

EMILJAN KARMA*

Undeclared work in Albania: dimension and consequences

SUMMARY: 1. Introduction – 2. Undeclared Work in Albania – 3. Action against undeclared work – 4. Conclusions and recommendations

1. Introduction

To address the undeclared work, first we must define it terminologically. The presence of many terms, such as: black job, informal job, illegal work, informal economy, etc., related to aspects of unlawful employment, make such a determination necessary. The importance of defining the term *undeclared work* is particularly related to 1. Legal aspects, 2. Characteristics it presents and 3. Effects it produces. Few European countries have embedded this term in the National Labour Code (France¹) or in the Labour Law (Lithuania²), while the rest of the Europe has not sanctioned a similar treatment of this term.

* PhD Catholic University “Our Lady of Good Counsel” - e-mail: e.karma@unizkm.al

¹ “*Sont constitutives de travail illégal, dans les conditions prévues par le présent livre, les infractions suivantes : 1° Travail dissimulé ; 2° Marchandage ; 3° Prêt illicite de main-d'oeuvre ; 4° Emploi d'étranger sans titre de travail; 5° Cumuls irréguliers d'emplois ; 6° Fraude ou fausse déclaration prévue aux article*” in L.5124_I, L. 5429-I, Lutte contre le travail illégal, **Labour Code (Code du Travail)**, Article L8211 – 1.

² “*Undeclared work shall mean the work functions performed, for remuneration, by a natural person (an employee), who is subordinate to another person (an employer), for the benefit of the latter, where the following has not been recorded in the working time accounting documents according to a procedure prescribed by the Labour Code of the Republic of Lithuania: overtime worked by the employee, the employee's work during holidays or day-off unless such work is set according to a schedule, the*

Useful information can be found at international organizations such as International Labour Organization (ILO³), the Organization for Economic, Co-operation and Development (OECD⁴) and the European Union⁵. Based on the definitions of undeclared work in general (and in particular the European Commission), we can conclude that the object of undeclared work is not related to illegal activities. In particular, undeclared work has a legal object, but the fact that concerned subjects (employer and / or employee) do not fulfil the legal obligation of job declaration, transforms undeclared work into a legal, social and economic issue. The **legal problems** concern the fact that certain entities, in order to realize some short-term advantages, do not meet certain legal obligations versus the state taxpaying agencies and those of social and health insurance. **Social problems** are related to the fact that undeclared work brings social security costs to the contributing

employee's night-time work" in **Law On Employment (Republic of Lithuania)**, Art. 58, N. XII – 2470 2016.

³ *All economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements* – ILO Resolution concerning Decent Work and the Informal Economy in <http://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/pr-25res.pdf>

⁴ "Employment (...) which, while not illegal in itself, has not been declared to one or more administrative authorities (...)" - OECD Employment Outlook 2004 in <https://www.oecd.org/employment/emp/34846912.pdf>

⁵ "The concept of 'undeclared work' is taken to mean any paid activities that are lawful as regards their nature but not declared to the public authorities, bearing in mind that differences in the regulatory system of Member States must be taken into account" – Communication of the Commission on Undeclared Work in COM(98) – 219, <http://ec.europa.eu/social/main.jsp?catId=1298&langId=en>

beneficiary (creating problems in the sustainability of the whole social security system), physical security in the workplace, protection of the rights of employees, etc. **Economic problems** are related 1. to the economic benefits of some entities who unfairly compete with businesses that respect declarations and other legal obligations, 2. with lower incomes in tax agencies, social security and health agencies, 3. with the reduction of quality standards of products and services.

The attention and fight against undeclared work has increased over time. Due to the particular characteristics of undeclared work, in some countries it is most difficult to detect it, and in other countries such a aspect is tolerated. Referring to European Union countries, we note that undeclared work exists in all countries but in different dimensions (minimum in Austria, maximum in Bulgaria)⁶. On the other hand, we also observe that over time, the government agencies' struggle against this phenomenon has done concrete results in improving this situation, maintaining anyway the differences in the EU countries⁷.

