A UDW PILOT STUDY:

THE BENEFITS OF USING TARGETED "NUDGE" LETTERS IN CHANGING EMPLOYERS' BEHAVIOUR

GREECE

Information Systems &
Data Management Department
Hellenic Labour Inspectorate

OBJECTIVES

- To test the effectiveness of using **NUDGE theory** to motivate employers to be more compliant;

- To **measure the impact** of using nudge letters in 4 pilot sites and identify the most effective type of "nudge" letter;

- To use a **risk management approach** identifying and targeting for inspection at-risk employers;

- To **measure** the value of using a risk management tool and **adjust** it according to the outcome and to the feedback received from inspectors;

- To **encourage inspectors** to use inspections preparation tools and methods and conduct more focused inspections.

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KEY ELEMENTS

- **Timescale**: December 2018 - June 2019

- **4 approaches**:

  ➢ Gentle nudge letters

  ➢ Strong nudge letters

  ➢ Announced inspection letters

  ➢ Unannounced inspections

- **4 pilot** Regional Departments

- **2434** businesses targeted in **2 sectors** (cafes/restaurants and hair/beauty)

- Use of **Risk Analysis Tool**

- Use of **ERGANI** Information System

- **Business Intelligence Tool**

- Inspectors' locality knowledge was used in the 2nd phase of employers' selection

PILOT ACTORS

- SEPE Central Management Team – 2 staff

- SEPE Central Hot Line – 3 staff

- SEPE Regional Departments – 24 Inspectors and Heads of Departments

- SRSS – The Structural Reform Support Service which provides technical assistance to EU countries to design and carry out structural reforms

"ERGANI" INFORMATION SYSTEM

- IT system of the Ministry of Labour and Social Affairs, where all employers in Greece must record all their employees' labour details (introduced in March 2013);

- SEPE Labour Inspectors can have access to ERGANI, before, during and after on-site inspections and can identify which employees are undeclared, under-declared or other infringements;

- Employees have access to ERGANI as well, to check if their employment details are declared correctly.

RISK ANALYSIS TOOL

- Sub-system of the SEPE MIS;

- It uses data from different Information Systems and ranks high-risk companies according to specific rules;

- Each risk analysis rule can have different weighting and scale of values;

- Each scenario (set of rules) can run on data of a specific time period.

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PILOT STUDY: 5 RULES USED

The following 5 rules were used on the last Semester of 2018 data from ERGANI:

- <u>Rule 1</u>: High number of recruits and layoffs in ERGANI

- <u>Rule 2</u>: Fines for UDW or Under-DW within the past 2 years

- <u>Rule 3</u>: High number of part-time employees

- <u>Rule 4</u>: High number of changes in employees' contracts from full time to part time

- <u>Rule 5</u>: High number of changes of employees' working hours

NUDGE LETTERS

- Sent by **e-mail**

- All letters sent on **same date** – 11/02/2019

- All letters have the **same format** and are signed by the Head of SEPE

- Three types:
  - ➢ Gentle nudge letter
  - ➢ Strong nudge letter
  - ➢ Announced Inspection nudge letter

GENTLE NUDGE LETTER

- **Not personalised**

- **Gentle reminder** of employers' obligations to correctly and accurately declare employees in ERGANI system;

- **Informing** that SEPE monitors employers in ERGANI, identifies those declaring incorrectly and targets them for inspection;

- **Re-assuring** employers who are declaring all necessary data in ERGANI that they have nothing to fear when inspected.

STRONG NUDGE LETTER

- **Personalised** (e.g. Dear Mr. Papadopoulos);
- Using **strong direct language advising the employer** to declare all employees correctly in ERGANI;
- **Reminding the employer** that SEPE monitors all employers in ERGANI and selects businesses for inspection, based on employers' behaviour in ERGANI;
- **Warning the employer** that by making false declarations and evading their responsibility, they create a loss of social insurance income as well as unfair competition and they run the risk of high fines;
- **Asking the employer** to co-operate in protecting employees' rights.

