Abstract: Undeclared work exists for a long time and does not represent an exception. People have been working over decades in order to gain the money necessary to a decent living. Some of them are choosing to work legally; some decide not to pay taxes. The reasons are different and hard to judge. During the time, the attempts to remove the undeclared work were multiple, but the results were never the expected ones. At the present, this phenomenon levels are quite important and it seems almost impossible to eradicate it. Starting from classical factors influencing undeclared work perpetuation, from the advantages and disadvantages it brings, this paper aims to emphasize the perception of young people in our country on this phenomenon. The paper starts from the premise that young people are those who in the future will carry forward the cultural, economic, social heritage and therefore if we want to eradicate undeclared work, it is necessary to understand how it is perceived.

Keywords: undeclared work, markets, youth, employment

JEL classification: J20, I00

1. Introduction


Although, the number of studies dedicated to undeclared work is high, there is not a widely recognised definition of this phenomenon. The definition most commonly used is the one of the European Commission, considering as undeclared work ‘any paid activities that are lawful as regards their nature, but not declared to the public authorities, taking into account the differences in the regulatory system of Member States’ (European Commission, 2007), thus covering a large range of activities, from undeclared domestic services to clandestine activities conducted by illegal residents, but excluding the realm of criminal activity where illicit goods and services are exchanged (Renooy and Williams, 2014).

Moreover, we may consider as undeclared work, the following types of activities:
- Those realised in a formal or informal enterprise, or what might be termed undeclared waged employment.
- Own-account activities for an enterprise or another client such as a household, conducted in a similar way to self-employment;
- More socially embedded own-account activities, such as delivering goods and services directly to neighbours, kin, friends or acquaintances, seen here as consumers (Eurofound, 2013).

Often, authors are presenting as common features of the activities generating undeclared work, the following:
- high demand for minimum skilled or unskilled labour, following a brief training on the job;
- seasonality or otherwise discontinuity of the activity involved;
- low technical necessary means;
- ability to perform the activity at home or in small units;
- location in direct contact with the consumer, allowing informal negotiating positions, cash etc.

As Europe and not only had to face a serious crisis in the last years, more and more scientists became concerned because of the implications of this phenomenon. Empirical research conducted abroad and in Romania, emphasizing the size and development of the undeclared work has strongly increased. Nowadays, there are a lot of studies, using different methods in order to estimate the size and development of the shadow economy (Schneider, 2014), in general, and of undeclared work, in particular, that it is quite difficult to judge the reliability of various methods. What is obvious is the fact that no matter what method we use, the result is sufficient enough to be worry and to take action in order to reduce the phenomenon.
2. Undeclared work – between advantages and disadvantages

It is noted a particular situation in Romania for undeclared work after 1990. Promoting the land restitution policy has played a very important role in the survival of the undeclared work. Owners of such land have been drawn into the underground economy easier because they preferred to work illegally in the context in which the land was not a sufficient source for a decent living, but offered them a degree of autonomy (Ene, Burghelea and Badea, 2011).

The causes of undeclared work in our country are various, this being only one face of the studied phenomenon. It is widely recognised the fact that in Romania undeclared work is a reality multifaceted, being determined by multiple causes such as: higher taxes on employment, bureaucracy of labour relations, lack or the continuous changing of legislation, unemployment etc. The oscillations of unemployment rate in Romania (figure 1) and the upward trend require special attention to this issue.

Fig.1. Evolution of the number of unemployed people in the period 2008-2014

In general, the causes of undeclared work are some of economic nature and the phenomenon is still evolving as it offers significant advantages on the short term both to the employee and to the employer (Ene, Burghelea and Badea, 2011). Meanwhile, there are significant the risks and disadvantages coming along with it, on the medium and long term, both for the employer and for the employee. Thus, for the employee, among the disadvantages, we may identify:

- lack access to health and safety standards in the workplace (ILO, 2002);
- lack of the employment rights such as annual and other leave, sickness pay, severance pay and training (Evans et al, 2006);
- low job security (Williams, 2001);
- inability to receive referrals to get employed elsewhere (ILO, 2002);
- lack of several legal rights, such as the minimum wage, tax credits and the working hours directive (Leonard, 1998);
- lack of insurance;
- inability to gain access to credit (Kempson, 1996);
- lack of rights to the state pension and other contributory benefits, and access occupational pension schemes (Gallin, 2001);
- lose employability due to their lack of evidence of engagement in employment;
- a constant fear of detection and risk of prosecution (Grabiner, 2000 in Renooy and Williams, 2014).
- not entitled to training courses paid by the employer.

