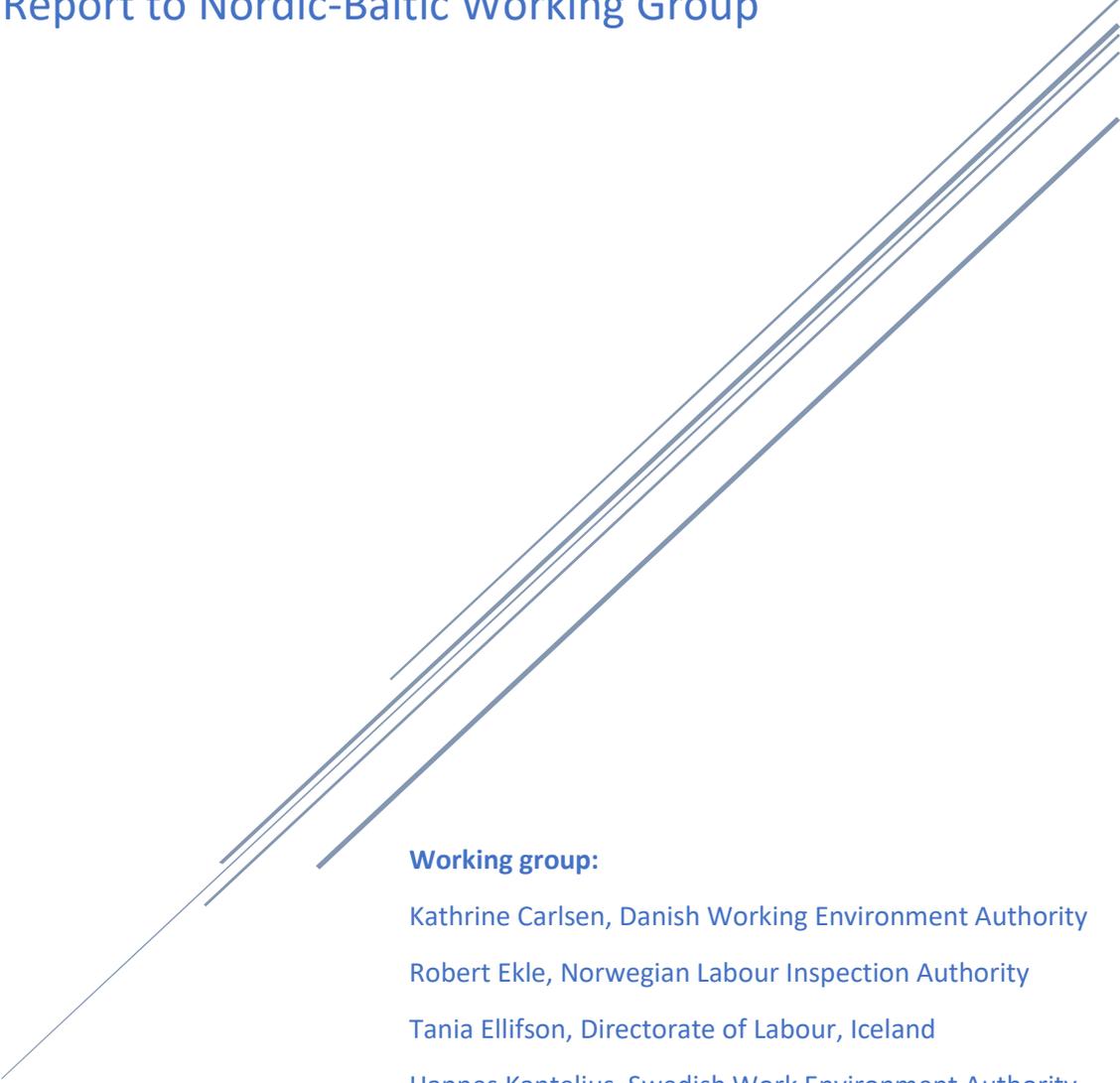


COMBATING UNDECLARED WORK: RECOMMENDATIONS, PROCEDURES AND CHALLENGES

Report to Nordic-Baltic Working Group



Working group:

Kathrine Carlsen, Danish Working Environment Authority

Robert Ekle, Norwegian Labour Inspection Authority

Tania Ellifson, Directorate of Labour, Iceland

Hannes Kantelius, Swedish Work Environment Authority

Renārs Lūsis, State Labour Inspectorate of the Republic of Latvia

Liis Naaber, Estonian Labour Inspectorate

Marianne E. Nordtømme, Norwegian Labour Inspection Authority

Riku Rajamäki, Finnish Occupational Safety and Health Administration

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Background and aim

In this project, the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden), Estonia, and Latvia have worked together with the aim to share our knowledge and experiences on how to measure risks and effects when combating undeclared work (UDW). The work group is part of the larger project UDW Nordic-Baltic initiative and is referred to as working group knowledge – effect and analysis (WG Knowledge). This continuation project builds on the previous Nordic UDW-project, where a process indicator was developed which measures each country's conditions for facilitating cross-agency cooperation to combat UDW¹. The Corona pandemic affected the whole of the project, and the initial aims of the work had to be adjusted. The aims for WG Knowledge is to:

- Test the produced process indicator which measures each country's conditions for facilitating cross-agency cooperation to combat UDW.
- Describe how each country work with risk and effect indicators.
- Provide recommendations on how to facilitate cross-agency cooperation.

The work process

WG Knowledge started its work in the spring of 2019 with a start-up video meeting held on April 25. Two physical work meetings was planned, one in Stockholm and one in Copenhagen. The meeting in Stockholm was held on October 1–2 in 2019, due to the Corona pandemic the Copenhagen meeting planned for late April in 2020 had to be cancelled. Instead, video meetings had to be used to finalize the project.

Each country has prepared a country report building on a common structure and headings which are enclosed as appendixes. The country reports commence with testing the process indicator, and in later sections elaborates on the national contexts and conditions for combating UDW based on these headings:

- Currently used risk indicators and data for planning cross-agency inspections
- Currently used indicators and data for evaluating inspections
- Identified methods and success stories of good practices for combatting undeclared work
- Identified bottlenecks for cross agency and/or cross-border cooperation and/or inspections

In the next section, the process indicator is briefly described as a background to the following sections and to the country reports. The country results from testing the process indicator is then presented. Based on the country reports, some conclusions and recommendations are discussed.

Recapitulating the process indicator

In this section, we do a brief recapitulation of the process indicator, which resulted from the earlier project. The process indicator can be helpful to measure or map the conditions and possibilities for cross-agency cooperation. With this indicator, key issues that might withhold or hinder cross-agency cooperation can be identified.

An important reason why cross-agency cooperation is efficient in tackling UDW is the concept of tactical sanctioning. The term 'sanction' encompasses all the available sanctions and reactions all relevant agencies are permitted to impose, e.g. administrative fines, injunctions, worksite closures,

¹ See the previous project's report: *Process indicator for combating undeclared work. Report to Nordic Working Group*. May 2018.

penalty taxes or sentences. Tactical sanctioning is therefore crucial, as it describes the ability to apply all applicable laws and regulations against an offender engaged in UDW or other unlawful activity. To achieve tactical sanctioning against offenders engaged in UDW, the cross-agency teams need to have procedures in place on how to combine the sanctions available within each agency’s mandate.

The process indicator consists of items that each reflect conditions that are considered important for achieving the most efficient cross-agency cooperation as possible to combat UDW. In order to sort these prerequisites, we have identified three over-arching categories of conditions. These categories are (1) Governmental framework conditions, (2) Knowledge and intelligence, and (3) Operative procedure and sanctioning. Each of these categories are measured or mapped with several items. In total the process indicator consists of 15 items. The items are presented in a matrix in Table 1 below, and the rest of this section describes the categories in some detail.

Table 1. The matrix with process indicator items.

Category	Item #	Item	Score 0 = 'No' 1 = 'To some degree' 2 = 'Yes'	Score elaboration or further comment
Governmental framework conditions	1	Is combating undeclared work a stated goal for the government?		
	2	Is there an overarching governmental strategy on combating undeclared work?		
	3	Are there joint action plans for cross-agency inspections?		
	4	Are there joint cross-agency assignments from the ministries?		
	5	Is there a regular joint report on activities and effects from cross-agency efforts to combat undeclared work?		
	6	Are there national indicators for measuring undeclared work?		
	7	Is the legal framework adapted to combating undeclared work (i.e. sanctions)?		
Knowledge and intelligence	8	Do the existing legislations enable agencies to share and combine information?		
	9	Do agencies share and analyse strategic information?		
	10	Are there dedicated cross-agency staff for working with knowledge and intelligence?		
	11	Are there joint IT systems to facilitate knowledge and intelligence?		
Operative procedures and sanctioning	12	Are there co-located cross-agency inspection teams working together on a daily basis?		
	13	Are there cross-agency inspection teams which are not co-located but working together on a regular basis?		
	14	Are there cross-agency procedures on how to coordinate efficient sanctioning (“tactical sanctioning”)?		
	15	Are the roles and jurisdiction of each member in the cross-agency teams clearly defined?		

Category 1: Governmental framework conditions

The first category “Governmental framework conditions” contains seven items related to the governmental and legal level. For cross-agency cooperation to work efficiently, it is fundamental that the separate agencies are governed by the same goals and performance requirements to achieve efficient joint and coordinated actions. This requires top level political engagement and awareness of the issue of UDW in the government and the ministries governing the most relevant agencies. It also requires an overall strategy with common goals for the joint effort, including the introduction of shared cross-cutting strategic targets or key performance indicators (KPIs) across agencies, a joint-action plan to set more operationalized goals for both intended effects and measures, and common cross-agency assignments for further development towards efficient cooperation from the ministries. In order to be able to follow up and adjust the joint actions towards more efficient effects/outcomes, a regular common report from the accomplished joint activities is needed, describing both performance and effects in accordance with the goals set in governing documents. To be able to monitor development, there should also be national indicators measuring, or at least estimating, the volume of UDW on a regular basis and/or the number of employment relationships moved from the undeclared into the declared economy.

Finally, the legal framework should be adapted to the purpose of combating UDW through joint efforts. This entails the cooperating agencies being able to view their separate sanctions as a common toolbox which can be used in the most efficient manner possible in each case, i.e. by so-called tactical sanctioning as mentioned above.

Category 2: Knowledge and intelligence

The second category concerns knowledge and intelligence, which is important for finding and targeting offenders who constitute the largest threats regarding UDW. This is important to maximize the effects of the efforts to combat the phenomenon. Efficient action against UDW thus requires an intelligence-based approach. It also requires knowledge on how to target the individual offenders with the appropriate sanctions. In order to achieve adequate knowledge to this end, cooperating agencies must be able to share and combine the strategic and tactical information in their possession, such as taxation data, police intelligence or data from HSE inspections. Dedicated staff must be available for this task. It is also of vital importance that IT systems facilitate data collection and analysis.

Category 3: Procedures and sanctioning

The third category concerns operative procedures and sanctioning. There should be cross-agency inspection teams, preferably co-located in the same area for an optimal cooperative climate. If this is not possible, cross-agency inspection teams working together on a regular basis is the next best thing.

To achieve efficient and tactical sanctioning against targeted offenders, the cross-agency teams need to have procedures in place on how to combine the sanctions available in each agency. This is crucial, as the main gain of cross-agency cooperation is the ability to use a wider range of sanctioning tools than would otherwise be available to each agency operating on its own.

Testing the process indicator

One of the aims of this project was to test the process indicator that was developed during a previous project. In the country reports, each country presents its own scoring and elaborates on the results. Table 2 below shows how each country has scored itself.

Table 2. Testing the process indicator.

Country	Category score			Total score
	<i>Governmental framework conditions</i>	<i>Knowledge and intelligence</i>	<i>Operative procedures and sanctioning</i>	
Denmark	11 (14)	4 (8)	5 (8)	20 (30)
Estonia	7 (14)	4 (8)	2 (8)	13 (30)
Finland	11 (14)	6 (8)	3 (8)	20 (30)
Iceland	10 (14)	7 (8)	5 (8)	23 (30)
Latvia	6 (14)	3 (8)	1 (8)	10 (30)
Norway	12 (14)	4 (8)	6 (8)	22 (30)
Sweden	10 (14)	5 (8)	5 (8)	20 (30)

As can be seen, some countries score more similar than other. However, it must be stressed that the scores of the process indicator in the country reports cannot and must not be viewed as an absolute truth. The scores could vary depending on which authority is doing the scoring, if the scoring is done in cooperation between staff from different levels within the organisation, in cooperation between different agencies, etc.

With this limitation in mind, the results do give an indication of how far each country have come in facilitating cross-agency cooperation in each category. Based on the elaborated scores in the country reports, it is our conclusion that the process indicator may serve as a useful tool. An intra-agency and inter-agency discussion on how to maximise the work against UDW, to identify bottlenecks or how to facilitate cross-agency cooperation can be based on the process indicator.

Conclusions and recommendations

The main result from this project, is that the process indicator may serve as a useful tool to measure or map the conditions and possibilities for cross-agency cooperation. On the very least, the use of the process indicator could be a starting point for cross-agency discussions on how to facilitate cooperation and maximise sanctioning impacts.

In the rest of this section, we use the categories of the process indicator to suggest some recommendations that could facilitate cross-agency cooperation or in other ways help to tackle UDW. The recommendations build upon some of the success stories and bottlenecks that has been identified in the country reports.

Recommendations regarding the governmental framework conditions

Recommendation: Cross-agency cooperation requires both top-down and bottom-up action to create the necessary push and pull factors that leads to effective cooperation.

Effective cross-agency cooperation needs to be driven from two directions, top-down and bottom-up. Top-down refers to the policy level or the political level. Policy makers must provide clear and concrete policies and goals which steer towards cross-agency cooperation and allocate the appropriate

resources when and where they are needed. The cooperating agencies need to have a joint goal or assignment to work towards and to unify the different agencies and their respective organisational cultures. It is not unusual for policy makers to make declarations or to have visions for sound competition and healthy working environment, these have to be made concrete through policy and decision making.

Bottom-up refers to the practitioners working in the agencies that are trying to tackle UDW. Unless support is provided from the policy level, the practitioners must try to find their own ways for cooperation. This process is painstakingly slow and relies upon building personal networks and contacts. It makes the cooperation both vulnerable to changes in staff, and it may also be in the legal grey area. The practitioners, or grass root staff, also needs to be acknowledged and supported in their commitment to tackle UDW.

Both the top-down and bottom-up work is necessary for creating an effective cross-agency cooperation. The policy level needs to get feed-back and knowledge from the practitioners, or the grass root-level, in order to formulate policy that give the needed push or pull for effective cross-agency cooperation.

A clear and firm stance from the governmental and policy making level on that combatting UDW is a stated goal, send signals to the UDW offenders and to the labour market. This could in itself be one part of the preventive measures which may help to combat UDW.

Recommendations regarding knowledge and intelligence

Recommendation: Sharing and combining of information should be a stated goal for cross-agency cooperation where the legal procedures and work processes require to be adapted accordingly.

Sharing and combining information (e.g. register data) in a structured way is key for cross-agency cooperation. It also is a bottleneck shared by most of the participating countries. The lack of information may be hindering cross-agency cooperation and/or cross border cooperation. Sharing data and information must not only be legal, within reasonable forms, but also be part of the working culture of all participating agencies. Different agencies have different traditions, attitudes, organisation/working culture etc. towards sharing information.

This could be solved by giving participating inspectors access to the cooperating agencies' data, albeit limited access. For example, by providing labour inspectors read-only access the tax authority's registers, labour inspectors can quickly utilize this information when the information is needed.

If joint databases or registries are being shared, the structure and definitions of the data needs to be understood by all participating agencies. It is vital to understand what the data contains and how it may be used both in more general risk assessments and when working with individual cases. This in turn calls for learning about the cooperating agencies' procedures, jurisdiction, competences, etc.

