



Factsheet on undeclared work – DENMARK

March 2023

¹ This is an update of the [2017 factsheet](#)



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1.0 Nature and estimated scale of undeclared work

1.1 Legal definition

The Danish tax authorities define undeclared work as legal productive activities that are not reported and taxed according to existing legislation.

Citizens of countries outside the Nordic countries, the EU/EEA, and Switzerland must hold a valid permit to work in Denmark, otherwise the work is illegal.²

Unpaid activities performed to assist friends and family members are exempt from undeclared work. In addition, young people aged 15 years and under may work in private households without reporting their income. Pensioners can do the same if their income is below EUR 1 636 per year (2023).³

1.2 Estimates of undeclared work⁴

The Danish tax authorities quantify the extent of undeclared work through the utilisation of data sourced from The Rockwool Foundation Research Unit (RFRU). RFRU conducts surveys pertaining to the frequency and extent of undeclared work within Denmark. RFRU's investigations have revealed that 1 in 5 individuals in Denmark, aged between 18 and 74, had engaged in undeclared work over the course of a year, both in 2020⁵ and in 2017⁶. Additionally, RFRU found that the average weekly time allocated to undeclared work among those involved was 2 hours and 35 minutes in 2020⁷. The Danish tax authorities hold the findings and data produced by RFRU in high regard, as their endeavours undergo external review⁸, and their questionnaire is tailored towards a Danish context. The Danish tax authorities are also working on new ways to estimate the extent of undeclared work. Specifically, they are working on implementing a version of the Labour Input Method where an individual-level linked dataset is created. This approach is anticipated to mitigate several of the limitations associated with the Labour Input Method, as detailed in the subsequent section⁹.

² See 'How to avoid employing foreign nationals illegally: Information for Employers in Denmark', Ministry of Immigration and Integration. Available at: <https://www.nyidanmark.dk/en-GB/Words%20and%20Concepts%20Front%20Page/SIRI/Illegal%20work>

³ Danish Tax Agency (2023) 'Pensioners and Tax-Exempt Work', Available at: <https://skat.dk/borger/aarsopgoerelse-forskudsoepgoerelse-og-indkomst/pension-og-efterloen/din-indkomst-og-skat-naar-du-gaar-paa-pension-eller-efterloen>, accessed 8 November 2023.

⁴ The majority of this and the following section is based on a recent publication from the Rockwool Foundation (Nyt fra RFF, March 2016). Available at: <http://www.rockwoolfonden.dk/publikationer/markant-fald-i-efterspoergslen-paa-sort-arbejde/>, accessed 9 November 2022.

⁵ ROCKWOOL Foundation (2022) 'Neither more nor less undeclared work in the first year of the coronavirus.', Available at: <https://rockwoolfonden.dk/udgivelser/hverken-mere-eller-mindre-sort-arbejde-i-coronaens-foerste-aar/>, accessed 8 November 2023.

⁶ ROCKWOOL Foundation (2018) 'Undeclared work, DIY and the sharing economy', Available at: <https://www.rockwoolfonden.dk/publikationer/sort-arbejde-goer-det-selv-arbejde-og-deleoekonomi/>, accessed 8 November 2023.

⁷ ROCKWOOL Foundation (2022) 'Neither more nor less undeclared work in the first year of the coronavirus.', Available at: <https://rockwoolfonden.dk/udgivelser/hverken-mere-eller-mindre-sort-arbejde-i-coronaens-foerste-aar/>, accessed 8 November 2023.

⁸ ROCKWOOL Foundation 'External review' available at: <https://rockwoolfonden.dk/ekstern-bedoemmelse/>, accessed 8 November 2023.

⁹ For a more in-depth description of the method, see J. Søndergaard (2023), *Undeclared Danish Labor: Using the labor input method with linked individual-level tax data to estimate undeclared work in Denmark*, Journal of Economic Behavior & Organization vol 214.



In 2014, based on information about the share of the adult population performing undeclared work (24 %) and the average number of undeclared hours they report (1.7 hours per week), the share of undeclared work as a share of all declared work in Denmark amounted to 1.6 %. This can also be taken as a rough estimate of the contribution of undeclared work to GDP, if one assumes that the productivity and the distribution by sectors is the same for undeclared and for declared work. The share of undeclared work relative to all declared work has declined significantly from around 3.0 % in 2009 and 2010. The decline is solely due to a decline in the average number of unreported hours worked, while the share of the population performing undeclared work has been stable.

Estimates of undeclared work in the rest of this section are based on two available sources providing cross-country comparable data: Eurobarometer surveys and the Labour Input Method (LIM) study. Caution is required because of various limitations of the applied methodologies¹⁰. Eurobarometer surveys are subject to a limitation wherein the formulation of questions conducive to cross-country comparability may yield results prone to inaccuracy unless meticulous attention is devoted to translating the questionnaire within the specific contextual and linguistic parameters of each Member State. The Eurobarometer surveys have drawn criticism from the RFRU for deficiencies in this regard¹¹. LIM is encumbered by a limitation stemming from the utilisation of multiple imputation techniques to generate aggregated data for the computation of undeclared work, such that the results need to be treated with considerable caution, particularly regarding self-employed and family workers¹². One source of these problems stems from the administrative data, which might not contain all declared work hours, or overtime is not registered. Another source is the respondents themselves who may tend to overestimate the actual number of hours worked¹³. Consequently, while the method demonstrates utility in facilitating a broad comparative analysis across nations, its applicability in affording nuanced, country-specific delineations remains suboptimal.

Examining the extent of undeclared work based on Labour Input Method (LIM) estimates,¹⁴ in 2019, 8.6 % of total labour input in the private sector in the Denmark was undeclared (9.6 % in 2013.¹⁵ Therefore, between 2013 and 2019, there has been a decline in undeclared work. This displays the progress in tackling undeclared work.

The extent of undeclared work in Denmark was lower compared to the EU-27 average (see Figure 1 below).

¹⁰ Undeclared work can be measured both directly and indirectly. Indirect methods are based on the comparison of macroeconomic aggregates (such as national accounts). Direct methods, on the contrary, are based on statistical surveys and have advantages in terms of comparability and detail but tend to under-report the extent of undeclared work. There is a consensus among both practitioners and academics that a direct approach should be used more to explore the nature of undeclared work in terms of who engages in such work, why they do so, which forms of undeclared work they undertake, and their reasons for doing so. When estimating the magnitude of undeclared work, the consensus is supportive of the use of indirect methods that search for discrepancies in comparable sets of secondary macroeconomic data (i.e., data constructed and/or collected for other purposes). The LIM study is based on the indirect method, whereas Eurobarometer surveys on the direct method.

¹¹ Rockwool Foundation (2007) Seminar on Undeclared Work in the European Union.

¹² Williams, C.C., Bejakovic, P., Mikulic, D., Franic, J., Kadir, A. and Horodnic, I.A. (2017) *An evaluation of the scale of undeclared work in the European Union and its structural determinants: estimates using the Labour Input Method*, European Commission, Brussels, Accessed 25 November 2022.

¹³ J. Søndergaard (2023) *Undeclared Danish Labor: Using the labor input method with linked individual-level tax data to estimate undeclared work in Denmark*, Journal of Economic Behavior & Organization vol 214.

