



**Doc. 16371**

26 March 2026

## European guidelines to counter social dumping and labour exploitation

### Report<sup>1</sup>

Committee on Social Affairs, Health and Sustainable Development

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Contents	Page
A. Draft resolution .....	2
B. Draft recommendation .....	4
C. Explanatory memorandum by Ms Valérie Piller Carrard, rapporteur .....	5
1. Introduction .....	5
2. Understanding social dumping and labour exploitation .....	5
2.1. Legal frameworks .....	6
2.2. Expert insights on good practice and areas for improvement .....	7
3. A brief overview of national policy responses to social dumping and labour exploitation .....	8
3.1. Nordic countries' approach to social dumping and work-related crime .....	9
3.2. Belgium: criminal law against severe labour exploitation .....	9
3.3. Central Europe: focus on measures targeting trafficking .....	9
3.4. "No second-class citizens" – fact-finding visit to the Netherlands .....	10
3.5. Swiss example of shared responsibilities of social partners .....	11
3.6. Dealing with cross-border undeclared work .....	12
4. Way forward: where is the action of European States needed most? .....	12
4.1. Using the benchmarks of the European Social Charter .....	12
4.2. Tackling deviations from the Charter in national law and practice .....	13
4.3. Fostering corporate social responsibility .....	15
4.4. Turning the United Nations Guiding Principles on Business and Human Rights into hard law at regional and national levels .....	16
4.5. Curbing the informal economy and undeclared work .....	16
5. Conclusions and recommendations for the attention of policy makers .....	17

1. Reference to committee: [Doc. 15823](#), Ref. 4770 of 13 October 2023.



## A. Draft resolution<sup>2</sup>

1. Social dumping and labour exploitation undermine the European social model, erode fundamental rights and human dignity, and distort fair competition, threatening social cohesion and democratic stability across member States of the Council of Europe. Heads of State and Government at the Reykjavík Summit (2023) underscored the centrality of social justice and the European Social Charter (ETS No. 35 and ETS No. 163 (revised), “the Charter”) whose standards serve as a “floor of rights” that must not be undercut in national practice or law.

2. The Parliamentary Assembly notes with concern that, as national economies integrate further, disparities in labour standards, wages and enforcement mechanisms contribute to a dual labour market where vulnerable workers, often migrant or posted workers and those involved in the informal economy, are subjected to substandard working conditions and do not benefit from adequate social protection. Moreover, labour exploitation ranging from systematic underpayment, denial of social protections, unsafe working conditions and excessive hours to psychological or physical coercion and, at its worst, forced labour and trafficking in human beings, represents a grave violation of human dignity and fundamental rights.

3. Social dumping and labour exploitation are contrary to the Decent Work Agenda of the International Labour Organization (ILO) grounded in four pillars of employment, social protection, social dialogue, and rights at work (including minimum wage), which applies to all persons at work both in the formal and informal sectors. Council of Europe member States are also committed to pursuing the United Nations 2030 Agenda for Sustainable Development whose Goal 8 aims to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.

4. The Assembly underlines that all member States are bound by the European Convention on Human Rights (ETS No. 5) and are committed, to varying extents, under the Charter and its revised version, to defending socio-economic rights, including the right to just conditions of work, fair remuneration, safe and healthy working conditions, protection of migrant workers and non-discrimination. It further underlines the importance of the Council of Europe Convention on Action against Trafficking in Human Beings (CETS No. 197) in combating severe forms of labour exploitation and ensuring a victim-centred, human rights-based response.

5. In this context, the Assembly highlights the relevance and complementarity of various supra-national legal standards established by the European Union directives, the ILO conventions and the United Nations Guiding Principles on Business and Human Rights.

6. The Assembly welcomes the political declaration adopted at the Council of Europe High-Level Conference on Social Rights – the European Social Charter, on 19 March 2026, and urges member States to better use the benchmarks of the Charter, together with other international instruments, in combating social dumping and labour exploitation more effectively. To this end, it notably recommends to:

6.1. strengthen national legal foundations and institutions underpinning work-related rights by using the norms of the Charter (particularly Articles 2, 3, 4, 18, 19, 20 and E) and accept additional provisions of the Charter with a view to combating social dumping more effectively;

6.2. incentivise socially just economic models that provide for stable and secure employment putting economic interests and socio-economic rights on an equal footing;

6.3. protect whistleblowers who report labour exploitation to authorities, establish safe channels for such reporting and build “firewalls” between labour law enforcement and immigration authorities, empowering exploited workers to claim back wages without fear of expulsion or loss of residence;

6.4. strengthen social partnership, ensure freedom of association and guarantee the right to organise by expanding sectoral collective agreements to cover all workers, especially in high-risk, low-wage sectors and involving social partners in multistakeholder field inspections;

6.5. significantly increase resources (funding and staff) for labour inspectorates to meet ILO’s minimum benchmarks, enable risk-based inspections and ensure effective, dissuasive sanctions for breaches of labour legislation;

6.6. harmonise controls and strengthen cross-border collaboration, including with the European Labour Authority and tax authorities, invoking, where appropriate, the Protocol amending the Convention on Mutual Administrative Assistance in Tax Matters (CETS No. 208);

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2. Draft resolution adopted unanimously by the committee on 13 March 2026.

- 6.7. ensure minimum living wage and wage parity for all workers in host countries, banning zero-hours contracts, and curb gender pay gap;
  - 6.8. promote integrated, multistakeholder co-operation by replicating, where applicable, Nordic models of cross-agency (labour, migration, police, tax) centres for intelligence sharing, data exchange, risk analysis and enforcement, focusing on high-risk and cross-border cases;
  - 6.9. mandate compulsory licensing and certification of temporary employment agencies, set up risk evaluation systems, ensure sanctions for non-compliance and ban agencies that operate as shell companies or without real economic activity in the country;
  - 6.10. enhance regulation and accountability for subcontracting by mandating joint liability across the subcontracting chain, imposing strict limits on subcontracting levels and ensuring equal conditions, wages and access to remedies for all workers, taking inspiration from Swiss and Belgian enforcement models;
  - 6.11. as appropriate, ensure effective enforcement of relevant EU directives, including for third-country nationals and workers recruited through temporary employment agencies;
  - 6.12. provide workers, especially migrant and posted workers, with accessible, multilingual information on their rights and contact points for legal aid, including through trade unions;
  - 6.13. combat false self-employment and informal employment by establishing clear criteria to classify workers as employees, extending protections to platform workers, increasing supervision of sectors known for bogus self-employment and using targeted amnesties and simplified registration for regularisation purposes;
  - 6.14. advance and mainstream corporate social responsibility by enforcing due diligence in supply chains, which requires companies to identify, audit and tackle the risks of social dumping. Public authorities and private firms should refuse to work with contractors or suppliers engaged in exploitative practices;
  - 6.15. consider adopting positive measures and incentives that reward virtuous enterprises for embracing high social norms for their workers;
  - 6.16. support the negotiations towards an international legally binding instrument based on the United Nations Guiding Principles on Business and Human Rights and implement the Guiding Principles as called for by Recommendation CM/Rec(2016)3 of the Committee of Ministers to member States on human rights and business.
7. In light of the above recommendations, the Assembly calls on national parliaments to review and enhance, where necessary, national legislation to bring it in line with the country's international commitments aimed at combating social dumping and labour exploitation. It encourages national parliaments to follow the implementation of practical measures against social dumping and labour exploitation by government and relevant public agencies.

## **B. Draft recommendation<sup>3</sup>**

1. The Parliamentary Assembly refers to its Resolution ... (2026) "European guidelines to counter social dumping and labour exploitation", Resolution 1993 (2014) "Decent work for all" and Recommendation 2304 (2026) "The 65th anniversary of the European Social Charter: social rights as the foundation of resilient democracies and social justice".

2. With a view to strengthening national action against social dumping and labour exploitation, the Assembly highlights the importance of the benchmarks enshrined in the European Social Charter (ETS No. 35 and ETS No. 163 (revised)) in guiding member States' efforts in this area and invites the Committee of Ministers to:

2.1. promote acceptance of additional provisions of the Charter and the ratification of the revised Charter and the Additional Protocol to the European Social Charter Providing for a System of Collective Complaints (ETS No. 158);

2.2. draw the attention of national governments to the recommendations for action contained in its Resolution ... (2026).

