



Factsheet on undeclared work – SWEDEN

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 term 'undeclared work' is defined as 'any paid activities that are lawful as regards their nature but not declared to the public authorities'.² In Sweden the term 'svartarbete' ('black work') is also used frequently and should be interpreted as a synonym to undeclared work.

Key organisations with an interest in undeclared work in Sweden, namely the Swedish National Audit Office (*Riksrevisionen*)³ and the Swedish Tax Agency (*Skatteverket*)⁴, use undeclared work as a concept distinct from evasion of income declaration from unlawful activities such as smuggling, prostitution and trafficking/trade in stolen goods.

1.2 Estimates of undeclared work

Estimates of undeclared work in 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 methodologies⁵.

Examining the extent of undeclared work based on Labour Input Method (LIM) estimates,⁶ in 2019, 5.3 % of total labour input in the private sector in Sweden was undeclared (7.7 % in 2013). 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 Sweden was lower compared to the EU-27 average (see Figure 1 below).

² Anxo, D. (2007). Update of thematic article on 'undeclared work' Sweden, European Employment Observatory, May 2007, Storrie, D. (2004). Undeclared work in Sweden, in *European Employment Observatory Review, Autumn 2004*, Fighting the immeasurable? Addressing the phenomenon of undeclared work in the European Union, Employment and Social affairs, European Commission, Brussels.

³ Swedish National Audit Office (Riksrevisionen), [Startsida Riksrevisionen | Riksrevisionen](#), Contact: registrator@riksrevisionen.se, accessed 7 December 2022

⁴ Swedish Tax Agency (Skatteverket), [Startsida | Skatteverket](#), accessed 7 December 2022

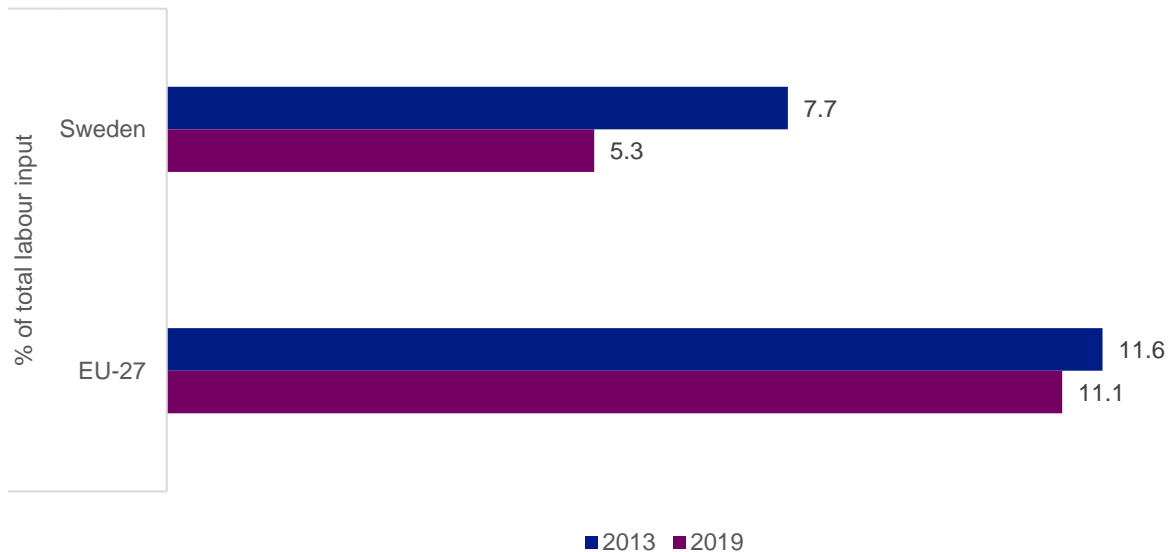
⁵ Undeclared work can be measured both directly and indirectly. Indirect methods are based on the comparison of macroeconomic aggregates (such as national accounts). Direct methods, on the contrary, are based on statistical surveys and have advantages in terms of comparability and detail, but tend to 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.

⁶ 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.