ANNOUNCED INSPECTION NUDGE LETTER

- **Personalised** (e.g Dear Mrs. Papadopoulos);
- Using **firm language advising the employer** to declare all employees correctly in ERGANI;
- **Reminding the employer** that SEPE is monitoring all employers in ERGANI and selects businesses for inspection based on employers' behaviour in ERGANI;
- **Informing the employer** that the business has been selected for inspection – no date is given;
- **Asking the employer to co-operate** in the upcoming on-site inspection;
- **Informing the employer that there is nothing to fear** from the upcoming on-site inspection if all employment data have been accurately declared in ERGANI.

ASSESSMENT DATA - QUANTITATIVE

1. ERGANI (weekly captured data)

(1) Full-time contracts

(2) Part-time contracts

(3) Contracts with less than 5 working days per week

(4) Working hours (all employees)

(5) Changes in working hours

(6) Overtime hours

2. Business Intelligence Tool

(1) Number of inspections

(2) UDW detected

(3) Fines imposed

3. "Email read" receipts received

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ASSESSMENT DATA - QUALITATIVE

- Inspectors' selection criteria at the 2nd phase of employers' selection (from the list produced by the Risk Analysis Tool);

- Employers' reactions regarding the receipt of the letters (recorded by the Regional Inspectors and Hot Line staff);

- Employers' reactions during on-site announced inspections, regarding the receipt of the announced inspection nudge letter;

- Feedback from the pilot Regional Departments' employees, received during on-site monitoring visits from the Central Management Team to each location.

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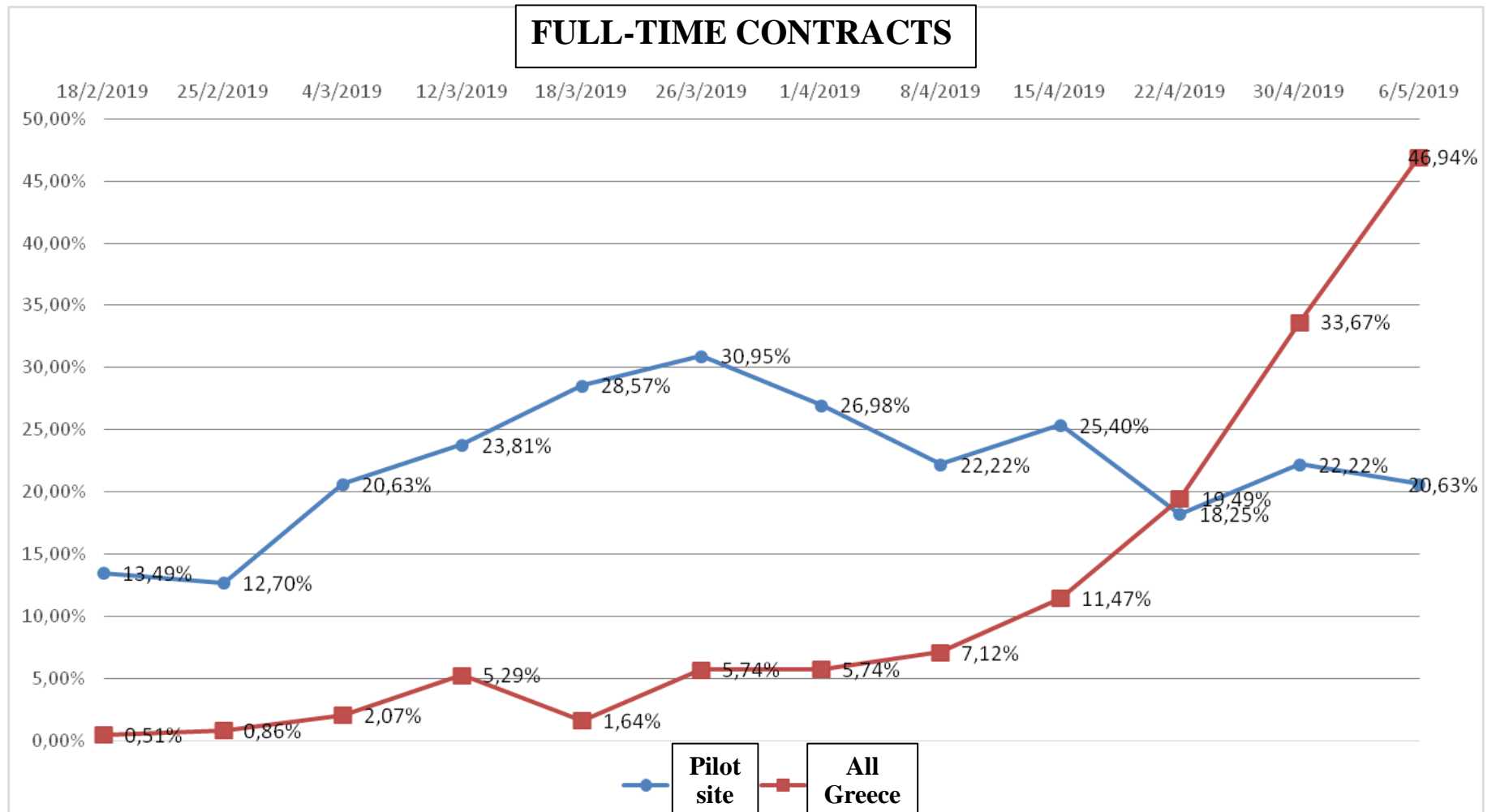MINISTRY OF LABOUR AND SOCIAL AFFAIRS