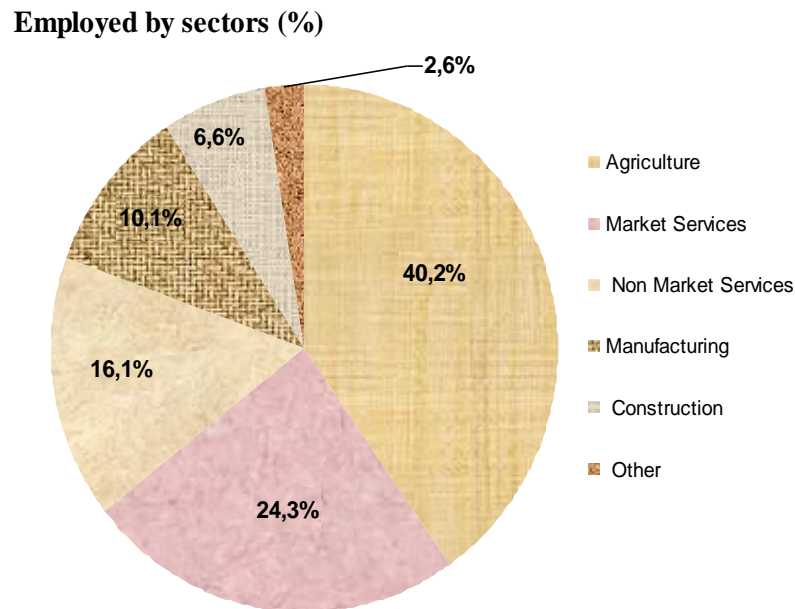
2. Undeclared work in Albania

In order to describe undeclared work in Albania, initially must be considered in broad terms the *declared work* (what the official figures of the Albanian Labour Market indicates).

⁶C.C. WILLIAMS, S. NADIN, *Joining up the fight against undeclared work in Europe*, Management Decision, Vol. 50, Iss: 10, pp. 1758 – 1771, 2012

⁷ EUROFOUND (2013), *Tackling undeclared work in 27 European Union Member States and Norway: approaches and measures since 2008*, Eurofound, Dublin, p. 6

Albania has a population of about 2,870,000 and is rated as a middle income country⁸ (GNI per capita \$ 4180, 2016), just like other countries in the Western Balkans region. According to INSTAT data⁹, in 2016 the labour force consisted of 1,365,000 people, of whom 85% worked, while the rest was "registered unemployed". The economic sectors with the highest number of employees are agriculture and services to the market:



The average gross salary for an employee is 45845 Lek (327 Euros, 2016), while the average net salary is 38651 Lek (or 276 Euros at the exchange rate of the time). The average working time is 39.6 hours /

⁸ <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=AL>

⁹ INSTAT, *Tregu i Punës 2016*, Tiranë, 2017

week (min. 34 hours / week in agriculture – max. 46 hours / week services). Undeclared work, as the term itself states, is not easily identifiable. The forms of expression of this phenomenon are different and may appear simultaneously¹⁰:

1. Unwritten job contract;
2. Unpaid Social Security;
3. Salary higher than the salary stated in the contract;
4. Basic salary for the social security calculation is as much as it results in the contract, but the real wage is higher;
5. Basic salary for the social security calculation is the minimum value, but the real wage is higher;
6. Unpaid health insurance.

Given these forms of manifestation, undeclared work is also distinguished in *undeclared work* (points 1, 2, 6) and in *partially undeclared work* (points 3, 4, 5)¹¹.

Some studies and surveys show that all these forms of undeclared work appear in Albania. According to a recent study by SELDI, it turns out that undeclared work (i.e. employment where there is at least one of the above forms of absence or concealment of the statement) is accounted

¹⁰ SELDI (Southeast European Leadership for Development and Integrity), *Hidden Economy and Good Governance in Southeast Europe, Regional Assessment Report 2016*, p.36; IDM (Instituti për Demokraci dhe Ndërmjetësim), *The Shadow Worker – Hidden Economy and Undeclared Labour in Macedonia, Albania and Kosovo*, Policy Brief No. 38, October 2016.

¹¹ H. DEKKER, E. ORANJE, P. REENOY, F. ROSING AND C.C. WILLIAMS, *Joining up the fight against undeclared work in the European Union*, Regioplan Policy Research No. 1969, Amsterdam, December 2010.

for at 39% of total employment¹². The classical form of undeclared work in Albania is the *partially undeclared work* (34.9% - 36% of the cases depending on the surveys type)¹³ and then the absence of a *written contract* (16%), *social security* and *unpaid health insurance* (12%).

Undeclared work is noted for individuals who are relatively less educated. Thus, almost 90% of high school respondents work with a written contract, while only 20% of primary school employees have a written contract¹⁴. This shows how important is the education and the information about the long-term problems of undeclared work.

While the forms of manifestation of undeclared work can be easily identified, it is more difficult to detect the expansion and to explain the reasons for the presence of this circumstance.