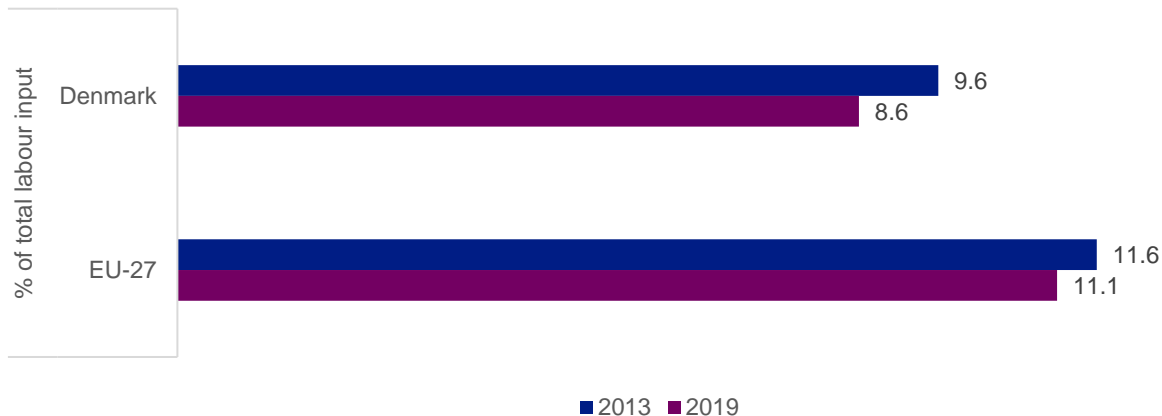
¹⁴ Williams, C.C., Bejakovic, P., Mikulic, D., Franic, J., Kadir, A. and Horodnic, I.A. (2017) *An evaluation of the scale of undeclared work in the European Union and its structural determinants: estimates using the Labour Input Method*, European Commission, Brussels, accessed 25 November 2022.

Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.

¹⁵ The difference between the two figures suggests that undeclared activities are more prevalent in sectors where the productivity is higher.



Figure 1. The scale of undeclared work in the private sector in Denmark and EU-27, 2013, 2019.



Source: Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Figures 3 and 6. Accessed 30 November 2022.

According to World Economics, Denmark’s informal economy is 15.2 %.¹⁶ A 2019 Eurobarometer survey found that 55 % of Danes surveyed personally knew someone who worked without declaring all or part of their income to tax or social security authorities, whilst 8 % reported that they themselves had carried out undeclared paid activities in the last 12 months.¹⁷

The figures below indicate the current state and development of undeclared and under-declared work and bogus self-employment between 2007 and 2019 for Denmark, based on Eurobarometer surveys. It should be noted that this is not a measure of the size of the undeclared economy. It only measures the proportion of the population who have engaged in undeclared work in the past 12 months. In some Member States, undeclared work may be more characterised by small-scale one-off acts of baby-sitting or home repairs and in others such work may be more regular wage employment relationships¹⁸. In Denmark the characterisation of undeclared work being small-scale one-off acts is the most accurate. Thus, according to RFRU’s findings, the median worker engaged in undeclared work dedicates approximately 1 hour per week to such activities¹⁹

¹⁶ See <https://worldeconomics.com/Informal-Economy/Denmark.aspx>, accessed 11 November 2022.

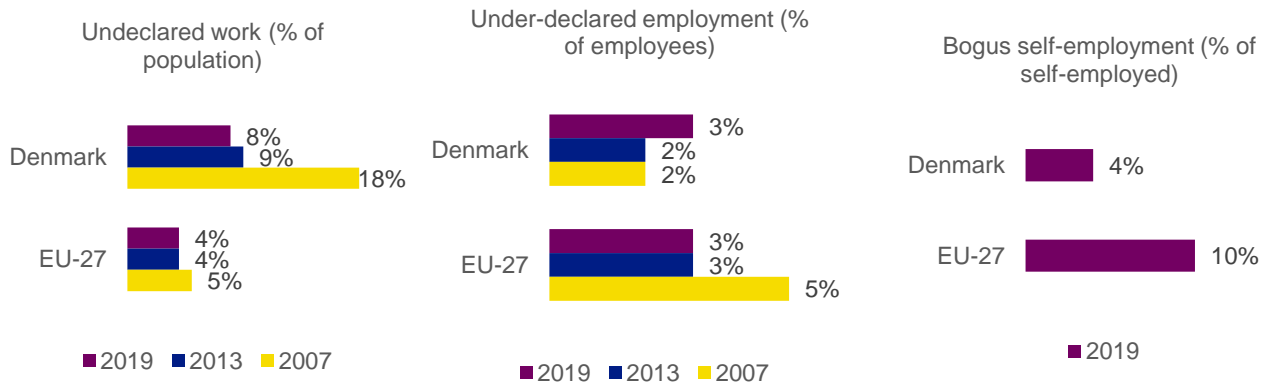
¹⁷ Eurobarometer 498 (2019) ‘Undeclared work in the European Union: Denmark’, Available at <https://europa.eu/eurobarometer/surveys/detail/2250>, accessed 10 November 2022.

¹⁸ Williams, C.C and Horodnic I.A. (2020). Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys, European Platform tackling undeclared work. Figure 10. Retrieved on 28 September 2022.

¹⁹ ROCKWOOL Foundation (2018) ‘Undeclared work, DIY and the sharing economy’, Available at <https://www.rockwoolfonden.dk/publikationer/sort-arbejde-goer-det-selv-arbejde-og-deleoekonomi/>, accessed 11 November 2022.



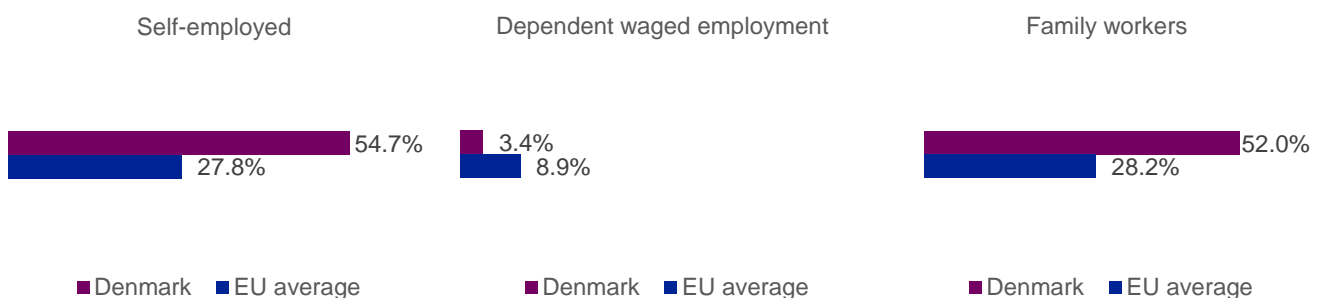
Figure 2. Composition of undeclared work, Denmark and EU-27, 2007, 2013 and 2019



Source: Williams, C.C and Horodnic I.A. (2020). [Trends in the undeclared economy and policy approaches: Evidence from the 2007, 2013 and 2019 Eurobarometer surveys](#), European Platform tackling undeclared work. Figure 10. Retrieved on 28 September 2022.

There are also marked differences in the prevalence of undeclared work in different types of employment relationship. Figure 3 gives a detailed overview of the extent of undeclared work in different types of employment relationship, namely self-employment, dependent waged employment, and family work. Analysing the 2019 Labour Input Method (LIM) estimates²⁰, in Denmark, 3.4 % of waged employment is undeclared measured as a share of total labour input, the proportion of self-employment that is undeclared is 54.7 % (measured as a share of their total labour input) and the proportion of family work that is undeclared is 52 %²¹. However as mentioned earlier the Labour Input Method has been shown to be particularly inaccurate when estimating undeclared work for the self-employed and family work²².

Figure 3. Prevalence of undeclared work in the private sector by type of employment relationship, Denmark, EU-27 average, 2019



Source: Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Table 2. Retrieved on 30 November 2022.

²⁰ Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.