During time, it was observed that people with initiative and sense of risk are more likely to engage in the underground sector, seeing the employment in this sector as an alternative to the formal economy, which does not offer, in their opinion, too many acceptable choices. In the same time, highly motivated people (for example, a young couple wishing to buy a house or a parent who has to support his child to go to a college) will be willing to perform any kind of work in order to obtain the revenue necessary to achieve a purpose, while those who have some modest expectations about the minimum standard of life will show a moderate behaviour in this regard (Ene, Burghelea and Badea, 2011).

Moreover, the undeclared work may seem like a blessing sometimes for both the employee and the employer, but in the same time it may be a great disappointment. Like in the case of the employee, the employer has to face a lot of issues (Figure 2).
The effects of the undeclared work are visible not only in the case of the direct participants, but in the case of some indirect ones, such as the firms operating in the legal sphere or the customers buying things or services from individuals using undeclared work. Thus, for legitimate businesses, the undeclared work conducts to an unfair competitive advantage for illegitimate businesses over legitimate ones (Grabiner, 2000), this being the reason for which some legitimate businesses decide to go to the undeclared economy in order to compete (Evans et al., 2006).

For customers using goods and services provided by the undeclared economy, among the disadvantages, one may observe the fact that they cannot adopt a legal recourse if a poor job is done, they don’t have an insurance cover and the certainty that health and safety regulations have been followed (Renooy and Williams, 2014). In spite of the risks, Europeans are still buying merchandise realised in the undeclared economy. Thus, according to the Special Eurobarometer realised by the European Commission in 2014, „one in ten Europeans (11%) have acquired goods or services in the past year where they have had good reason to believe it involved undeclared work.” According to the same source, countries with particularly high proportions of respondents who have purchased undeclared goods or services in the past year were Greece (30%), the Netherlands (29%), Latvia (28%), Denmark and Malta (23% in each) and Slovenia (22%), while between the countries with the lowest proportions of purchasers were the UK and Spain (8% in each), Germany (7%) and Poland (5%) (European Commission, 2014).

Moreover, there is a consensus regarding the sectors in which undeclared work is „at home”. According to the European Commission, people in the EU „are most likely to have purchased goods or services which may have included undeclared work for home repairs or renovations (29%) and car repairs (22%), followed by home cleaning (15%) and food (12%)”.

Among those who are disadvantaged by the existence of the undeclared work, we may also find the government (Figure 3).
The government is situated in a difficult position. Many are accusing it to be one of those factors that determine the existence of the undeclared work and do not take the necessary actions to eradicate this phenomenon. Starting from the presented features of the undeclared work, we tried to see if these features are viable for our country, Romania.

### 3. A short analysis of the young people's perception of undeclared work in Romania

In order to analyze the situation of the undeclared work in Romania, we considered that it is necessary to analyze the young people mentality regarding this phenomenon, since they are the ones who can change things in the future. In order to study this situation, a survey was conducted online, based on multiple choice questions. Participants to this survey were a group composed of 500 people aged between 16 and 30 years. The questionnaire was distributed online via GoogleDocs instrument in June 2014. The majority of respondents were students (67%), only 19% were employees, 8% were unemployed and 6% were pupils in the last grades.

#### Chart no.1

<table>
<thead>
<tr>
<th>Status of the respondents</th>
<th>Pupil</th>
<th>Student</th>
<th>Employee</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>19%</td>
<td>6%</td>
<td>8%</td>
<td>67%</td>
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</table>

When asked “what do you understand when hearing undeclared work?”, the majority (80%) said that it is work, which is not taxed, payments made through the so-called envelope. For 9% of respondents, undeclared work is a sure way to earn money in the absence of permanent job.