3. The Assembly moreover underlines that, in order to address the adverse impacts of business activities on human rights, including socio-economic rights, more effectively, there is a strong need to accelerate the negotiations and adopt an international legally binding instrument based on the United Nations Guiding Principles on Business and Human Rights. It therefore urges the Committee of Ministers to ask member States to actively support this process.

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3. Draft recommendation adopted unanimously by the committee on 13 March 2026.

## C. Explanatory memorandum by Ms Valérie Piller Carrard, rapporteur<sup>4</sup>

### 1. Introduction

1. “Social dumping is unfair, contrary to the European social model and undermines hard-won local working conditions” underlines the motion for a resolution tabled by Mr George Katrougalos (Greece, UEL) and others (Doc. 15823). The motion further points out that social dumping may lead to exploitation through work which in turn can be accompanied by criminal practices. The most problematic practices include excessive recruitment fees and extortion of workers to pay back those fees, document and signature forgery, threats and violence at the workplace, breaches to occupational safety, social benefit and tax fraud, substantive underpayment and excessive working hours. The motion demands co-ordinated actions by trade unions, relevant authorities, businesses and international organisations, suggesting that a set of “European guidelines on how to deal with social dumping would facilitate an effective [and] co-ordinated European response”.

2. We should underline that during the Reykjavik Summit in May 2023, the Heads of State and Government have reaffirmed the importance of social justice for democratic stability and security, committing the member States to the protection and implementation of social rights as guaranteed by the European Social Charter<sup>5</sup> system. Indeed, policy makers increasingly realise that neglecting social rights, socio-economic inequalities and the aspiration by all to live in dignity results in the ever-increasing polarisation in society with backlashes against democratic stability. As an event entitled “Social rights: Building social justice and democratic stability” (Brussels, 5 June 2025) has highlighted, integrating social rights into national and international policies is a smart economic investment enabling decent living for all and a more resilient, more stable and prosperous society as a whole.

3. As the rapporteur of the Committee on Social Affairs, Health and Sustainable Development, I fully support the work the Parliamentary Assembly has led in advancing social rights on the ground and share the concern over social dumping and labour exploitation which calls for more effective public response at both national and European levels. Focusing on these phenomena which can take both legal and illegal forms, this report reviews the current situation (including legal frameworks and enforcement mechanisms) and issues that arise in member States with regard to social dumping and labour exploitation. The report also draws on the relevant Assembly resolutions and recommendations<sup>6</sup> in seeking to formulate policy recommendations and guidance on practical measures member States should undertake to counter social dumping and labour exploitation more effectively based on existing good practices.

### 2. Understanding social dumping and labour exploitation

4. Social dumping and labour exploitation represent significant challenges to social cohesion, fair competition and fundamental human rights across the Council of Europe’s 46 member States. As a result of increasing economic integration, disparities in labour standards, wages and enforcement mechanisms contribute to a dual labour market where vulnerable workers, often migrants or posted workers, are subjected to substandard working conditions and do not benefit from adequate protection.

5. Social dumping refers to practices whereby companies use cheaper labour – often from countries with lower social standards – to gain competitive advantage. This typically involves cross-border labour mobility and has been especially prevalent in sectors such as construction, agriculture, transport, food catering and domestic work, as well as less well-regulated sector of sex workers.

6. Labour exploitation encompasses a range of abuses, from underpayment, excessive hours, unsafe working conditions and denial of social protections to working conditions that meet the threshold of forced labour or modern slavery. Underpayment is by far the most common aspect of labour exploitation but as such it is not criminalised in most countries; it is a combination of infringements that characterises labour exploitation most accurately. Victims typically include undocumented migrants, posted workers, asylum seekers and informal economy participants. Some of these persons are victims of human trafficking.

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4. The explanatory memorandum is drawn up under the responsibility of the rapporteur.

5. European Social Charter (ETS No. 35) and European Social Charter (revised) (ETS No. 163).

6. This includes [Resolution 2033 \(2015\)](#) “Protection of the right to bargain collectively, including the right to strike”; [Resolution 2432 \(2022\)](#) “Tackling discrimination based on social origin”; [Resolution 2420 \(2022\)](#) “Football governance: business and values”; [Resolution 2504 \(2023\)](#) “Health and social protection of undocumented workers or those in an irregular situation” and [Resolution 2548 \(2024\)](#) “Children in the world of work: eradicating harmful child labour”.

## 2.1. Legal frameworks

7. In terms of legal instruments, all Council of Europe member States are bound by the European Convention on Human Rights (ETS No. 5)<sup>7</sup> and many have ratified the European Social Charter and its revised version (“the Charter” thereafter) which mandate fair working conditions and protection of workers’ rights. In fact, half of the Charter’s articles as set out in Part I relate to decent work, the protection of workers and dignity at work – all highly pertinent in the scrutiny of social dumping and labour exploitation, provided that member States embrace these provisions and make good use of them at national level. Articles 2 (just conditions of work), 3 (safe and healthy working conditions), 4 (fair remuneration), 18 and 19 (protection of migrant workers), 20 and E (equal opportunities and non-discrimination), 26 (dignity at work) are particularly relevant for countering social dumping and labour exploitation.

8. The Council of Europe Convention on Action against Trafficking in Human Beings (CETS No. 197) and the Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse (CETS No. 201) also provide robust mechanisms to combat severe forms of labour exploitation. [Recommendation CM/Rec\(2022\)21](#) of the Committee of Ministers on preventing and combating trafficking in human beings for the purpose of labour exploitation notes that trafficking for the purpose of labour exploitation may occur “in all sectors of the economy, at different stages of businesses’ supply chains, as a consequence of public procurement practices, as well as in private households”. It asks the governments of the member States to adopt national laws, policies and strategies to address the problem, with the emphasis on a human rights-based and victim-centred approach.

9. For the European Union (EU) countries, various supra-national legal standards such as the posted workers directive (96/71/EC, revised in 2018 – [2018/957](#)) and the [Directive 2019/1152](#) on transparent and predictable working conditions aim to limit social dumping, while the employers sanctions [Directive 2009/52](#) sets a framework for curbing informal employment of irregular migrants and facilitates access to justice for exploited workers. [Directive 2011/36/EU](#) on trafficking is also relevant with regard to severe exploitation and for protecting victims’ rights for both EU and non-EU nationals. The young workers [Directive 94/33/EC](#) imposes obligations to protect children from economic exploitation and any work that may negatively affect their development or education. Moreover, [Directive 2024/1760](#) on corporate sustainability due diligence seeks to ensure, amongst other, the enhanced protection of human rights, including labour rights, and more harmonised legal framework in the EU countries – with greater legal certainty and level playing field; this directive has important implications also for the so-called third countries.<sup>8</sup> In addition, the EU Charter of Fundamental Rights enshrines labour rights that intersect with Council of Europe standards.

10. European Parliament Resolution [P8\\_TA\(2016\)0346](#) on social dumping in the EU called for stronger controls and co-ordination at member State level and to close regulatory loopholes to enforce labour law at national and European levels according to the principle of equal treatment and non-discrimination in order to move forward on upward social convergence. This resolution highlights, amongst other, the challenges related to the emergence of digital technology in the economy and mobile workers in the field of transport.

11. Social dumping and labour exploitation are contrary to the Decent Work Agenda of the International Labour Organization (ILO) which is grounded in four pillars of employment, social protection, social dialogue, and rights at work (including minimum wage), which applies to all persons at work both in the formal and informal sectors. European countries are also committed to pursuing the United Nations 2030 Sustainable Development Agenda, notably its Goal 8 aimed at promoting “sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”. Council of Europe member States are also bound by a series of relevant ILO conventions, notably the forced labour convention (No. 29), the abolition of forced labour convention (No. 105), the domestic workers convention (No. 189), conventions Nos. 87 and 98 relating to freedom of association, convention No. 111 covering the right to non-discrimination in employment, convention No. 138 on minimum age for child labour and convention No. 182 on the worst forms of child labour, as well as convention No. 81 on labour inspection.