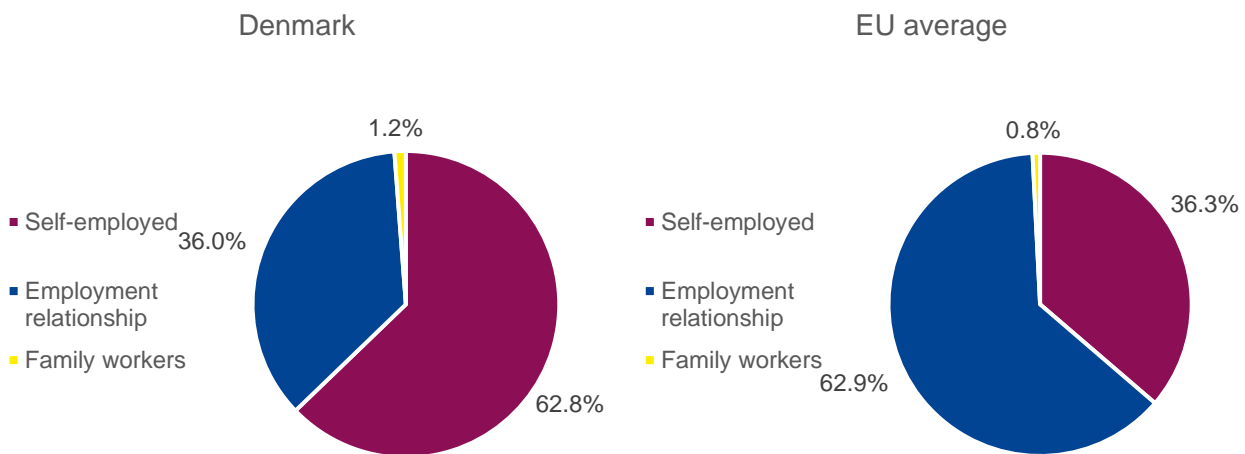
²¹ This data (taken from the labour force survey) is based on a small sample, which might affect its statistical reliability.

²² Williams, C.C., Bejakovic, P., Mikulic, D., Franic, J., Kedir, A. and Horodnic, I.A. (2017) *An evaluation of the scale of undeclared work in the European Union and its structural determinants: estimates using the Labour Input Method*, European Commission, Brussels, Accessed 25 November 2022.



Analysing the structure of the undeclared labour market in Denmark in 2019 using the LIM estimates,²³ the proportion of undeclared labour input that is waged employment is 36 % (62.9 % in the EU-27), 62.8 % of undeclared labour input is self-employment (36.3 % in the EU-27) and the proportion of undeclared labour input that is family work is 1.2 % (0.8 % in the EU-27). Therefore, compared with the EU-27, waged employment is a smaller proportion of undeclared work and self-employment a larger share.

Figure 4. Structure of the undeclared labour market in the private sector, Denmark and EU-27, 2019



Source: Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Figure 8. Retrieved on 30 November 2022.

The main types of undeclared work in Denmark are:

The percentage of the population engaged in undeclared work has declined over time, with 18 % in undeclared work in 2007, compared to only 8 % in 2019. Even so, Denmark still has the second-highest proportion of undeclared workers of all the Member States, behind the Netherlands (2019).²⁴

Most undeclared work in Denmark is carried out outside of the person's formal job by their own initiative, and is own-account work.²⁵ Only 3 % of undeclared work in Denmark is within the context of an employment relationship,²⁶ and only 2 % of Danes in a 2019 survey said all of their work was undeclared.²⁷ Thus, those who are in undeclared

²³ Williams, C.C., Bejakovic, P., Mikulic, D., Franic, J., Kedir, A. and Horodnic, I.A. (2017).

²⁴ Williams, C.C and Horodnic I.A. (2020). [Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys](#), European Platform tackling undeclared work, accessed 10 November 2022

²⁵ Ibid.

²⁶ Martinelli, Francesca (2021). 'Lights On! Worker and social cooperatives tackling undeclared work', p. 61, available at [JxQUTvn1qH77ASkctSb7YZaznDVcMFLrA1stwAQ0.pdf \(cecop.coop\)](#), accessed 9 November 2022.

²⁷ Williams, C. and I. Horodnic (2020) 'Trends in the undeclared economy and policy approaches: Evidence from the 2007, 2013 and 2019 Eurobarometer surveys', Brussels: European Commission, accessed 10 November 2022.



work are mainly self-employed or working for family or close social relations.²⁸ 'Bogus' self-employment is less common in Denmark (with only 4 % engaged in this type of undeclared work) compared to the EU average (10 %).²⁹ However, Denmark has faced increasing issues with the 'gig' economy over time – mainly in the context of delivery work. Trade unions in Denmark have been vocal about international platforms treating those working for them as self-employed.³⁰

Concerning total labour input in Denmark's private sector 9.6 % is undertaken on an undeclared basis.³¹ Those who reported paying for undeclared work in 2019 paid for home repairs or renovations (36 %), gardening (28 %), other goods or services (19 %), cleaning or ironing (18 %), and hairdressing or beauty treatments (14 %).³² One study indicates that there is also a growing untaxed DIY sector in Denmark which may be a more prominent type of undeclared work in the future.³³

The vast majority of undeclared services are bought from private individuals, not firms. In 2019, over half of Danes surveyed (55%) reported knowing someone personally working without declaring all of their income to tax or social security authorities.³⁴ For those creating demand for undeclared work, the main motivators are the wish to save money and a personal relation to a person who supplies undeclared work that they would like to support. This is reflected in statistics of those engaged in undeclared work. Those who are unemployed or temporarily out of work, students, and those who have difficulty in paying the household bills most of the time are more likely to be engaged in undeclared work.³⁵

Beside income, gender, age, and education are also factors in undeclared work. The majority of those doing unreported work are men. Thus, in 2014, 28 % of men had performed undeclared work, while the share among women was lower at 16 %. Meanwhile, among those demanding undeclared work, there was no significant gender bias. In 2019, men constituted 59 % of the undeclared workers of the surveyed population.³⁶ Undeclared work is more prevalent across younger people, with 8.6 % of respondents aged 15-24 and 5.1 % of those aged 25-39 engaged in undeclared work (2019).³⁷ People with shorter educations are also more likely to have worked undeclared.³⁸

The Danish Tax Agency and the Danish Working Environment Authority are both part of the European Platform tackling undeclared work. Although a possible clarification of digital labour platforms as temporary work agencies

²⁸ Williams, Colin (2020) 'Undeclared work in Denmark: Labour Input method estimates', Available at https://www.researchgate.net/publication/339770423_Undeclared_work_in_Denmark_Labour_Input_method_estimates, accessed 9 November 2022.

²⁹ Williams, C.C and Horodnic I.A. (2020). [Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys](#), European Platform tackling undeclared work, accessed 10 November 2022

³⁰ Martinelli, Francesca (2021) 'Lights On! Worker and social cooperatives tackling undeclared work', Available at [JxQUTvn1qH77ASkctSb7YZaznDVcMFLrA1stwAQ0.pdf \(cecop.coop\)](https://www.cecop.coop/wp-content/uploads/2021/11/JxQUTvn1qH77ASkctSb7YZaznDVcMFLrA1stwAQ0.pdf), accessed 10 November 2022.

³¹ Martinelli, Francesca (2021) 'Lights On! Worker and social cooperatives tackling undeclared work', [JxQUTvn1qH77ASkctSb7YZaznDVcMFLrA1stwAQ0.pdf \(cecop.coop\)](https://www.cecop.coop/wp-content/uploads/2021/11/JxQUTvn1qH77ASkctSb7YZaznDVcMFLrA1stwAQ0.pdf), accessed 10 November 2022.

³² Eurobarometer (2020) 'Undeclared work in the European Union: Denmark', Available at <https://europa.eu/eurobarometer/surveys/detail/2250>, accessed 9 November 2022.