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



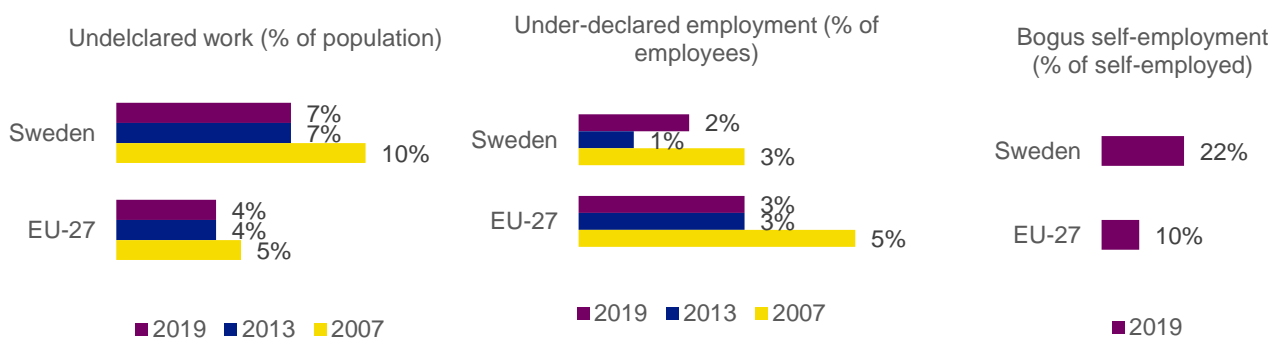
Figure 1. The scale of undeclared work in the private sector in Sweden and EU-27, 2019



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

The figures below indicate the current state and development of undeclared work, under-declared and bogus self-employment between 2007 and 2019 for Sweden, 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 relationships⁷.

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



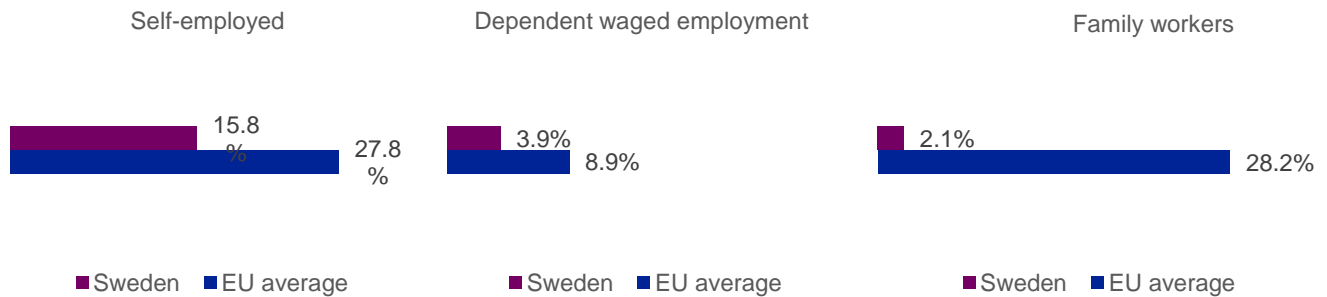
Source: Williams, C.C and Horodnic I.A. (2020). [Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys](#), European Platform tackling undeclared work. Figure 10. Retrieved on 28 September 2022.

⁷ 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) estimates⁸, in Sweden, 3.9 % of waged employment is undeclared measured as a share of total labour input, the proportion of self-employment that is undeclared is 15.8 % (measured as a share of their total labour input) and the proportion of family work that is undeclared is 2.1 %⁹.

Figure 3. Prevalence of undeclared work in the private sector by type of employment relationship, in Sweden, 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.

Analysing the structure of the undeclared labour market in Sweden in 2019 using the LIM estimates (see Figure 3),¹⁰ the proportion of undeclared labour input that is waged employment is 64.2 % (62.9 % in the EU-27), 35.8 % of undeclared labour input is self-employment (36.3 % in the EU-27) and the proportion of undeclared labour input that is family work according to data indicates 0.0 % (0.8 % in the EU-27). Therefore, compared with the EU-27, waged employment is a slightly larger proportion of undeclared work and self-employment a slightly smaller share.