When information is shared to other agencies, it is imperative that feedback is provided regarding the usefulness of the information. Through the feedback the cooperating agencies may learn more about each other's information needs and make sure the proper information is shared.

Cross-border cooperation and exchange of information has been identified as one powerful way to combat UDW. Estonia and Finland have been cooperating since 2014. Cooperation between Estonian Labour Inspectorate and Regional Labour Inspectorate for Southern Finland has achieved good practices within the bilateral Cooperation agreement between the two agencies. Thanks to the

cooperation, there is better understanding of both agencies' competence, tasks, and key persons. The Estonian Labour Inspectorate has also signed an agreement with the Norwegian Labour Inspection Authority concerning cooperation and mutual exchange of information.

Recommendations regarding operative procedures and sanctioning

Recommendations: UDW inspections should be performed by designated cross-agency teams that possess the proper knowledge and training on both the UDW-phenomenon and on each other's jurisdictions, working methods, etc. so each authority can apply its own regulations.

In the previous project, the concept of tactical sanctioning was introduced as a success factor. However, this is difficult to achieve until the cross-agency cooperation has been developed in all the ways described so far. Instead, stressing the known UDW offenders may be the most effective way to disrupt their activities. When conducting joint inspections, all participating agencies should report the deficiencies found and enforce the proper sanctions. However, this presupposes that the authorities have knowledge of each other's assignments, working methods, regulations, sanctions etc.. If not, there is a risk that one authority's actions will complicate or make another authority's sanctioning more difficult or even impossible.

Effective co-operation between authorities therefore presupposes that there is consensus on the goal of the cooperation, and that joint methods and procedures have been developed that also provide scope for each authority's ability to carry out controls. Exchange of experience and also learning about each other's authorities are crucial to achieving this form of cooperation. The most effective way to achieve this is to have designated cross-agency teams that work together on a regular basis.

To effectively tackle UDW, the entire legal chain from control to prosecution needs to be dimensioned to handle complex and difficult-to-investigate cases. Joint government inspections are important, but just as important is that the results from the inspections can be handled quickly, efficiently and legally.

Final remarks

The UDW-phenomenon is costly in many ways, both for the affected countries and companies, but also for the humans who are victims of exploitation and trafficking. Tackling UDW is also costly and can easily drain the agencies' resources and manpower. It would therefore be preferable if UDW can be prevented and stopped as early as possible. Preventive work can be done in many ways, shapes and forms and was not the scope of this project. However, prevention can and should also be part of the cross-agency efforts to tackle UDW.

Country Report - Denmark

Introduction

In 2012 the first corporation agreement between the police, the Tax Authority and the Danish Working Environment Authority (WEA) was implemented in order to strengthen the effort to combat social dumping. In Denmark there is a clear division of responsibilities between the authorities, where the main role for WEA is to inspect the working environment and OSH in enterprises with employees regardless of whether the enterprise is Danish or of foreign origin. WEA has not the authority to control residence and work permits, correct payments of tax and VAT and wages. The division of responsibilities between authorities call upon a formalized cooperation between the authorities in order to tackling undeclared work. In Denmark the corporation between authorities is solely concentrated upon the part of undeclared work regarding 'social dumping' or 'orderly conditions'.

There is no clear definition of social dumping but the term is used to describe situations where foreign employees has wages and working conditions under the Danish standards, where they work under poor working environment conditions and when the company do not pay (enough) tax. WEA inspects Danish registered companies the same way. Similarly the Tax Authority are obliged to control correct payments of VAT and tax irrespective of the origin of the company.

Businesses with a permanent base in Denmark must register to the central Business Register (CVR). This register is used to provide Danish authorities with basic information about sector and contact information to ensure among other things that Danish tax and working environment authorities have update contact information, including a physical address that can be used to communicate with. The Register of Foreign Service Providers (RUT) is the Danish government's official register to notify a foreign service and was established to provide a register parallel to CVR. Foreign service providers (employees and self-employed) working in Denmark must notify to RUT. The Danish Tax Agency and WEA use information from RUT in the prioritisation and planning of inspection visits.

The purpose of the joint inspections between the three authorities is to control and secure compliance of the Danish regulation with regard to OSH, taxation and work permission, which is something the police is checking.

Below are the different aspects of this corporation tested by using the process indicators.

Results from testing the process indicator from previous project

In the previous report from the Nordic working group a “process indicator for combating undeclared work” was prepared. In the following the Danish scoring of the indicator will be presented.

Side 2/9

Category	Item #	Item	Score 0 = 'No' 1 = 'To some degree' 2 = 'Yes'	Score elaboration or further comment
Governmental framework conditions	1	Is combating undeclared work a stated goal for the government?	2	In 2019 more than 73 million DDK yearly was allocated to joint cross-agency assignments between WEA, the Tax Authority and the police. From 2020 this amount is nearly doubled to 114 million DDK per year.
	2	Is there an overarching governmental strategy on combating undeclared work?	2	The strategy is written down in a collaboration agreement, which is revised each year
	3	Are there joint action plans for cross-agency inspections?	2	The joint cross-agency inspections is carefully described in a screenplay which rules out the process and responsibilities in relation to joint inspections
	4	Are there joint cross-agency assignments from the ministries?	1	Quarterly meetings and in relation to specific cases / episodes
	5	Is there a regular joint report on activities and effects from cross-agency efforts to combat undeclared work?	2	A joint half-yearly report describing the number of joint inspections, penalties related to violation of OSH

			legislation, taxation and registration.
	6	Are there national indicators for measuring undeclared work?	1 There is no written indicators, but the focus for inspections. It is also discussed between the authorities which indicators are most relevant.
	7	Is the legal framework adapted to combating undeclared work (i.e. sanctions)?	1 The legislation is sufficient for those companies who can and will. There is, however, a lack of sanctions towards those companies that break the laws on purpose. An example is foreign companies which are closing in DK and opening up in a new name or goes bankrupt. It is not possible to prosecute and sanction this kind of offence. This is a problem for all authorities as they all lack the tools to follow up on offenses.
Knowledge and intelligence	8	Do the existing legislations enable agencies to share and combine information?	1 In connection with joined actions basic information is shared between the authorities e.g. names and work address. The outcome of inspections is not allowed to be shared, and especially the Tax authority has extended confidentiality.

	9	Do agencies share and analyse strategic information?	0	The authorities do not share strategic information that can be used to follow-up and future planning cf. the answer above (item 8). There is, however, some sharing of strategic information on the political level.
	10	Are there dedicated cross-agency staff for working with knowledge and intelligence?	2	Yes, in all three agencies
	11	Are there joint IT systems to facilitate knowledge and intelligence?	1	The Registry for Foreign service providers (RUT) enables sharing of the information's notified by the company itself to RUT
Operative procedures and sanctioning	12	Are there co-located cross-agency inspection teams working together on a daily basis?	0	No, all allocated staff are working in their own authority.
	13	Are there cross-agency inspection teams which are not co-located but working together on a regular basis?	2	Yes, there is cross agency inspections between the three authorities meeting on a regular basis.
	14	Are there cross-agency procedures on how to coordinate efficient sanctioning (“tactical sanctioning”)?	1	There is a collaboration agreement and a screen book, but no coordination of sanctions.
	15	Are the roles and jurisdiction of each member in the cross-agency teams clearly defined?	2	There is no overlap between the competences of the authorities. And the competences are fully described and agreed upon when working together.

Currently used risk indicators and data for planning inspections

Side 5/9

All three authorities (police, tax authority and WEA) engaged in actions against social dumping conduct outreach activities in relation to foreign companies that the authorities have encountered or become aware of through notifications. These inspections can be conducted by one authority alone or in joint actions.

The joint actions is based on the corporation agreement with the purpose to ensure the framework for corporation; to secure that experiences from previous joint inspections is continues; and developed and secure that there is the necessary contact to react coordinated, fast and consequent against foreign companies and employees – both through planned actions and *ad hoc* on a daily basis.

It is not possible to control all foreign companies, and in order to risk base the inspections there is a number of indicators described below.

The RUT register

A key source for identifying foreign companies is the Register of Foreign Service Providers (RUT). RUT facilitates the reporting of basic company and service information from companies temporarily providing cross-border services in Denmark. The register holds among others information about company name, ID type and number, date of commencement and completion of the work assignment, location where the work is performed, the identity of posted workers and the duration of posting.

As it is compulsory to notify to RUT this notification has become one of the best risk indicators and best sources for identifying foreign companies for inspection. Information from RUT is used in the risk models and in planning and prioritization of inspections. The aim of this risk assessment is to target the inspections towards companies with the highest risk of non-compliance with tax and OSH regulations.

If a company has a correct notification to RUT information will be linked to previous inspections in order to avoid repeated inspections on companies that have recently undergone inspections without sanctions.

If a company has not notified to RUT or the notification is inadequate the company will be imposed a fine (Table 1).

Table 1.

	2012-2015	2016	2017	2018	1. halvår 2019	I alt
Number of fines to companies not notified to RUT	1.789	393	450	377	175	3.184

It has been shown that companies who have provided notification of their services to RUT in general have a higher compliance with regulations than companies not notified to RUT.

RUT is mainly used on work place level to identify objects for inspection in the following sectors - construction, agriculture, cleaning, hotel and restaurants and transport.

Illegal labour

Though it is not within the competences of WEA, illegal labour and forced labour is of something the authorities are focused on. When planning cross-agency inspections knowledge about the use of illegal labour is part of the risk-based selection of companies. The information comes from different sources including notifications to RUT about 3rd world citizens and hints from the social partners. In addition inquiries from the public and knowledge from inspectors are important sources of knowledge about sectors using illegal labour. Finally, an important contribution to identify companies in risk is knowledge about use of unskilled workers, as it is assumed that illegal workers take hire in unskilled labour. As there is no registry to lean on to identify specific work places the indicator is only used on sector level.

Working conditions with social dumping characteristics

Another risk indicator on sector level is known problems with compliance with Danish legislation. According to this indicator companies in high-risk sectors is focused on when planning cross-agency inspections: High risk sectors is e.g. building and construction, agriculture, horticulture, cleaning, transportation and restaurants.

Evade of tax and vat

The last indicator is used both on work level and sector level. The information comes from the Tax authority.

Table 2

Indicator	Work place level	Sector level
Notified in RUT	X	
Illegal labour	X	X
Working conditions with social dumping characteristics		X
Evade of tax and vat	X	

Lack of general indicators

All companies registered in the Danish Central Business Register (CVR) is subject to risk-based evaluation based on an index model. The index model contains a number of parameters that are company and sector oriented. Together these are used to identify which companies that are most likely to have working

environment problems. Companies will be given points for each of the parameters. On company level parameters as previous sanctions, work accidents and size of company is included whereas risk for noise, psycho-social risks and musculoskeletal disorders are examples of parameters used in the risk assessment on sector level.

The majority of these information is not suitable for foreign companies and it is therefore not possible to use the same risk assessment on companies registered in CVR and foreign companies notified to RUT.

The lack of information makes it difficult to evolve algorithms for risk assessments and thus target inspections towards those companies with the highest risk of not comply with legislation.

There is, however, becoming more focus on the use of existing data and a new legal provision enables the authorities to share data in a higher extend that it is possible today. Based on these data WEA will use machine learning to develop models for risk assessments.

Currently used indicators and data for evaluating inspections

Half-yearly the nation-wide joint inspections is reported to the involved authorities (Table 3). The report contains the results from the joint inspections in regard to number of inspections, type of industries, sector, the nationality of the company, legal prosecutions and other actions taken as a result of inspections.

Table 3. Number of nation-wide joint inspections from 2012 to 1. half year of 2019

	2016	2017	2018	1H 2019
Number of inspected work places	452	455	418	194
Number of inspected companies	556	504	464	213
Number of legal prosecutions for failure to notify to RUT	26	47	21	8
Danish companies	390	311	307	115
Foreign companies	166	193	157	98
Number of actions taken in regard to OSH (foreign companies)	62	40	59	32+
Number of actions taken in regard to OSH (Danish companies)	230	221	190	119

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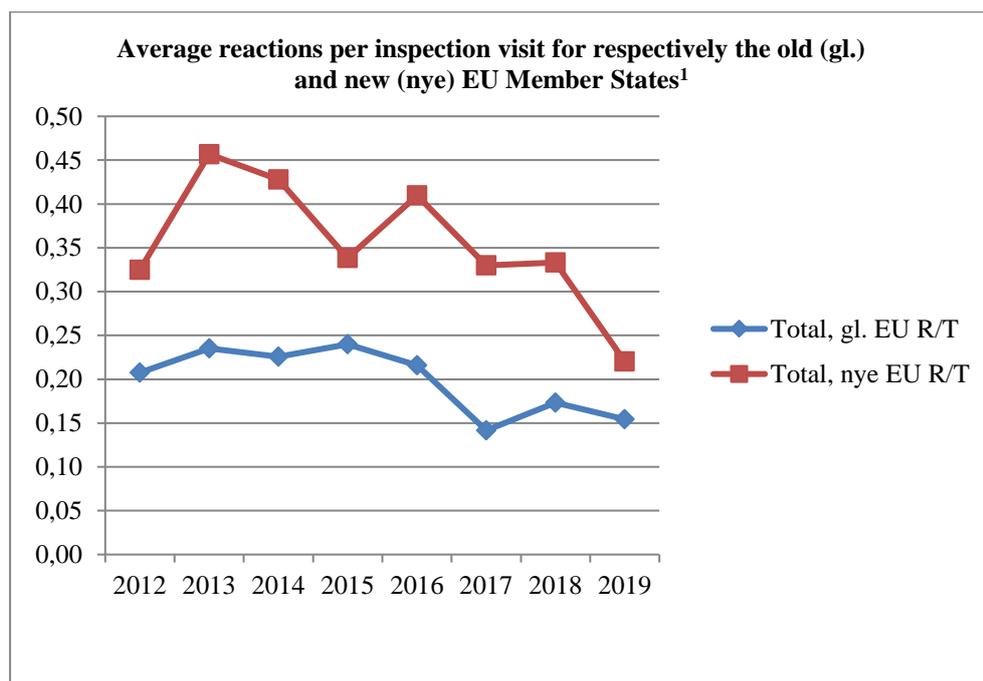
Kilde:Afrapportering af myndighedsindsatsen for ordnede forhold 2112 til 1.halvår 2019

The effect of these joined actions is difficult to measure and it is not easy to establish an outcome measure that is reliable and stable. This is caused by several circumstances:

- *The main problem in identifying effect indicators is the lack of data and the fast turnover rate of foreign companies*
- *The data used to quantify the effect of inspections on OSH in general is primarily data from previous inspections and notifications to RUT*
- *As previous described the data and registration practise for Danish and foreign companies differ, which makes it impossible to compare the two types of companies and make analysis over time*

There is, however, some indicators pointing towards a higher compliance with Danish legislation over the past years. The proportion of rulings given to companies from countries, which has been operating in Denmark for many years e.g. Poland has declined during the last years whereas companies from new countries as Ukraine still has many problems in complying with Danish legislations (Figure 1).

Figure 1. Development in regulatory compliance



Average reactions per inspection visits for respectively the old and new EU Member States.

Identified methods and success stories of good practices for combatting undeclared work

There is no simple effect indicator on the efforts target combating social dumping in Denmark. There is, however, a steady measurement of the immediate effect of inspections based on the number of fines and number and

type of rulings and sanctions. But the effect on the future OSH, correct payment of tax and VAT and general compliance with Danish law is not directly measured.

Side 9/9

In April 2019 the Danish government agree to enhance and reorganize Danish safety and health initiatives and to continue and strengthen initiatives for orderly conditions on the labour market. The agreement states, that ‘Safeguarding fair competition, and compliance with and enforcement of legislation and regulations is a joint responsibility. Due to this agreement all the involved authorities will in the years to come, continue their control and guidance efforts, while at the same time allowing more long-term planning and development of efforts. The joint authority work will be continued, and WEA's inspection and control of orderly labour-market conditions will be intensified’ (<https://at.dk/en/about-us/about-the-wea/strategy-2020/>).