³³ ROCKWOOL Foundation (2018) 'Undeclared work, DIY and the sharing economy', Available at <https://www.rockwoolfonden.dk/publikationer/sort-arbejde-goer-det-selv-arbejde-og-deleoekonomi/>, accessed 11 November 2022.

³⁴ Eurobarometer (2020) 'Undeclared work in the European Union: Denmark', Available at <https://europa.eu/eurobarometer/surveys/detail/2250>, accessed 9 November 2022.

³⁵ Williams, C.C and Horodnic I.A. (2020). [Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys](#), European Platform tackling undeclared work, accessed 10 November 2022.

³⁶ Ibid.

³⁷ Ibid.

³⁸ ROCKWOOL Foundation (2022) 'Danes overestimate the extent of undeclared work', available at <https://www.rockwoolfonden.dk/publikationer/danskerne-overvurderer-omfanget-af-sort-arbejde/>, accessed 10 November 2022.



is currently not perceived as a main challenge in Denmark, 7 % of its citizens are service providers on collaborative platforms, and it is one of seven Member States in which collaborative income generates highest revenue.³⁹

2.0 Institutional framework

2.1 Responsibilities and characteristics of organisations involved in tackling undeclared work

Table 1. Overview of key institutional features in Denmark for addressing undeclared work

Key institutional feature	Existence
A high-level coordinating body in the country	No
A national strategy for tackling undeclared work	No ⁴⁰
Common cross-government strategic objectives and KPIs/targets for tackling undeclared work	No

Source: Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.⁴¹

The responsibility for addressing undeclared work in Denmark is divided among several authorities:

- **The Tax Administration** is an authority (*skatteforvaltningen*) which comes under the auspices of the Danish Ministry of Taxation (*skatteministeriet*). It is responsible for implementing the legislation on income taxation and controlling tax returns. Seven agencies in total are gathered together under the Tax Administration and are part of the Ministry of Taxation’s group.⁴² As the agencies are gathered together under the Tax Administration authority, they can easily share relevant data with each other and carry out coherent tax control across agencies.⁴³ Based on existing legislation, the authority defines the borderline between income from work, which must be declared, and income which is exempt from reporting. The authority has also run several campaigns directed at increasing awareness of the damaging effects of undeclared work and the risks of being detected when supplying or demanding undeclared work.

³⁹ Williams, C., Llobera Vila, M., and Horodnic, A. (2020) ‘Tackling undeclared work in the collaborative economy and bogus self-employment’, Available at SSRN: <https://ssrn.com/abstract=3707054> or <http://dx.doi.org/10.2139/ssrn.3707054>, Accessed 10 November 2022.

⁴⁰ Each government department/agency has its own targets.

⁴¹ A questionnaire survey that was sent to the 32 labour, tax and social security authorities participating in the European Platform tackling undeclared work (hereafter “the Platform”) in the 27 European Union member states plus Norway and Iceland (i.e., 28 labour authorities, 3 tax authorities and 1 social security authority), Replies received between December 2021 and February 2022.

⁴² See <https://www.skatteforvaltningen.dk> - accessed 25 November 2022.

The Danish Ministry of Taxation’s group consists of a department and nine specialised agencies including seven agencies gathered in one common legal administrative authority called the Danish Tax Administration; the seven agencies of the Tax Administration include the Danish Debt Agency, the Valuation Agency, the Danish Tax Agency, the Customs Agency, the Motor Vehicle Agency, the Development and Simplification Agency, and the Administration and Service Agency. The group’s other two specialised agencies are the Danish Gambling Authority, the Danish Tax Appeals Board. More information on all of these agencies is available at <https://www.skm.dk/ministeriet/om-ministeriet/skatteministeriets-koncern/>

⁴³ See <https://www.skatteforvaltningen.dk/om-skatteforvaltningen/>, accessed 10 November 2022.



- **The Danish Tax Agency**⁴⁴ (*skattestyrelsen*) is one of the seven agencies within the Tax Administration and cooperates across the other agencies in the group.⁴⁵ It is responsible for ensuring that individuals and businesses pay their taxes and duties correctly and on time. They provide guidance on tax affairs, prevent and control tax evasion and fraud, implement control activities, and collect tax from companies without a tax-exempt number.⁴⁶ Seven specialist areas come under the Agency: personal taxes, professional taxes, company taxes, special checks, law, economics, and Citizen and Business Contact. The Danish Tax Agency has specific strategies for different kinds of undeclared work and so-called ‘social dumping’ in place.
- **The Danish Working Environment Authority**⁴⁷ (or *Arbejdstilsynet*) focuses on the issue of health and safety at work for people performing undeclared work (including illegal workers). It is a national body with three regional branches, each of which is responsible for workplace inspections at the local level. The total number of employees is around 750. The assumption is that working in the ‘grey segment’ of the labour market also carries an increased risk of dangerous working conditions. To address this, the WEA draw up rules on and provide information about health and safety at work, carry out inspections of work premises and business documents and penalise non-compliant enterprises and inform foreign employers and employees about working regulations in Denmark.⁴⁸ WEA coordinates the joint effort against social dumping.
- **The Danish Immigration Service** (under the Ministry for Foreigners and Integration) is responsible for the granting of work and residence permits to non-EU citizens.⁴⁹ The issue of illegal work is therefore the focus of this authority. It is a national authority based in Copenhagen with a total of about 700 employees (full-time). The Service handles cases concerning the right to visit (visa) and residence permits on other grounds.⁵⁰ The Danish Agency for International Recruitment and Integration (SIRI)⁵¹ – also under the Ministry of Foreigners and Integration - processes applications for work and study-related residence permits and registration certificates issued under EU rules on free movement. Neither authority carry out inspections on their own but they do assist the police and the Danish Working Environment Authority on an ad hoc basis.⁵²

⁴⁴ See <https://www.sktst.dk/> Skattestyrelsen.

⁴⁵ See <https://www.sktst.dk/om-os/organisation/skatteministeriets-koncern/>

⁴⁶ See <https://www.sktst.dk/english/>, accessed 25 November 2022.

⁴⁷ See <https://at.dk/en/about-us/about-the-wea/>, email: at@at.dk, accessed 25 November 2022.

⁴⁹ See <https://us.dk/>, Immigration Service, accessed 10 November 2022.

⁵⁰ ELA (2022) ‘Overview on responsibilities, inspection competences and legal frameworks in Member States’, unpublished, pp.27-30, accessed 9 November 2022.

⁵¹ See <https://siri.dk/> SIRI, accessed 10 November 2022.

⁵² ELA (2022) ‘Overview on responsibilities, inspection competences and legal frameworks in Member States’, unpublished.



Table 2. Overview of tools to tackle undeclared work used by social partners in Denmark

Social partner tools to tackle undeclared work	Existence
Raising awareness of situations of undeclared work and making calls for action	Yes
Referring cases of undeclared work to enforcement and judicial authorities	Yes
Negotiating collective agreements which contain instruments to tackle undeclared work, including in supply or subcontracting chains	Yes
Supporting workers by protecting them when in undeclared work situations, and aiding transition into a declared work situation	Yes
Raising awareness of situations of undeclared work and making calls for action	Yes
Cooperating across borders in the fight against undeclared work	Yes
Performing research to identify the key reasons, manifestations, specifics and impact of undeclared work	Yes
Providing policy and legal advice on procedural and legal changes needed	Yes
Providing policy advice on where enforcement authorities should focus their efforts (e.g., bogus self-employment, particular sectors)	Yes
Taking part in consultations and working groups	Yes
Providing technical support to enforcement authorities in developing information tools, data mining and risk assessment, building websites and social media platforms	Yes
Establishing relevant contacts through their networks of members	Yes
Serving as access points to corporate databases	No
Conduct workplace inspections	Yes

Source: Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.