Regarding the expansion, there are several studies commissioned mainly by international institutions, which highlight the fact that undeclared work in Albania is widespread, although methodology and references may differ from one study to another. According to the International Labour Organization, informal work in Albania in 2016 (excluding the agriculture sector) is about 30% of total employment¹⁵. According to the World Bank, undeclared work in Albania reaches 37.4% of total employment in 2017, with a significant improvement compared to 2014

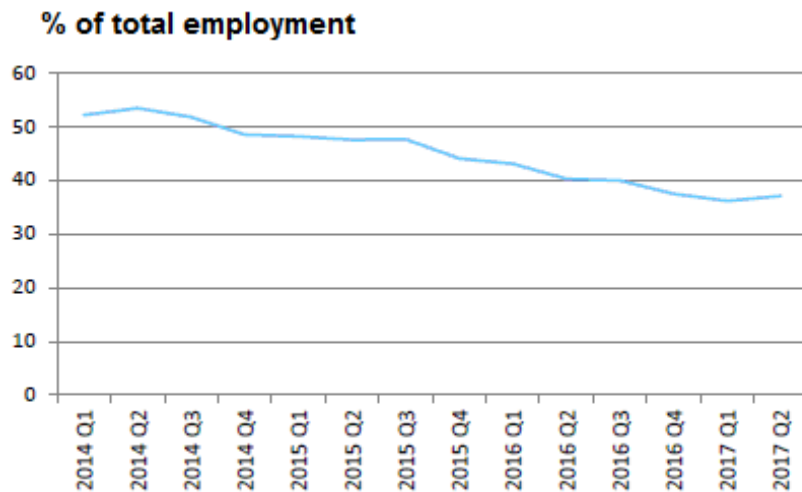
¹² SELDI, *op.cit.*, p. 22

¹³ SELDI, *op.cit.*, p. 22; IDM, *op. cit.*, pp. 7-8

¹⁴ IDM, *op. cit.*, pp. 7-8

¹⁵ ILO, *Women and Men in the informal economy: a statistical picture (third edition)*, 30 April 2018, in http://www.ilo.org/global/publications/books/WCMS_626831/lang-en/index.htm

(when the undeclared work amounted to 50% of the total employment)¹⁶.



The young men, self-employed, with low education constitute the dominant social group in undeclared work. Regarding the sectors of the economy, it can be confirmed that agriculture and services are the two most affected sectors in Albania. This confirmation can be based on the fact that the majority of the labour force in Albania is self-employed in agriculture and services and the inspections in rural areas are most difficult to implement. Another ILO survey concludes that retail trade in urban areas is the most informal activity in terms of employment, followed by construction and other services¹⁷.

¹⁶ World Bank and WIIW (The Vienna Institute for International Economic Studies), *Western Balkans – Labour Market Trends 2018, March 2018*, p. 14 në SEEJobsGateway.net

¹⁷ C. MIHES, N. POPOVA, S. ROCH, *A comparative overview of informal employment in Albania, Bosnia and Herzegovina, Moldova and Montenegro*, ILO, Budapest, 2010, p. 9

Referring to INSTAT and the Social Insurance Institute (ISSH) the gap between employees and contributors is about 38% of total employees or 438891 employees that do not contribute to ISSH (2016). At the same time, while 465185 people are employed in agriculture, there are only 53168 contributors (or 11% of the total)¹⁸.

Referring to another World Bank Survey titled *Enterprise Survey* and conducted periodically by interviewing businesses of different sizes, sectors and locations around the world (the latest in Albania in 2013), we note that in Albania 40% of businesses reported *competing with other unregistered (or informal) businesses*, while 20% saw *unregistered business competition as the main obstacle to development*¹⁹. In this survey it is noticed that retail is the sector where informality is more visible, followed by manufacturing business and other services (especially food business and catering). From the survey data, can be highlighted the fact that in small businesses the informality is more developed than in medium and large businesses. The agricultural sector is not part of this survey and hence no conclusions can be drawn regarding undeclared work in agriculture. Geographic areas where informality is most noticeable are in the South and in the southeast of the country.

¹⁸ www.instat.gov.al, www.isshe.gov.al

¹⁹ www.enterprisesurveys.org;

http://microdata.worldbank.org/index.php/catalog/enterprise_surveys

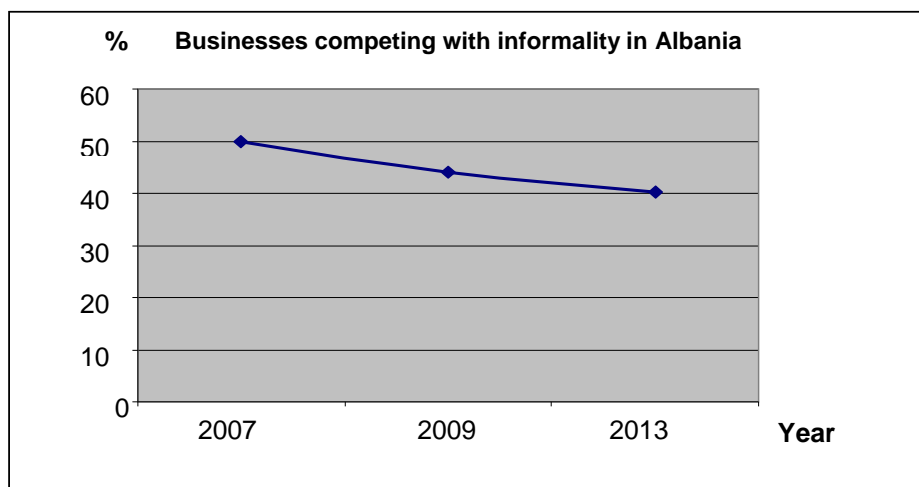
Tab. 1: Impact of undeclared work in Albania (2013)

