



## **“The voice of SMEs in Europe”**

### **Press Release**

FOR IMMEDIATE RELEASE

#### **Informal Council of Social affairs: SMEs stress need for comprehensive approach to actively fight undeclared work**

**Brussels, 10<sup>th</sup> July 2003.** On the occasion of today’s informal meeting of European social affairs Minister with the European social partners in Varese, UEAPME, the European SME employers’ association, welcomed the inclusion of the fight against undeclared work in the 5 top priorities of the Italian presidency in the social affairs area. UEAPME suggested an adoption of an appropriate policy mix to fight undeclared work.

SMEs particularly in the labour intensive services sector are the first victims of undeclared work, which creates a situation of unfair competition and jeopardises the social protection systems. “It is absolutely necessary to set up an adequate fiscal and social policy mix to fight undeclared work.” **Hans Werner Müller**, UEAPME’s Secretary General pointed out. “Controls and repressive instruments are outdated and ineffective methods in the fight against this phenomenon”, he concluded.

With regard to the fiscal aspect of the policy mix, the European SME association proposes a general reduction of fiscal charges, notably via the reduction of VAT rates for labour intensive services and also a reduction of non-wage labour costs, which often impedes SMEs from hiring new workers.

Concerning the social dimension of the mix, the association further supports the objective of modernising the social protection system via a better articulation of social inclusion, health care and pension systems, and the will to simplify and streamline the whole process. However, according to UEAPME, the objective of strengthening “make-work pay” pillar and hence the rethinking of the contribution-benefit system is essential to foster employment. Amongst the methods to make declared work more attractive, the SME association suggests revising the social protection system in particular the tax-benefits system so as to avoid that those persons who are active in the undeclared labour market can continue to receive the benefits from the social protection system.

Regarding the regional dimension of shadow economy, UEAPME calls for the respect of the principle of wage differentiation according to the level of regional productivity. The respect of this principle would avoid that poorer regions turn to undeclared work in order to fill in the productivity gap with more developed regions. Therefore, the association argues that this principle has to be combined with measures to increase the productivity such as infrastructure investments.

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