act, provided that they are specified under B of Annex 1, which is an integral part of this regulation.”*

*Information translated and retrieved from Government of the Republic of Slovenia. "Pravilnik o osebnem dopolnilnem delu" PISRS - Pravno-informacijski sistem Republike Slovenije, <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV12251>*

*<sup>v</sup> Information retrieved from the presentation on the types of evidence used as proof of undeclared work/employment in Slovenia, during the thematic review workshop: Methods and instruments to gather evidence of undeclared work on 25-26 October 2023.*