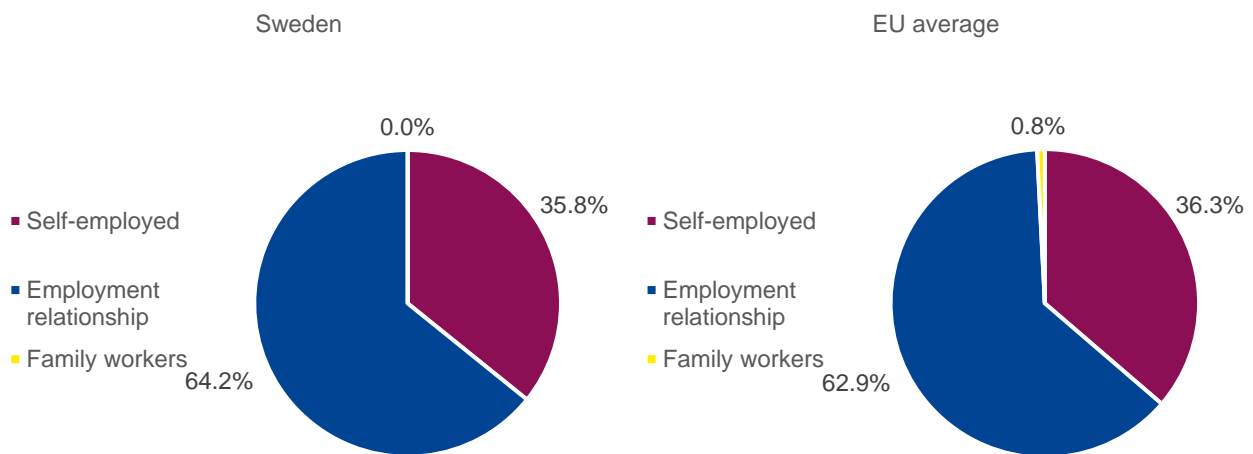
⁸ Franic, J., Horodnic, I.A. and Williams, C.C. (2022). Extent of undeclared work in the European Union, European Platform tackling undeclared work.

⁹ This data (taken from the labour force survey), is based on a small sample, which might affect its statistical reliability.

¹⁰ Franic, J., Horodnic, I.A. and Williams, C.C. (2022).



Figure 4. Structure of the undeclared labour market in the private sector, Sweden 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 Swedish Tax Agency divides undeclared work (or black work) into two broad categories: (1) undeclared income from employment and (2) undeclared income from self-employment.¹¹ The form of undeclared payment in these two categories can be separated into four distinct groups:

- ▶ Employees receiving undeclared pay in money or in kind from employers
- ▶ Self-employed individuals obtaining undeclared compensation for work or sales of goods
- ▶ Employers paying the employee's private expenses (goods, travel, loan of equipment) and not recording it as a taxable salary benefit
- ▶ The firm's business account being loaded with private expenses that reduce taxable profits.

Furthermore, bogus self-employment in platform work is a much debated and contested phenomenon in several Member States, including in Sweden. The Work Environment Authority recently implemented a pilot programme, commissioned by the government, which aimed at assessing whether the existing working environment legislation is fit for purpose in the context of digital platform work and on the operations of self-employment companies. Generally speaking, on-site inspections by enforcement agencies with a view to detect undeclared work in the collaborative economy are increasingly carried out in Sweden.¹²

In a survey conducted by the Swedish Tax Agency (2006), undeclared work was most frequently found in the sectors covering fishing, agriculture, forestry, restaurants, hairdressers, taxis, car servicing, and cleaning of business premises and other personal services. In these sectors undeclared work was estimated to be above 15 per cent of total income. The sectors where the income from undeclared work was between 5 and 15 per cent of total income included education and health care (excluding the public sector), construction industry, rental and

¹¹ The Swedish Tax Agency (2006). Purchasing and performing undeclared work in Sweden, Part 1: Results from various studies, Report 2006:4B, [Purchasing and performing undeclared work in Sweden, Report 2006:4B \(skatteverket.se\)](https://www.skatteverket.se), accessed 19 April 2023.