In order to realize the agreement a number of initiatives were established including initiative 24 about ‘Joint authority work to ensure orderly conditions’. According to this initiative ‘The joint authority work bringing together WEA, the Tax Authority and the police will be continued in the period 2020 to 2022. Police efforts will be prioritised as part of the coming multi-annual agreement for the police.’

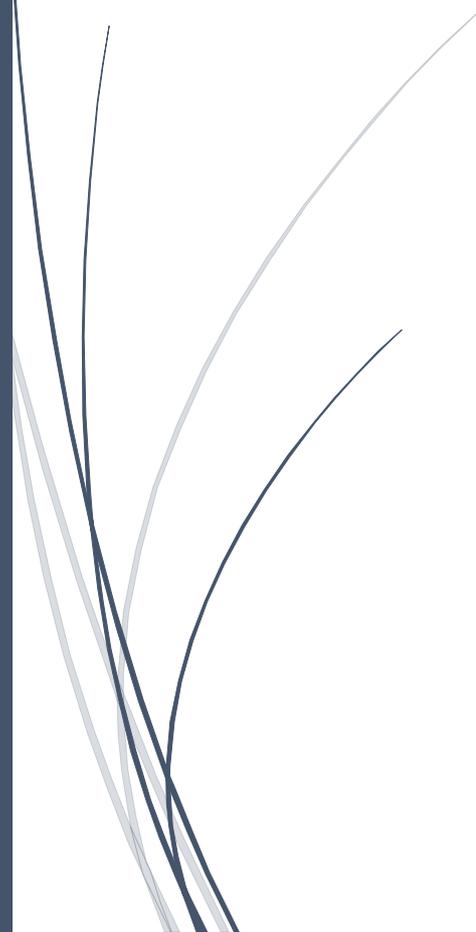
In parallel there is work in progress regarding better risk based inspections and collection of data to measure the effect of not only WEA inspections but also joint inspections to ensure orderly conditions on the Danish labour market irrespective of national origin.



7.09.2020

NORDIC UDWP

COUNTRY REPORT FROM ESTONIA





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Introduction

In Estonia, there is no official (positive) definition of undeclared work. The legislation stipulates rights and obligations regarding work and services and in-directly designates practices whereby workers, employees, service providers, employers avoid employment law, labour market regulations, tax and social security regulations and contributions.

Addressing undeclared work is mainly the focus of two institutions in Estonia: the Estonian Labour Inspectorate and the Estonian Tax and Customs Board.

The first of them focuses on improvement of the quality of working life, performs state supervision over compliance with requirements of legislation regulating health and safety at work. At the same time being a helpful partner to employers and employees by raising awareness and giving guidelines to the labour market parties. At the same time Estonian Labour Inspectorate advises employers and employees about the hazards of undeclared work. During inspection activities inspectors demand to see labour contracts and check if employees are registered in the Employment Register, they have the right to demand that employees are notified about the working conditions in writing, also to evaluate other types of contracts in view that it is a hidden labour relationship. The Tax and Customs Board is responsible for collecting tax revenues. Also, they are responsible for Employment Register which is shared as a tool for Labour Inspectorate (and other authorities) turning their day to day and inspection activities. Additionally, administrators of social and unemployment insurance could have a role in identifying and tackling undeclared work. The eligibility criteria of these benefits are related to factual declared employment and payment of taxes.

Results from testing the process indicator from previous project

Estonia was not part of the previous project, so we have not tested the process indicator, but we provide you a general overview of the current state of supervision of undeclared work.

Table 1. The process indicator

Category	Item #	Item	Score 0 = 'No' 1 = 'To some degree' 2 = 'Yes'	Score elaboration or further comment
Governmental framework conditions	1	Is combating undeclared work a stated goal for the government?	1	Combating undeclared work is a specific goal for Estonian government for some degree.
	2	Is there an overarching governmental strategy on combating undeclared work?	0	No.
	3	Are there joint action plans for cross-agency inspections?	2	The Labour Inspectorate and the Estonian Tax and



				Customs Board cooperate by sharing case-by-case information; the Labour Inspectorate and the Police and Border Guard cooperate by carrying out joint inspections based on a cooperation agreement and plan for detection of illegal employment and cases of labour exploitation (e.g. trafficking).
4	Are there joint cross-agency assignments from the ministries?	1		The Estonian Tax and Customs Board, The Police and Border Guard and Labour Inspectorate are doing often joint inspections.
5	Is there a regular joint report on activities and effects from cross-agency efforts to combat undeclared work?	0		With regard to foreign labour, including posted workers, the guidelines have been approved by the Ministry of the Interior, but their implementation has been limited due to lack of resources. In addition, the general wording of the strategy paper does not provide a basis for fixed agreements.
6	Are there national indicators for measuring undeclared work?	1		Cross - border enforcement
7	Is the legal framework adapted to combating undeclared work (i.e. sanctions)?	2		Taxation Act – for example, if the employer does not register the start or the end of employment as required, the tax authority may claim penalty payment of maximum EUR 3,300. Employment Act – for example, for failure to provide the employee with the data of the employment contract



				by the employer, a member of his or her management board or another representative to whom the performance of the respective obligation has been delegated, is punishable by a fine of up to 100 fine units. For the same act, if committed by a legal person, is punishable by a fine of up to 1300 euros.
Knowledge and intelligence	8	Do the existing legislations enable agencies to share and combine information?	2	Yes. The Labour Inspectorate closely exchanges and shares information with the Police and Border Guard and with the Tax and Customs Board only in the course of our proceedings. We have a lot of information about the company's background, which is public (Teatmik.ee; Inforegister etc).
	9	Do agencies share and analyse strategic information?	2	Yes. From the state point of view, the Police and Border Guard has the right to analyse the information and data of the Tax and Customs Board and the Labour Inspectorate. The Tax and Customs Board analyses from the point of view of tax behaviour. The data owners are primarily the Tax and Customs Board and the Police and Border Guard.
	10	Are there dedicated cross-agency staff for working with knowledge and intelligence?	0	No. Each institution has its own analytical capacity and the people who deal with it. The results of the analysis



				can be shared between agencies.
	11	Are there joint IT systems to facilitate knowledge and intelligence?	0	<p>No, we do not have joint IT systems. We have Employment Register which is given through a certain x-road to other authorities who see only the data they need (not all the data collected). Database for checking the registration of short-term employment in Estonia created by the Police and Border Guard.</p> <p>Register of posted workers created by the Labour Inspectorate.</p> <p>A common database has been planned since 2019, but has been left unfinished due to funding.</p>
Operative procedures and sanctioning	12	Are there co-located cross-agency inspection teams working together daily?	0	<p>No. All allocated staff are working in their own authority. We work with various agencies on the basis of tips and cooperation agreements.</p>
	13	Are there cross-agency inspection teams which are not co-located but working together on a regular basis?	1	<p>Yes, depending on the availability of the resource, joint inspections will be carried out together. These are mostly hint-based and authorities decide which is a priority.</p>
	14	Are there cross-agency procedures on how to coordinate efficient sanctioning ("tactical sanctioning")?	0	<p>Each authority has its own supervisory powers and various infringements that can be penalized.</p>
	15	Are the roles and jurisdiction of each member in the cross-agency teams clearly defined?	1	<p>Yes, each member is working between the competence of the authority.</p>



				In the framework of international cooperation; cross-border cooperation.
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Currently used risk indicators and data for planning inspections

Employment Register

Since 1 July 2014, all people who are employed or who are working on a voluntary basis in Estonia must be registered by employers in the employment register.

The register should reduce undeclared work and increase tax revenue by requiring registration of employees before the actual employment starts, and by making the supervision by taxation officials easier. The other purpose of the register is to increase the amount of electronically gathered data for administrative decisions and to ease the data exchange between different state institutions. The employment register is also the basis for determining the employment related social guarantees (health insurance, pension, and unemployment insurance premiums) and for supervision over the fulfilment of the employment related obligations.

The database is used by:

- The Estonian Tax and Customs Board for monitoring the tax liabilities of taxable persons;
- The Labour Inspectorate for making entries into the register on the basis of the decision of the labour dispute committees;
- The Estonian Unemployment Insurance Fund for verification of employment status and registration of persons as unemployed or moving back into work, and for granting unemployment allowances and other unemployment insurance benefits;
- The Estonian Social Insurance Board for verification of employment status and granting different benefits;
- The Estonian Health Insurance Fund for verification of employment status and granting health insurance benefits; and
- The Police and Border Guard Board for exercising supervisory control over the working conditions of foreigners.

In addition to the previous list the database is also shared to other surveillance authorities with certain extend. For example Estonian Labour Inspectorate can enter through x-road to the system and check from employers side the list on employees, the type of contract, the start and end of labour relation and the grounds of determination (also when the entry is done and modified). From employees side, entering personal ID number, we can see the determined and valid labour relations, the type of contract, the start and end of labour relation and the grounds of determination. At the same time information about payed taxes and social contributions may be published to Labour Inspectorate only during on-going investigation.



Also, every worker can check the system to make sure that the employer has registered them correctly, payments are declared and all taxes are paid. The register data is available for all public bodies requiring employment related information. The objective of the implementation of this system was to avoid multiple submission, collection and processing of the data and to reduce the administrative burden of the employers as well as of the public agencies.

Main tool for inspectors in planning is Labour Inspectorate's own database (ITI) which consists of detailed information about previous controls and outcomes, work accident reports and investigations, tips, counselling of employers and/or employees, posting notifications, notifications about minors, labour dispute committee documents and decisions etc.

In case of posting we request information about A1 forms from Estonian Social Security Board. That is done on a case by case basis.

In addition we use public data from:

- www.teatmik.ee which is a public database with company background information (count of employees, turnover, national taxes, workforce taxes and general information)
- Police and Border Guard e-service to check the registration of short-term employment and visa in Estonia
- Information Register (*Inforegister*) same as teatmik.ee
- E-Business Register (*Äriregister*) which has public access and detailed access for inspectors.

Currently used indicators and data for evaluating inspections

Unfortunately, we do not have indicators to evaluate inspections done in the field of undeclared work. Undeclared work itself is not the aim of inspection in Estonia. It is usually a part of the outcome of the inspection (we check a company based on a hint or a regular inspection and discover among other also undeclared work). If it is an employee with no contract and registration in Employment Register, we ask with precept the employer to notify the employee in writing about the working conditions applicable to him/her.

If a hint consists only about information concerning unregistered working we forward that information first of all to the Estonian Tax and Customs Board (especially cases when according to the Register there should be no employees at all, because in general we conduct inspections in companies with 1+ employee).

During joint inspection we exchange the information relevant to the other party as soon as possible on the other hand we do not report back about it quarterly or half-yearly based. We reflect the outcomes in our yearly overviews and analyse methods while looking for possible better measures. We approach these cases on *ad hoc* bases trying to achieve more stable corporation through experience.



Identified methods and success stories of good practices for combatting undeclared work

The Labour Inspectorate and the Estonian Tax and Customs Board cooperate by sharing case-by-case information on establishments and employers that are suspected of infringing employment and tax law. Also, the Labour Inspectorate and the Police and Border Guard cooperate by carrying out joint inspections based on a cooperation agreement and plan for detection of illegal employment and cases of labour exploitation (e.g. trafficking).

Different policy measures tackle undeclared work, including increasing commitment via awareness-raising and information campaigns to inform workers about the risks, and deterrence approaches that detect and punish non-compliance. Since 2017 a greater effort is being directed to encouraging people and businesses to work legitimately or to help those already participating in undeclared work to legitimise their activities.

Estonia's Tax and Customs Board adopted strategy for 2017 – 2020 foresees measures for taxpayers awareness raising including deeper cooperation with all social and cross-industry partners on all tax matters.

The Estonian Tax and Customs Board have launched a campaign [website](#) to inform workers and employers about 'envelope wages' and undeclared work. The key message is that these practices are illegal, introduce unhealthy competition and paralyse Estonia's development and the good functioning of society as a whole. In regard to information sharing, the website includes a calculator that estimates loss of income in cases of social risks like unemployment, parental leave, and sickness absence. Also, there are complementary channels of communication, including radio, to raise the awareness.

Since 1 July 2014, employers are obliged to register their employees in the employment register, which gathers information about employments. All businesses who provide work are required to register the persons employed by them in the register irrespective of the form or the length of the contract. In addition, data on people working on a voluntary basis must also be recorded in the employment register. Hence, all people doing some kind of work must be registered. The employment must be registered at the moment the employee starts working in order to avoid the 'first day of employment' excuses. The termination of employment must be registered within 10 calendar days. Registration is possible via The Board's website, via personnel management programmes of a company or agency or by visiting the bureau of the Estonian Tax and Customs Board in person. It is also possible to use a simplified procedure for first registration by telephone or text message, although it must be supplemented within seven calendar days to be complete.



Both the Labour Inspectorate and the Tax and Customs Board have carried out targeted control of enterprises for tax avoidance and undeclared work. The activities include inspection visits to company and work sites as well as notification letters. The objective is to prevent the infringement of tax laws and raise law-abiding behaviour among tax payers, thus instead of burdening employers and administrators with offence procedures in the first instance they are given the opportunity to revise their business activities and change them in accordance to the law. In these letters, the companies are asked to revise their accounting and tax related information and give feedback to the tax authority on the results of their business activities. The notification letters give companies a certain time to improve their tax behaviour. In those companies who do not improve their tax behaviour or cannot give satisfactory reasons to the results of their business activities, a control of tax payments and accounting are initiated.

In the competence of the Labour Inspectorate is to find out whether employees have been notified of working conditions in writing (i.e amount of salary, taxes, description of duties, working time etc.) if not, the inspector has a right to make an injunction or start a misdemeanour proceedings. If the inspector suspects that the employer has not paid taxes on behalf of the employee or have not registered his/her employees, the inspector provides that information to Tax and Customs Board.

If the employer does not register the start or the end of employment as required, the tax authority may claim penalty payment of maximum EUR 3,300.

On our opinion the best practise in combatting undeclared work is quick flow of information between authorities (shared tips) and shared outcomes of investigations or proceedings (for example labour dispute cases involving third-country nationals rights are forwarded to Estonian Police and Border Guard, first hand to give background of the companies illegal activities to start Police and Border Guard procedures, but also as background information that would build the overall pictures of a company who will in the future apply again for short-term registration for third-country nationals.

From the international side we cooperate in the framework of international cooperation and cross-border cooperation. Estonian Labour Inspectorate has signed cooperation agreements with different countries, out of which some have proved to be more active than the others. As positive examples agreement with Labour Inspection Authority of the Kingdom of Norway concerning cooperation and mutual exchange of information and agreement with the Division of Occupational Health and Safety of the Regional State Administrative Agency for Southern Finland which is aimed to ensuring rights and equal treatment in the labour market of Estonian workers posted to work in Finland.

The contract with the Norwegian Labour authority on first hand has given both countries a great learning experience about both authorities control methods but for Estonian inspectors a practical chance to learn from the receiving country the methods



to inspect foreign labour. On the other hand we have mapped the grounds to start joint simultaneous inspections in near future. Also learned the extent of information that may and could be used and exchanged.

With Southern Finland the experience is already longer, since 2014. We have learned the practical side from each other and reached to the stage where we base our cooperation in quick and efficient exchange of information, but also using IMI as a safe tool. Our common ground is the big amount of Estonians, working day to day in Finnish labour market (since it is 2 hours/ 80 km apart it could be called a common labour market). Due to the geographical reasons we also need to be informed about regulatory information. Estonian companies are effected by different law changes and procedural changes. Since two labour markets are so well connected, companies tend to manipulate also with labour law and tax law to gain bigger profit. That makes the need for quick and efficient information exchange more important. As a good example, Southern Finland partners put together in the end of the year a list of Estonian companies controlled during the year and also the list of their area posting declarations, that is used as a material in Estonian risk analyse to target check posting companies in Estonia. At the same time Estonia assists Finnish authority to provide companies background information for their inspection activities. Cooperation is based on contacts but also on IMI for sensitive information, tips, surveillance proposals and cross-border delivering of procedural documents.