	Businesses competing with unregistered or informal businesses (%)	Businesses considering informality the main obstacle (%)
Total	40,2	19,9
<i>According to the sector:</i>		
Manufacturing	41,2	23,4
Retail	43,5	20,0
Other services	37,9	17,2
<i>According to the size:</i>		
Small	45,7	23,5
Medium	24,9	10,3
Large	26,3	2,3
<i>According to the location:</i>		
Durrës dhe Shkodër	27,6	27,3
Elbasan dhe Korçë	60,3	11,5
Fier dhe Vlorë	72,5	51,0
Tiranë	35,8	17,4

N. = 360, Source: World Bank Enterprise Survey 2013

Considering the previous Survey data (2009, 2007) of Enterprise Survey, can be noticed that the number of businesses competing with unregistered or informal businesses has declined in the time and this

trend is evidence in all sectors and size businesses. What remains unchanged from one survey to another is the high level of informality in retail trade, thus constituting the most notable concern for operators and formal competition in the market.



Source: World Bank Enterprise Survey (2007, 2009, 2013)

The existence of undeclared work in Albania (as well as in other Western Balkan countries) are not only related to the proclivity of businesses to pay less taxes, to pay not (or to pay less) social insurance. Indeed, studies conducted in other European countries show that there is no significant correlation between taxes, contributions and the level of undeclared work²⁰. This can be said for Albania and similar countries in the region

²⁰ C.C.WILLIAMS, *Cross National variations in the under-reporting of wages in South-East Europe: A result of over-regulation or under-regulation?*, South East European Journal of Economics and Business, Vol.7, No.1, pp. 53-61, 2012; C.C. WILLIAMS, *Evaluating cross-national variations in envelope wage payments in East-Central Europe*, Economic and Industrial

such as Bosnia and Herzegovina, Montenegro, Serbia and North Macedonia.

Table 2: Correlation between taxes and public expenditures with undeclared work

Shtete	Taxes (% GDP) – (1)	Social Contrib. (% GDP) – (2)	Soc. Public Expenditure (% GDP)	Employment Soc. Expenditure (% GDP) – (4)	Undeclared Work (% tot. employm.) – (5)	Correlation (1 – 5)	Correlation (2 – 5)	Correlation (3 – 5)	Correlation (4 – 5)
Albania	17,6	5,17	6	0,05	39	0,36	0,26	-0,16	0,32
Bosnia and Herzegovina	19,9	14,9	6,95	0,12	37				
Montenegro	23,4	11,4	9,1	0,41	39				
Serbia	19,7	12,2	11,16	0,06	51				
North Macedonia	16,4	8,5	10,08	0,12	30				

Democracy, 36(2), pp. 283-303, 2015; T. VORLEY, C.C. WILLIAMS, *Evaluating the variations in undeclared work in the European Union*, Journal of Economy and its applications, Vol.2, Iss.2, pp.20-39, 2012.

The difference between the EU countries (divided into four categories, as there are evident differences between them) and the Western Balkan countries lies on the impact of public social spending (excluding total pension expenditure) on undeclared work. If in many European countries, the impact of public social spending on reducing undeclared work is positive (i.e. if public social expenditure increases, undeclared work decreases), the estimates made in this study²¹ do not reveal such correlation in the countries of the Western Balkan. Probably in these countries there are other reasons that push businesses and employees not to declare their employees, being not closely tied to financial aspects. One of these reasons can be the fact that the Western Balkan countries do not pay much attention to employment programs. Meanwhile, on average, Central and Eastern European countries spend 0.65%²² of GDP on employment programs, Western Balkan countries spend many times less (with the exception of Montenegro). As a result, the impact of this financial instrument on undeclared work will be insignificant. Even with regard to public social spending, Western Balkan countries spend on average less than Central and Eastern European countries (11%)²³, although the gap in this case is much narrower. With regard to public social spending, it should be noted that a particular aspect can be also the low trust that potential service beneficiaries have in the system efficiency:

²¹ Data are obtained from the World Bank, the International Monetary Fund, Euromoney, and the Social Insurance Institute of Albania

²² Database EUROSTAT, 2016

²³ Database ILO, 2016

the deficit in the utility function of public social expenditure increases the negative perception of people in the system efficiency. In the case of Albania another important reason for the presence of informality as a whole and in particular of undeclared work should also be sought in the way of administering and collecting taxes and contributions from law enforcement agencies. Referring to Doing Business reports, and especially to the "Paying taxes" indicator, it can be seen that Albania is ranked 125th out of 191 countries at a time since in the "Starting a Business" indicator Albania is ranked many times better (in the 45th place) ²⁴. This means that in Albania it is easy to open a private enterprise, but the difficulties increase later, when the private enterprise starts the business. One of these difficulties (which is of interest to the object of this study) is the dynamic of paying public burden (taxes, contributions, etc.)