The WEA, the Danish Tax Agency and the Police have fully adopted partnership building as a strategic objective and both authorities also have tripartite agreements on sector specific inspection targets, information exchange, and/or awareness raising with social partners.⁵³ The social partners (especially the trade unions) have taken a strong interest in undeclared work among migrants and posted workers (including illegal immigrants). Their main concern is the fear of ‘social dumping’ of migrants and posted workers who are willing to accept inferior work and pay conditions relative to the Danish labour market norms. In a Danish context the term ‘social dumping’ refers to situations where work and pay conditions are below the usual level on the Danish labour market, but also to employers and employees not reporting income that is subject to VAT or income tax payment. One element relating to this is whether the incomes of the migrants and posted workers are fully reported to the Danish tax authorities or whether the lower pay is combined with tax fraud.

⁵³ Williams, C. and I. Horodnic (2022). Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022. European Platform tackling undeclared work, accessed 9 November 2022.



2.2 Cooperation and collaboration between authorities and cross-border authorities

2.2.1 The legal basis

The main legal basis for the work of authorities involved in tackling undeclared work are as follows.

Table 3. Key authorities and their legal basis to tackle undeclared work

Authority	Legal framework
The Danish Working Environment Agency	Working Environment Act, no. 2566 of 13 December 2021 with later amendments (and related executive orders). ⁵⁴ Consolidation Act concerning the Posting of Workers no.1144 of 14 September 2018.

Source: ELA (2022) Overview on responsibilities, inspection competences and legal frameworks in Member States, Cooperation Support Unit, (March 2022), unpublished.

2.2.2 Cooperation between authorities in Denmark

Since the opening of the Danish labour market for workers from the new EU Member States, the issue of social dumping⁵⁵ has been high on the Danish political agenda. One aspect hereof has been the risk of undeclared work and underreporting of income in the sectors employing a high share of migrants and posted workers. Therefore, resources have been allocated for increased control of social dumping in the form of inspections. Such regular inspections have been taking place since 2004 in different projects. From 2012 enforcement is run in a specific social dumping project. The joint inspections in the project are regulated by a written agreement between three participants, The Working Environment Authority, The Police and The Danish Tax Agency. In the Budget Law for 2023, a further EUR 0.9 million was allocated for joint inspections by the tax authorities, the Working Environment Authority, and the police. This meant that a total of EUR 18.5 million were allocated for the joint inspections in 2022. The project has been extended several times since then, in 2019 it was EUR 10m, in 2020, 2021 and 2022 it was EUR 16.6m, and it is still to be raised in the coming years. The joint inspections defines the forms of cooperation and the planning of the inspections including the exchange of information between the participants. The Working Environment Authority is responsible for coordinating the collaboration.

The cooperation between the abovementioned authorities resulted in inspections of 462 firms in 2022 during eight national-wide inspections. The number has been rather stable in recent years. In 2022, the inspections led to 26 charges to foreign firms for not having notified their activities in Denmark and around 240 improvement notices for non-compliance with regulations concerning work and health safety. The main sectors targeted by the national inspections were construction, cleaning and catering, agriculture and the manufacturing industry, with the greatest emphasis on the first two. In addition to the national inspections just described, the authorities also cooperate on inspections at the regional level. A total of 32 such inspections were conducted in 2022.

At present, the WEA, the Tax Agency, and the police conduct regular joint inspections to check companies in the HORECA⁵⁶ sector and in other relevant sectors who are at risk of engaging in undeclared work or social dumping.

⁵⁴ See <https://at.dk/en/regulations/executive-orders/>, accessed 10 November 2022.

⁵⁵ In a Danish context the term social dumping refers to situations where work and pay conditions are below the usual level on the Danish labour market, but also to employers and employees not reporting income that is subject to VAT or income tax payment.

⁵⁶ ELA (2022) 'Joint inspections in the HORECA sector'. Available at: https://www.ela.europa.eu/sites/default/files/2022-01/GP-fiche_DK_Joint-inspections.2022_EN.pdf, accessed 9 November 2022.



Additionally, cooperation occurs in relation to ‘orderly conditions’.⁵⁷ Except for these areas, responsibilities are clearly divided between authorities. The cooperation between the Working Environment Authority, the Danish Tax Agency and the police, financed by funds from the Finance Act (2023), has resulted in 73 national joint inspections per year in e.g. the HORECA sector between 2012 and 2022, as well as 332 regional joint inspections, and 5 354 visits to workplaces. In this time, 6 793 companies were inspected and 3 835 violations against the Working Environment Act detected.⁵⁸

An important tool for monitoring the activities of foreign employers in Denmark is the Register for Foreign Service Providers (RUT). This register is the Danish official registry to notify foreign services. Foreign service providers, who do business in Denmark, must notify this to RUT. The Working Environment Authority oversees that foreign companies adhere to the Danish working environment legislation. It also checks that foreign companies are notified to RUT, and that the notification is complete and correct in relation to rules. RUT helps the Danish Tax Agency and WEA prioritise and plan inspections. The parallel register to RUT is the Central Business Register (CVR) which businesses with a permanent base in Denmark must register with.

Although the WEA and the Danish Tax Agency do not have joined-up strategies on undeclared work, both authorities have fully adopted the objective of having joined-up operations with other national organisations tackling undeclared work and have set a target for the proportion of all operations which are joint or concerted operations with other national organisations.⁵⁹ In 2022, these enforcement authorities reported developing and strengthening the joint ventures between national authorities, building on already existing cooperation established in 2012 between the WEA, the Danish Tax Agency in the context of inspections, which has led to significant progress in the case of social dumping.⁶⁰

2.2.3 Cooperation with other Member States

In Denmark, there is no legal framework for cross-border joint inspections.⁶¹ However, according to the ELA Guidelines for Concerted and Joint Inspections, *once facts are clarified, evidence can be used in administrative or criminal procedures in accordance with national law and practice. However, the data collected during an inspection cannot always be used in evidence, or as proof of violation. Enforcement bodies should therefore consider the evidence needed by a prosecutor or administrative authorities to proceed, as regards detailed reports and evidence. For that to happen, the national legislation of all Member States involved must align on the procedures for collecting information and its relevance as evidence in court.*⁶²

However, the two main coordinating authorities in Denmark for undeclared work have engaged to some extent with cross-border cooperation on undeclared work. The Danish Tax Agency are here working under stricter rules especially with regard to confidentiality and the obligation to use competent authority. Whilst the Danish Working Environment Authority are discussing making cross-border cooperation a clearly defined strategic objective of their

⁵⁷ See ‘Nordic-Baltic project fighting undeclared work: Denmark, Iceland, Finland, Norway, Estonia, Latvia and Sweden: 1.2.2019- 3.4.2021- Inspection activities’, available at <https://www.vinnumalastofnun.is/media/3014/nordbalt-udw-final-inspection-report.pdf>, accessed 10 November 2022.

⁵⁸ ELA (2020) ‘Guidelines for concerted and joint inspections’. Available at: https://www.ela.europa.eu/sites/default/files/2021-02/Item01_Guidelines-for-concerted-and-joint-inspections.pdf, accessed 10 November 2022.

⁵⁹ Williams, C.C. and Horodnic, I.A. (2022). *Progress of national authorities towards a holistic approach. Study using a common assessment framework May 2022*. European Platform tackling undeclared work, accessed 9 November 2022.

⁶⁰ See <https://www.sktst.dk/aktuelt/publikationer/kontrollen-mod-social-dumping-bliver-fortsat-mere-effektiv/>, accessed 10 November 2022.

⁶¹ ELA (2020) ‘Guidelines for concerted and joint inspections’. Available at: https://www.ela.europa.eu/sites/default/files/2021-02/Item01_Guidelines-for-concerted-and-joint-inspections.pdf, accessed 10 November 2022.