Identified bottlenecks for cross agency and/or cross-border cooperation and/or inspections

The two main bottlenecks for more efficient cross-agency cooperation are low involvement of social partners, low membership of social partners and lack of domestic resources. Unfortunately, due to a lack of sufficient resources, it has not been possible to combat undeclared work as effectively as we would like, but we have combatted against it with the resources available to the best of our ability.

The Estonian state has not made the combatting against undeclared work a top priority of the state. If it was more regulated and sanctioned then that would give us more larger playground where to combat.

As mentioned before, in Estonia, there is no official (positive) definition of undeclared work. The legislation stipulates only rights and obligations regarding work and services etc, but not what this concept actually means. So different authorities define the concept based on the vision, mission and supervisory competence of their authority.

Conclusions



TÖÖINSPEKTSIOON

To sum all this up, for combatting undeclared work, Estonia needs a more efficient definition of concept and better legislation and sanctions.

Also, we would wish to have a work-crime unit and more resources to combat even more efficiently the work related crimes, including undeclared work problems in Estonia.



Nordic UDWP, WG Knowledge – Finland

Made by Senior Inspectors Riku Rajamäki and Joonas Heinilä

REGIONAL STATE ADMINISTRATIVE AGENCY FOR SOUTHERN FINLAND

Postal address: P.O. Box 150 FI-13101 Hämeenlinna

tel. +358 295 016 000

Head office

Branch office

Branch office

kirjaamo.etela@avi.fi

in Hämeenlinna

in Helsinki

in Kouvola

www.avi.fi

Birger Jaarlin katu 15

Ratapihantie 9

Kauppamiehenkatu 4

Testing the process indicator

In the previous UDW Nordic project, a common process indicator was constructed for measuring the preconditions for cross-agency cooperation as a means to tackle UDW. The process indicator may help to measure or map the conditions and possibilities for cross-agency cooperation in tackling UDW. With the indicator, key issues that might withhold or hinder cross-agency cooperation can be identified. The indicator consists of 15 items covering three over-arching categories of conditions that are considered important for achieving efficient cross-agency cooperation. The table below shows the total score assessed from the testing of the process indicator. Each category is then elaborated on.

Table 1. The process indicator

Category	Item #	Item	Score 0 = 'No' 1 = 'To some degree' 2 = 'Yes'	Score elaboration or further comment
Governmental framework conditions	1	Is combating undeclared work a stated goal for the government?	2	
	2	Is there an overarching governmental strategy on combating undeclared work?	2	
	3	Are there joint action plans for cross-agency inspections?	2	
	4	Are there joint cross-agency assignments from the ministries?	1	
	5	Is there a regular joint report on activities and effects from cross-agency efforts to combat undeclared work?	1	
	6	Are there national indicators for measuring undeclared work?	1	
	7	Is the legal framework adapted to combating undeclared work (i.e. sanctions)?	2	
Knowledge and intelligence	8	Do the existing legislations enable agencies to share and combine information?	2	
	9	Do agencies share and analyse strategic information?	1	
	10	Are there dedicated cross-agency staff for working with knowledge and intelligence?	2	
	11	Are there joint IT systems to facilitate knowledge and intelligence?	1	
Operative procedures and sanctioning	12	Are there co-located cross-agency inspection teams working together daily?	0	
	13	Are there cross-agency inspection teams which are not co-located but working together on a regular basis?	1	
	14	Are there cross-agency procedures on how to coordinate efficient sanctioning ("tactical sanctioning")?	1	
	15	Are the roles and jurisdiction of each member in the cross-agency teams clearly defined?	1	

REGIONAL STATE ADMINISTRATIVE AGENCY FOR SOUTHERN FINLAND

Postal address: P.O. Box 150 FI-13101 Hämeenlinna

tel. +358 295 016 000

Head office

Branch office

Branch office

kirjaamo.etela@avi.fi

in Hämeenlinna

in Helsinki

in Kouvola

www.avi.fi

Birger Jaarlin katu 15

Ratapihantie 9

Kauppamiehenkatu 4

Category 1- Governmental Framework Conditions

Combating undeclared work is and has been a specific goal for Finnish government. For example, after the enlargement of EU in 2004, Finnish labour inspectorates have had designated inspector vacancies dealing with undeclared work (in Finland we use term “grey economy“ for this). Altogether we have approximately 40-45 inspectors specifically dealing with these issues in Finland.

There is an overarching governmental strategy on combating undeclared work. In 2016, Finnish government made a decision on a strategy how to tackle grey economy and economical crime in Finland between 2016 and 2020. In this decision, it states that a separate steering group in this matter will be established and it will make a separate operative program on how to tackle grey economy and economical crime in Finland – including aims, responsible organisations, timetables and actions in evaluating the effects.

The operational programme of the grey economy and economic crime in 2016-2020 had four projects with sub-projects. Combating undeclared work and the promotion of national and international collaboration is one of them. The key crossgovernmental platform in this matter is the national collaborative network that supports the EU platform for tackling undeclared work. Some of the 2016-2020 actions are still underway such as the introduction of The National Income Register. The Income Register helps combatting the grey economy and undeclared work.

The Finnish Ministry of Economic Affairs and Employment has appointed new steering group on combating the the grey economy in January 2020. The purpose of this steering group is to ensure the implementation of measures set out in the Government Programme and the preparation of other measures necessary to combat the grey economy and economic crime.

There are joint action plans for cross-agency inspections to some extent. From labour inspectorate’s perspective this applies especially to cooperation between labour inspectorates and police administration and to labour inspectorates and Finnish Tax Administration. However, it has to be said that these plans are usually agreed on a general level and their implementation on a field level is often not that well coordinated nor followed up. Recently, there have been lots of discussions between Finnish authorities about developing more structural and coordinated multi-authority cooperation. For example this theme has been touched quite often at the multi-authority meetings of Finnish national collaborative network related to European platform for tackling undeclared work.

There are also to some extent joint cross-agency assignments from the ministries. For example a steering group on tackling grey economy and economical crime has recently made an initiative concerning cross-agency inspections. However, joint cross-agency assignments are still mostly quite new initiatives and therefore their practical implementation still requires more development.

There is a regular joint report on activities and effects from cross-agency efforts to combat undeclared work especially on higher levels in very generic fashion. These reports do not have often that much to offer from the perspective of concretia and tangible results. In the future the situation might be better as the cooperation between Finnish authorities is developing at the moment.

REGIONAL STATE ADMINISTRATIVE AGENCY FOR SOUTHERN FINLAND

Postal address: P.O. Box 150 FI-13101 Hämeenlinna

tel. +358 295 016 000

Head office

Branch office

Branch office

kirjaamo.etela@avi.fi

in Hämeenlinna

in Helsinki

in Kouvola

www.avi.fi

Birger Jaarlin katu 15

Ratapihantie 9

Kauppamiehenkatu 4

There are national indicators for measuring undeclared work to some extent but usually they exist separately inside each administration. Level of indicators vary greatly too between each administration – for example, Finnish tax administration is quite advanced in this matter compared to Finnish labour inspectorates. Indicators of labour inspectorates are usually connected to previous observations on obeying the legislation supervised by labour inspectorates. At the moment, the cooperation between Finnish authorities is developing and deepening – this might bring national indicators in the long run. Furthermore, each administrations' indicators are starting to benefit better other authorities' information.

The legal framework is adapted to combating undeclared work (i.e. sanctions). Quite many Finnish surveillance/enforcement authorities have specific legislation in order to impose specific administrative fines to employers. At the same time, it has to be said that still many sanctions are criminal matters in which the role of police and prosecutors is very important. Due to challenges in criminal procedures, Finnish labour inspectorates have lately tried to have more administrative sanctions available in their surveillance tools. In the latest Government Programme there are entries on criminalisation of underpayment and implementation of tax number in the shipbuilding industry.

Category 2- Knowledge and Intelligence

The existing legislations enables agencies to share and combine information. Most agencies have legal right to share and combine information – also on a voluntary basis, not just based on a request of another authority. The administrative culture of each organisation in this matter defines quite a lot on how the information is shared on voluntary basis. For example, Finnish tax administration seldom shares any information on voluntary basis. But the most important thing is that there is no lawful excuse on not to share the information.

Agencies shares and analyses strategic information to some extent. However, this usually happens on regional level without any national-level coordination. There is a website where different public authorities introduces their operations in relation to the grey economy. The grey economy and economic crime website content is produced in collaboration with the ministries and public agencies appearing on these pages. Link to the website: <https://www.vero.fi/en/grey-economy-crime/>

In Finland there is an organisation called “Harmaan talouden selvitysyksikkö” (Grey Economy Information Unit) operating under Finnish Tax Administration which collects data from separate authorities' databases and amalgates them into a product called “compliance report” – they are often quite helpful in inspections of labour inspectorates. This information can only be used in inspecting foreign labour, the minimum terms and conditions of employment and the Act on Contractor's Obligations and Liability. The Grey Economy Information Unit produces also different reports and classifications which are mainly public. The Grey Economy Information Unit publishes the public reports and classifications in their website.

Except Grey Economy Information Unit, there aren't any joint IT systems to facilitate knowledge and intelligence (at least from a labour inspectorate's perspective). Finnish labour inspectorate's IT system does not “speak” directly with other authorities IT systems (for example, we have had

REGIONAL STATE ADMINISTRATIVE AGENCY FOR SOUTHERN FINLAND

Postal address: P.O. Box 150 FI-13101 Hämeenlinna

tel. +358 295 016 000

Head office

Branch office

Branch office

kirjaamo.etela@avi.fi

in Hämeenlinna

in Helsinki

in Kouvola

www.avi.fi

Birger Jaarlin katu 15

Ratapihantie 9

Kauppamiehenkatu 4

recently challenges interacting between labour inspectorate's IT system and Finnish Tax Administration and Finnish Immigration Service's IT systems).

Category 3. Operative procedures and sanctioning

There are no co-located cross-agency inspection teams working together on a daily basis. However there are cross-agency inspection teams which are not co-located but working together on a regular basis to some extent. These are mostly operating on regional level and have been established for local needs instead of national-level coordination. These inspection teams are not official even though there is really tightly-knitted cooperation in some smaller Finnish towns between authorities. Still one couldn't talk about real cross-agency inspection teams as this cooperation is without official assignment and usually relies heavily on individual connections instead of organisational connections.

There are cross-agency procedures on how to coordinate efficient sanctioning ("tactical sanctioning") in some situations. For example when labour inspectors dealing with foreign labour or ID badge/tax number requirement are on joint inspections with police. This is done in order to speed up and facilitate sanctioning with minor matters as the normal criminal process can be quite time- and resource-consuming.

Mostly this coordinated efficient sanctioning is only done concerning joint inspections – if each authority is investigating the case independently, it is more probable that they proceed independently with the same case. Still, lots of information are shared between the authorities and this might help to take into account tactical sanctioning.

The roles and jurisdiction of each member in the cross-agency teams are clearly defined to some extent. It depends quite much on the authorities involved and especially on the initiative on cross-agency inspections.

Concerning the role and jurisdiction of each authority the key issue is data sharing between authorities. Generally, it is done quite often as the data sharing issues have been solved to some extent in the Finnish legislation – at least from labour inspectorates' point of view. However, there still are challenges –e.g. the tips received by individuals to labour inspectorates can only be forwarded to police and the prosecution authority if the information gives grounds to believe that there has been a breach of law.

Currently used risk indicators and data for planning inspections

There is no specific UDW-data as such, all data used comes from each agency's core tasks and operations. From the Regional Labour Inspectorate for Southern Finland's point of view risk indicators and data for planning inspections could be roughly divided in five categories.

Firstly, in Southern Finland we analyse the data collected from previous years' inspections regarding for example foreign labour and Act on Contractor's Obligations and Liability. This data is gathered in separate data collection form and has specified questions depending on which inspection type is in question. If there should have come out some new phenomena and/or the previous year's inspections' areas of focus should be changed, the data collected from each inspection is an essential part of the planning for inspection activities.

REGIONAL STATE ADMINISTRATIVE AGENCY FOR SOUTHERN FINLAND

Postal address: P.O. Box 150 FI-13101 Hämeenlinna

tel. +358 295 016 000

Head office

Branch office

Branch office

kirjaamo.etela@avi.fi

in Hämeenlinna

in Helsinki

in Kouvola

www.avi.fi

Birger Jaarlin katu 15

Ratapihantie 9

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Secondly is the tip-off information that especially the foreign labour team of Southern Finland's Regional Labour Inspectorate receives from other authorities but also the grass-root level e.g. companies and citizens. Inspection team dealing with use of foreign labour in Southern Finland received more than 440 relevant tips in 2019. Most of them came from other authorities dealing with work permit issues. These tips are collected and used at least at some degree as risk indicators for the inspections. Usually the tips are concerning about the minimum terms and conditions of employment and/or the right to work in Finland.

Thirdly is the information that Labour Inspectorates receives from other authorities. One of the main tools are so called compliance reports – product in which Grey Economy Information Unit operating under Finnish Tax Administration collects data from separate authorities' databases. This information can only be used in inspecting foreign labour, the minimum terms and conditions of employment and the Act on Contractor's Obligations and Liability. These compliance reports are used as risk indicators for inspections teams individual inspectors for planning inspections.

Fourthly is the cooperation between different authorities. In Southern Finland, there is a certain kind of joint action group that discusses about current phenomena and makes plans for joint inspections especially in the construction sector. This joint action group meets on average four times a year and has members from the Regional Labour Inspectorate for Southern Finland, Tax Administration and Finnish Centre for Pensions.

Last but not least there is a tripartite cooperation committee that has members from the Department for Work and Gender Equality of The Ministry of Social Affairs and Health, Regional Labour Inspectorate for Southern Finland and the social partners of construction sector i.e. The Finnish Construction Trade Union, The Confederation of Finnish Construction Industries RT and The Finnish Association of Property Owners and Construction Clients (RAKLI). This tripartite cooperation means that social partners are included to the process and can have their say at which sub-sectors of certain field of work inspections should be targeted.

Currently used indicators and data for evaluating inspections

The indicators are the ones coming from the information collected from the inspection data system and the information gathered in separate data collection forms that has specified questions depending on which inspection type is in question. For example one indicator is how many workers without work permit have been met in the foreign labour inspections per year or in how many inspections there has been breaches in the minimum terms and conditions of employment. This data can be easily collected through the labour inspectorates' inspection data system's reporting tool.

Data for evaluating inspections especially in Southern Finland is analysed with the data collected from previous years' inspections regarding for example foreign labour and Act on Contractor's Obligations and Liability. This data is not only used for evaluating inspections but also targeting the coming inspections.

REGIONAL STATE ADMINISTRATIVE AGENCY FOR SOUTHERN FINLAND

Postal address: P.O. Box 150 FI-13101 Hämeenlinna

tel. +358 295 016 000

Head office

Branch office

Branch office

kirjaamo.etela@avi.fi

in Hämeenlinna

in Helsinki

in Kouvola

www.avi.fi

Birger Jaarlin katu 15

Ratapihantie 9

Kauppamiehenkatu 4

Identified methods and success stories of good practices for combatting undeclared work

There are some cross-agency cooperation models which have proved to be quite effective. Possibly the best example of this are the joint inspections between labour inspectorates and police related to special UDW regulations. For example, the police can sanction immediately construction companies in case they have not obeyed certain specific UDW regulation applicable in that sector. This has turned out to be effective inspection model as now there is quick and resource-saving manner in sanctioning. In the past, the labour inspectorates made separate demands for investigation to police on these breaches but in fact police seldom did anything to the cases. Same kind of cross agency cooperation is also quite common concerning foreign labour. At these inspections police can start to sanction employer immediately if foreign worker has been working for an employer without right to work there. This also is an efficient way in supervision as the consequences of disobeying the legislation are imminent.