Regarding the "Starting a Business" indicator, Albania has improved the situation over the years by simplifying the procedures for registering start-up businesses, saving time and money. Since 2008, new business facilities have been launched, significantly reducing the time for registration and reducing the required procedures.

²⁴ Doing Business 2018,
<http://www.doingbusiness.org/data/exploreeconomies/albania>

Undeclared work in Albania: dimension and consequences

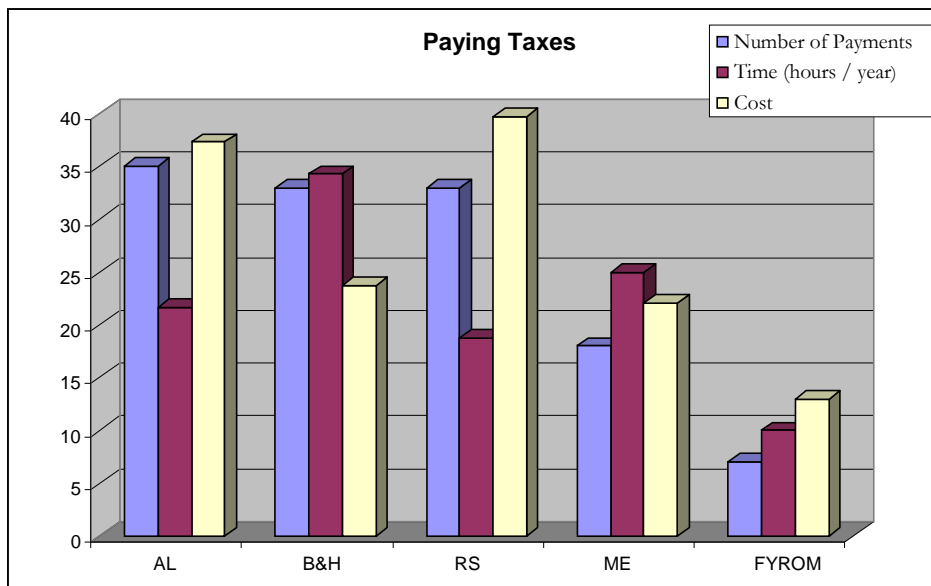
Starting a Business	2007	2008	2017
Number of payments	10	6	5
Time (days)	36	8	5
Cost (% GDP/capita)	21	25,8	12
Paying Taxes	2007	2014	2017
Number of payment	44	34	35
Time (hours / year)	240	357	261
Cost (% of profit)	46,8	31,4	37,3

Compared to the countries of the Western Balkans region, one negativ aspect has to do with business start-up cost, which is more times higher than in North Macedonia (0.1% GDP / capita), Serbia (2.3 % GDP / capita) or Montenegro (1.5% GDP / capita).

The "Paying Taxes" indicator is an indicator which, although having undergone slight improvements over time, is quite problematic, especially with regard to the number of payments and the time spent for paying various liabilities. There has been a significant improvement in the fiscal burden on businesses in the period 2007-2014. After 2014, with the reform of the fiscal system, the business taxes and the opportunities for using electronic payment have increate. However, the results are not significant.

Compared to other countries of the Western Balkans, number of payments should be made more than in any other country. The time spent on carrying out these procedures is relatively high, for example,

North Macedonia (119 hours / year) or Serbia (225 hours / year). Of course, these situation do not encourage businesses, totally or partially informal, to formalize.



Other reasons of the presence and growth of undeclared work in Albania can be related to migration remittances and the characteristics of labour law provisions.

Numerous studies show that there is a positive link between remittances and the informality of the economy²⁵. Income from emigration mainly

²⁵ A. IVLES, *Remittances and Informal Work*, International Journal of Manpower, Vol.37, Issue 7, pp. 1172 – 1190; S. CHATTERJEE, S. J. TURNOVSKY, *Remittances and the informal economy*, Journal of Development Economics, Vol.133, 2018, pp. 66 – 83; C. MARTINEZ, M.E. CUMMINGS, P.M. VAALER., *Economic informality and the venture funding impact of migrants remittances to developing countries*, Journal of Business Venturing 30(2015), pp. 526 – 545.

supplies the informal economy (and undeclared work as a consequence) in developing countries as well as serving as a social safety net complying with the entire social contribution system. However, remittances in Albania are declining and its short-term benefits can not compete with the long-term costs of being outside the social security system.