#### Chart no.2

<table>
<thead>
<tr>
<th>What do you understand when hearing undeclared work?</th>
<th>Domestic work in private households</th>
<th>Casual/seasonal work</th>
<th>Illicit trade and smuggling</th>
<th>Not taxed work achieved by the so-called payment in the envelope</th>
<th>A safe way to earn money in the absence of a permanent job</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>5%</td>
<td>6%</td>
<td>9%</td>
<td>80%</td>
<td></td>
</tr>
</tbody>
</table>

Moreover, the respondents are willing to recognize that they know somebody who works in the undeclared economy. Thus 72% of the respondents said they had acquaintances, friends or colleagues who perform such activities, while 84% say that they themselves are not working in the undeclared area. Only 16% acknowledged that they perform undeclared work.
The answer is close to that obtained by the European Commission; in the Eurobarometer is presented the fact that „one in three Europeans (32%) know someone who carries out undeclared work, compared with just under two in five (38%) in 2007. The countries where respondents are most likely to report that they know someone who carries out undeclared work are Denmark (59%), the Netherlands (55%) and Greece (54%), Slovenia (48%) and Latvia (46%). Those where respondents are least likely to know anyone are Malta and Romania (20% in each) and the UK (15%).” (European Commission, 2014)
What is worrying is that even currently not on the market of undeclared work, more than half of those surveyed (57%) would be willing to enter this market to achieve more benefits, the most significant being a higher income to satisfy the increasing needs.

The need to increase the income is the main reason for the population to accept to operate undeclared work. The fact that individuals do not find a a permanent job according to their studies and experience is another reason why they prefer to perform undeclared work. High taxes are not considered having a massive impact on the decision to submit or not declared work.
Regarding the area most susceptible to undeclared work, half of the respondents (52%) consider the construction as occupying the first place, followed by agriculture (16%), organized and unorganized trade (14%) and services (11%). The areas least affected by undeclared work are forestry and clothing (2%).

![Chart no.6. Areas susceptible to undeclared work](chart)

The questionnaire also aimed to identify some possible measures to reduce the phenomenon. Thus, more than three quarters of the respondents said that the government should increase the number of jobs (42%) and to provide incentives in order to formalize the activities of the undeclared work area through measures such as tax simplification, tax incentives for the buyer or vouchers for services (43%).

![Government - Possible measures to reduce the dimensions of undeclared work](chart)

In Romania, reporting the survey results to the national situation, it become apparent that the studied phenomenon is increasing, especially since the population was affected by the poor state of the economy and burdening tax system. Compared to Europe, the undeclared work situation in Romania is not so different. One in ten people buy products rooted in the undeclared work market because of the advantages in terms of price or location. Both in the EU and in Romania, people prefer to use undeclared activities to obtain higher incomes pushed being poor economic situation and increasing needs.
4. Instead of conclusions

The questionnaire revealed that this phenomenon is worrying, especially due to the fact that despite the disadvantages that the respondents are aware, more than half would be willing to provide undeclared activities remunerated with money in envelope. The conducted mini study is basically consistent with the results of studies carried out at all age categories. Although young people are supposed to be idealistic, they fit into majority based on the low level of wages in the legal sphere.

The reality shows that undeclared work is hard to eliminate, but during time, there were taken a lot of measures. In order to tackle undeclared work, in the EU there have been taken different types of measures, such as:

- deterrence measures – this type aims forcing people to shift from undeclared to declared work by changing the cost–benefit ratio, confronting those engaged in undeclared work or contemplating participation.

- prevention measures – this type aims: providing direct or indirect tax and social security incentives to encourage people to engage in regular declared employment; simplifying compliance; offering micro-enterprise development programmes in order to help businesses set up and develop in a formal manner; technological interventions; introducing new categories of legitimate economic activity; and introducing initiatives to ensure a smoother transition into self-employment (Eurofound, 2013).

- curative measures – this type refers to: voluntary disclosure, society-wide amnesties, tailored business support and advisory services to help unregistered enterprises make the transition to the formal economy, measures aiming to encourage purchasers to acquire goods and services on a declared rather than undeclared basis.

- Commitment measures

In order to change something in Romania in the field of undeclared work, there is necessary to change first of all the mentality of young generation, to educate them in order to obey the law. Second, the political/governmental factor needs to find a mix of policies and to apply them in this respect, starting with the creation of new jobs and growing the living standard for population.

References

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