⁶² ELA (2020) ‘Guidelines for concerted and joint inspections’. Available at: https://www.ela.europa.eu/sites/default/files/2021-02/Item01_Guidelines-for-concerted-and-joint-inspections.pdf, page accessed 19 April 2023.



authority and have a cooperation agreement with Poland, the Danish Tax Agency are pursuing a pilot initiative. Both authorities are also discussing setting a target for the proportion of operations which will be cross-border.⁶³

Denmark is also part of the Nordic Baltic Working Group which shares knowledge and experience on sharing the risks and effects of combating undeclared work.⁶⁴ The group includes Estonia, Finland, Sweden, Norway, and Iceland as well as Latvia and Denmark. The Nordic-Baltic initiative is “to strengthen already established cooperation within each country through cross-border inspection and mutual learning activities – and by bringing together, highlighting and sharing good practices.”⁶⁵ Good practices identified included the use of Register for Foreign Service Providers (RUT), cooperation on joint inspection between national enforcement authorities, and the sharing of inspection results between authorities⁶⁶.

3.0 Policy focus and measures

3.1 Policy approach

It is generally believed that the volume of undeclared work in Denmark amounts to only a minor part of the market economy. Furthermore, undeclared work mainly takes the form of extra hours performed by workers who already have a full-time job, for instance in the construction sector.

Due to the rather high level of income taxes and a VAT rate of 25 %, the economic incentives to perform undeclared work are considerable in the case of Denmark. In general, however the widespread use of administrative registers and controls involving the use of personal identification numbers and a strict registration of private firms makes it difficult to develop a large-scale black economy.

In recent years there has however been an increased focus on combating undeclared work. The major elements have been:

- ▶ Intensified and targeted controls and inspections by the authorities;
- ▶ More legal instruments to be applied in the control and prosecution of undeclared work; and
- ▶ Campaigns aimed at changing the attitude towards undeclared work both among the population in general and within specific target groups such as young people.

Thus, the policy approach can mainly be characterised by deterrence although there are also examples of attempts to enable compliance through information and campaigns.

⁶³ Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.

⁶⁴ Combating Undeclared Work: Recommendations, Procedures and challenges, Report to Nordic-Baltic Working Group 2020. Available at: [Combating Undeclared Work: Recommendations, Procedures and Challenges \(vinnumalastofnun.is\)](#)

⁶⁵ See ‘Nordic-Baltic project fighting undeclared work: Denmark, Iceland, Finland, Norway, Estonia, Latvia and Sweden: 1.2.2019- 3.4.2021- Inspection activities’, available at <https://www.vinnumalastofnun.is/media/3014/nordbalt-udw-final-inspection-report.pdf>, accessed 10 November 2022.

⁶⁶ See ‘Nordic-Baltic project fighting undeclared work: Denmark, Iceland, Finland, Norway, Estonia, Latvia and Sweden: 1.2.2019- 3.4.2021- Inspection activities’. Available at <https://www.vinnumalastofnun.is/media/3014/nordbalt-udw-final-inspection-report.pdf>, accessed 10 November 2022.



3.2 Main policy measures

The 2022 holistic approaches study⁶⁷ indicates that four types of measures are commonly used in Denmark to tackle undeclared work – predominantly the use of:

- ▶ Penalty measures and fines;
- ▶ Initiatives to increase the risk of detection (e.g., inspections);
- ▶ Incentives to make declared work easier and more beneficial ;
- ▶ Education and awareness-raising campaigns and initiatives to modernise authorities to improve trust in government.

Annex 1 provides more detail on the specific policy measures used to tackle undeclared work.

Stronger control measures

Since 2004 regular intensive control actions have been carried out against unreported and illegal work. The onsite actions have taken place under strong media attention, and this has strengthened the preventive effects of the actions. Also, the outcomes of the individual inspections have in recent years been made public on the website of the Ministry of Taxation and the Working Environment Authority. The main focus of the intensified control measures has been on sectors and businesses which have turned out to have problems in this field. One purpose of the controls has also been to get hold of persons who work undeclared while receiving unemployment benefits (wired electronically or cash-in-hand). Follow-up on individual cases regarding unemployment benefit is carried out by 24 private Unemployment Funds under the auspice of The Danish Agency for Labour Market and Recruitment⁶⁸. Follow-up on individual cases regarding cash benefits for the unemployed is carried out by *Udbetaling Danmark*, the authority responsible for the collection, disbursement, and control of a number of public benefits.

In addition, tax authorities have in 2015 announced a new project, which is targeted at persons who declare a very low taxable income, while at the same time having a high standard of living exemplified by an expensive house, ownership of luxury cars etc. Thus, by combining various administrative registers the tax authorities hope to better target individuals who get their income from undeclared work or criminal activities.

In 2013, the Danish Tax Administration introduced new controls on self-reporting to tackle tax evasion. An online reporting module for taxpayers self-reporting deductions for child support and alimony payments was established, with greater checks on information given (using public registries) to validate the claimant's entitlement. This measure caused a 6 % drop in the number of self-reported deductions and a 5 % reduction in the value of claims on the intensive margin.⁶⁹

In 2020, the Danish government publicised a strategy to enhance, reorganise, and strengthen safety and health initiatives. This involved an allocation of additional funding to WEA to ensure longer-term planning and development of coordinated efforts.⁷⁰

⁶⁷ Ibid.

⁶⁸ See [About The Danish Agency for Labour Market and Recruitment \(star.dk\)](#), [Contact us \(star.dk\)](#), accessed 15 December 2022.

⁶⁹ ROCKWOOL Foundation (2021) 'Using Real-time Verification of Self-reported Information to Reduce Tax Evasion', Available at https://www.rockwoolfonden.dk/app/uploads/2021/05/RF-Study-paper-159_Real-time-verification-of-self-reported-information-to-reduce-tax-evasion.pdf, accessed 10 November 2022.

⁷⁰ See <https://at.dk/en/about-us/about-the-wea/strategy-2020/>, accessed 10 November 2022.



Information campaign

Also in 2004, an information campaign against undeclared and illegal work was launched in co-operation with the social partners. The campaign focused on the concept of 'Fair play'.⁷¹ It described undeclared work as not only tax evasion leading to a reduction in public revenues – but also unfair competition in relation to other competing enterprises and to the great majority of people who pay their taxes. This first campaign has been followed by several others, some of which have been targeted at specific groups like young people or public procurers. Another important target group has been entrepreneurs of a non-Danish ethnic background, who have been informed about the Danish tax-legislation and employment regulations.

Legislative initiatives

In April 2005 the Danish Parliament (*Folketinget*) approved a law, which gave the tax authorities better instruments to combat undeclared work. They were thus given authority to obtain access to construction sites to control the information given by the employer concerning sub-contractors and employees. Also, they were allowed to instruct employers to have an updated file of all employees from their first day of work.

In 2012 new legislation was introduced, which further allowed for tighter monitoring in the form of:

- ▶ Private consumers who pay bills amounting to more than EUR 1 343 must pay using digital means of payment and not in cash. This allows for monitoring of the payment. The same rule applies to firms. If cash payments are used, the buyer can be made responsible for unreported income tax and VAT by the seller.
- ▶ At all construction sites there must be signs indicating the names and VAT registration number of the firms working there. Foreign firms must show their number in the Register for Foreign Service Providers (cf. above). Also all vans must carry the name of the firm which owns them and the VAT registration number.
- ▶ As part of the fight against major organised undeclared work, the tax authorities were given the right to enter private property, but only in the case where there is visible outdoor work of a professional nature taking place. The tax authorities are able to enter the land itself, e.g., the garden, and not into private homes.
- ▶ All workers became obliged to carry a valid piece of ID and show it to the tax authorities if required.