The characteristics of the labour code provisions relate mainly to the flexibility of the job contract. Albania is harmonizing its national laws with EU legislation within the framework of the integration strategy. European countries are distinguished for the orientation towards the explicit protection of employee rights and in this logic there is also a lack of flexibility in the job contract²⁶. Flexibility of the job contract discourages the presence of undeclared work if the flexible system is balanced by an efficient judicial system. Considering the serious problems of the Albanian judicial system, it can not be concluded that the rigidity of the labour law has helped to contain the undeclared work.

3. Action against undeclared work

In European countries, one of these three government agencies - the labour inspectorate, tax administration, social security - has the leading role in fighting undeclared work.

²⁶ CLDS (Centar za liberalno – demokratske studije), *Informal Employment in the Region*, Working Paper 22, June 2016, pp. 12 – 13.

Table 4: Leading Agency in fighting undeclared work

Labour Inspectorate	Social Security	Tax Administration
Bulgaria, Cyprus, Czech Rep., Greece, Hungary, Italy, Iceland, Latvia, Lithuania, Malta, Luxembourg, Poland, Portugal, Romania, Slovakia, Slovenia, Spain	Belgium, France, Switzerland, Liechtenstein	Austria, Denmark, Estonia, Germany, Finland, Ireland, Netherlands, Norway, Sweden, United Kingdom

These government agencies, depending on the objectives, cooperate with one another for sharing information, realizing or formulating common strategies²⁷. In some of the European Union countries, such as Germany or France, there is a special structure embedded within one of these agencies, which is responsible and deals specifically with the identification and fighting undeclared work. The tasks of this structure concern planning, setting objectives, organization and coordination with other government agencies involved in employment issues²⁸.

²⁷ H. DEKKER, E. ORANJE, P. REENOY, F. ROSING AND C.C. WILLIAMS, *op.cit.*, p. 17

²⁸ T. VORLEY, C.C WILLIAMS, *op.cit.*, pp.20-39;

The action against undeclared work in these countries is accompanied by a series of measures, which can be grouped in this way:

1. Repressive measure;
2. Preventive measures;
3. Curative measures;
4. Awareness measures.

According to various studies, most effective measures result to be repressive measures (57%) and preventive measures (19%). Awareness measures are less effective, even in candidate countries for EU membership, where awareness measures have no role in declining undeclared work²⁹. However, these macro - measures combined with one another create an effective synergy.

In Albania there is no government agency dealing specifically with undeclared work. Some government structures deal with different aspects of employment. Currently, the Ministry of Finance and Economy³⁰, in coordination with the Ministry of Health and Social Protection, is responsible for employment strategies and the protection of vulnerable social strata. Agencies of other ministries (for sectoral aspects) transmit the necessary information for drafting employment policies. Implementation of policies concerning compliance with the

²⁹ C.C. WILLIAMS, M. BARIĆ, P. RENOY, *Tackling undeclared work in Montenegro*, Eurofund, 2013, p.17; H. DEKKER, E. ORANJE, P. REENOY, F. ROSING AND C.C. WILLIAMS, *op.cit.*, p.21

³⁰ Prior to 2017, the Ministry of Social Welfare and Youth was responsible for the employment strategy, see National Employment Strategy and Skills 2014 - 2020.

Labour Code, declaration of employees, protection of health and safety at work is carried out by the State Labour Inspectorate and Social Services (ISHPSHSH)³¹. This inspectorate consists of 98 inspectors distributed in 12 regional branches. Taking into account the number of private entities, it turns out that an inspector should carry 1400 visits a year, while the inspection capability of an inspector is 110 visits per year. This shows that the inspection capacities are low, both in terms of human resources, and in terms of material assets in service activity. During 2017, 7958 licensed entities were inspected as a legal obligation of the Inspectorate, where 2189 informal employees (1.3% of inspected employees) were discovered. Almost 50% of inspected workers are found to be provided with minimum wage reference. During the activity, 54 other unlicensed subjects were discovered with 54 undeclared employees³².

The Tax Administration is responsible for collecting taxes, detecting and handling tax evasion. This state agency is composed of a General Directorate based in Tirana and 14 Regional Directorates with about

³¹ The State Inspectorate of Labour and Social Services (ISHPSHSH) is a public institution under the Ministry of Finance and Economy. The competencies and structure of the ISHPSHSH are set out in Law No. 9634, dated 30.10.2006 on Labour Inspection and State Labour Inspectorate, as amended by Law No. 24, dated 14.02.2013 and subsequent DCMs.

³² Data regarding the activity of ISHPSHSH are provided by the Statistical Analysis Bureau at the ISHPSHSH.