12. In addition, the United Nations Guiding Principles on Business and Human Rights (as part of the UN “Protect, Respect and Remedy” Framework), published in 2012, remain the major global standard for preventing and addressing the adverse impacts of business activities on human rights, including social and economic rights.<sup>9</sup> As a unique internationally-accepted reference framework towards enhancing standards and practices on the interface of business and human rights, these guiding principles are also pertinent in

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7. Notably Article 4 of the Convention which states: “No one shall be held in slavery or servitude”.

8. Although the directive covers forced labour, associations such as PICUM (network of organisations supporting social justice and human rights for undocumented migrants) point out that its focus on products made with forced labour rather than forced labour itself misses the target and does little to address “the realities and needs of migrant workers”.

member States' efforts to improve measures and policy coherence against social dumping and labour exploitation at national level, as well as to strengthen corporate social responsibility of big transnational enterprises. The guiding principles also lay ground for further progress towards an international legally binding instrument in order to better regulate the nexus between of State and enterprises. [Recommendation CM/Rec\(2016\)3](#) of the Committee of Ministers on human rights and business urges the implementation of the UN Guiding Principles.

13. At national level, European countries have more or less sophisticated legal frameworks and enforcement mechanisms, including specialised labour inspectorates and co-ordinated inter-agency approaches. However, many countries lack adequately staffed or trained labour inspectorates. According to the European Trade Union Confederation (ETUC), a significant number of Council of Europe member States fall below the ILO's benchmark of one inspector per 10 000 workers. Informal economy sectors, particularly in agriculture, domestic work, and hospitality, remain difficult to regulate. Countries like Italy, Greece, and Spain struggle with widespread undeclared labour, often involving migrants with precarious legal status.<sup>10</sup>

## **2.2. Expert insights on good practice and areas for improvement**

14. In the context of preparation of this report, the Committee on Social Affairs, Health and Sustainable Development held hearings with experts during its meetings in Helsinki on 16 May 2025<sup>11</sup> and in Paris on 4 September 2025.<sup>12</sup> I also carried out a fact-finding visit to the Netherlands on 13-14 November 2025. The first hearing was an excellent opportunity to explore the Finnish approach to social dumping and labour exploitation. Experts explained that social dumping is distinct from labour exploitation. Social dumping is essentially an economic problem causing damage to the society as a whole through market distortion and unfair competition which penalise the operation of law-abiding enterprises, while labour exploitation is a problem of violation of fundamental rights of individuals concerned.

15. Both phenomena are very difficult to uncover without exploited workers signalling abuse; for this to happen, workers need to know their rights and trust institutions they can turn to in case of problems. These phenomena largely escape statistics and can lead to the snowballing of criminality, exploitation and social dumping if public authorities turn a blind eye to them. 289 labour exploitation cases were reported in Finland in 2024, with majority of victims ending up filing a criminal complaint. Most exploited workers were of foreign origin holding a work permit.

16. The Finnish approach seeks to identify victims and understand their vulnerabilities by combining both specialised and multidisciplinary interventions. According to experts, understanding the psychological control mechanism is essential to effectively detecting and prosecuting labour exploitation, as well for adequate protection of victims. However, focusing only on the worst cases could lead to continued exploitation and its normalisation.

17. The patterns of labour exploitation uncovered in Finland show that co-operation of different stakeholders (authorities, NGOs, trade unions and others) is crucial in combating labour exploitation. Based on legal provisions and policy programmes, national action plans against human trafficking and labour exploitation were launched, respectively over 2004-2010 and in 2024. Research, practical measures and case law have confirmed the importance of the human rights-based approach centring on victim support, the strengthening of the role of labour inspectorates and sector-specific guidance for businesses. With regard to countering social dumping, trade unions and civil society organisations are increasingly involved. They play a crucial role in outreach to vulnerable workers, whistleblowing and victim support and counselling, as well as by leading strategic litigation and advocacy that reinforce worker protections.

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9. Developed by the Special Representative of the UN Secretary-General on the issue of human rights and transnational corporations and other business enterprises, the Guiding Principles were unanimously adopted by the UN Human Rights Council in its resolution 17/4 of 16 June 2011. See [here](#).

10. See the report by Ms Ada Marra (Switzerland, SOC) entitled "Health and social protection of undocumented workers or those in an irregular situation" ([Doc. 15886](#)).

11. See the minutes of the meeting – AS/Soc(2025)PV04add2 (declassified). The hearing involved Ms Natalia Ollus, Director, European Institute for Crime Prevention and Control, affiliated with the United Nations (HEUNI); Mr Samuli Hiilesniemi, lawyer, Central Organization of Finnish Trade Unions (SAK); and Ms Pia Marttila, Coordinating Senior Advisor, Victim Support Finland (RIKU).

12. See AS/Soc(2025)PV06add (declassified) for the minutes of the hearing which involved Ms Séverine Picard, Founder and Chief Director General of Progressive Policies, and Ms Bruna Campanello (online), member of the steering committee of UNIA trade union (Switzerland).

18. As the second hearing has shown, intra-European labour mobility continues to pose enforcement challenges. Following the revision of the EU's posted workers Directive in 2018, the principle of non-discrimination between the posted workers and the host country's workers in terms of wages, working conditions and entitlement to social benefits was introduced. This is a significant improvement compared to the previous version of the directive whereby posted workers were often employed under the rules of their home country, creating discrepancies in wages and working conditions in comparison to the host country. Importantly, the improved directive applies to workers who are third-country nationals (i.e. of non-EU origin), provided that they reside legally in one of the EU countries, and also to migrant workers who are hired through temporary employment agencies. Problems arise, however, with the poor implementation of the rules and the lack of effective controls.

19. These shortcomings on the ground are particularly felt in sectors such as road transport and agriculture. Examples from the transport sector show that there has been a *de facto* race to the bottom since the early 2000s as the posted workers from central and eastern Europe were gradually replaced by those of non-EU countries such as Georgia, Kazakhstan and Ukraine under extremely precarious working conditions. Those posted workers were often recruited by shell companies in countries with weak worker protections and where no real economic activity takes place apart from the recruitment of workers.<sup>13</sup>

20. Efforts to harmonise rules under EU law have made progress, but co-ordination between labour authorities remains inconsistent at pan-European level. Co-operative frameworks, such as the European Labour Authority, have enhanced information sharing and joint inspections across borders. It is necessary to further strengthen labour inspections at national level not in order to track migrant workers, but to check working conditions and ensure full respect of socio-economic rights for all workers. Sanctions applied should be sufficiently dissuasive and engage personal responsibility of managers so as to end impunity for infringements. One example of good practice comes from Switzerland where laws provide for a framework that bounds all social actors and applies to migrant and posted workers; the oversight of working conditions is thus ensured through labour inspections involving the social partners in field visits.

21. Experts consider that mandatory professional licencing should be put in place, notably for the temporary employment agencies, to help prevent fraud, and that a system of risk evaluation could be established so as to give priority to labour inspections in high-risk sectors. At European level, the European Commission could act more firmly in keeping member States accountable. In February 2025, the European Commission had to issue formal letters to 25 member States asking to improve social protections for posted workers. Moreover, economic freedoms could be reviewed to limit possibilities for establishing shell companies and better regulate sub-contracting practices so as to enhance the responsibility of decision makers.

### 3. A brief overview of national policy responses to social dumping and labour exploitation

22. European countries have developed a wide range of legal and policy approaches to social dumping and labour exploitation, often linked to wider EU rules on posted workers and undeclared work, the ILO conventions, and the Council of Europe normative framework against trafficking in human beings, including for the purpose of labour exploitation and forced labour, as well as the norms set in the European Social Charter. Some member States engage in bilateral agreements to regulate seasonal and posted work more fairly. Countries like Sweden and France have adopted legislative packages to penalise employers for abusive subcontracting practices and to increase accountability in supply chains. Several European countries have laws on due diligence to ensure enterprises' compliance with human rights standards in supply chains, for example the German Act on Corporate Due Diligence Obligations in Supply Chains<sup>14</sup> and the Dutch Child Labour Due Diligence Law<sup>15</sup>.

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13. See AS/Soc(2025)PV06add (declassified).

