

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. The 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 report a foreign service and was established to provide a register parallel to CVR. Foreign service providers (employees and self-employed) working in Denmark must register in RUT. The Danish Tax Agency and the WEA use information from the RUT register 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.

Underneath the different aspects of this corporation is 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. Amount

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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 the 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 reports describing 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 Lack of sanctions. Foreign companies are closing in DK and opening up in a new name or goes bankrupt. All authorities lack the tools to follow up on offenses. Most of all, a task for the police. The legislation is good enough for those who can and will.
Knowledge and intelligence	8	Do the existing legislations enable agencies to share and combine information?	1 Some sharing – but especially the Tax authority has extended confidentiality.
	9	Do agencies share and analyse strategic information?	0 Only to a minor extend on minister 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 in 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

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 registry

A key source for identifying foreign companies is the Register of Foreign Service Providers (the 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 in 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 in 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 registered in RUT or the registration 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 registered in 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 registered in 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

When planning cross-agency inspections information about use of illegal labour is part of the risk-based selection of companies. The information comes from different sources, but hints from the social partners as well as the public and knowledge from inspectors are important contributions. As there is no registry to lean on to identify work places the indicator is also used on business level, where business know to hire unskilled workers is in focus.

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	

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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 the CVR and foreign companies notified in 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 the Danish WEA will use machine learning to develop models for risk assessments.

Currently used indicators and data for evaluating inspections

Half-yearly the 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 joint inspections from 2012 to 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 register in 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

Anm:

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

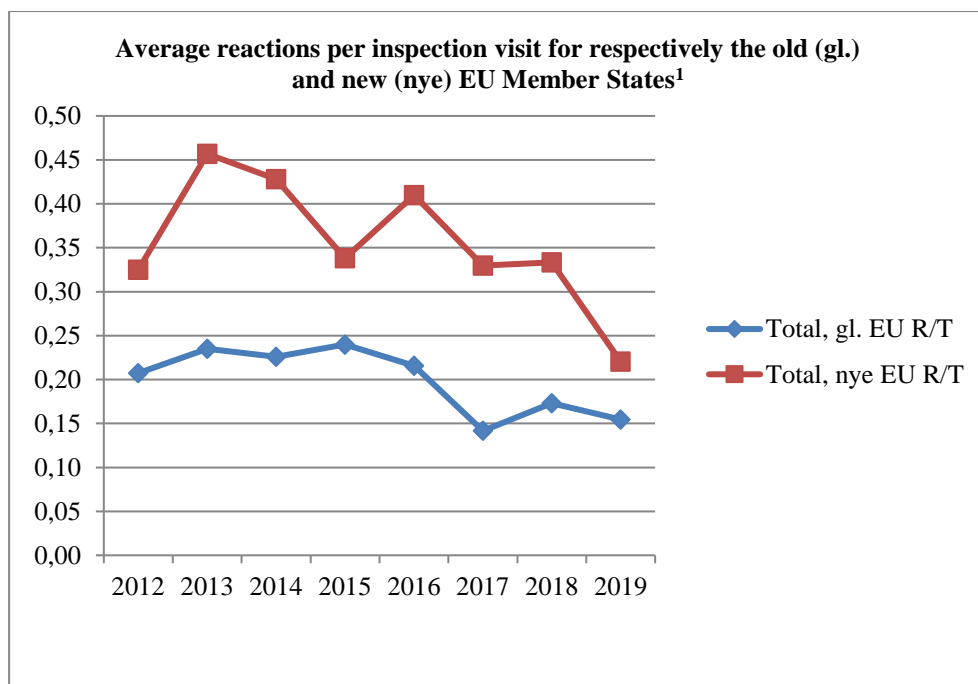
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The effect of these joined actions is difficult to measure and it is not easy to establish an outcome measure that is reliable and stable. This is caused by several circumstances:

- *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 in 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.

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 the 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 the 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.’

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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.