1600 employees³³. By the number of employees, it is one of the most important structures of state administration.

Starting from 2015, the General Directorate of Taxation (GDT) cooperates with the State Employment Inspectorate (but also with the Ministry of Interior, Prosecution and Customs) in the framework of the fight against informality, a struggle which is concretized with the Action against Informality. This action, organized in the form of task force, started in 2015, includes some ministerial agencies, has been advised by the IMF and is now in its advanced stage of implementation³⁴. The initial phase was to identify the informality and awareness of the subjects about the importance of their formalization. According to the IMF, this stage was successful in terms of the number of declared employees, while not providing the expected results with regard to social security income³⁵.

According to the reports provided from the cooperation between ISHPSHSH – GDT (2017) 607 informal employees were identified by about 30000 inspected employees (2% of the inspected employees). From the joint action, 576 employees were introduced into the social security scheme (or formalized). The inspections carried out show that the sectors most affected by the lack of job contracts are: trade - catering - restaurants (40.7% of cases without contract), manufacturing

³³ Data from General Directorate of Taxation

³⁴ SKI (Sekretariati i Këshillit të Investimeve), *Dokument Pune / Informaliteti, Sfidë e përbashkët Qeveri – Sipërmarrje, Dhjetor 2015*;
<http://www.financa.gov.al/al/njofitime/lajme/aksioni-kunder-informalitetit-prezantohet-faza-e-dyte>

³⁵ <https://www.imf.org/external/pubs/ft/scr/2016/cr1661.pdf>

enterprises (39% of cases without contract), construction (8% of cases without a contract). The current phase against informality has to do with a series of measures that together with the reduction of informality, also promote the so-called deregulation (as a preventative measure of informality) to facilitate the relationship with the state administration. At this stage, focus will be directed mainly to large business through the application of risk management methods³⁶ provided by the General Tax Directorate.

4. Conclusions and recommendations

Undeclared work in Albania remains a trouble aspect of the informal economy. In a long-term perspective, undeclared work creates legal, economic and social problems for all those employees who do not register in the state labour agencies. The most widespread form of undeclared work is *partial undeclared work* (employees are insured with the minimum wage, while they are paid more than the contract is shown). With regard to the economic sectors, agriculture and services (among which retail trade, food business and catering) have the highest number of undeclared employees. Regarding the size of economic activity, self-employed and small business are distinguished as the most informal subjects in terms of employment. Under the socio-demographic point of view, young men and relatively less educated are employees who declare

³⁶ DPT (Drejtoria e Përgjithshme e Tatimeve), *Plani vjetor administrativ i menaxhimit të riskut të pajtueshmërisë 2016* <https://www.tatime.gov.al/shkarko.php?id=111>

many times less than those with secondary and higher education (regardless of gender).

Although there has been some improvement over the size of the phenomenon, worrying remains the reasons that keep it alive. At first glance, it appears that the undeclared work come from financial reasons. But *that's not* actually *what happens*. As in many other European countries, even in Albania, it does not appear that the burden of taxes and contributions is positively linked to the level of undeclared work. An interesting record that changes the description of undeclared work in Albania (but also other Western Balkan countries) from many other European countries has to do with the fact that undeclared work has no connection with the level of social expenditure for employment programs or public social spending (excluding social security costs). This means that the reasons of undeclared work are more complex. Among the most important are the following: 1. Social costs for employment programs are too low, almost negligible to create a negative correlation with undeclared work. 2. Another reason relates to the perceived trust in the social system, namely the low efficiency of social expenditure. 3. The way of administering, collecting taxes and contributions takes time, energy and money to businesses. According to reports in Doing Business Albania this indicator clearly expresses the bureaucracy and administrative problems that businesses need to resolve to be fair about the law obligations. 4. Emigration remittances, which serves as a social safety nets and which promotes the general informality of the economy.

Taking into account these aspects of informal employment in Albania as well as ways of contrasting it with European Union countries, it is recommended that undeclared work in Albania be fought in several ways. In addition to the classical repressive forms, other forms of synergies should be applied which push or encourage businesses and employees to formalize, such as: preventive measures or corrective measures (reduction of bureaucracy, application of incentives for specific categories, development of training and increased spending on employment programs); educative and informative measures aimed, on the one hand, on the awareness of employees and businesses about damages, costs, problems related to undeclared work and on the other hand to develop knowledge about the tax system, social security, information technologies in the services of declaration and formalization. The action against informality undertaken by the Albanian government in 2015 aims to reduce the informality of economic entities in two directions: financial (revenue collection) and human (informal work). For this reason, the government agencies have undertaken joint actions to detect and combat informality. Finally, the action against informality is directed towards regulation, a measure that (if implemented) matches the Doing Business findings with regard to the way of tax administration and collection and EU recommendations regarding undeclared work. According to the IMF, the action in Albania has given positive results in terms of revealing undeclared work.