14. "Gesetz über die unternehmerischen Sorgfaltspflichten in Lieferketten", Bundesgesetzblatt, 16 July 2021.

15. "401, Wet van 24 oktober 2019 houdende de invoering van een zorgplicht ter voorkoming van de levering van goederen en diensten die met behulp van kinderarbeid tot stand zijn gekomen (Wet zorgplicht kinderarbeid)", Overheid.nl, 14 November 2019.

### **3.1. Nordic countries' approach to social dumping and work-related crime**

23. In the Nordic region, social dumping is a central policy concept, particularly in Norway and Denmark, and has driven measures such as extended collective agreements and reinforced labour inspections. All four countries (Denmark, Finland, Norway, Sweden) have gradually reframed exploitation of migrant workers through overlapping categories including human trafficking, forced labour, "extortionate work discrimination" and work-related crime, with distinct legal responses.<sup>16</sup>

24. Finland pioneered a specific labour-law crime of "extortionate work discrimination" in the 2000s to address severe underpayment and abusive conditions, particularly of migrant workers, within ordinary labour law rather than only through anti-trafficking provisions. Later on, legislative changes, a broad "grey economy and economic crime" action plan and a national anti-trafficking plan enhanced measures to explicitly treat labour exploitation as a priority area for criminal enforcement and administrative checks (labour inspections, tax and social-security controls).

25. In Norway, the political debate on social dumping has led to a gradual extension of sectoral collective agreements to all workers in high-risk sectors (construction, shipyards, cleaning, etc.), so that foreign or posted workers would be paid at least the collectively agreed minimum wages. Successive reforms have also strengthened the powers and resources of the national Labour Inspection Authority and improved inter-agency cooperation to treat exploitation of migrant workers as work-related crime by integrating labour inspection, tax, migration and police efforts. The National Multi-agency Centre for Analysis and Intelligence is a particularly valuable initiative bringing together experts from the police, tax, social welfare and labour inspection authorities to produce strategic intelligence and analysis. The latest action plan of 2022 further intensified measures to tackle the nexus between social dumping, work-related crime and other forms of economic crime, such as money laundering, tax evasion and fraud, bankruptcy-related crime and fraudulent accounting.<sup>17</sup> Sweden has also used elements of the Norwegian model of multi-authority co-operation against work-related crime while taking into account national specificities.

### **3.2. Belgium: criminal law against severe labour exploitation**

26. Belgium uses criminal law to address severe labour exploitation, which is often linked to trafficking, alongside labour-law and inspection tools. The Belgian Criminal Code criminalises slavery, servitude and forced or compulsory labour as crimes against humanity, and Belgium directly applies EU instruments on combating human trafficking, making exploitative labour conditions prosecutable when they amount to trafficking or slavery-like practices.<sup>18</sup> In parallel, Belgium relies on specialised labour prosecutors and inspectorates (social inspection, labour audit) who can investigate underpayment, unlawful deductions, unsafe or degrading working conditions and undeclared work. Serious cases can be pursued both as labour-law violations (with administrative fines) and as criminal offences when exploitation is severe.

### **3.3. Central Europe: focus on measures targeting trafficking**

27. In some central and eastern European member States, reforms have focused more on human trafficking and related criminal offences than on a standalone legal definition of labour exploitation. Research on Poland, Bulgaria and Romania shows that exploitation is often addressed indirectly through trafficking, forced labour or organised crime provisions, while labour codes and inspection systems struggle with limited resources and weak sanctions, which can make it hard to prove exploitation in court even when abusive conditions (very low wages, excessive hours, unsafe workplace and temporary housing) are documented.<sup>19</sup> Many of these countries have participated in EU-funded projects to improve identification of exploited workers, train inspectors and police, and enhance cross-border co-operation with destination countries where their nationals often work in precarious jobs.

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16. Marlene Spanger, Natalia Ollus, Isabel Schoultz and Synnøve Økland Jahnsen "Same-same or different? Nordic policy responses to the exploitation of migrant workers", 26 April 2024.

17. See the executive summary of the study visit to Norway by the European Labour Authority and the European Platform tackling undeclared work, 16 October 2025: "Norway's Joint Operation Group between public agencies: a long-standing model of interinstitutional cooperation in tackling undeclared work".

18. "Severe forms of labour exploitation – Supporting victims of severe forms of labour exploitation in having access to justice in EU Member States", Belgium, 2014, by Prof. Paul de Hert (VUB University), Ines Gallala and Ramon Prey for Social Fieldwork Research (FRANET).

19. Suzanne Hoff (La Strada International), "Tackling labour exploitation in Poland, Bulgaria and Romania", March 2019.

### 3.4. “No second-class citizens” – fact-finding visit to the Netherlands

28. Further to discussions in committee, I have carried out a fact-finding visit to the Netherlands (13-14 November 2025)<sup>20</sup> in order to explore the follow-up given to recommendations of the national Task Force for the Protection of Migrant Workers based on the report “No second-class citizens”, the co-called Roemer report (2020). The latter shed light on the situation of migrant workers, noting that these workers are highly dependent on their employers or temporary employment agencies for housing, health insurance and employment contracts.

29. There is indeed an impressive number of temporary employment agencies (up to 24 000 at present) in the Netherlands, and only 52% of workers hold a permanent contract. About 10% of the country’s workforce are migrant workers, mostly employed through temporary employment agencies in low-skilled jobs in logistics, food processing and agriculture, and who need temporary housing. Since there is a major lack of housing in the country, including for the local people, temporary work contracts often contain clauses on the provision of housing. However, this means that, as soon as temporary workers lose their job, they also risk losing their home and ending up on the streets or in tents in local parks. The municipalities are reticent to register them, because if they do so for migrant workers who stay more than four months on the territory of the municipality, they must take care of these people without having the sufficient means. There is real hypocrisy in maintaining this system where the bulk of economic gains benefit the private sector while the lion’s share of social costs rests on the public authorities.

30. The Roemer report therefore recommended to decouple the employment and rental contracts for workers in temporary employment. This dissociation is essential in order to prevent homelessness and abuse of workers through the existing business model that demands extreme flexibility of the workforce with minimum social guarantees. Moreover, temporary workers need a more complete health coverage to ensure fair access to and continuity of medical care in case of interruption in employment.

31. The task force also recommended to extend collective labour agreements to cover migrant workers so as to guarantee minimum wage in the first two months of their stay in the Netherlands and thus enhance their self-reliance. During the visit, I have received signals of the need to strengthen the protection of collective bargaining structures (trade unions) and their members. Furthermore, the legislation regulating labour relations and working conditions should be strengthened and better enforced, with controls and sanctions in the event of non-compliance. The national labour inspectorate cruelly lacks resources to do field checks with a sufficient territorial coverage and frequency. Systematically involving social partners in field inspections – as is the case in Switzerland – could help significantly improve the capacity to detect patterns and cases of exploitation.

32. The Dutch Parliament passed two important new laws in 2025: (1) Law on the Modernisation and Expansion of the Criminalisation of Human Trafficking, making it easier to prosecute employers for forced labour and other forms of exploitation; and (2) Temporary Employment Agencies Admission Act which requires all temporary employment agencies to obtain mandatory certification by 2027 and grants the Labour Inspectorate broader enforcement powers. These are positive steps in the right direction to follow up on the recommendations of the task force and of the Council of Europe Group of Experts on Action against Trafficking in Human Beings (GRETA)<sup>21</sup>.

33. Another positive news is that the Netherlands is in the middle of a staged reform that will abolish zero-hours contracts and tighten the rules on very flexible work, with full entry into force expected in January 2027. Zero-hours contracts will be gradually replaced by a so-called “basic contract” providing for a fixed minimum number of working hours per week for which the employee will always be paid. In addition, stricter rules will apply to fixed-term contracts.<sup>22</sup> In Europe, due to concerns about worker exploitation and income

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20. During this visit, meetings were held with: Mr Arend Odé and Mr Rowin van Son, Social and Economic Council (SER) team members and advisers on “Towards a Value-Driven Labour Migration”; Mr De Boer, representative of *Arbeidsinspectie* (labour inspection); Ms Arti Ramsodit, Senator; Mr Gijs van Malsen, Wethouder (Deputy Mayor for Social Affairs of Rijswijk) and his team; Ms Mariette Patijn, Member of the Dutch Parliament; Mr Helmar, representative of the trade union FNV; Mr Jaap Uijlenbroek, former team leader of Migrant Workers Protection Taskforce in charge of the Roemer report; Marijke Beukering, Mayor of Nieuwegein (online); Mr Peter Loef, Programme Manager on labour migration, and Ms Myron von Gerhardt, Senior Adviser Public Affairs, of ABU (*Algemene Bond Uitzendondernemingen*) – Dutch Association of Temporary Employment Agencies.