Other success story is the joint inspections to construction sites that Tax Administration, Finnish Centre for Pensions and Labour Inspectorates have done together for more than 10 years. These joint inspections have enabled more comprehensive controls with less administrative burden to the main contractors. Such inspections are made more than 100 per year. Coordination of the inspections are done in the above-mentioned joint action group.

Cooperation between Estonian Labour Inspectorate and Regional Labour Inspectorate for Southern Finland has achieved good practices within the bilateral Cooperation agreement between the two agencies. Thanks to the cooperation there is better understanding of both parties' competence, tasks and key persons. Cooperation has also given understanding in which kind of situations we can and should cooperate so that it is effective. In this cooperation valuable background information has been changed before but also during inspections and this has enabled more effective inspections in both countries. Information is not only shared connected to specific inspection cases but also at more general level. For example, Regional Labour Inspectorate for Southern Finland sends it's inspection data of Estonian companies regularly to Estonian Labour Inspectorate so that they can take this into account concerning their own inspection activities. Fast and effective cross-border cooperation reduces the abuse of regulation – the faster the information moves, the faster we can limit activities of fraudulent companies. Cooperation has encouraged some Estonian companies to obey legislation better in Finland as the fraudulent companies haven't got so much free space to operate as before.

Effective results concerning delivering administrative documents from Finland to Estonian companies in such cases where the company cannot be contacted in Finland or the post office cannot deliver documents in Estonia. The request for delivering documents is done by using IMI-system to Estonian Labour Inspectorate who delivers the requested documents to the Estonian company in question. If they cannot contact the company, then the documents will be delivered using bailiffs in Estonia. Information that one cannot anymore avoid for example negligence fees from Finnish Labour Inspectorate spreads also "through the grapevine".

Cooperation agreement between Labour Inspectorate of Estonia and Division of Occupational Health and Safety of the Regional State Administrative Agency for Southern Finland (Regional

REGIONAL STATE ADMINISTRATIVE AGENCY FOR SOUTHERN FINLAND

Postal address: P.O. Box 150 FI-13101 Hämeenlinna

tel. +358 295 016 000

Head office

Branch office

Branch office

kirjaamo.etela@avi.fi

in Hämeenlinna

in Helsinki

in Kouvola

www.avi.fi

Birger Jaarlin katu 15

Ratapihantie 9

Kauppamiehenkatu 4

Labour Inspectorate) was concluded on the 3rd of December 2014 and it can be easily found here: <http://ti.ee/en/organisation-contacts/the-labour-inspectorate/international-agreements/>

One example of good practices in the inspections of foreign labour is how inspection reports are often sent to contractors on the upper levels in the contracting chain. This is done in order to make inspection results more visible and to let the contractors learn more about how their contracting parties have obeyed Finnish compulsory labour law. In Finland inspection reports are mainly public and their public parts are available to anyone.

Identified bottlenecks for cross agency cooperation and inspections

One major challenge is that the cross-agency cooperation is not always done in the most optimal manner from the perspective of targeting inspections. This applies especially to joint inspections with police during national campaign weeks. Many times police has contacted labour inspectorates on rather short notice regarding these inspection weeks and they have wanted to make certain amount of joint inspections – they have done this as they have been advised by The National Police Board of Finland to make joint inspections with labour inspectorates. However, many times Police Administration have not been thinking that much how to target these inspections and it has led to situations where joint inspections have not been planned and targeted in the best possible way. Due to this, in some cases labour inspectorates have started to plan these joint inspections without committing to certain number of joint inspections but instead deciding the joint inspection targets based on substantial need of supervision.

One of the bottleneck is also that coordinated efficient sanctioning is only done concerning joint inspections – if each authority is investigating the case independently, it is more probable that they proceed independently with the same case.

The Finnish Government has identified certain bottlenecks and has issued a resolution on a strategy and action plan for tackling the grey economy and economic crime in 2020–2023. Actions against the grey economy and economic crime will focus on prevention, clarification of powers, improving authorities' access to information, and promoting cooperation between authorities.

Summary

The framework/settings on these matters are on quite good level in Finland and we have not that much restrictive regulations concerning cooperation between authorities. However, the biggest challenges are coming from the lack of national level coordination that would connect high-level needs and requirements with the practical field level. This leads to the situations where approach on joint inspections can vary quite a lot between different Finnish regions.

In general, the joint inspection and other cross-agency activities are still quite often done without national-level vision and implementation.

The strategy for tackling the shadow economy and economic crime in 2020-2023 aims to:

- 1) promote healthy competition between companies and a fair labour market,
- 2) prevent the grey economy and economic crime,
- 3) ensure the ability of authorities to combat the grey economy and economic crime, and

REGIONAL STATE ADMINISTRATIVE AGENCY FOR SOUTHERN FINLAND

Postal address: P.O. Box 150 FI-13101 Hämeenlinna

tel. +358 295 016 000

Head office

Branch office

Branch office

kirjaamo.etela@avi.fi

in Hämeenlinna

in Helsinki

in Kouvola

www.avi.fi

Birger Jaarlin katu 15

Ratapihantie 9

Kauppamiehenkatu 4

4) develop measures to combat the grey economy and economic crime and improve cooperation between authorities.

The means to implement the strategy and to strengthen the fight against the grey economy are listed in the 20-point action plan. The plan focuses, among other things, on the prevention of undeclared work. In addition, the aim is to examine new ways for intervening in intentional or grossly negligent underpayment of wages.

REGIONAL STATE ADMINISTRATIVE AGENCY FOR SOUTHERN FINLAND

Postal address: P.O. Box 150 FI-13101 Hämeenlinna

tel. +358 295 016 000

Head office

Branch office

Branch office

kirjaamo.etela@avi.fi

in Hämeenlinna

in Helsinki

in Kouvola

www.avi.fi

Birger Jaarlin katu 15

Ratapihantie 9

Kauppamiehenkatu 4

Directorate of Labour, Iceland

Nordic-Baltic Undeclared Work Project

Country Report

Tania Ellifson

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Introduction

The Directorate of Labour Iceland is responsible for the implementation and execution of Acts No. 45/2007 on Posted workers and the Obligations of Foreign Service Providers and 139/2005 on Temporary Work Agencies. The purpose of the Acts is to clarify lines and strengthen supervision regarding the validity of Icelandic collective agreements and other terms and conditions of employment, regardless of whether the company is Icelandic or foreign. The legislation is intended to further ensure that foreign nationals who come to Iceland temporarily on behalf of foreign companies, are working in a legal manner. The legislation takes into account the provisions of the EEA Agreement and EU directives on trade in services, promotes equal competition between Icelandic and foreign companies, and is intended to combat social dumping.

Testing the process indicator

Table 1. The process indicator

Category	Item #	Item	Score 0 = 'No' 1 = 'To some degree' 2 = 'Yes'	Score elaboration or further comment
Governmental framework conditions	1	Is combating undeclared work a stated goal for the government?		
	2	Is there an overarching governmental strategy on combating undeclared work?		
	3	Are there joint action plans for cross-agency inspections?		
	4	Are there joint cross-agency assignments from the ministries?		
	5	Is there a regular joint report on activities and effects from cross-agency efforts to combat undeclared work?		
	6	Are there national indicators for measuring undeclared work?		
	7	Is the legal framework adapted to combating undeclared work (i.e. sanctions)?		
Knowledge and intelligence	8	Do the existing legislations enable agencies to share and combine information?		
	9	Do agencies share and analyse strategic information?		
	10	Are there dedicated cross-agency staff for working with knowledge and intelligence?		
	11	Are there joint IT systems to facilitate knowledge and intelligence?		
Operative procedures and sanctioning	12	Are there co-located cross-agency inspection teams working together on a daily basis?		
	13	Are there cross-agency inspection teams which are not co-located but working together on a regular basis?		
	14	Are there cross-agency procedures on how to coordinate efficient sanctioning ("tactical sanctioning")?		
	15	Are the roles and jurisdiction of each member in the cross-agency teams clearly defined?		

Category 1- Governmental Framework Conditions

1. Is combating undeclared work a stated goal for the government?

Combatting undeclared work became a stated goal for the Icelandic government in February 2019 after a journalist released an exposé of the exploitation of unskilled workers of foreign origin in Iceland. The Minister of Social Affairs ordered a working group to be formed which included members from several governmental surveillance authorities, ministries and social partners, to compile a collaboration report regarding the actions and legislations considered necessary to be able to effectively combat social dumping and labour market crime. The report was presented to the Minister on the 31st of January 2019.¹ One of the actions that was taken was the formation of the 'Labour Crime Committee' consisting of members from the Police, Directorate of Labour, Directorate of Occupational Safety and Health and Directorate of Internal Revenue.

Score = 2

2. Is there an overarching governmental strategy on combating undeclared work?

The above-mentioned report was compiled by surveillance authorities adhering to the Ministries of Justice, Social Affairs, Economic Affairs and Finance, Industry and Innovation and the Prime Minister's office, and the social partners.

The report led to the formal formation of a collaboration working group consisting of members from The Directorate of Labour, The Administration of Occupational Safety and Health, Iceland Revenue and Customs, who are responsible for the imposition of sanctions at an administrative level, and the Police who handle criminal cases. The working group meet regularly to share and discuss intelligence regarding individuals and companies suspected of labour market crime from all ends of the spectrum, from unreported posted workers and minor tax evasion to forced labour and possible human trafficking.

While some of the new legislations and legislation amendments have been implemented, many of the practices and legislations suggested in the report are still to be put into place. It should also be noted that no funding has been issued to carry out the abovementioned work.

Score = 2

3. Are there joint action plans for cross-agency inspections?

The above-mentioned collaboration working group continuously share and analyse intelligence and plan targeted joint inspections.

Annually, the Police hold an action week (J.A.D) in cooperation with Europol with varying themes, i.e. HORECA, construction, prostitution, involving inspection teams from most governmental surveillance authorities. Generally, cross-agency inspections are performed on an ad-hoc basis and the police are encouraged to collaborate with labour inspectorates in both planning carrying out the inspections during the week

Score = 2

4. Are there joint cross-agency assignments from the ministries?

So far, no formal assignments have been issued.

¹ <https://www.stjornarradid.is/lisalib/getfile.aspx?itemid=c6a38acb-2567-11e9-942f-005056bc530c>

Score = 1

5. Is there a regular joint report on activities and effects from cross-agency efforts to combat undeclared work?

So far, no official reports have been published. Although, a joint report is compiled at end of each inspection regarding each agency's activities, observations and further actions taken.

Score = 1

6. Are there national indicators for measuring undeclared work?

Currently there are no formal indicators in place, although the Police do produce an annual risk assessment report² which reflects briefly upon labour-market crime.

Score = 0

7. Is the legal framework adapted to combating undeclared work (i.e. sanctions)?

Yes, most labour-market surveillance authorities are permitted to impose non-criminal sanctions such as per diem fines, temporary work-place closures and administrative fines. However, it is the general consensus among the authorities that the sanctions that they are permitted to impose need to have a harder and longer-lasting impact.

Score = 2

Category 2- Knowledge and Intelligence

8. Do the existing legislations enable agencies to share and combine information?

Yes, most agencies are legally permitted to share and combine relative information.

Score = 3

9. Do agencies share and analyse strategic information?

Yes, please refer to questions 1, 2 and 3.

Score = 2

10. Are there dedicated cross-agency staff for working with knowledge and intelligence?

Yes, please refer to questions 1, 2 and 3.

Score = 2

11. Are there joint IT systems to facilitate knowledge and intelligence?

Some agencies have access to other agencies' IT systems, however a central IT system to facilitate knowledge and intelligence does not exist. There are however many options in building upon IT frameworks that are already in use by some or all the agencies involved. There are great advantages in investing in better use of IT systems between the agencies.

Score = 1

² <https://www.logreglan.is/wp-content/uploads/2019/05/Skip.-gl%C3%A6past.-endanleg-2019.pdf>

Operative procedures and sanctioning

12. Are there co-located cross-agency inspection teams working together on a daily basis?

No

Score = 0

13. Are there cross-agency inspection teams which are not co-located but working together on a regular basis?

Yes, please refer to questions 1, 2 and 3.

Score = 2

12. Are there cross-agency procedures on how to coordinate efficient sanctioning (“tactical sanctioning”)?

So far, formal procedures on tactical sanctioning do not exist, however the working groups in place do discuss impending sanctioning procedures.

Score = 1

13. Are the roles and jurisdiction of each member in the cross-agency teams clearly defined?

Yes. During work-place inspections the roles of each agency are clearly defined during the pre-inspection briefings.

Score = 2

Summary

Iceland has only in recent years begun experiencing a dramatic increase in foreign workers. In 2014, only five foreign service providers posting a total of 91 workers were registered to The Directorate of Labour. These numbers rose to 115 foreign service providers posting 1107 workers in 2018. Accordingly, 22 temporary agency workers were registered to The Directorate of Labour, working for 1 temporary work agency. In 2018, 41 temporary work agencies were registered to the directorate with 3582 workers. The number of work-permits applications for non-EU nationals has also steadily increased from year-to-year. In 2016, 1778 applications were processed. In 2017, 2158 applications were processed and in 2018, 2433 applications were processed. In 2016, foreign workers made up 10,7% of the Icelandic labour market, while in March 2019 this number increased to 19,6%.

With the steady increase of foreign workers, the government and it’s surveillance authorities have required to adapt their practices in order to tackle undeclared work, and every year with the continuing increase of vulnerable workers entering the labour market, surveillance authorities have realised the importance and necessity of cross-agency cooperation. While large steps have been made, further organisation and procedures and increased funding must be put in place in order to have any real impact on labour market crime.

Currently used data and risk indicators for planning inspections.

Currently, targeted cross-agency inspections are evaluated and planned from intelligence usually gathered from The Directorate of Internal Revenue and The Administration of Occupational Safety and Health as they have the broadest surveillance of the labour market. A company's lack of compliance to rules and legislation regarding taxation, will usually indicate a lack of compliance of rules and legislation pertaining to other agencies.

Another reliable indicator that a company is non-compliant with rules and legislation across other agencies are unregistered posted workers. The user-undertaking's responsibility to ensure that the undertaking he is purchasing services from has reported to the relevant authorities is clear, according to Icelandic legislation.³ (Article 11 of Act No. 45/2007 on Posted Workers and the Obligations of Foreign Service Providers)

Other indicators include:

- Third-country nationals working on site
- Temporary agency workers on site
- Foreign nationals who have not been issued with a national ID number
- Workers employed as bogus self-employed individuals
- Companies well-known to surveillance authorities due to previously imposed sanctions due to repeated non-compliance

Currently used data and indicators for evaluating inspections.

After cross-agency inspections have been performed, a combined report is compiled where each agency enters information regarding their actions performed, intelligence gained, on-going analysis and general opinion of the inspection. This information is recorded and is intended to be able to create effect indicators in the future. As this formal cross-agency collaboration is relatively new, official effect indicators have not yet been created.

Each participating authority records their own intelligence obtained from inspections, tip-offs and other sources and creates a database, which in-turn is used to evaluate the information and create road maps of the possible offenders and determine future actions required to be taken.

Identified methods and success stories of good practices for combatting undeclared work.