¹² Williams, C.C. (University of Sheffield), Llobera, M. (University of Valencia), Horodnic, A. V. ('Grigore T. Popa' University) (March 2020). Tackling undeclared work in the collaborative economy and bogus self-employment, Working Paper



company services, road transport of goods, grocery stores, other wholesale and retail, and hotel, camping sites, etc. Because of the large size of these sectors, the greatest amount of income from undeclared work in absolute figures were found in rental and company service companies, retail stores and in the construction industry.¹³ According to the 2019 special Eurobarometer survey on 'Undeclared work in the European Union', undeclared work in Sweden is nowadays particularly widespread in the construction (22 % of respondents), personal services (17 % of respondents) and transport (14 % of respondents) sectors.¹⁴

Income from undeclared work, i.e., the quantity of money that undeclared work represents in registered companies was estimated by the tax authority to be EUR 7.9 billion, where the main sectors were company service (EUR 1.5 billion), retail stores (EUR 0.9 billion) and the construction industry (EUR 0.7 billion).¹⁵

The main motivators for varies by individual. The special Eurobarometer on undeclared work conducted in 2019 revealed that some of the reasons behind undeclared work in Sweden included the possibility for both parties to benefit (58 % vs 32 % EU-27), the belief that intentionally not declaring a small secondary income is perfectly acceptable (40 % vs 21 % EU-27) and too much bureaucracy or red tape for regular activities (21 % vs 9 % EU-27).¹⁶ Furthermore, a survey by the Swedish National Audit Office found that students, self-employed and blue-collar workers are performing most of the undeclared work.¹⁷ Students have a strong incentive to hide their extra earnings as their public subsidised study-loans are conditioned on a low income from work. As expected, self-employed and blue-collar workers have a significant higher share of undeclared work than white-collar workers, as incomes from undeclared work are mainly found in construction and other services.

A common type of undeclared work is where self-employed individuals obtain undeclared compensation for work performed in households, to avoid the tax wedges created by the households' payroll taxation.

Increasing labour migration also creates a substantial risk of undeclared work, in particular in the construction sector. The Swedish National Council for Crime Prevention (*Bråttförebyggande rådet - Brå*)¹⁸ states that undeclared work is common among subcontractors in the construction sector, where employers avoid paying social security contributions and payroll taxes, and false invoices hide payments in cash.

¹³ op. cit.

¹⁴ European Commission (2020). 'Undeclared work in the European Union', Special Eurobarometer 498, <https://europa.eu/eurobarometer/api/deliverable/download/file?deliverableId=72319>, accessed on 30 November 2022.

¹⁵ The Swedish Tax Agency (2006). Purchasing and performing undeclared work in Sweden, Part 1: Results from various studies, Report 2006:4B, [Purchasing and performing undeclared work in Sweden, Report 2006:4B \(skatteverket.se\)](https://skatteverket.se/rapporter-och-statistik/2006/4b-purchasing-and-performing-undeclared-work-in-sweden), accessed 19 April 2023.

¹⁶ European Commission (2020). 'Undeclared work in the European Union', Special Eurobarometer 498, <https://europa.eu/eurobarometer/api/deliverable/download/file?deliverableId=72319>, accessed on 30 November 2022.

¹⁷ The Swedish National Audit Office (1998). Illicit work in Sweden, a report on a welfare state dilemma, Riksrevisionsverket RRV 1998:61, Stockholm

¹⁸ Swedish National Council for Crime Prevention (Brottsförebyggande rådet – Brå), [Brå - Brottsförebyggande rådet \(bra.se\)](https://bra.se/), relevant contacts: [Kontakta oss - Brottsförebyggande rådet \(bra.se\)](https://bra.se/kontakt), accessed 7 December 2022



2.0 Institutional framework

2.1 Responsibilities and characteristics of organisations involved in tackling undeclared work

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

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

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.¹⁹ + Platform members;