21. See the 3<sup>rd</sup> Evaluation Report GRETA(2023)15 for the Netherlands on access to justice and effective remedies for victims of trafficking in human beings, published on 9 November 2023.

22. “Step-by-step plan: Hiring on-call employees with a zero-hours contract” by the Dutch Ministry of Social Affairs and Employment, SZW; “Zero-hours contracts no longer allowed” by the Netherlands Enterprise Agency, RVO, and “Labour Market Reform in 2026: from zero-hours contracts to structural security” by Law & More Attorneys, 1 January 2026.

instability, zero-hours contracts are banned or heavily restricted in Austria, Belgium, Czechia, Denmark, France, Germany, Hungary, Italy, Poland and Spain but remain legal in the United Kingdom and some Scandinavian countries.<sup>23</sup>

### 3.5. Swiss example of shared responsibilities of social partners

34. Switzerland tackles social dumping and labour exploitation through a mix of migration law, special rules for posted workers, collective and standard employment agreements, and inspection/sanction mechanisms. It combines a liberal principle of wage freedom in its Code of Obligations with targeted “accompanying measures” linked to the Agreement on the Free Movement of Persons (AFMP) with the EU. The core idea is that “Swiss wages for work in Switzerland” must apply to both domestic and foreign workers, including posted workers, and that abusive undercutting of usual pay and conditions triggers public intervention.<sup>24</sup>

35. For third-country nationals (such as non-EU or EFTA<sup>25</sup>), admission to the Swiss labour market is subject to prior official control of salary and working conditions. Authorities only grant a work permit if the employer offers conditions customary for the place, profession and sector, which is explicitly framed as a preventive safeguard against wage dumping and exploitation of foreign workers. By contrast, EU or EFTA nationals benefit from free movement and are not subject to systematic *ex ante* wage checks, which is why Switzerland relies more heavily on *ex post* inspections, sanctions and sectoral regulation in this group.

36. The Posted Workers Act is a central instrument aimed directly at preventing social dumping by companies that post workers to Switzerland from abroad. It requires that posted workers receive Swiss-level minimum pay and core working conditions (working time and rest, paid leave, health and safety, protection of vulnerable groups, gender equality) as defined by the Swiss federal law, Federal Council ordinances, extended collective agreements and standard employment contracts. Violations of minimum pay or mandatory working conditions under the Posted Workers Act can lead to fines of up to CHF 30 000 and/or a ban on posting workers to Switzerland for one to five years; these sanctions can be combined in serious cases and extended if wage arrears remain unpaid. This mechanism aims to ensure that sanctions are effective, proportionate and dissuasive and thus to combat social dumping by foreign service providers.

37. Although Switzerland has no statutory nationwide minimum wage, it uses collective labour agreements (Gesamtarbeitsverträge, GAV) and standard employment contracts (Normalarbeitsverträge, NAV) as key tools against wage dumping. Where abusive pay or working conditions are detected, the authorities can extend minimum wage and working-time provisions in existing GAVs to all employers and workers in a sector or region, making them generally binding. In sectors or firms without a collective agreement, the Confederation and cantons may introduce binding minimum wages via temporary standard employment contracts when a pattern of abusive undercutting is established. These instruments are widely used in service sectors such as hospitality, cleaning, security and parts of health care, where many less-qualified and migrant workers are employed and risks of exploitation are high.

38. Compliance with wage and working-condition rules is mainly monitored by two types of commissions. Joint commissions, composed of social partners, supervise sectors covered by collective agreements, while Tripartite commissions (with State and social-partner representatives) monitor sectors without GAVs and can propose the extension of minimum standards where abuses are found. Faulty employers face financial sanctions, temporary or permanent bans on providing services or posting workers to Switzerland, and public “naming and shaming”. Authorities conduct annual checks, focusing on high-risk sectors such as construction, cleaning, hotels and restaurants, and private security services. From about 40 000 companies inspected in 2024 (representing 40% of the total), it appeared that 24% of companies employing posted workers had not respected the Swiss requirements.<sup>26</sup>

39. Swiss federal authorities also issue multilingual information for migrants about workplace rights and available remedies if they experience exploitative conditions, and refer them to labour-law advice services or unions.<sup>27</sup> In parallel, Switzerland is monitored by GRETA, whose recent evaluations have urged further

23. See [here](#).

24. See [here](#).

25. EFTA – European Free Trade Agreement.

26. See AS/Soc(2025)PV06add – declassified minutes of the hearing held in Paris on 4 September 2025 and <https://www.etuc.org/en/document/etuc-statement-etuc-supports-swiss-unions-their-fight-wage-and-labour-protection-measures>.

27. “Welcome to Switzerland: Know Your Workplace Rights”, State Secretariat for Migration of the Swiss Confederation; see also [Entry, residence & working](#).

strengthening of measures against trafficking for the purpose of labour exploitation, including better identification of victims, improved data collection, and enhanced co-operation between labour inspectorates, migration authorities and criminal justice actors.<sup>28</sup>

### **3.6. Dealing with cross-border undeclared work**

40. The European Labour Authority's study on cross-border undeclared work<sup>29</sup> analysed patterns of undeclared work across the EU and the European Economic Area linking it to social dumping and enhanced risks of labour exploitation. The study has shown that cross-border undeclared work predominantly affects sectors like personal services (cleaning, childcare, elderly care), construction, hospitality, agriculture and tourism, where 4% of EU-27 workers self-reported undeclared activities in 2019. Beyond the EU, informal work rate is reportedly very high in Armenia (32%), Georgia (37%), Republic of Moldova (52%) and Türkiye (about 28%) according to the ILO estimates for 2024.<sup>30</sup> Forms such as under-declared work, bogus self-employment and fraudulent posting create uneven playing fields, where non-compliant economic actors gain cost advantages, distorting markets and pressuring legitimate firms to lower standards.

41. Country case studies of Bulgaria, Greece, the Netherlands, Poland, Portugal and Spain show that enforcement gaps (e.g., limited cross-border data sharing) exacerbate risks, while promising practices like joint inspections aim to ensure that declaration leads to rights enforcement. Some countries' laws, such as in Bulgaria, do not explicitly define undeclared work even if the phenomenon accounted for up to one-third of the national economy in 2019-2020 according to national experts' estimates.<sup>31</sup> It also appears that there is a need to ensure greater control of the temporary employment agencies across Europe as national labour inspectorates lack tools to monitor the posting of workers beyond national borders. The European Labour Authority's report has shown weaknesses of EU-level data exchange, victim protection and in targeting high-risk chains. Some countries like Greece need to build a robust centralised digital database to enable verifications.

## **4. Way forward: where is the action of European States needed most?**

### **4.1. Using the benchmarks of the European Social Charter**

42. The Charter does not use the term of social dumping, but it contains a set of binding norms on social rights whose interpretation by the European Committee of Social Rights (ECSR) is directly relevant to combating race to the bottom on wages and working conditions and to tackling labour exploitation. These norms, taken together, form a kind of "floor of rights" which States must not undercut in law or practice.

43. Core labour-rights provisions are central to preventing social dumping and exploitation because they set minimum standards on pay, working time, safety and organisation of work. Article 1 (right to work) requires States to, amongst other, maintain high levels of employment and to protect workers from arbitrary exclusion from the labour market, which underpins protection against exploitative forms of work; Article 2 (just conditions of work) covers reasonable working hours, paid public holidays, minimum annual paid leave and additional protection for night and dangerous work, all of which the ECSR has used to criticise excessive working time or lack of rest periods that may amount to exploitative conditions. Article 3 (safe and healthy working conditions) obliges States to adopt regulations, enforcement and information policies on occupational safety and health; systematic failure of inspection or regulation in high-risk sectors can lead to findings of non-conformity with the Charter.