SOME INITIAL OUTCOMES

- **Low level** of reaction from employers regarding the receipt of nudge letters;

- General reaction of employers during on-site announced inspections – why was I selected?

- Personalised **strong nudge e-mails** appear to be more effective than un-personalised gentle nudge emails;

- Involvement of **inspectors at local level** during the 2nd phase of employers' selection was very positive;

- Results of risk-analysis targeted inspections show higher levels of UDW and Under-DW detection in these business sectors, compared with the whole of Greece (same business sectors);

- The **list of employers** produced by the Risk Analysis Tool included employers who had never been previously inspected.
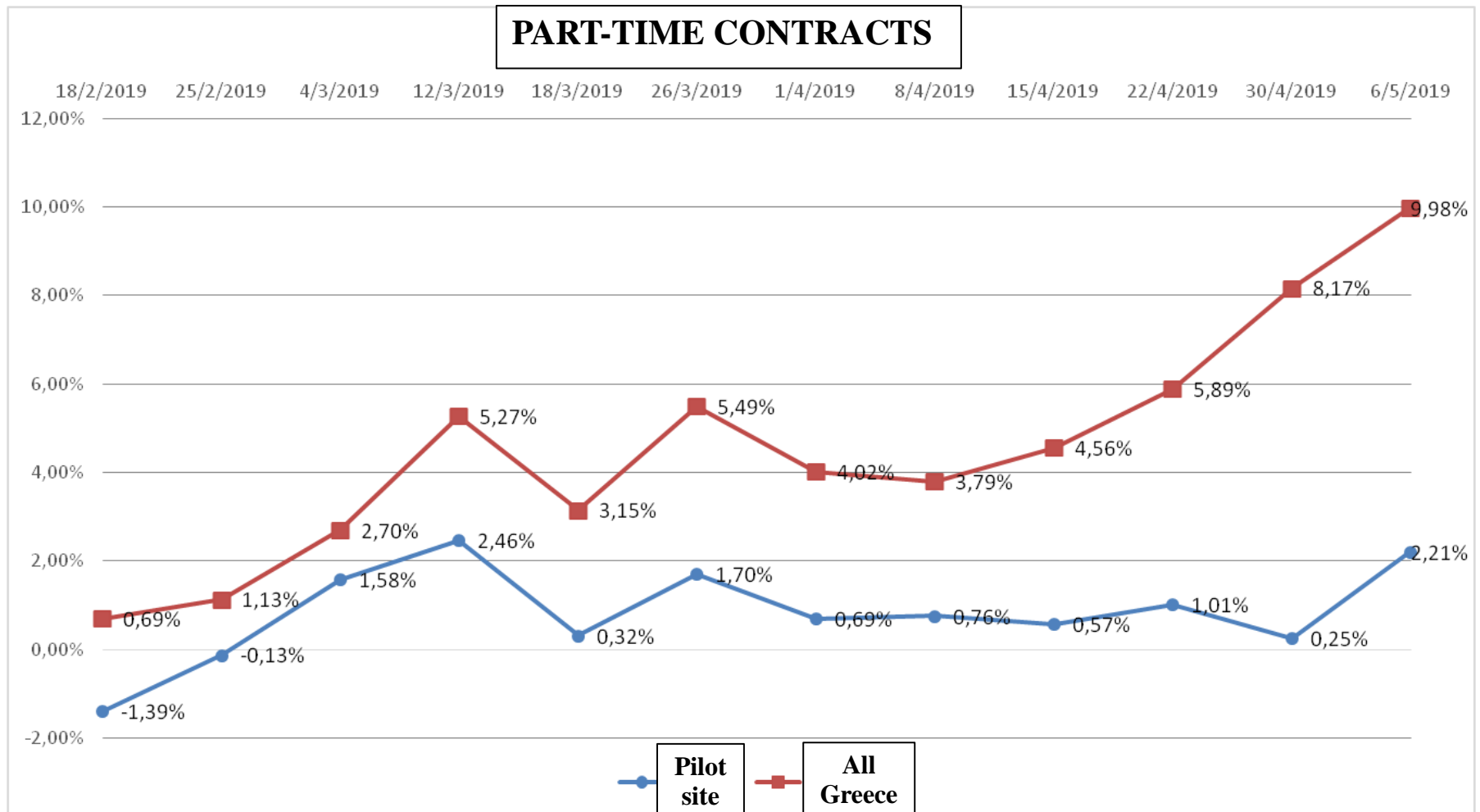
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ANNOUNCED INSPECTION LETTERS - IMPACT