It is agreed that good communication and cooperation between agencies is essential in combatting undeclared work. It has also been recognised that the inclusion and cooperation of the social partners are an essential element in combatting undeclared work, as they are the front-line troopers in obtaining intelligence and recognising breaches of workers' rights and companies who may not be operating in compliance to relevant legislation, and therefore gaining profits from unfair competition. Surveillance authorities have over the years, enjoyed an active cooperation with the labour unions. However, with a rapidly growing labour market they have had to reach out to

³ <https://www.government.is/library/04-Legislation/Act%20on%20Posted%20Workers%20and%20the%20Obligations%20of%20Foreign%20Service-Providers%20No%2045%202007%20as%20amended%202018.pdf>

business associations and operators and encourage them to blow the whistle on others who may be gaining profits from unfair competition. This has been increasingly evident in the tourism industry, which has expanded dramatically in recent years.

As tourism is a mobile sector, with workers travelling around the country and never stopping in the same place for very long, tracking offenders has proven to be somewhat problematic. However, with the assistance of business associations and compliant businesses who also strive for fair competition and a healthy labour market, the identification of possible offenders has become somewhat more possible.

Over the summer months, from May until October, Iceland Revenue and Customs and The Directorate of Labour posts inspectors at the Norræna ferry docking point at Seyðisfjörður to analyse the commercial vehicles entering the country. Any vehicles of interest are stopped and inspected, and their operators are required to provide information regarding their intended operations in Iceland. If their operations fall under the scope of relevant legislation, they are issued with a notice to amend any infractions.

Another valuable resource is the Boarder Police's analysis unit at the Keflavík International Airport, who are able to detect possible offenders entering the country. Should they detect offenders who are not suspected of committing criminal offenses but are suspected of offences at an administrative level, they are able to relay information to the relevant authority for further analysis.

Material published by the labour unions intended to inform workers of their rights on the Icelandic labour market is widely distributed. The content, distribution platforms and languages in which it is published is constantly under analysis to ensure that it is relevant to recognised vulnerable sectors and reaches a broad-as-possible audience.

Identified bottlenecks for cross agency and/or cross-border cooperation and/or inspections.

As sanctions imposed at an administrative level are only intended to force companies to operate in accordance to relevant legislation, their impact can be somewhat of a 'slap on the wrist' and do not seem to have any lasting effect on offenders who are focused and determined on gaining higher profits by not operating in a legal manner. It is only when their operations become criminal that any real impact can be made, and having cases investigated as criminal cases often takes a long time. By the time that they are investigated, the company has usually declared bankruptcy and the owners are have commenced operations as a new company. Although, amendments to the General Penal Code⁴ (Act no. 14/1940, Article 262, paragraph 4) were made in June 2019 in an effort to ban convicted offenders of serious tax evasion of controlling the operations of a company for up to three years, it has been observed that offenders are able to pass by this by signing over the company to a so-called 'Undertaker' who bears the brunt of the company's liquidation.

The sanctioning procedures of non-compliant foreign undertakings who temporarily post workers in Iceland are especially problematic as these cases must be investigated and dealt with as quickly as possible due to their short operating periods in Iceland. The most effective sanction in these cases has proven to be the temporary suspension of operations. However, according to strict

⁴ <https://www.government.is/lisalib/getfile.aspx?itemid=dd8240cc-c8d5-11e9-9449-005056bc530c>

public administration legislation, the company must be issued with a formal notice and a reasonable deadline to amend any infractions. Should the company not comply, a further deadline must be issued along with a warning of intended imposition of sanctions. Only after the company has been issued with at least three warnings, are temporary work-place closures permitted to be imposed, and by which time the workers have usually packed up and left.

Conclusion

While Iceland has greatly improved their cross-agency cooperation in combatting not only undeclared work, but also labour market crime, further actions, legislations and proper organisation must be put in place to be able to fully achieve a healthy labour market. We must not only look to our neighbouring countries for guidance, but also connect with them to ensure that our issues with undeclared work are not just passed on to the next country, but completely abolished at the door, and only with a declared mission and funding from our policy makers will this be even remotely possible.

The phenomenon of undeclared work and combatting its existence is essential to not only ensure worker safety, redeem otherwise-lost taxation revenue and promote a healthy labour market and fair competition, but also to ensure that the 'Nordic model' prevails.



State Labour Inspectorate of the Republic of Latvia

NORDIC UDWP

COUNTRY REPORT FROM LATVIA

Riga, 08.10.2020.



State Labour Inspectorate of the Republic of Latvia

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State Labour Inspectorate of the Republic of Latvia

Introduction

There is no definition of undeclared work in Latvian legislation.

The Ministry of Welfare, The Ministry of Finance, State Labour Inspectorate (SLI) and State Revenue Service (SRS) are the key institutions in the area of UDW and the definition used for undeclared work could be described as following: *Work that is legal in its nature but work without a written employment agreement and/or without notification (registration) to the State Revenue Service.*

Addressing undeclared work is mainly the focus of two institutions in Latvia: State Labour Inspectorate and State Revenue Service where SLI focuses on labour legal relations and whereas the employees have been registered to the SRS and have concluded written labour agreements which is obligation by the Labour Law, this also include registration of all working hours which is part of widespread under declared work in Latvia, SRS on other hand focuses on social contributions and tax payments that shall be paid by companies regarding their workers and envelop wages which is still quite distributed illegal practice by the companies.

Results from testing the process indicator from previous project

Latvia was not part of the previous project, so we have not tested the process indicator, but we provide you a general overview of the current state of supervision of undeclared work.

Table 1. The process indicator

Category	Item #	Item	Score 0 = 'No' 1 = 'To some degree' 2 = 'Yes'	Score elaboration or further comment
Governmental framework conditions	1	Is combating undeclared work a stated goal for the government?	1	There is government approved Work plan for State Institution Combating Shadow Economy 2016-2020, undeclared work is part of shadow economy for that reason we may say that to some degree government has stated that combating



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				undeclared work is its goal.
	2	Is there an overarching governmental strategy on combating undeclared work?	1	Not really a strategy, but previously mentioned work plan is the government approved documents that to some degree touches upon activities combating undeclared work.
	3	Are there joint action plans for cross-agency inspections?	0	Joint cross agency inspections are done, but there is no particular plan. Joint inspections are agreed directly between regional SLI and our partner authorities (e.g. State Police, State Borderguard, Municipality Policy, SRS etc.)
	4	Are there joint cross-agency assignments from the ministries?	1	Joint cross-agency inspections are usually initiated without involvement or assignment from the ministries, yet there are particular task to SLI and SRS by Ministry of Finance and Ministry of Economics to supervise implementation of the electronic work time registration system in construction industry and both SLI and SRS jointly prepare reports on the activities performed in this regard.
	5	Is there a regular joint report on activities and effects from cross-agency efforts to combat undeclared work?	1	There are no joint report on joint cross-agency inspections, yet there is joint report on SLI and SRS activities to supervise implementation of



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				<p>electronic work registration system in construction sites that was implemented to combat undeclared work in construction industry. These reports shall be submitted to the ministry of Economics on annual basis. Also every institution that is included in the Work plan for State Institution Combating Shadow Economy 2016-2020 shall regularly report on the activities done according to the plan. These reports are then viewed by Shadow Economy Combat Board that is lead by the Prime minister.</p>
6	Are there national indicators for measuring undeclared work?	0		<p>There are no national level indicators to measure undeclared work, yet there is annual survey done by two Latvian scientists measuring Shadow Economy in Latvia and within this survey there are part that measures undeclared work in Latvia. At SLI level we have among our KPI some indicators that refer to undeclared work: 1) number of undeclared work inspections done, 2) effectiveness of these UDW inspections (how many resulted in discovering UDW) and 3) number of legalized labour relations (% of labour legal relations that were</p>



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				registered to SRS or number of written labour agreements that were concluded after the SLI inspection).
	7	Is the legal framework adapted to combating undeclared work (i.e. sanctions)?	2	<p>Yes, legal framework is there. Labour Law requires that written labour agreement is concluded prior to the employment and foresees specific sanction for not having written labour agreement. Sanctions for employer (physical person) may be from 70 to 350 EUR, but for company (employer as legal person) sanction are from 700 to 3600 EUR.</p> <p>Law on Taxes and Duties foresees a sanction to employers for not registering employee in the SRS prior to employment. Such sanctions for employer (physical person) may be from 140 to 500 EUR, but for company (employer as legal person) sanction are from 350 to 7100 EUR.</p>
Knowledge and intelligence	8	Do the existing legislations enable agencies to share and combine information?	2	<p>Yes.</p> <p>The SLI has agreements on information and data exchange with other state institutions and that possess information necessary for the SLI to perform its duties. Such agreements allow SLI to access information and data from data bases of those institutions e.g. SRS,</p>



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				<p>Company Register, The Office of Citizenship and Migration Affairs etc.</p> <p>On case to case bases when one state institution (most often SRS, State Police, Municipality Police and State Borderguard) has performed their controlling activities and discovers possible violations of Law that falls in the scope of the SLI, this information along with case materials is sent to the SLI for further investigation.</p>
9	Do agencies share and analyse strategic information?	1		To some extent, yes. But there is no systematic sharing of such information, it's more done on some case by case situations and cases.
10	Are there dedicated cross-agency staff for working with knowledge and intelligence?	0		No. Each institution has its own analytical capacity and the people who deal with it. The results of the analysis can be shared between agencies.
11	Are there joint IT systems to facilitate knowledge and intelligence?	0		Not really in the matter on unregistered work. Each institution has its own data bases and IT systems. SRS has more advanced data analysis system to detect violation of tax payments. The SLI has its own IT system has access to some of the data controlled by the SRS and other institutions yet building analytical tool for detecting UDW risks are



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				just in the project planning phase.
Operative procedures and sanctioning	12	Are there co-located cross-agency inspection teams working together daily?	0	No. All allocated staff are working in their own authority. SLI works with various agencies on the basis of tips and specific cases. Joint inspections might be initiated from the side of SLI as well as from the side of other institution.
	13	Are there cross-agency inspection teams which are not co-located but working together on a regular basis?	0	Not really. Although joint inspections with other authorities are performed quite frequently, there are no teams set and composition of those teams performing joint inspection may vary depending on available staff from each institution on that day.
	14	Are there cross-agency procedures on how to coordinate efficient sanctioning ("tactical sanctioning")?	0	Not really. Each authority has its own supervisory powers and various infringements that can be penalized.
	15	Are the roles and jurisdiction of each member in the cross-agency teams clearly defined?	1	To some extent, - yes. Yet each member is working in the lines of the competence of the authority. In the framework of international cooperation; cross-border cooperation.



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Currently used risk indicators and data for planning inspections

Tips and information from complaints and information from other State Institutions

Still large part of UDW inspections are based on incoming tips and information from the society as well as information from other authorities.

There is no specific analytical tool that helps to indicate risks of UDW in a systematic manner, yet there is internal regulation that foresees that when planning UDW inspection, such data as – size of the company (number of declared workers), number of cars registered for the company, turnover of the company, number of registered security posts, number of registered company units, previous UDW violations of the companies, most risky UDW branches of the companies, public advertisements from companies searching new employees etc.) are taken into account. These data are obtained from registers and data bases connected to the SLI IT system and received from IT of those other state institutions and publicly available information on internet including social networks.

Also observations from inspectors on risky objects e.g. construction sites where inspectors passing by from other inspections have noted some potential risks of UDW are taken into account when planning next UDW inspections.

Currently used indicators and data for evaluating inspections

There are 3 basic KPI and indicators that we follow regarding UDW inspection. Each year number of UDW inspections is set for the SLI in general and then distributed among regional SLI. This is budget indicator and SLI has to report to the Ministry of Welfare and Ministry of Finance how it has succeeded in reaching those quantitative indicators (number of UDW inspections and number of repeated UDW inspections). In 2020 the total number of UDW inspections that SLI has to deliver is 2000 inspection (20% of total number of yearly inspections – 10 000). In addition there is another quantitative indicator set for UDW inspections – number of repeated UDW inspections to companies with high UDW risk. The aim of these inspections is both preventative (to demonstrate that after one visit there might follow another visit and companies with bad habits remain within our radar) and quite pragmatic – still large part of these repeated visits results in discovering UDW cases.

Resultativity of UDW inspections is qualitative indicator that counts discovered UDW cases compared to number of UDW inspections performed. This indicator was introduced to stimulate regional SLI to plan their UDW inspections and not to take them at random just to reach quantitative number of inspections. The target threshold set for these UDW inspections with result is 25%. Meaning that at least 1 out of 4 inspections



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done with the aim to discover UDW shall result in discovered case. In 2020 this indicator so far is at 30% meaning that in 1 out of 3 inspections inspectors do discover UDW cases. In some regional SLI it is as high as even 50%.

Last but not least – there is a qualitative indicator so far introduced only as strategic KPI for the SLI strategy and not yet official budget indicator, but this indicator of legalized labour relations is one of the most meaningful ones that shows more the effect of the work of SLI in the field of UDW. From one side some may say SLI is not able to influence what happens after its inspection and whether or not employer corrects his/her behaviour and concludes written labour agreement with employee who worked undeclared during the inspection of the SLI or registers this employee to SRS, yet in practice the data shows that 2 out of 3 employees that were working undeclared are registered in the SRS or they get written labour agreement after SLI inspection. The data are checked automatically by the IT which checks if specific employee (undeclared employee) by his/her name and surname has been registered in the SRS workers register one month after the inspection. Also the legal system of sanctions do encourage legalization of labour relations for it allows companies to ask for 50% discount of the fine if they agree to pay it in 10 days and agree to their fault without option to submit appeal of the administrative decision.

Identified methods and success stories of good practices for combatting undeclared work

Among most successful working methods certainly those UDW inspections performed in team with State Police, Municipality Police and State Borderguard are clearly showing its value. First inspectors feel much safer doing inspections together with these “force” structures and it facilitates getting the statements from workers and employers on site for their respect to “uniforms” present.

Although we are used to the fact that SLI has access to number of data and information from other state institutions, in particular those of the SRS, these data are very valuable to prove the case and to plan UDW inspections.

Information exchange using IMI system has improved of late and even with countries who used to be quite slow and formal in their responses previously. As one factor for this positive change in our opinion is the personal contacts established among authorities and particular staff members. From all cross-border inspections we would like to highlight the cooperation with Lithuanian State Labour Inspectorate with whom cooperation is very prompt and effective. Inspectors have direct contacts of each other and data check and information exchange happens within single phone call. Number of concerted inspections and then follow up activities have successfully been



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conducted this way and helped to find the responsible party and apply necessary sanctions.

Identified bottlenecks for cross agency and/or cross-border cooperation and/or inspections

One of bottlenecks for cross agency inspections is the lack of agreed working methods where each team member knows his role and that of others. Also lack of joint cross-border teams that jointly exchange risk information and plans joint inspections would be much welcomed solution to take the cross agency cooperation to the next level. Currently there is new cooperation agreement on the table that foresees first steps in this direction and at least will regulate cooperation between the SLI and State Borderguard.

Secondly, the fact that other agencies do not get credit for doing joint inspections with the SLI does not help the cause. Cross agency KPI for joint inspections could facilitate the cooperation and help in cases and regional SLI where private contacts do not work that effectively as in others.

As for cross-border cooperation, language remains as one Achilles heel. There are few inspectors in the SLI who have necessary level of English to perform joint or concerted inspections with institutions from other countries.

As another bottleneck that has been identified is the difference of practices towards evidence gathering. In Latvia there are quite strict requirements towards the evidence the SLI shall gather to sanction the company as there is quite great potential of this case to be appealed to the court. The materials and evidences gathered by some authorities from other countries differs in their practice and may not be sufficient to build the case in Latvia (e.g. interviews with undeclared workers are not documented or recorded).

Conclusions

Practice and more practice in the SLI is needed for both cross agency and cross-border cooperation. Also work on methods for joint inspections is the starting point towards joint inspection teams with other authorities.

In parallel work on our IT system development and in particular development of UDW risk analysis tool is direction where we will continue to work and invest.

And finally, projects like this Nordic-Baltic project to tackle UDW is of great help to improve our knowledge and experience and participation in such projects clearly gives us new perspective and helps to improve our working methods.

