

Legalization of Shadow Labour Market

On 5 September 2018, the Cabinet of Ministers of Ukraine adopted the Decree On Measures Aimed at Legalizing Shadow Relations in the Population Employment. The Decree provides for the implementation by the State Labour Service of Ukraine, the State Fiscal Service of Ukraine, the Pension Fund of Ukraine, the National Police of Ukraine, and other central executive authorities, in cooperation with local self-government bodies, of comprehensive measures (inspections) aimed at legalizing the "shadow" labour market and improving control over official registration of labour relations with employees.

Starting from 5 October 2018, in accordance with the established procedure, comprehensive measures will be taken to legalize the 'shadow' employment and individuals' income. It should be noted that the employer/employee employment relationship shall start with signing an employment agreement drawn up on the basis of an order or decree of the owner or an authorized body of the employer and notifying the State Fiscal Service of Ukraine of the employment of a new employee.

It is worth mentioning that legal entities and individual entrepreneurs, using hired labour, shall be financially liable for breaches of labour laws.

The following violations are punishable with a fine of 30 (thirty) minimum wages for each employee (a total of UAH 111,690, about USD 4000):

- actual admission of an employee to work without signing an employment agreement;
- officially hiring an employee for part-time work when the employee is actually employed full-time;
- salary (compensation) payment without calculation and deduction of the unified tax.