FULL-TIME CONTRACTS

Data points:

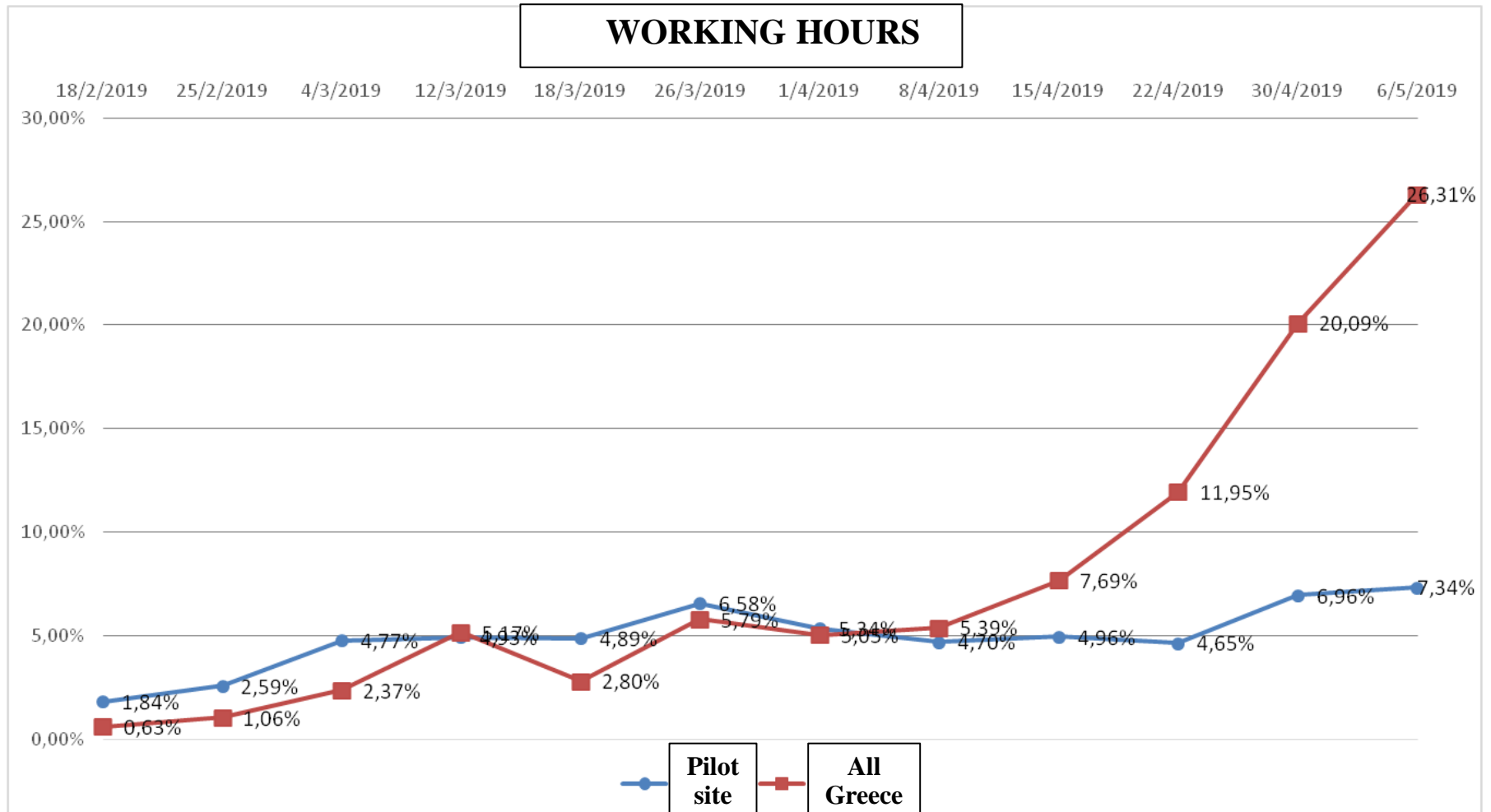| Date	Pilot site	All Greece
18/2/2019	13,49%	0,51%
25/2/2019	12,70%	0,86%
4/3/2019	20,63%	2,07%
12/3/2019	23,81%	5,29%
18/3/2019	28,57%	1,64%
26/3/2019	30,95%	5,74%
1/4/2019	26,98%	5,74%
8/4/2019	22,22%	7,12%
15/4/2019	25,40%	11,47%
22/4/2019	18,25%	19,49%
30/4/2019	22,22%	33,67%
6/5/2019	20,63%	46,94%