44. A major aspect of decent work is adequate remuneration: Article 4 of the Charter (fair remuneration) requires a wage level that provides for a decent standard of living. The ECSR has treated wages below a certain percentage of the national median or average as incompatible with the Charter, which is directly relevant where underpayment of migrant or posted workers is used as a competitive tool.

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28. See GRETA(2024)09 published on 20 June 2024.

29. Report of the European Labour Authority, "Different forms of cross-border undeclared work, including through third-country nationals", September 2021.

30. See <https://ilostat.ilo.org/data/snapshots/informal-employment-rate/>; however, there are significant disparities between the estimates of the ILO and of the other sources, especially for the EU countries.

31. See page 40 of report of the European Labour Authority "Different forms of cross-border undeclared work, including through third-country nationals".

45. In terms of collective bargaining and protection against unfair practices, the Charter also sets out norms on collective organisation and protection of vulnerable workers, which is important for addressing structural drivers of social dumping. Articles 5 (right to organise) and 6 (right to collective bargaining) protect trade-union activity, the conclusion of collective agreements and the right to strike, which the ECSR has linked to the capacity of workers to resist wage undercutting and exploitative subcontracting practices. Articles 24 (protection in cases of termination of employment) and 25 (protection of workers' claims in case of employer insolvency) require safeguards against arbitrary dismissal and ensure that wage claims are protected in insolvency, reducing the leverage employers have over precarious workers.

46. Several provisions of the Charter relate explicitly to migrant workers and non-discrimination. They are crucial in a cross-border context where social dumping frequently affects migrant persons. Articles 18 (right to engage in a gainful occupation in the territory of other Parties to the Charter) and 19 (right to protection and assistance for migrant workers and their families) require non-discriminatory treatment as regards employment, remuneration and working conditions. The ECSR has found violations where migrant workers were subject to inferior conditions or where legal and practical obstacles prevented them from enforcing their rights. The non-discrimination clauses (Articles 20 and E) of the revised Charter require equal opportunities and equal treatment in employment, prohibiting discrimination on grounds of sex, race, colour, language, religion, political or other opinion, nationality, social origin, health or a minority status in the enjoyment of Charter rights, which means that "two-tier" labour markets with systematically poorer conditions for certain workers are incompatible with the Charter.

47. While the primary European instruments against forced labour, trafficking and severe exploitation are the European Convention on Human Rights and the Council of Europe Convention on Action against Trafficking in Human Beings, the Charter provides complementary obligations relevant to labour exploitation. Articles 1 and 2 have been read together with other Council of Europe treaties asking States to prevent and remedy situations of extreme exploitation, including through effective labour inspections, complaint mechanisms and sanctions. Article 7 (protection of children and young persons) prohibits hazardous work for children and sets limits on working time for young workers, which is particularly relevant where social dumping takes the form of exploiting young or undocumented workers in dangerous or undeclared jobs.

#### **4.2. Tackling deviations from the Charter in national law and practice**

48. The Charter's norms are enforced through periodic reporting and collective complaints mechanisms through which the ECSR assesses whether national law and practice comply with the Charter standards. Through its case law, the ECSR has pushed States to raise very low minimum wages, strengthen labour inspections, extend collective agreements and remove discriminatory rules affecting migrant or temporary workers, thus effectively demanding measures which directly limit social dumping activities. Moreover, although the Charter does not create directly enforceable rights in domestic courts in all countries, ECSR findings are used by national judges, legislators and social partners as authoritative guidance, and they interact with EU law and ILO standards in shaping higher common levels of protection across Europe.

49. In several State reports, the ECSR has developed its well-known benchmark that the statutory minimum wage or lowest collectively agreed wage should reach about 60 % of the net national average wage to be compatible with Article 4; where wages fall clearly below this level, it finds non-conformity. These findings often mention that very low-paid sectors are populated by migrants, women and other vulnerable groups, so the ECSR has explicitly linked inadequate minimum wage protection to heightened risks of exploitation of migrant and low-skilled workers.

50. In its assessments of State reports under Articles 18 and 19, the ECSR has criticised legal or practical arrangements that allow employers to pay migrant workers less than nationals for the same work, or that obstruct migrants' access to enforcement of wage claims, finding this incompatible with the equal treatment guarantees of the Charter. In its decisions on collective complaints and its conclusions, the ECSR has stressed that "two-tier" wage systems or structural underpayment of foreign workers engages both Article 4 and Article E, because they encourage social dumping by making migrant labour a systematically cheaper and less protected segment of the workforce.<sup>32</sup>

51. Highlighting economic dependence and wage insecurity aspects, in its monitoring under Article 1 (right to work), the ECSR has linked the proliferation of highly precarious, under-remunerated jobs with weak dismissal protection (Article 24) and inadequate protection of wage claims in insolvency (Article 25) to situations where workers tolerate exploitative pay for fear of job loss and non-recovery of wages. The ECSR

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32. See [Updated Digest of the case law of the European Committee of Social Rights – Social Rights](#).

has therefore recommended strengthening wage-guarantee institutions and dismissal protection so that workers, including migrants, can safely challenge underpayment instead of being trapped in abusive arrangements.

52. In its Article 2 case law, the ECSR has repeatedly found national regimes to be non-compliant where maximum weekly hours are too high, overtime ceilings are weak or poorly monitored, or daily/weekly rest periods are not guaranteed, emphasising that such conditions facilitate exploitation, particularly in low-wage sectors. The ECSR has criticised abusive working time arrangements in sectors such as agriculture, hospitality and domestic work where migrant workers are over-represented and where social dumping is a structural risk.

53. Under Article 7, the ECSR has found violations where States permit long hours or night work for young workers, or fail to effectively prohibit hazardous work by minors, noting that these situations amount to labour exploitation of children and young persons. Its conclusions state that long, poorly regulated working time for young and sometimes undocumented workers in sectors such as agriculture or small workshops is incompatible with the Charter and can amount to a form of social dumping by driving down labour costs through exploitation of youth.

54. In some assessments the ECSR has read Articles 2 and 3 together, finding that where workers are required to work very long hours in hazardous conditions (e.g. construction, mining, certain industrial jobs) without adequate regulation and monitoring of occupational health and safety, states fail to ensure safe and healthy working conditions. Weak conditions and working-time controls in high-risk sectors create a competitive advantage for enterprises that rely on dangerous and exhausting working patterns, which are incompatible with the Charter obligations.

55. The ECSR's conclusions on Article 3 have focused on the adequacy of labour-inspection systems: staffing levels, frequency and coverage of inspections, and sanctioning powers. Where inspectorates were seriously understaffed, rarely visited certain sectors (especially those with many migrant or undeclared workers), or had weak sanctioning capacity, the ECSR experts have found non-conformity and stressed that effective inspection is essential to prevent labour exploitation and undercutting of legal standards.

56. The ECSR has also underlined that fair remuneration is not just a matter of legal norms but also of enforcement: if labour inspectorates do not investigate unpaid wages, illegal deductions or systematic violations of minimum-wage rules, States cannot be regarded as ensuring fair remuneration in practice. Under Article 1, the ECSR has criticised systems where enforcement depends almost entirely on individual complaints, which migrants and other vulnerable workers are unlikely to lodge, rather than on proactive monitoring; this has been framed as contributing to a climate where exploitation and social dumping can persist unchecked.

57. In monitoring Articles 18 and 19, the ECSR has found violations where migrant workers face legal or practical barriers to filing complaints (fear of deportation, dependence on the employer for residence status, lack of interpretation, or administrative rules making access to courts difficult), concluding that such obstacles render rights illusory. It has recommended creating firewalls between labour inspection and immigration control, and ensuring that migrants can recover unpaid wages and challenge unsafe working conditions without risking expulsion – reforms that explicitly target labour exploitation and underpayment of migrants.