NORDIC UDWP – WG KNOWLEDGE

COUNTRY REPORT FROM NORWAY

BY ROBERT EKLE AND MARIANNE ELVSAAS NORDTØMME

Introduction

In 2015, the Norwegian government published its first strategy towards undeclared work, or «work-related crime»¹ as is the official term used in Norway. One of the main directions pointed out in the strategy was better coordination between the different public agencies affected, in order to make the combat against work-related crime as forceful as possible.

Following this strategy, numerous measures were taken in order to combat work-related crime. For the last years, the volume of work-related crime seems to have been stabilized. Still, the government is determined to intensify the efforts to prevent and combat this phenomenon.

Today, The Norwegian Labour Inspection Authority works in a formalised cooperation with the police, the tax authorities and the social security services in order to make coordinated efforts towards work-related crime.

Testing the process indicator

In the NORDIC project, the working group elaborated a process indicator as a tool to score the effectiveness of national efforts to combat UDW. The initial aim for the working group was to establish a common effect indicator, but this was found to be unfeasible within the limits of the project. Moreover, developing an effect indicator was deemed as too demanding due to important differences in both the nature of UDW, the objectives of the efforts against UDW, and the tools available to the labour agencies in this regard, between the respective Nordic countries.

The process indicator was developed to measure each country's conditions for facilitating cross-agency cooperation to combat UDW. The indicator relies on the nature of the UDW phenomenon challenging the enforcement domains of several agencies, such as labour inspectorates, social security inspectorates and tax authorities. Cross-agency problems demand coordinated cross-agency solutions. Thus, although not an effect indicator, the process indicator can be an expression of a country's ability to combat UDW.

The process indicator consists of items that each reflect conditions that are considered important for achieving as efficient cross-agency cooperation as possible to combat UDW. To sort these prerequisites, the working group identified three over-arching categories of conditions. These categories are (1) Governmental framework conditions, (2) Knowledge and intelligence, and (3) Operative procedure and sanctioning. Each of these categories is measured or mapped with several items. In total, the process indicator consists of 15 items.

In the following we account for how the different items are scored in Norway in 2019. All in all, relevant Norwegian agencies have come a long way in their joint efforts towards UDW. Still, there are important barriers concerning legal restrictions towards sharing and combining information from the different agencies. Such combined information is found to be critical to the ability to combat the most important criminal actors in the Norwegian work life.

¹ Work-related crime is defined as «Actions that break with Norwegian laws concerning wages and working conditions, social benefits, taxes and fees, often performed in an organised manner, the exploitation of workers or are distortive to fair competition and undermine the social structure”.

TABLE 1: SCORING OF THE PROCESS INDICATOR

				Score 0 = 'No' 1 = 'To some degree' 2 = 'Yes'	
Category	Item #	Item			Score elaboration or further comment
Governmental framework conditions	1	Is combating undeclared work a stated goal for the government?	2		Both written and verbally
	2	Is there an overarching governmental strategy on combating undeclared work?	2		The strategy was first published in 2015 and has been revised twice, lastly in 2019.
	3	Are there joint action plans for cross-agency inspections?	2		Current joint action plan from 2017-2019, for labour inspection authority, welfare authority, police and tax authorities.
	4	Are there joint cross-agency assignments from the ministries?	2		Joint assignments in letters of allocation
	5	Is there a regular joint report on activities and effects from cross-agency efforts to combat undeclared work?	2		Yearly report describing activities and effects
	6	Are there national indicators for measuring undeclared work?	0		Not yet
	7	Is the legal framework adapted to combating undeclared work (i.e. sanctions)?	2		Disregarding existing legal barriers to share and combine information.
Knowledge and intelligence	8	Do the existing legislations enable agencies to share and combine information?	1		Some information may be shared, but the current legislation is an important barrier towards both sharing and combining information.
	9	Do agencies share and analyse strategic information?	1		To a certain degree
	10	Are there dedicated cross-agency staff for working with knowledge and intelligence?	2		Both operative and strategic
	11	Are there joint IT systems to facilitate knowledge and intelligence?	0		There is a joint IT system, but not suited to facilitate. Developed to store person forms from joint inspections.
Operative procedures and sanctioning	12	Are there co-located cross-agency inspection teams working together on a daily basis?	2		Seven co-located centres in cities all over Norway
	13	Are there cross-agency inspection teams which are not co-located but working together on a regular basis?	2		In some cities where there are no centres. More informal than the centres.
	14	Are there cross-agency procedures on how to coordinate efficient sanctioning ("tactical sanctioning")?	0		Not procedures, but this is assessed in each case
	15	Are the roles and jurisdiction of each member in the cross-agency teams clearly defined?	2		Every employee is placed in one of two groups, with separate roles.
Total score:			22/30		

Governmental framework conditions

Both the present and former Norwegian governments have declared that combating work-related crime is a goal for them. The first governmental strategy against work-related crime was published in 2015. The strategy outlined several measures to combat work-related crime. Among these was to strengthen the collaboration between different agencies such as police, labour inspectorate, tax authorities and social security authorities. Furthermore, the strategy established that existing joint efforts between different agencies should be systematised and coordinated both locally, regionally and nationally.

The strategy has been revised twice, last in May 2019². Important aspects in the latest revision included preventive measures, knowledge and more targeted information to reduce the market for work-related crime.

The current joint action plan for the coordinated efforts towards work-related crime was published in 2017 and has a three years perspective. It is currently being revised. The action plan is built on the governmental strategy, and it states objectives for the joint efforts. It also describes the organisation

² <https://www.regjeringen.no/no/dokumenter/strategi-mot-arbeidslivskriminalitet-2019/id2628152/sec1>

of the cooperation, both nationally and locally. A range of measures, both operative and strategic, are listed.

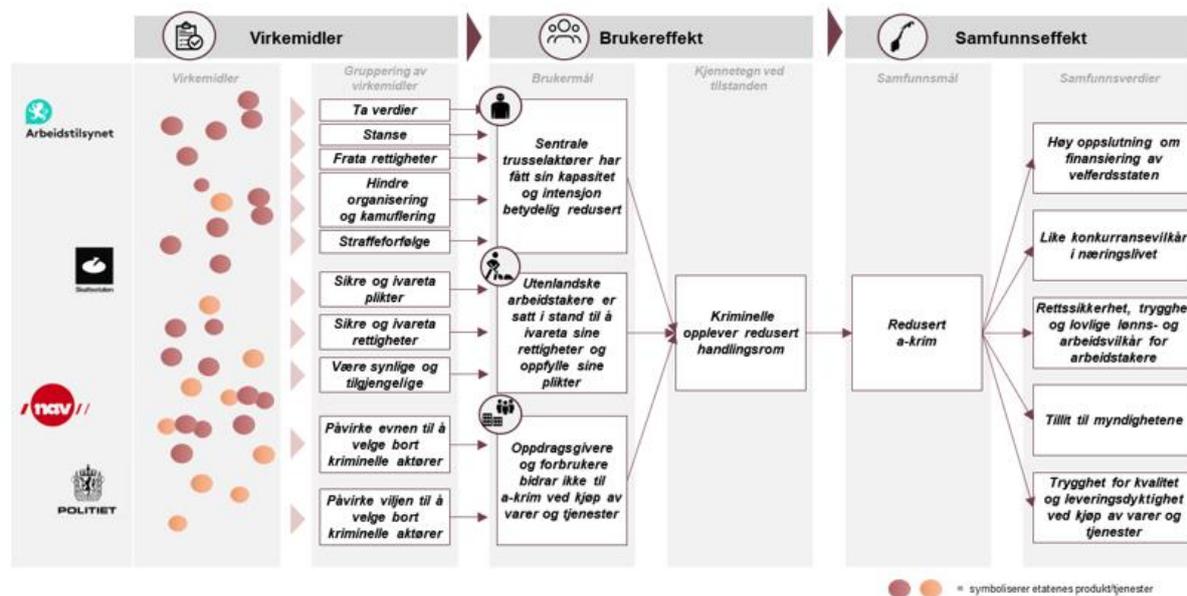
In the first years of formalised cooperation between the four agencies there have been several challenges. One of them has been the lack of coordinated management from the departments to the agencies, and from the strategic level to the operative level of the agencies.

In 2017, the four agencies therefore received a joint assignment from the ministries to outline a common set of goals for and methods to measure effects from the joint efforts towards work-related crime. The report from this work was finished in 2018, and it describes the new objectives as well as recommendations for further work with measuring effects. The direct effect goals are as following (with main target groups in bold):

- **Central threat actors** have had their capacity and intention significantly reduced
- **Foreign workers** are enabled to attend to their rights and duties
- **Customers** do not contribute to work-related crime buying goods and services

These objectives are part of an “effect chain” modelling the wanted outcomes of the efforts against work-related crime (only available in Norwegian):

FIGURE 1: EFFECT CHAIN FOR EFFORTS AGAINST WORK-RELATED CRIME



The three direct effect goals are common for all four cooperating agencies, and part of a common text in the yearly letters of allocation from relevant departments to the respective agencies.

The agencies work together on a joint yearly report describing activities and achievements on the objectives in the effect chain model.

The effect chain also forms the starting point for developing effect indicators which can be used to check if we are doing the right things in the right way. It is also an important basis for learning what works well and what does not work so well. A joint working group with members from the four agencies has been established in 2019, to work out a long-term plan with effect indicators and ways to measure them. This working group has started by mapping the needs for knowledge on effects from the efforts to combat work-related crime.

The legal framework is well adapted to combat work-related crime and achieve tactical sanctioning.

Knowledge and intelligence

The agencies cooperate on building knowledge both on a strategic and an operative level. This is important to make efforts as effective as possible.

On a strategic level, *Nasjonalt tverretattlig analyse- og etterretningssenter* (National cross-agency analysis and intelligence centre) was established in 2016, with the purpose of elaborating a knowledge basis for the cooperating agencies' joint and separate efforts against work-related crime. The centre has employees from all the four cooperating agencies, as well as from the Norwegian Customs agency. The centre receives analysis assignments each year. Until now, the centre has published two situational reports and several reports on concrete themes concerning work-related crime.

In 2019, a national analysis group was created with the responsibility of analysing effects of the efforts against work-related crime, in line with the effect chain (see figure 1). The group is responsible for developing a framework for effect analyses, as well as effect analyses to the joint annual report.

On an operative level, the joint centres each have a knowledge team, who make intelligence products to the local coordinators. In 2019, several such products were made, about themes such as criminal modes, industries, actor roles or specific criminal actors and networks. These products play a crucial role in the operative efforts against central criminal actors.

Despite these positive steps forward, there are still some legal and practical barriers to the efficient combination of data and information across-agency borders. This naturally affects the quality of both the knowledge products and the effect analyses, as there exist information and data that for juridical reasons cannot be combined, or even used at all.

The joint centres have a joint IT system that is first and foremost used for storing personal forms that are filled out by workers in operative inspections. However, this IT system is not suited to extract aggregated data.

Operative procedures and sanctioning

Three cooperating agencies³ have seven joint and co-located operative centres in cities across Norway. In addition, there are cross-agency operative teams in other regions and towns. Although these teams are not co-located, they are still part of a formal cooperation between the agencies. All these operative teams perform joint inspections and decide on the tactical sanctioning of criminal actors. The cases resulting from the joint inspections are either handled by the cross-agency teams themselves, or by the host agencies ordinary case management (secondary line).

Each employee at the seven co-located centres belongs to either an operative team or a knowledge team. The operative teams perform inspections based on cross-agency assignments. The knowledge teams, although also participating in inspections, work with finding, assessing, combining and analysing information about specific actors, companies, geographic areas or branches of activities.

³ That is, the police, the tax authorities and the social security services.

Data and indicators used in Norway

Currently used data and risk indicators for planning inspections

One of the inherent challenges with working with work-related crime is its nature of existing fully or partially outside the legal frameworks of ordinary business. This was emphasised in the national situational report published in 2017.⁴ For traditional OSH inspections, the labour inspectorate usually bases its selection on register data about legal businesses, or at least the legal front of businesses. The labour inspectorate has few structured data sources which can be used to construct and monitor valid work-related crime indicators concerning the illegal activity of legal businesses, and none for illegal activity. Although the other cooperating agencies to a greater extent have methods and data to support them in constructing suitable indicators for this type of businesses, these indicators have other more agency-specific aims than trying to measure the cross-agency challenge of work-related crime. However, they may potentially be used as proxies for more labour inspectorate interesting indicators.

The cross-agency cooperation and collaboration on both national and local level have been introduced to mitigate these challenges. In the national situational report from 2017, the aim was to collect and organise knowledge concerning work-related crime, primarily describing the modes that characterised what the different agencies classified as work-related crime. Although the report was important in forming a shared understanding of the work-related crime phenomenon, the work has not yet led to any strategic or operational indicators and has not had a direct impact on the planning of inspections.

However, the collaboration on both strategic and operational levels, together with the shared understandings and knowledge from the situational report, joint cross-agency training and cross-agency operations, have all had an impact on how the inspections are planned on a local level. Primarily by the formalisation of working knowledge- and intelligence-based through the strategic plans for the seven co-located centres. This has directly changed how the centres are supposed to work. Each agency now has dedicated personnel working with gathering, assessing and analysing data and intelligence in a more systemised way, as well as dedicated personnel for performing task-oriented inspections. However, there are still few to none national guidelines and best practises on how to do this knowledge and intelligence work, and few arenas for sharing operational experience.

In the spring of 2019, the Labour Inspection Authority unilaterally started a centrally facilitated cross-centre series of meetings and seminars for the operational personnel dedicated to data and intelligence management and analysis. This series of meetings have emphasised the need for further enhancing the personnel's competence regarding tools and methods of information management and analysis, the agencies' case management systems – both technical and organisational – and revising information sharing and compiling regulations regarding this specific phenomenon.

The agencies all have their own case processing systems and possibilities to extract data from these systems. In 2018, the labour inspectorate made additions to the case processing system so that the inspectors specify whether a specific case involves suspicion of work-related crime, which type(s) of crime and what kind of criminal actor the object of the inspection presumably is. The inspector also adds information about which agency is following the case further, after the labour inspectorate has given their sanctions.⁵ During 2019, about 500 inspections, and the companies involved in them, are tagged with suspicion of work-related crime by the responsible inspector. The most common types of

⁴ Nasjonalt tverretatlig analyse- og etterretningssenter (2017): *Arbeidslivskriminalitet i Norge. Situasjonsbeskrivelse 2017*. Oslo: ØKOKRIM.

⁵ Cf. the «sanction triangle» in the report from the working group on the process indicator

crime concern wages and work conditions, and tax evasion. These data can be used both directly in operative planning and strategically, e.g. to map the phenomenon.

FIGURE 2: TAGGING OF WORK-RELATED CRIME IN THE CASE PROCESSING SYSTEM OF THE LABOUR INSPECTORATE

A-krimvurdering ✕

A-krimvurdering ⓘ Hva er A-krimvurdering?

A-krimcenter

A-krim saksnr [Åpne A-krim app](#) ⓘ

Er det mistanke om arbeidslivskriminalitet i denne saken?

123 BYGG MINDE AS
org.nr 917138958

Ikke a-krim Ingen A-krim

Det er mistanke om arbeidslivskriminalitet i saken

Følger noen etater opp videre? (velg minst en)

Kemner NAV Politi Skatt Arbeidstilsynet Andre Ingen

Mistenkt lovbruddsområde (velg minst en) ⓘ

- ID-problematikk
- Lønns- og arbeidsvilkår
- Misbruk av trygdeytelser
- Skatteunndragelse
- Tollovertredelse
- Tvangsarbeid og menneskehandel
- Ulovlig næringsdrift
- Ulovlig opphold og arbeid
- Annet

Type trusselaktør (velg minst en) ⓘ

- Arbeidstakere som bevisst medvirker
- Enkeltstående aktører
- Kriminelle aktører og nettverk
- Tilretteleggere

Currently used data and indicators for evaluating inspections

Evaluation of the inspections (and other types of efforts) must be done according to their objective. The labour inspectorate operates with two different kinds of inspections with different objectives:

- Expose work-related crime
- Combat work-related crime

From our data we can see that in 2019, 80 % of the inspections had the purpose of exposing work-related crime, whereas 20 % had the purpose of combating identified criminal actors.