Legend: Pilot site — All Greece

ANNOUNCED INSPECTION LETTERS - IMPACT

PART-TIME CONTRACTS

Pilot site

All Greece

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ANNOUNCED INSPECTION LETTERS - IMPACT

WORKING HOURS

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RISK-ANALYSIS TARGETED INSPECTIONS - RESULTS

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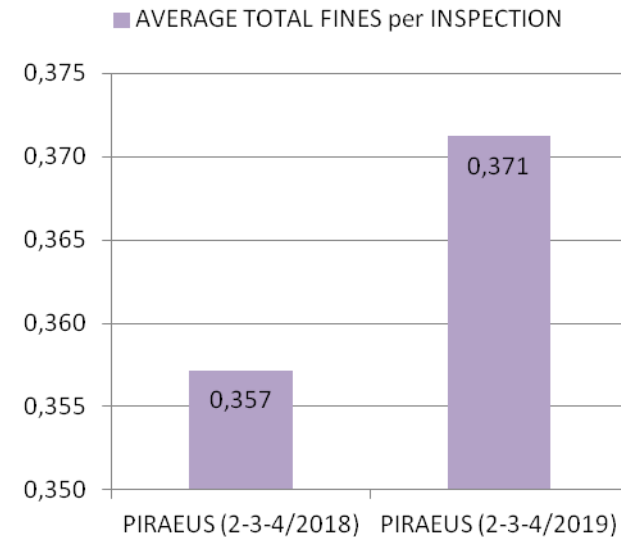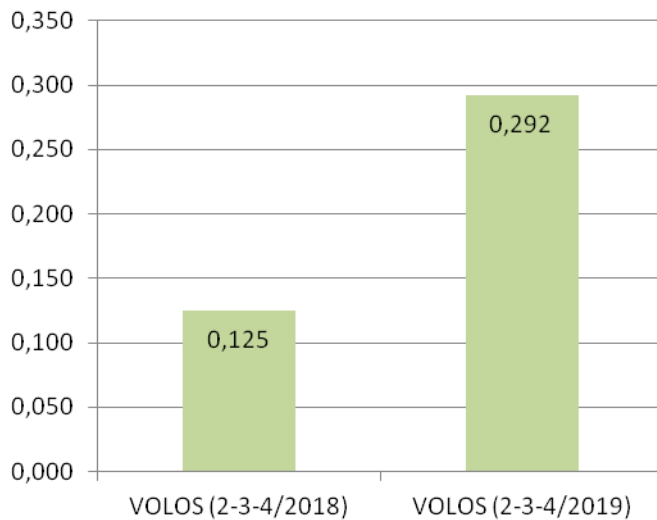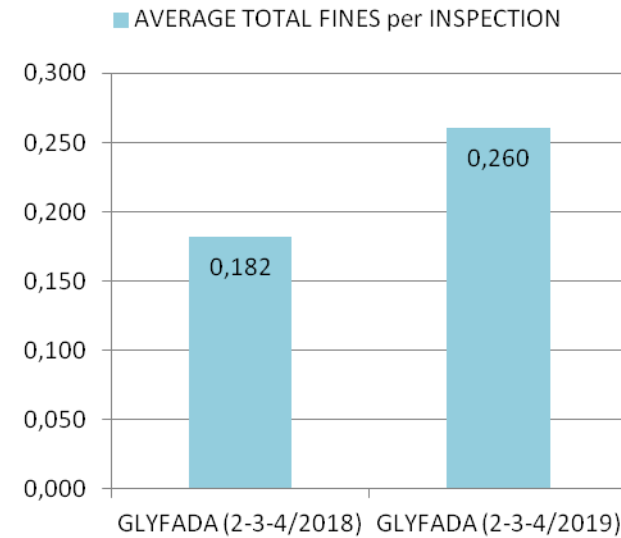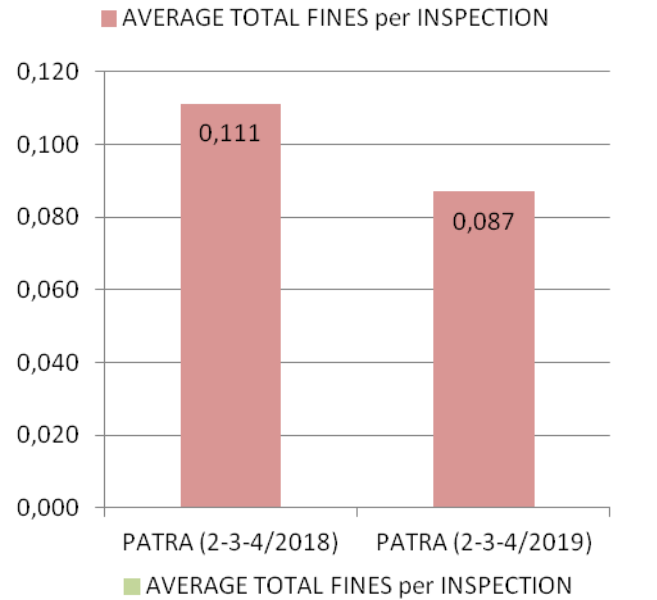
CHALLENGES

- High level of **resources** are needed to manage and monitor the project effectively;

- On-site visits to the pilot Regional Departments are essential to monitor, **encourage and motivate the inspectors**;

- A high number of employers said that they **did not receive** the emails/ letters;

- Targeted inspections absorbed **more resources** than usual, at a local level;

- Analysis of the results is **complex** and time consuming.

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LESSONS LEARNT – CRITICAL SUCCESS FACTORS

- Top-level management **involvement and support**;

- Involvement of enthusiastic, committed and **skilled staff** on the pilot Management Team;

- Allocation of **sufficient resources** from the outset;

- Involvement of **regional inspectors**, through training, communication, on-site visits to the pilot departments and presentation of final results for feedback;

- Preparation of FAQ on how to respond to employers who receive the nudge emails;

- Collection of **proper data** to analyse and measure the impact of the approaches;

- **Design** nudge letters according to the current compliance behaviour of employers.