After a change of Government in 2015, the last two items have been taken out of the legislation based on the argument that they were in conflict with basic citizen's rights.

Lower taxation on work

Over recent decades, taxes on work have been reduced. The effects hereof are documented in a series of tables published on the home page of the Ministry of Taxation. For a low-income earner, the marginal tax rate has fallen from 45.5 % in 1999 to 40.3 % in 2016. For high-income earners the reduction is 6.9 percentage points, from 63.3 % in 1999 to 56.4 % in 2016. There has thus been a reduction in the incentive for undeclared work driven by the income tax system.⁷² As a result of the pandemic, the Danish government postponed VAT and tax payments for firms of a further EUR 7,7 billion and gave firms the opportunity to apply for interest-free loans from the Danish government for VAT and tax payments and repayment dates were also postponed.⁷³ Deferred payments and loans

⁷¹ See <https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database/information-campaign-denmark>, accessed 10 November 2022.

⁷² ROCKWOOL Foundation (2017) 'Undeclared work is stagnating', Available at <https://www.rockwoolfonden.dk/publikationer/det-sorte-arbejde-stagnerer/>, accessed 10 November 2022.

⁷³ OECD (2021) 'OECD Economic Surveys: Denmark'. Available at <https://www.oecd.org/economy/surveys/denmark-2021-OECD-economic-survey-overview.pdf>, accessed 11 November 2022.



as well as compensation was also provided to firms and self-employed people with declines in turnover of at least 30 %.⁷⁴

Subsidies for services bought by private households

The law on subsidies to home improvements was in effect in the years 1991-1995.⁷⁵ In the beginning, the subsidy covered 40 % of wage costs and profits. The subsidy was only paid for wage costs and profits – materials were not subsidised. There was a maximum of EUR 940 per household – in a period the maximum was EUR 1 343. In 1994 the subsidy stopped but with payments running into 1995. All in all, expenses to this the subsidy had an amount of EUR 706 million.

Since 1994 various schemes have existed, which imply that a wage subsidy or a tax deduction is given to households that buy household and craftsmen services (cleaning, gardening, repair work etc.) from private firms. The purpose of the schemes is both to stimulate the demand for labour and to reduce the amount of undeclared paid household work. The exact services eligible for support and the size of the subsidy have varied over time. In its present form, in 2016 and 2017, the scheme supports household services like cleaning, childcare and gardening and various sorts of repair work and renovations, mainly with the aim of saving energy.⁷⁶ For household services the tax deduction is EUR 807 per adult living in the household. For repair work and renovation, the deduction is EUR 1 613. Given the marginal tax rates above, the cash value of the deduction is around half of the figures just mentioned.

3.3 Good practices⁷⁷

Good practices in tackling undeclared work have been explored by the European Platform tackling undeclared work. The following good practices addressing undeclared work are identified in Denmark:

- ▶ [Joint inspections in the HORECA sector](#) (2022). In Denmark the Working Environment Authority (WEA) conducts regular joint inspections with the Tax Agency and the police to check companies in the HORECA sector and in other relevant sectors (e.g., construction and agriculture) who are considered at risk of engaging in undeclared work or social dumping.
- ▶ [Working group on fair competition in aviation](#) (2020). The working group on fair competition in aviation includes representatives of the aviation industry, trade unions, and the relevant ministries. It was set up by the Danish Ministry of Transport (now Ministry of Transport and Housing) and established under the Danish Aviation Council to prepare a report on social dumping in aviation and help fight bogus self-employment in the sector. The working group holds regular meetings and monitors, exchanges information, develops policies and informs on policy initiatives from the Ministry of Transport and Housing in the area of fair competition in aviation.
- ▶ [Boligjob Plan \(private family residence/job initiative\): using tax-rebates to promote the declaration of work](#) (2019). The Boligjob Plan aims to reduce undeclared work in the home repair and maintenance sector. This is done by encouraging tax office registration of transactions between individuals in private residences and businesses providing services.
- ▶ [Multiagency initiative on tackling social dumping – the role of letterbox companies](#) (2019). Social dumping and the violation of Danish tax regulations and labour laws led to a collaborative multiagency initiative in 2012 to

⁷⁴ Ibid.

⁷⁵ See <https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database/home-improvements-subsidy-denmark>, accessed 10 November 2022.

⁷⁶ Eurofound, 'Tackling undeclared work database', available at https://www.eurofound.europa.eu/data/tackling-undeclared-work-in-europe/database?title_field_value=&field_country_case_study_term_tid_selective%5B%5D=13831.

⁷⁷ Virtual library | European Labour Authority (europa.eu), accessed 10 November 2022.



tackle these problems. In 2017 a pilot project, 'Seat of the Management', was introduced as part of the overall initiative to investigate the role of suspected letterbox companies in social dumping.

Other practices are available on the European Labour Authority [website](#).

3.4 Challenges and barriers

In Denmark undeclared work (2019) is higher than the EU average. Denmark does not have a high-level coordinating body, a formal national strategy for tackling undeclared work, or common cross-government strategic objectives and KPIs/targets for tackling undeclared work. National indicators for measuring undeclared work in Denmark are discussed between the relevant enforcement authorities.⁷⁸ Denmark also has a stricter legal framework for cross-border joint inspections – see Section 2.2.2.

Furthermore, whilst Denmark has a wide range of deterrence policy measures, there are currently fewer preventative measures adopted to foster a culture of commitment to operating in the declared economy. Horizontal trust was low in Denmark compared with other Member States, and looking at vertical trust, respondents did not have nearly as much trust in the tax / social security authorities as they did in the labour inspectorate.⁷⁹ These findings suggest that more might be done to foster confidence in the tax and social security authorities.

As already mentioned, undeclared work plays a rather limited role on the Danish labour market, all though it seems that the amount of undeclared work as a share of GDP is declining. A plausible explanation is the intensified and targeted controls and inspections by the authorities and the increase in the number of legal instruments applied in the control and prosecution of undeclared work

In a Danish context the term social dumping refers to situations where work and pay conditions are below the usual level on the Danish labour market, but also to employers and employees not reporting income that is subject to VAT or income tax payment. Therefore, significant resources have been allocated to address the various forms of social dumping including undeclared work by migrants and posted workers. There is no doubt that the joint efforts by several public agencies have resulted in putting downward pressure on the extent of undeclared work in this area. An exact assessment of the degree of success is, however, not possible based on the available evidence.

⁷⁸ Ibid.

⁷⁹ Williams, C.C and Horodnic I.A. (2020). [Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys](#), European Platform tackling undeclared work, accessed 9 November 2022.



Table 4. Level of tax morale, horizontal and vertical trust, Denmark and the EU

	Tax morale*	Horizontal trust**	Vertical trust: Tend to trust tax authority***	Vertical trust: Tend to trust labour inspectorate***
Denmark	8.74	55 %	41 %	63 %
EU-27 average	8.55	36 %	49 %	49 %

Source: Williams, C.C and Horodnic I.A. (2020). [Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys](#), European Platform tackling undeclared work. Figures 35, 36 and 37. Retrieved on 28 October 2022.

*Tax morale is an index where respondents were asked to rank five different types of undeclared work on a scale of 1 to 10 (recoded here as 1 representing 'totally acceptable' behaviour and 10 representing 'totally unacceptable' behaviour).

**Horizontal trust was measured as the percentage of respondents who personally know people engaged in undeclared work.

***Vertical trust was measured as the percentage of respondents who tend to trust the main state institutions tackling undeclared work.

Additional macro-economic and structural conditions of institutions affecting the prevalence of undeclared work in Denmark are provided in Annex 2.