58. Concerning collective bargaining, subcontracting and structural drivers (Articles 5, 6 and E), the ECSR has found non-conformity where collective bargaining coverage is very low, the right to strike is unduly restricted, or union activities are obstructed, stressing that these deficiencies weaken workers' ability to resist wage cuts, abusive working time and exploitative subcontracting practices. In some conclusions, the ECSR has connected limited collective-bargaining coverage in sectors with many migrant or temporary agency workers to social dumping, since employers can play different groups of workers against each other and avoid common minimum standards.

59. The ECSR has used Article E to criticise legal regimes that allow structurally poorer pay, less protection or weaker access to collective bargaining for certain categories of workers (e.g. posted workers, seasonal migrants, domestic workers), finding such segmentation incompatible with the Charter's non-discrimination requirement. It has emphasised that this kind of structural discrimination not only harms the workers concerned but also exerts downward pressure on national labour standards, which the ECSR explicitly treats as contrary to the spirit and purpose of the Charter.

60. Taken together, these strands of ECSR case law show a consistent pattern: where underpayment (especially of migrant workers), excessive working time and weak inspection/enforcement create room for employers to compete by lowering labour standards, the ECSR tends to find violations of Articles 2, 3, 4, 18, 19 and E, often reinforced by consideration of Articles 1, 5, 6, 7, 24 and 25.

### **4.3. Fostering corporate social responsibility**

61. Corporate social responsibility (CSR) can reinforce legal and policy measures against social dumping and labour exploitation by making respect for labour standards part of how companies define and manage their own risks and performance, not just something they comply with when inspected. CSR strategies can embed core labour rights (wages, working time, health and safety, non-discrimination, freedom of association) as non-negotiable standards across all operations and subsidiaries. Companies can, for instance, commit to paying at least sectoral or collectively agreed minima, applying the same standards to temporary, agency and migrant workers as to core staff, and refusing to use subcontractors that undercut basic labour conditions. Publicly adopted codes of conduct and internal policies then create a benchmark that trade unions, NGOs and workers can use to challenge practices that amount to social dumping.

62. Modern CSR increasingly centres on human rights due diligence: identifying, preventing, mitigating and accounting for adverse impacts in the company's own activities and in its supply chains. Applied to social dumping and labour exploitation, this means systematically mapping where in value chains there is pressure to cut labour costs (e.g. subcontracted logistics, cleaning, construction, agricultural or garment suppliers), auditing working conditions and integrating labour-standard clauses into contracts with suppliers and subcontractors. When companies use CSR driven due diligence to exclude suppliers that rely on underpaid migrant labour, excessive hours or unsafe workplaces, they help close off the business model that depends on social dumping.<sup>33</sup>

63. CSR frameworks typically require regular public reporting on social performance, which can be used to expose and deter exploitative practices. Companies can publish indicators such as proportion of workers covered by collective agreements, ratio of lowest wages to median wages, hours worked in high-risk segments, or outcomes of social audits in supply chains. This transparency enables investors, consumers, unions and NGOs to scrutinise and compare firms, rewarding those that avoid social dumping and putting reputational and commercial pressure on those that do not.

64. A credible CSR approach treats workers and their representatives as key stakeholders rather than risks to be managed. Companies can commit in their CSR policies to recognising trade unions, setting up works councils or other participation bodies, and ensuring that grievance mechanisms are accessible in practice to migrant and temporary workers, including with language support and protection against retaliation. When workers can safely raise issues about underpayment, unpaid overtime or unsafe conditions, problems linked to social dumping are more likely to be detected early and resolved without waiting for external inspections or litigation.

65. Emerging mandatory due diligence laws (at EU and national levels) are transforming CSR from a voluntary concept into a partly binding framework for large enterprises.<sup>34</sup> Any weakening of CSR rules risks fuelling unfair competition and shifting competitive advantages to rival countries.<sup>35</sup> Companies that have already embedded robust CSR-based human rights and labour rights due diligence are better prepared to meet these legal obligations and can go beyond minimum legal requirements in high-risk sectors or countries. This convergence between CSR and hard law can strengthen enforcement against social dumping by combining regulatory sanctions with market-based consequences: firms that ignore labour exploitation face not only fines and liability, but also loss of contracts and reputational damage from failing to meet widely accepted CSR norms.

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33. «La prévention des risques de dumping social et environnemental dans les chaînes internationales d'approvisionnement: le maillon faible de la responsabilité sociale des entreprises» (French only) – a study by Vigeo Eiris, 21 June 2016.

34. See notably [Directive \(EU\) 2024/1760 of the European Parliament and of the EU Council of 13 June 2024 on corporate sustainability due diligence](#).

35. Guillaume Duval, "Europe's Self-Inflicted Wound: The Corporate Responsibility Retreat", 4 November 2025, Social Europe.

#### **4.4. Turning the United Nations Guiding Principles on Business and Human Rights into hard law at regional and national levels**

66. Corporate social responsibility, the UN “Protect, Respect, Remedy” Framework and the Guiding Principles on Business and Human Rights are tightly linked: CSR today seeks to operationalise the corporate responsibility to respect human rights, while States must create the regulatory environment that makes this real and not purely voluntary. The UN Framework on Business and Human Rights and its Guiding Principles rests on three pillars: (1) State duty to protect human rights, (2) corporate responsibility to respect human rights and (3) access to remedy for victims. States are thus expected to require, enable and oversee business respect for human rights (for example via labour law, due diligence obligations, public procurement rules, export-credit conditions); businesses are asked to adopt a systematic risk management of human rights impacts, including risks of social dumping and labour exploitation; and both States and businesses should provide effective mechanisms of remedy for victims of abuse such as through labour exploitation.

67. Alongside the existing soft law of the UN Framework and its Guiding Principles, negotiations are under way on a binding international instrument on business and human rights. Since 2014, an open-ended intergovernmental working group (OEIGWG) of the UN Human Rights Council has been negotiating a legally binding instrument, often called the “business and human rights treaty” (hard law). However, progress so far has been slow and politically contested as key States differ in their level of support and on issues like the scope of companies covered, jurisdiction and the relationship with existing national and regional laws.

68. In parallel, a *de facto* “partial hardening” of the UN Guiding Principles has occurred at regional and national levels: the EU’s Corporate Sustainability Due Diligence Directive and national laws in countries such as France, Germany and others now require certain companies to carry out human rights and environmental due diligence in their own operations and supply chains. These laws are explicitly inspired by the UN framework and effectively transform key elements of CSR (due diligence, supply chain responsibility, reporting) into binding obligations for covered firms.

69. Due-diligence obligations under frameworks like the UN Guiding Principles and the EU Corporate Sustainability Due Diligence Directive, along with drafts of the proposed UN binding treaty, directly target the structural mechanisms of social dumping – such as low wages, abusive working time, and weak labour inspection – by requiring companies to act on these abuses across their supply chains. Due diligence requires companies to assess and address risks of paying wages below legal minima, living-wage thresholds or collectively agreed standards, which are hallmarks of social dumping in subcontracting chains and sectors heavily using migrant workers (like construction, agriculture and logistics). Mandatory due diligence also extends to working-time violations, obliging companies to monitor and mitigate risks like unpaid overtime, failure to provide rest periods or exceeding legal maxima, which enable social dumping by squeezing labour costs.

70. Where State labour inspection is weak or absent (common in origin countries for migrant workers or low-cost suppliers), due diligence shifts responsibility to conduct proactive checks, report findings, and collaborate with local authorities to companies – filling enforcement voids that perpetuate exploitation and mandating supply-chain transparency. By requiring worker voice (trade unions, works councils) due-diligence processes enable early detection of social dumping risks like bogus self-employment or undeclared work. So while global treaty negotiations are slow, they still push for global and regional alignment, which is an opportunity for European countries to lead the way on curbing social dumping and labour exploitation.

