

Undeclared work in Germany – Mapping of administrative sources

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1. Administrative sources

The issue of undeclared work (UDW) does not play a central role in Germany, even public authorities are aware of the problem. Thus, the availability of information about the quantity of UDW is rather limited. The Federal Statistical Office does not publish estimates for the size of the shadow economy or UDW, as these are not explicitly needed for GDP calculations. The Federal Labour Agency does not collect data about UDW, as it would be an antagonism in itself to collect official data about illegal activities.

The only available data source about UDW at a federal level is the customs authority. Further, the municipalities have additional information about administrative fines imposed in cases of UDW by municipal authorities.

1.1. Customs authority

The best available administrative source of UDW in Germany is the department of financial control of UDW (*Finanzkontrolle Schwarzarbeit*), which is a part of the customs authority of the Ministry of Finance. In January 2004 labour inspectorates of the Federal Labour Agency and customs authorities were centralised in the department of financial control of UDW, which performs the task of combating UDW. It is the superior authority of 113 regional authorities and has about 6.500 employees.

Contact details	Bundesfinanzdirektion West Wörthstraße 1-3 50668 Köln http://www.zoll.de/d0_zoll_im_einsatz/b0_finanzkontrolle/index.html
Time period	Data are available from 2002-2008. Due to the new definition of UDW in the law of combating undeclared and illegal work in August 2004, the data are only comparable for the years 2005 -2008.
Definition of UDW	According to the law of combating undeclared and illegal work (2004), UDW is defined as the practice or the commission of a service or work performance: <ul style="list-style-type: none"> - which violates the law of taxation or social security - which violates the duty of notification to the Federal Labour Agency, or any institution providing benefits - without registration of the business or without registration in the register of craftsmen (<i>Handwerksrolle</i>), although a craft/trade is carried on
Nature of data	The statistic gives information about the number of inspections, infringements captured and administrative fines (see table below).
Breakdown	Neither a breakdown by socioeconomic characteristics nor a breakdown by sectors is available.

Statistic of customs authority about combating undeclared and illegal work

	2005	2006	2007	2008
Inspections of persons at workplace	355,876	423,175	477,035	488,996
Inspections of employers	78,316	83,258	62,256	46,058
Successful preliminary proceedings due to criminal offences	81,29	91,82	117.441	106,96
Successful preliminary proceedings due to administrative offences	53,852	54,087	72,969	63,274
Amount of fines determined in judgements and penalty orders in million euros	67.1	46.4	51.9	56.7
Compensatory damages which were figured out in the investigation of criminal and administrative offences in million euros	562.81	603.6	561.8	549.7
Sum of prison sentences in years	995	1,123	1,398	1,556

Source: Ministry of Finance

1.2. Additional data sources

In Germany a special form of UDW exists: when a person runs a business without the registration of the business or without the registration in the register of craftsmen (*Handwerksrolle*).

If these cases of UDW were detected at a regional level municipal authorities can impose administrative fines. Then, these cases won't be registered in the statistic of the customs authority.

Thus, additional information about failures of registrations of businesses is available at a regional level. However, more than 12,000 municipalities exist in Germany; the collection of these data would be very time-consuming and is beyond the scope of this research project.

The Chambers of Crafts do not administrate information about the abuse of these registration rules as they do not deal with their prosecution.

2. Assessment of data

UDW is an illegal action and takes place in secrecy. Thus, the inspection data of the customs authority only delivers information about infringements captured. While, the number of inspections does not distinguish between inspections without suspicion or inspections due to an advice, it does not deliver a representative figure of the whole extend of UDW in Germany.

Nevertheless, as estimations about the size of the shadow economy or UDW are not published by the Federal Statistical Office in Germany, the inspection data of the customs authority are an important indication for evaluating the success of combating UDW. In recent years the number of inspections increased while the number of preliminary proceedings decreased between 2007 and 2008, which is interpreted as a reinforced and successful combat of UDW by the customs authority.

Due to the fact, that the statistic of the customs authority can't be interpreted as a representative figure of UDW in Germany, the complementarity to the macro-economic approaches is limited. These approaches estimate shares of GDP of UDW (Schneider estimated 14.6 % and Rockwool 3.1 %), what is not possible with the data of the customs authority and thus can hardly be compared.

As described in the section above, cases of UDW detected and punished at the level of municipalities are not registered in their statistic. Thus, the statistic of the customs authority does not comprise all cases of detected UDW in Germany. Nevertheless, it is the only data source of UDW at a federal level.

Furthermore, the non-availability of data of specific sectors with widespread UDW (as housing construction and hospitality) is limiting the explanatory power of the data source.

Literature

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