Half of the inspections with the second objective are tagged with suspicion of work-related crime after the inspection. Given that these inspections should be based on prior knowledge about the involved actors, this share ideally should be higher. This can be due to a lack of tagging in the case processing system. Another possible explanation is that the targeted objects for these inspections are not always based on prior knowledge, but sometimes more randomly selected. Either way, tagging gives us important information in order to evaluate our operative practices.

Since the cooperation with other agencies is extensive, we cannot rely only on the labour inspectorate's data in order to evaluate the inspections. Normally, the labour inspectorate uses

result indicators such as sanctions to evaluate the effectiveness of our inspections. But as the joint efforts require tactical sanctioning, the sanctions from one of our inspections may be given by another agency instead, if this is deemed to be more effective in the particular case.

Therefore, a national cross-agency effect analysis group was established in 2019. The group has delivered their first contribution to the joint annual report for 2019. The group has identified indicators on all levels of the effect chain, that should be used to evaluate the three effect goals of the efforts against work-related crime. Table 1 gives a crude outline of these indicators.

TABLE 2: EFFECT INDICATORS

Effect goal 1: Central threat actors	Effect goal 2: Foreign workers	Effect goal 3: Customers
Volume of activities and sanctions (administrative and punitive)	Volume of activities	Volume of activities and sanctions
Development in financial turnover in companies owned by criminal actors	Number of foreign workers having received information	Number of customers having received information
Development in number of people with a role in companies owned by criminal actors	Development in foreign workers' knowledge on rights and duties	Number of visitors to open access data on the seriousness of businesses
Development in access to commissions	Development in data quality in registers involving foreign workers (ID, salaries)	Development in number of customers reporting to have bought non-declared services
	Development in foreign workers labour conditions	Development in number of companies who assess that unserious businesses are shut out of the market

The conclusions from this first round of effect analyses is that much more information is needed in order to give more certain answers about the effects. For 2019, much of the effect evaluation had to be based on qualitative assessments from the cooperative teams. A more quantitative effect evaluation was not feasible, as there were little data available both on the population of the target groups, and on their status after they had been subject to authoritative measures.

The kind of data needed logically varies between the three effect goals. The most important obstacle to the first effect goal concerns the lack of ability to combine information so that identified criminal actors can be followed through the different agencies' case processing systems.

Identified methods and success stories of good practices for combatting undeclared work

The efforts of cross-agency cooperation in combatting work-related crime were initially local and bottoms-up. Most of the efforts are still characterised by this in local procedures, routines and initiatives, although there is more central coordination and management of both inter- and intra-agency work.

First and foremost, the model of co-operated centres has proven to be a success, although the centres still are local and regional in scope and are at different stages regarding levels of competence and cooperation. However, the local and regional scope has made the centres focus on different industries, resulting in different experiences and lessons learned. All centres have a continuous interest in the construction industry, but for instance, the northernmost centre has focused more on the fish processing industry (winter time) and one of the centres in the southeast of Norway have focused on seasonal third-country workers in agriculture. The centres have exchanged people in these seasonal efforts. The exchange of inspectors geographically and between industries have improved the practices and the information gathering processes, regarding sources of information, methods of compiling information and which indicators to use, as well as more tactical methods of

how to tackle the actors when they are found (e.g. injunctions, penalty tax, criminal charges etcetera).

Identified bottlenecks for cross-agency and/or cross-border cooperation and/or inspections

The lack of cross-agency information sharing, and subsequent combining and compiling, is the single most important problem in the cross-agency handling of the work-related crime problem. The barriers against sharing is both legal, organisational and technical. There are initiatives trying to overcome some of these barriers, but it takes both time and resources. Currently there is one joint agency group working on mitigating the lack of shared data systems, and one legal group trying to untangle the legal knots of data management and compilation.

Another bottleneck for the cooperation and inspections has previously been deviating key performance measures between the agencies. Before having a joint strategic framework for the cross-agency cooperation, the individual agencies' aims influenced the operational behaviour and choices. E.g. the Labour Authority was previously measured on number of inspections rather than the effects of inspections. This measure favoured many "uncomplicated" inspections rather than inspections aiming at central actors of work-related crime, whom the Tax Authority wanted to prioritise. Similar examples of goal conflicts between the agencies can still be found, but not to the same degree as before we had joint objectives.

Finally, the lack of good indicators is a problem. There are some operational indicators which are utilised in specific industries and efforts on a local and regional level, some with more success than others, but there has not been a coordinated effort in collecting, compiling and assessing these indicators. This has hindered the organisational learning between centres, and have made it more problematic to create more strategic indicators trying to measure trends and assess threats.



SWEDISH
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Statistics and analysis unit
Hannes Kantelius, +46 10 730 98 02
hannes.kantelius@av.se

Nordic-Baltic Undeclared Work Project WG Knowledge – Sweden

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Introduction

This country report builds upon official documents and the results from an evaluation. The evaluation is based on focus group interviews with five cross-agency inspection teams situated within the regional division of the Swedish Work Environment Authority.

Testing the process indicator

In the previous UDW Nordic project, a process indicator was constructed for measuring the preconditions for cross-agency cooperation as a means to tackle UDW¹. The process indicator may help to measure or map the conditions and possibilities for cross-agency cooperation in tackling UDW. With the indicator, key issues that might withhold or hinder cross-agency cooperation can be identified. The indicator consists of 15 items covering three over-arching categories of conditions that are considered important for achieving efficient cross-agency cooperation. The table below shows the total score assessed from the testing of the process indicator. Each category is then elaborated on.

¹ Process Indicator for Combating Undeclared Work. Report to Nordic Working Group. May 2018.



Category	Item #	Item	Score 0 = 'No' 1 = 'To some degree' 2 = 'Yes'
Governmental framework conditions	1	Is combating undeclared work a stated goal for the government?	2
	2	Is there an overarching governmental strategy on combating undeclared work?	1
	3	Are there joint action plans for cross-agency inspections?	2
	4	Are there joint cross-agency assignments from the ministries?	2
	5	Is there a regular joint report on activities and effects from cross-agency efforts to combat undeclared work?	2
	6	Are there national indicators for measuring undeclared work?	1
	7	Is the legal framework adapted to combating undeclared work (i.e. sanctions)?	1
Knowledge and intelligence	8	Do the existing legislations enable agencies to share and combine information?	1
	9	Do agencies share and analyse strategic information?	1
	10	Are there dedicated cross-agency staff for working with knowledge and intelligence?	2
	11	Are there joint IT systems to facilitate knowledge and intelligence?	1
Operative procedures and sanctioning	12	Are there co-located cross-agency inspection teams working together on a daily basis?	0
	13	Are there cross-agency inspection teams which are not co-located but working together on a regular basis?	2
	14	Are there cross-agency procedures on how to coordinate efficient sanctioning ("tactical sanctioning")?	2
	15	Are the roles and jurisdiction of each member in the cross-agency teams clearly defined?	1
		Total score (maximum 30):	20

Category 1: Governmental framework conditions

Combating UDW is a stated goal for the Swedish government, though there is no national strategy. In December 2017, the government assigned eight authorities to cooperate and develop suitable and effective methods in 2018–

2020 for joint cross-agency inspections to combat undeclared work (reference number at the Government Offices of Sweden A2017/02422/ ARM and A2017/00678/ ARM). The eight authorities are the Swedish Public Employment Service, the Swedish Work Environment Authority, the Swedish Economic Crime Authority, the Swedish Social Insurance Agency, the Swedish Gender Equality Agency, the Swedish Migration Agency, the Swedish Police Authority and the Swedish Tax Agency.

One part of the cooperation, is for the authorities to produce a joint annual status report on the status of UDW and to suggest actions and activities. The report also addresses the previous year's achievements in the collaboration och of the cross-agency inspections. So far, two reports have been produced with the second report presented in January 2020.

There are no joint indicators for effects of the cross-agency inspections. Except for the annual status report, there are no regular joint report on activities and effects. However, during the period of the government assignment, the Swedish Work Environment Authority is responsible for reporting the progress to the government.

There is also no national indicators for measuring the prevalence of UDW, but the tax authority have done some estimates regarding undeclared incomes in certain industries, such as cleaning and construction. But to measure the extension of the UDW phenomenon is difficult, and would require the sharing and combining of different agencies' registries and other data, which is prohibited by the current rules and regulations.

The Swedish Working Environment Authority has made a survey to employers within five industries, asking the perceived prevalence of UDW within their industry and geographical region. The industries are construction, transportation, hotel/restaurant, STÄD and cleaning.

The government have initiated some official inquires to map and to propose legislative changes etcetera in order to make the cross-agency work and other measures more efficient in combating UDW.

Category 2: Knowledge and intelligence

For now, it is not possible to share and combine information from different agencies working against UDW. However, so called strategic information on a macro level can be shared and used for more general analyses and risk

assessments. Strategic information can for example concern the estimated presence of UDW or worker exploitation in certain sectors or industries.

There are a national cross-agency analytic work group, responsible for producing the yearly status report, develop joint effect indicators and such. In this work, strategic information are shared and combined, but there are no joint IT-systems.

On regional level, knowledge and intelligence are shared within the cross-agency inspection teams (see below). But there are no joint or shared IT-systems for sharing information.

Category 3: Operative procedures and sanctioning

Following the regional division of the Swedish working environment authority, there is one cross-agency inspection team in each region. These teams have been working prior to the latest government assignment. The participating authorities are the ones specified in the assignment.

These regional teams are not collocated and have regular meetings on a monthly basis. However, there also are an ongoing cooperation in-between team members and agencies on a daily basis regarding cross-agency inspections.

The teams cooperates when necessary with other authorities (e.g. customs, coast guard) and also municipalities' different inspectorates. Municipalities grant permission for serving food and alcohol, and makes follow-up inspections at the establishments. The municipalities also are responsible for assisting in cases where human exploitation may be suspected, and when victims may need shelter and support during a police investigation. Municipalities and emergency services (fire brigade) may also be involved if inspections reveals that workers sleeping quarters are in the workplace or in areas that are unsuitable or hazardous.

Currently used risk indicators and data for planning cross-agency inspections

The risk assessment process can be described as a "funnelling of risks" from the labour market and industry level, down to the local level. The differences between urban and rural areas and also geographical differences, calls for local autonomy when inspectors plan and select targets for joint inspections.

Risk assessment on national level

An overall risk assessment for the prevalence of UDW on the Swedish labour market, and in the different sectors and industries, is made by the joint cross-agency analysis working group. The data used comes from each of the participating agency's registries, data bases, agency specific intelligence or reports, results from inspections or investigations etcetera. The analysis working group publish an annual risk report, open to the public. Therefore, there are no sensitive or confidential material in these risk assessments or publications.

All data used comes from each agency's core tasks and operations. There is no specific UDW-data per se, even though some authorities may be closer to the UDW-phenomenon in their work, such as the Police authority. Indicators of UDW-activity must therefore rely on the authority's own experience and knowledge of the tasks or groups they are engaging with, for instance migrants, unemployed or businesses.

However, there is no systematic sharing, combining or analysing of data other than between the participating group members in the cross-agency teams. This makes the analyse process dependent on both each group members skills and knowledge, and on the working group's ability to cooperate and function. The results of these macro analysis are compiled in the joint cross-agency status report, which also is used for overarching planning for the participating agencies.

Risk assessment on regional level

In the regional cross-agency teams, the risk assessments are based on the national report, mentioned above, but also regional and local knowledge regarding UDW. Risk assessment is crucial when the regional cross-agency teams are planning for joint inspections.

The teams meet regularly to discuss specific cases, companies, worksites, new developments etcetera, to exchange knowledge and experiences from the region they are situated in. From these discussions, targets are chosen for joint inspections and the inspection is planned and staffed accordingly. Each regional cross-agency team has large autonomy in their work on risk assessment, planning, staffing and conducting joint inspections.

Sharing, compiling and combining agency specific data, knowledge, and intelligence is done in the physical meetings of the regional cross-agency teams. Due to secrecy laws, they must not do this digitally or in other systematic ways.

Currently used indicators and data for evaluating inspections

The cross agency cooperation against UDW has determined a number of effect goals and created an effect chain, which is illustrated in the figure below.

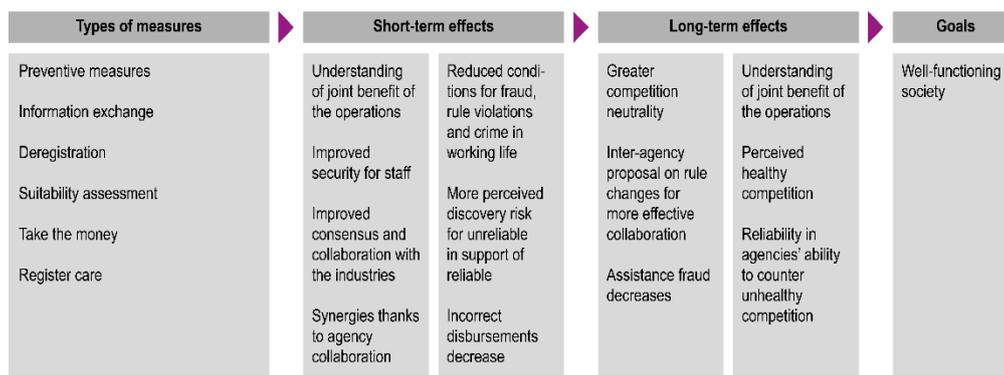


Figure 1. Effect chain for the cross-agency cooperation.

Currently there is no IT-system for registering the results of joint inspections. Each participating agency uses its own IT-system, indicators and routines for registration of inspections and controls. On coordinated inspection weeks, like the annual Europol action week, SWEA has collected the general results from all participating authorities.

From the SWEA perspective, there are no real differences between ordinary working environment inspections to an UDW-inspections. The inspector do not follow any different procedures. Any deficiencies in the working environment, are also processed and if necessary sanctioned in the same way. Therefore it is the aim or motive behind the inspections that label them as UDW-inspections.

Identified success stories in combatting undeclared work

The regional cross-agency teams' work has been key to start tackle UDW, although there are limitations to how they can operate and above all cooperate. The major limitation is that the teams' participating members can only share a limited amount of information and do so face-to-face, in the monthly meetings when planning for joint inspections. Despite this limitation, the teams have managed to find ways to cooperate and have shown increasing results since the inception of the joint government assignment.

The different agency member in the teams has specific regional and local knowledge regarding companies, economic activity, employers, labour market etcetera which is difficult to find in registries. The knowledge and experience that each participating inspector, investigator, police officer etcetera brings to the team are vital for the risk assessment and choosing of targets for inspection.

When the different knowledge and experiences are combined within in the regional team, risks for ongoing UDW can more easily be identified. However, this makes the cooperation vulnerable for any team members coming and going.

The five regional cross-agency teams work under very different circumstances and conditions. In Sweden, the differences between North and South, as well as urban or rural areas, are seen in the labour markets. Not all sectors or industries are found in all regions in the same extent and with the same economic activity. There are also large variations of seasonal workers etcetera. The high degree of autonomy and flexibility for the regional teams when planning for joint inspections, has been favourable for adapting the work process for the specific context.

Identified bottlenecks for cross-agency cooperation

The two main bottlenecks for more efficient cross-agency cooperation are the current restrictions on sharing and combining information, and the different levels of resources that the participating authorities invest in the cooperation. These bottlenecks may be connected to some degree, since a freely exchange of information would facilitate the prioritizing of resources.

The lack of secure IT-systems for sharing information, like encrypted e-mail systems, shared by all participating authorities is a challenge.