Annex 1: Approaches used to tackle undeclared work

Table A.1. Approaches used to tackle undeclared work

Approaches used	Existence
PENALTIES	
Use of penalties and fines to prevent participation in undeclared work	Yes
Use of penalties to transform undeclared work into declared work	Yes
Penalties for people or businesses who buy undeclared work	Yes
Reclassifying false employment relationships (e.g., bogus self-employment)	Yes
Use of non-compliance lists ('blacklists')	yes
Previous non-compliance excludes firms from bidding for public procurement contracts	yes
'Naming and shaming' lists	No
RISK OF DETECTION	
Workplace inspections	Yes
Online/desk-based inspections	Yes
Joint inspections with other national inspectorates	Yes
Announced inspections	Yes
Cross-border inspections	Yes
Registration of workers prior to first day at work	Yes
Data matching and sharing to identify risky businesses	Yes
Use data mining to determine risky businesses for inspection	Yes
Coordination of data mining and sharing across government departments	Yes
Coordination of strategy on undeclared work across government departments	Yes
Use of complaint reporting tools (e.g. telephone hotlines) ⁸⁰	Yes
Certification of business, certifying payments of social contributions and taxes	No
Notification letters	No
Mandatory ID in the workplace	No

⁸⁰ Information and tools for working declared | European Labour Authority (europa.eu)



Supply chain responsibility (e.g., joint and several liability, due diligence)	No
INCENTIVES	
Supply-side measures (i.e., to stimulate suppliers to operate declared)	
Simplify procedures for complying to existing regulations (e.g., easier registration procedures; simplify forms; reduce duplication)	Yes
Compliance lists	Yes
Society-wide amnesties	No
Individual-level amnesties for voluntarily disclosing undeclared activity	No
'Formalisation' advice to start-ups	Yes
'Formalisation' support services to existing businesses	Yes
Targeted VAT reductions	No
Provide free record-keeping software to businesses	Yes
Provide fact sheets on record-keeping requirements	Yes
Provide free advice/training on record-keeping	Yes
Gradual formalisation schemes	Yes
Initiatives to ease transition from unemployment into self-employment	Yes
Initiatives to ease transition from employment into self-employment	Yes
Access to free marketing	Yes
Demand-side measures (i.e., to encourage purchasers to buy declared goods and services)	
Service vouchers	Yes
Targeted direct tax incentives (e.g., income tax reduction/subsidy)	Yes
Targeted indirect taxes (e.g., VAT reductions)	Yes
Initiatives for customers to request receipts (e.g., Lottery for receipts)	No
FOSTERING COMMITMENT TO OPERATE DECLARED	
Campaigns to inform suppliers of undeclared work of the risks and costs of working undeclared	Yes
Campaigns to inform suppliers of undeclared work of the benefits of formalising their work (e.g., informing them where their taxes are spent)	Yes
Campaigns to inform users of undeclared work of the problems of purchasing goods and services from the undeclared economy	Yes
Campaigns to inform users of undeclared work of the benefits of declared work (e.g., informing citizens of the public goods and services they receive with the taxes collected)	Yes
Normative appeals to businesses to operate on a declared basis	Yes



Measures to improve the degree to which customers of the enforcement agencies believe they have been treated in a respectful, impartial and responsible manner	Yes
Measures to improve labour, tax and/or social security law knowledge	Yes
Public information on the work and achievements of the enforcement authorities	Yes

Sources: Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.



Annex 2: Dashboard: overview of key indicators relevant to undeclared work

The dashboard below provides an overview of the key structural conditions that are associated with the extent of undeclared work. The trends in each driver display whether it improved ('green') or worsened ('red') in Denmark. For comparative purposes, the trends in each driver of undeclared work are also presented for the EU-27.

Table A.2. Trends in key structural drivers of undeclared work

DENMARK				
INDICATOR	YEAR:		TREND 2009 vs. 2019	EU-27, 2019 ****
	2009	2019		
A. FORMAL INSTITUTIONS				
I. FORMAL INSTITUTIONAL RESOURCE MISALLOCATIONS AND INEFFICIENCIES				
1. Level of modernisation of government				
Government effectiveness (-2.5 to 2.5 (strong performance))	2.23	1.90	■	-
2. Formal institutions acting in a corrupt manner				
Corruption Perceptions Index (CPI) (0-100 (very clean)) *	90	87	■	-
Control of corruption (-2.5 to 2.5 (strong performance))	2.44	2.16	■	-
II. FORMAL INSTITUTIONAL VOIDS AND WEAKNESSES				
1. Modernisation Explanation - Level of 'development'				
GDP (current prices, euro per capita)	41 880	53 210	■	31 300
Human Development Index (HDI) (0-1 (highest development))	0.909	0.946	■	-
Social Progress Index (SPI) (0-100 (high)) **	88.68	90.56	■	-
Self-employment (% of total employment)	8.8	7.4	■	13.4
2. State intervention				
Burden of government regulation (1-7 (best))	3.8	3.9	■	-
Business flexibility index (0-10 (high))	8.50	8.54	■	-
Expense of government (% of GDP)	41.9	35.9	■	36.6
Research & Development expenditure (% of GDP)	3.06	2.93	■	2.23
Tax revenue (% of GDP)	33.2	34.6	■	19.7
Social contributions (% of revenue)	3.0	2.0	■	33.0
Impact of social transfers on poverty reduction (%)	58.01	47.26	■	32.38
Labour market policy (LMP) expenditure (% of GDP)	3.14	2.70	■	1.65
Unemployment rate (% of active population)	6.4	5.0	■	6.8
People at risk of poverty/social exclusion (% of total population)	17.6	16.3	■	20.9
Severe material deprivation rate (% of total population)	2.3	2.6	■	5.5
Inequality of income distribution (income quintile share ratio)	4.61	4.09	■	4.99
Gini coefficient (0-100 (perfect inequality))	26.9	27.5	■	30.2
Labour productivity (% change on previous period)	-1.8	0.1	■	0.7
III. FORMAL INSTITUTIONAL POWERLESSNESS				
Reliability of police services (1-7 (best))	6.5	5.9	■	-
Judicial independence (1-7 (best))	6.5	6.2	■	-
Rule of law (-2.5 to 2.5 (strong performance))	1.92	1.87	■	-
Regulatory quality (-2.5 to 2.5 (strong performance))	1.88	1.56	■	-
Voice and accountability (-2.5 to 2.5 (strong performance))	1.54	1.55	■	-
Trust in Government (% tend to trust)	57	63	■	35
Trust in Parliament (% tend to trust)	74	65	■	34
IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY				
Democracy Index (0-10 (full democracy)) ***	9.52	9.22	■	-
Political stability (-2.5 to 2.5 (strong performance))	1.00	1.00	■	-
B. INFORMAL INSTITUTIONS				
Social capital (0-100 (high))	80.6	77.2	■	-
Tax compliance (0-10 (high))	8.49	8.52	■	-
	Year:	2013	2019	
Acceptability of undeclared work (% total 'unacceptable')				
Firm hires worker on undeclared basis	91	87	■	82



Undeclared work by firm for firm	93	89	■	85
Undeclared work by individual for private household	62	60	■	67
Undeclared work by firm for private household	91	87	■	82
Someone partially or completely conceals their income	91	83	■	78
<i>Personally know people engaged in undeclared work (% 'yes')</i>	59	55	■	36

TREND (2009-2019): ■ = positive ■ = unchanged ■ = negative

Notes: * 2009 data not available; 2012 data used instead; ** 2009 data not available; 2014 data used instead; *** 2009 data not available; 2010 data used instead; **** EU-28 average for Expense of government (% of GDP); Tax revenue (% of GDP) and Social contributions (% of revenue)

Source of methodology: 2022 update by Horodnic, I.A. of the study by Williams, C.C and Horodnic, I.A, (2020). [Horizon scanning: early warning signals of future trends in undeclared work](#), European Platform tackling undeclared work. Extraction date: 30 October 2022.