#### **4.5. Curbing the informal economy and undeclared work**

71. Social dumping and labour exploitation often converge with the informal economy and undeclared work because these practices create hidden, unregulated spaces where employers can bypass taxes, social contributions, minimum wages and labour protections to undercut competitors. Undeclared work removes workers from formal labour law, social security and tax systems, so minimum wage rules, working-time limits and collective agreements are not effectively applied. Workers in undeclared jobs (often migrants in sectors like construction, agriculture, domestic work, hospitality and transport) are highly dependent on employers for income, residence status or housing, which increases the risk of coercion, threats and other exploitative practices.<sup>36</sup> OECD studies show that informal workers represent nearly 60% of the workforce globally and up to 90% in low-income countries. Moreover, children of low-paid workers in the informal economy often inherit their parents’ vulnerability, thus perpetuating social inequalities and the trap of informal work.<sup>37</sup>

72. When work is undeclared, workers often have no payslips, contracts or insurance, which makes it difficult to claim unpaid wages, complain to authorities or prove abuse in court. Fear of losing a job, a work permit or residence status discourages many from reporting abuse to authorities, especially when the right to

stay is tied to a specific employer or when workers are undocumented or in irregular situation. Informal recruitment networks (intermediaries, ethnic networks, family ties) can isolate workers from unions or public services and normalise very low pay, unsafe conditions and excessive working hours. This is why undeclared work ranges from relatively mild labour law breaches to severe labour exploitation and, in some cases, trafficking for the purpose of labour exploitation.

73. Across Europe, a mix of prevention, detection and sanction measures is used to target both the informal economy and the worst forms of abuse. Labour inspectorates carry out targeted inspections in high-risk sectors and workplaces (construction sites, farms, hotels, private security and cleaning services), often together with tax, social-security, migration and police authorities. Specialised mixed teams, cross-checks of various databases and clear co-operation procedures help link evidence of undeclared work (no contracts, no registration) to potential exploitation (very low pay, dangerous housing, threats).

74. “Chain liability” in subcontracting (for example, in construction or agriculture) makes main contractors financially responsible if subcontractors rely on undeclared workers or exploitative practices, reducing incentives to outsource risk at the bottom of the chain. Breaches can lead to back-payments of wages and social security contributions, administrative fines and, in serious cases, criminal charges against employers.

75. Confidential or anonymous reporting tools, hotlines and complaint mechanisms encourage workers to disclose undeclared work and exploitation without immediate risk of dismissal or deportation. Some systems allow exploited third-country nationals to keep or obtain a residence permit when they co-operate with authorities, which reduces employer control and helps investigations. NGOs, trade unions and local community organisations can inform workers about their rights, offer legal support and act as intermediaries, building trust with people who would not approach authorities alone.

76. Simplified registration and payment procedures for small employers and household services, plus lower administrative costs, should make it easier to declare workers legally and pay social contributions rather than pay fines or face prosecution. Regularisation or “amnesty” schemes have been used by some European countries and could be used more widely to bring long-term undeclared workers into formal employment, especially in domestic work and agriculture. Extending labour law and basic social protection to groups often in informal or semi-formal work (domestic workers, platform workers, some self-employed) also helps reduce grey zones where exploitation can thrive.<sup>38</sup>

## 5. Conclusions and recommendations for the attention of policy makers

77. Social dumping and labour exploitation remain significant threats to fair competition, social cohesion, and fundamental rights across Europe. Despite robust framework of legal instruments at European and international level (European Convention on Human Rights, European Social Charter, EU directives and ILO conventions), my research, fact-finding, expert contributions and committee discussions show that efforts to counter social dumping and labour exploitation in Council of Europe member States are ongoing but uneven. While legal benchmarks are in place, enforcement gaps between law and practice, resource limitations, and transnational challenges dilute their effectiveness. Strengthening multilateral and inter-agency co-operation, enhancing the capacity of labour inspectorates, simplifying and making legal protections more accessible, empowering workers through awareness raising and unionisation so as to establish a climate of trust are key to sustainable progress.

78. Among key challenges and structural barriers that many member States face we can see that the political prioritisation of labour rights is inconsistent, often subordinated to economic competitiveness. Legal complexities and loopholes in subcontracting chains and temporary agency work allow unscrupulous employers to circumvent regulations. Migrants, especially undocumented and seasonal workers, face systemic discrimination and limited access to justice. There is also a lack of comprehensive, disaggregated data on labour violations and the extent of the informal economy, which hinders policy formulation.

79. Council of Europe member States should better use the benchmarks of the European Social Charter. A full range of articles of the Charter set the foundation for labour rights, a decent wage and living standards, forming a “floor of rights” which States must not undercut in law or practice. Inadequate minimum wages,

36. “Counteracting undeclared work and labour exploitation of third-country national workers” by Petra van Nierop, Lisa Schönenberg and Petar Terziev, with contributions from Almina Besic, Karolina Jakubowska, Norma Rose, Ruslan Stefanov, Daniela Mineva, January 2021, – a study for the European Platform tackling undeclared work.

37. OECD (2024), “Breaking the Vicious Circles of Informal Employment and Low-Paying Work”, OECD Publishing, Paris.

38. Idem.

especially in sectors with high numbers of migrant or posted workers, foster exploitation and two-tier labour markets. European countries must fully shoulder their responsibility for pursuing the Decent Work Agenda, including through the UN Sustainable Development Goals.

80. Based on this report, I propose putting forward the following policy recommendations to ramp up member States' action against social dumping and labour exploitation:

- Strengthen national legal foundations and institutions using the norms of the European Social Charter (particularly Articles 2, 3, 4, 18, 19, 20, E);
- Incentivise business models that provide for stable, secure employment putting economic interests and socio-economic rights on an equal footing;
- Protect whistleblowers who report labour exploitation to authorities, establish safe channels for such reporting and build “firewalls” between labour law enforcement and immigration authorities, empowering exploited workers to claim back wages without fear of expulsion or loss of residence;
- Strengthen social partnership, ensure freedom of association and guarantee the right to organise by expanding sectoral collective agreements to cover all workers, especially in high-risk, low-wage sectors and involving social partners in tripartite commissions and in inspection fieldwork to monitor compliance;
- Significantly increase resources (funding and staff) for labour inspectorates to meet ILO minimum benchmarks, enable risk-based inspections and ensure regular, dissuasive sanctions, as well as strengthening cross-border and inter-agency collaboration, including with the European Labour Authority and tax authorities (invoking, where appropriate, the Protocol amending the Convention on Mutual Administrative Assistance in Tax Matters, CETS No. 208);<sup>39</sup>
- Promote integrated, multi-agency co-operation by replicating, as appropriate, Nordic models of cross-agency (labour, migration, police, tax) centres for intelligence-sharing, data exchange, risk analysis and enforcement, focusing especially on high-risk and cross-border cases;
- Mandate compulsory licensing and certification of temporary employment agencies, set up risk evaluation systems, ensure sanctions for non-compliance and ban agencies that operate as shell companies or without real economic activity in the country;
- Enhance regulation and accountability for subcontracting by mandating joint liability across the subcontracting chain, imposing strict limits on subcontracting levels, prohibiting shell companies, and ensuring equal conditions, wages, and access to remedies for all workers, taking inspiration from Swiss and Belgian enforcement models;
- Ensure effective enforcement of the revised EU's Posted Workers Directive, including for third-country nationals and temporary employment agency workers;
- Build joint inspection teams, centralised databases and harmonise controls to reduce circumvention and ensure wage parity in host countries;
- Provide workers, especially migrant and posted workers, with accessible, multilingual information on their rights and contact points for legal aid, including through trade unions;
- Combat false self-employment and informal employment by establishing clear criteria to classify workers as employees, extending protections to platform workers, increasing supervision of sectors known for bogus self-employment and using targeted amnesties and simplified registration for regularisation;
- Advance and mainstream corporate social responsibility by enforcing due diligence in supply chains, which requires companies to identify, audit and tackle the risks of social dumping. Public authorities and private firms should refuse to work with contractors or suppliers engaged in exploitative practices;

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39. Armenia, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia have not yet signed this protocol; Türkiye has not yet ratified the protocol. This instrument is open for signature also by non-members of the Council of Europe and seven States have acceded to it (Australia, Canada, Japan, Mexico, New Zealand, Republic of Korea, Russian Federation) while Chile, Israel and the United States of America signed but not yet ratified it as of 24 February 2026.

- Support the negotiations towards an international legally binding instrument based on the United Nations Guiding Principles on Business and Human Rights and implement the Guiding Principles as called for by the Committee of Ministers Recommendation CM/Rec(2016)3 on human rights and business.