- ▶ The **Minister of Finance (*Finansdepartementet*)**²⁰ decides on the political priorities regarding the taxation system and delegates authority to individual agencies. The government thus set out the tasks and goals for the agencies, as well as their budgets and how the resources are allocated between different activities. It should, however, be noted that the Swedish constitution does not allow ministers in the Swedish government to intervene in an agency's decisions in specific matters relating to the application of the law or the due exercise of its authority.
- ▶ The **Swedish Tax Agency (*Skatteverket*)** is the central government authority that administers the Swedish tax system. It is accountable to the government, however it operates as an autonomous public authority. The Swedish Tax Agency audits the tax declarations of both private individuals and legal entities, and analyses and reports to the government on the function and performance of the Swedish Taxation system. It may also control that companies in sectors such as construction, service of vehicles, beauty, food, and restaurant maintain a registry of the workers on site. A large part of the received knowledge about undeclared work in Sweden is produced by the Swedish Tax Agency. The Swedish Tax Agency is also responsible for the collection of social security contributions.
- ▶ The **Swedish Economic Crime Authority (*Ekobrottsmyndigheten*)**²¹ which has the exclusive mandate to investigate and prosecute tax and bookkeeping crimes. If a taxation crime is detected, the case will be transferred to the Economic Crime Authority. The police operational units deal with criminal intelligence, investigation and reconnaissance as well as the analysis of crimes within the IT sector. The Swedish

¹⁹ 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.

²⁰ Ministry of Finance (*Finansdepartementet*), [Finansdepartementet - Regeringen.se](#), Contact: [Kontaktuppgifter - Regeringen.se](#). Accessed 8 December 2022.

²¹ Swedish Economic Crime Authority (*Ekobrottsmyndigheten*), [Startsidan | Ekobrottsmyndigheten](#), contact email: huvudregistrator@ekobrottsmyndigheten.se. Accessed 7 December 2022



Economic Crime also takes the initiative in promoting cooperation between authorities and proposes changes in statutes to make the fight against economic crime easier and more effective.

- ▶ The work against crimes is supported by the **Swedish National Council for Crime Prevention (*Brottsförebyggande rådet – Brå*)**. The Swedish National Council for Crime Prevention (*Brottsförebyggande rådet* or *Brå for short*)²² is a government agency that works to reduce crime and increase safety in society by producing data and disseminating knowledge on crime and crime prevention. The agency also produces the official crime statistics, evaluates reforms, conducts research to develop new knowledge and supports local crime prevention work.
- ▶ The **Social Insurance Agency (*Försäkringskassan*)**²³ administers the Swedish social insurance system and controls the rights to obtain social benefits. It also reports suspected undeclared work amongst people receiving social benefits.
- ▶ The **Swedish Work Environment Authority (*Arbetsmiljöverket*)**²⁴ is an authority mandated by the government and the Swedish Parliament (*Riksdagen*)²⁵. The Swedish Work Environment Authority is in charge of monitoring whether the provisions in the Work Environment Act are respected, such as work environment and working hours. The Swedish Work Environment Authority produces legally binding provisions, inspects workplaces and disseminate information about work environment regulations. Following the outbreak of COVID-19, a special temporary unit, the ‘National Triad for Mandatory Supervision’, was established to handle questions related to the pandemic.
- ▶ The **Swedish National Audit Office (*Riksrevisionen*)** was formed in 2003 after a constitutional change to establish a coherent audit authority for the parliament. The authority ensures that the Parliament receives a coordinated and independent audit of the state finances, and is the only body that can audit the entire state finances. The Swedish National Audit Office is tasked with controlling and evaluating how government policies, including those to decrease undeclared work, have been executed and to evaluate the results. The authority publishes reports that are publicly available and which independently analyse the performance of the government bodies.
- ▶ **The Swedish Public Employment Service (*Arbetsförmedlingen*)** Arbetsförmedlingen’s assignments are set out in the Ordinance with instructions for Arbetsförmedlingen (2022:811). Arbetsförmedlingen is responsible for the public employment service, its labour market policy activities and is to promote improvement of the functioning of the labour market. The agency is also to ensure that unemployment insurance functions as retraining insurance, engage private providers in order to get jobseekers quickly and efficiently into employment, actively obtain information about vacancies, follow up and evaluate how the agency’s activities and the labour market policy programmes affect the functioning of the labour market, and assess the situation in labour market.

