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Press release

Accompanying measures and the fight against undeclared employment are closely related

Bern, 21.4.2015 – The measures accompanying the free movement of persons protect workers from the undercutting of wages. The Swiss Federal Audit Office (SFAO) audited the supervision performed by the State Secretariat for Economic Affairs (SECO) in this area. For the SFAO, there is a clear need for synergies with the fight against undeclared employment. The organisation and risk analysis principles of the implementing bodies also have to be re-examined.

In 2013, some 40,000 controls were carried out in relation to the measures accompanying the free movement of persons ("*flankierende Massnahmen*" or FlaM). These controls protect workers, including workers seconded to Switzerland, from the undercutting of wages and working conditions. Subject to legislative changes from the time it was introduced in 2004, this supervision still has to be adapted to take into account the consequences of the acceptance of the initiative against large-scale immigration.

The State Secretariat for Economic Affairs is responsible for the design of this supervision, and various implementing bodies are tasked with its implementation. Although the system is fragmented, a report from the SFAO published today believes that its design and implementation are adapted to the current situation on Switzerland's labour market.

Need for synergies with the fight against undeclared employment

In 2013, nearly 40,000 controls were thus conducted in relation to the accompanying measures (FlaM) as opposed to 12,000 for the fight against undeclared employment. The Confederation granted CHF 11.4 million for the former and CHF 4 million for the latter. However, the impact of undeclared employment on the labour market is potentially significant, if not more significant than that of the free movement of persons. The difference in the amount of money

allocated to these two control goals does not theoretically reflect the reality of the financial risks for the authorities (tax losses and social security fraud).

In the field, the cantons are already linking accompanying measure controls with undeclared employment controls. However, the degree of coordination varies. For the SFAO, strengthening coordination would improve the efficiency of the resources committed.

Organisation of the implementing bodies and fines

SECO has taken measures for training the labour inspectors and setting goals and instruments for the observation of the labour market. But there is no incentive for the implementing bodies to unite so as to achieve a sufficient critical size. However, this element is important in order to have the resources and skills necessary to carry out effective controls. Furthermore, all the bodies do not pursue a methodical risk analysis approach for choosing the companies to be supervised. Here, the SFAO recommends that SECO should refocus practices to ensure controls are conducted correctly.

Finally, the effectiveness of the penalties¹ in the form of fines differs from canton to canton. It was found that the collection rate varied between 20% and 100%. If a company fails to pay an administrative penalty, it can, however, be banned from offering and providing its services in Switzerland for a maximum period of five years.

SECO has agreed to implement the SFAO's recommendations.

Further details:

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The audit report is available on the SFAO's website: www.cdf.admin.ch

¹ On 1 April 2015, the Federal Council decided to raise the penalty limit envisaged by law for seconded employees, bringing it from the current CHF 5,000 to CHF 30,000 in the case of violations of the conditions governing Swiss minimum wages and working conditions.