- BIBLIOGRAPHY

-
- A. IVLES, *Remittances and Informal Work*, International Journal of Manpower, Vol.37, Issue 7;
- C. C. WILLIAMS, *Cross National variations in the under-reporting of wages in South-East Europe: A result of over-regulation or under-regulation?*, South East European Journal of Economics and Business, Vol.7, 2012;
- C. C. WILLIAMS, *Evaluating cross-national variations in envelope wage payments in East-Central Europe*, Economic and Industrial Democracy, 36(2), 2015;
- C. C. WILLIAMS, M. BARIĆ, P. RENOY, *Tackling undeclared work in Montenegro*, Eurofund, 2013;
- C. C. WILLIAMS, S. NADIN, (2012), *Joining up the fight against undeclared work in Europe*, Management Decision, Vol. 50, Iss. 10;
- CLDS (Centar za liberalno – demokratske studije), *Informal Employment in the Region*, Working Paper 22, June 2016;
- C. MARTINEZ, M. E. CUMMINGS, P. M. VAALER, *Economic informality and the venture funding impact of migrants remittances to developing countries*, Journal of Business Venturing 30(2015);
- C. MIHES, N. POPOVA, S. ROCH, *A comparative overview of informal employment in Albania, Bosnia and Herzegovina, Moldova and Montenegro*, ILO, Budapest, 2010;
- COLLECTIF (Auteur), *Code du Travail Annoté* (Edition Limitée 2018 – 2019), Dalloz Editeur, Paris 2018;
- DOING BUSINESS 2018,
<http://www.doingbusiness.org/data/exploreeconomies/albania>;
- DPT (Drejtoria e Përgjithshme e Tatimeve), *Plani vjetor administrativ i menaxhimit të riskut të pajtueshmërisë 2016*
<https://www.tatime.gov.al/shkarko.php?id=111>;

- EUROFOUND, *Tackling undeclared work in 27 European Union Member States and Norway: approaches and measures since 2008*, Eurofound, Dublin 2013;
- EUROPEAN COMMISSION, Communication of the Commission on Undeclared Work, COM(98) – 219, <http://ec.europa.eu>;
- H. DEKKER, E. ORANJE, P. REENOY, F. ROSING and C. C. WILLIAMS, *Joining up the fight against undeclared work in the European Union*, Regioplan Policy Research No. 1969, Amsterdam, December 2010;
- IDM (Instituti për Demokraci dhe Ndërmjetësim), *The Shadow Worker – Hidden Economy and Undeclared Labour in Macedonia, Albania and Kosovo*, Policy Brief No. 38, October 2016;
- ILO, *Women and Men in the informal economy: a statistical picture (third edition)*, 30 April 2018, http://www.ilo.org/global/publications/books/WCMS_626831/lang-en/index.htm;
- ILO RESOLUTION, Decent Work and the Informal Economy, <http://www.ilo.org>;
- INSTAT, *Tregu i Punës 2016*, Tiranë 2017;
- LAW ON EMPLOYMENT (Republic of Lithuania) N. XII – 2470, Vilnius June 2016, <https://e-seimas.lrs.lt/portal/legalAct/en/TAD/5f0be3809c2011e68adcda1bb2f432d1>;
- OECD Employment Outlook 2004, <https://www.oecd.org/employment/emp/34846912.pdf>;
- S. CHATTERJEE, S. J. TURNOVSKY, *Remittances and the informal economy*, Journal of Development Economics, Vol.133, 2018;

Undeclared work in Albania: dimension and consequences

- SELDI (Southeast European Leadership for Development and Integrity), *Hidden Economy and Good Governance in Southeast Europe*, Regional Assessment Report, Sofia 2016;
- SKI (Sekretariati i Këshillit të Investimeve), *Dokument Pune / Informaliteti, Sfidë e përbashkët Qeveri – Sipërmarrje, Dhjetor 2015*; <http://www.financa.gov.al/al/njoftime/lajme/aksioni-kunder-informalitetit-prezantohet-faza-e-dyte>;
- T. VORLEY, C. C. WILLIAMS, *Evaluating the variations in undeclared work in the European Union*, Journal of Economy and its applications, Vol.2, Iss.2, 2012;
- WORLD BANK and WIIW (The Vienna Institute for International Economic Studies), *Western Balkans – Labour Market Trends 2018*, March 2018;

SITOGRAFI

- <https://www.imf.org/external/pubs/ft/scr/2016/cr1661.pdf>
- <https://ec.europa.eu/eurostat>
- www.instat.gov.al
- www.enterprisesurveys.org;
- www.microdata.worldbank.org/index.php/catalog/enterprise_surveys