Arbetsförmedlingen is also to assist government agencies and others who conduct follow-up and evaluation within the field of activity, ensure, in cooperation with concerned parties, that there are no erroneous payments and combat benefit crime. Arbetsförmedlingen also has overarching sectoral responsibility for disability issues within labour market policy and specific responsibility for ensuring that new immigrants are offered programmes that promote their integration into the labour market. In addition, the agency is

²² Swedish National Council for Crime Prevention (*Brottsförebyggande rådet* or *Brå for short*), [Brå - Brottsförebyggande rådet \(bra.se\)](https://www.bra.se), relevant contacts: [Kontakta oss - Brottsförebyggande rådet \(bra.se\)](https://www.bra.se/kontakt), accessed 8 December 2022.

²³ Social Insurance Agency (*Försäkringskassan*), [Privatperson - Försäkringskassan \(forsakringskassan.se\)](https://www.forsakringskassan.se), relevant contacts: [Kontakta Försäkringskassan - Försäkringskassan \(forsakringskassan.se\)](https://www.forsakringskassan.se/kontakt), accessed 7 December 2022

²⁴ Swedish Work Environment Authority (*Arbetsmiljöverket*), [Start - Arbetsmiljöverket \(av.se\)](https://www.av.se), relevant contacts: [Kontakta oss - Arbetsmiljöverket \(av.se\)](https://www.av.se/kontakt), accessed 7 December 2022

²⁵ Swedish Parliament (*Riksdagen*), [Riksdagen - Start](https://www.riksdagen.se), relevant contacts: [Kontakt - Riksdagen](https://www.riksdagen.se/kontakt), accessed 7 December 2022



responsible for organising its activities in a way that promotes diversity and gender equality and combats discrimination in the labour market.

- ▶ The **Swedish Police Authority (*Polisen*)**²⁶ is in charge of conducting workplace inspections in sectors assessed by the Police as being at particular risk of employing people without the right to remain or work in Sweden.²⁷
- ▶ **The Swedish Gender Equality Agency (*Jämställdhetsmyndigheten*)** is tasked with coordinating the activities against trafficking in human beings at a national level. The task involves developing cooperation between authorities and other actors, as well as international actors, and assisting authorities with methodological support and capacity development. The GEA has the responsibility to act against trafficking for all purposes, including: sexual purposes, forced labour, removal of body organs, forced begging, military service, forced marriage, and criminal activity
- ▶ The **Swedish Migration Agency (*Migrationsverket*)**²⁸ controls the work conditions of third-country nationals (TCNs).
- ▶ **Branch organisations and trade unions** in various sectors of the economy, in particular construction, also have a role to play and co-operate with the authorities to raise awareness of undeclared work.

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

Social partner tools to tackle undeclared work	Existence
A target has been set for the proportion of all operations which are joint or concerted operations with other national organisations	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	No
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

²⁶ Swedish Police Authority (Polisen), [Start | Polismyndigheten \(polisen.se\)](https://www.polisen.se), Contact: [Kontakt | Polismyndigheten \(polisen.se\)](https://www.polisen.se/om-polisen/kontakt), accessed 7 December 2022

²⁷ Sveriges Riksdag, [Police to be given powers to conduct more workplace inspections - Riksdagen](https://www.riksdagen.se/sv/om-riksdagen/nyheter/2018-05-31/polisen-fa-ar-att-undersoka-arbetsplatser), Stockholm, 31 May 2018

²⁸ Swedish Migration Agency (Migrationsverket), [Migrationsverket](https://www.migrationsverket.se), Contact: [Kontakta oss - Migrationsverket](https://www.migrationsverket.se/om-migrationsverket/kontakta-oss), accessed 7 December 2022



Providing technical support to enforcement authorities in developing information tools, data mining and risk assessment, building websites and social media platforms	No
Establishing relevant contacts through their networks of members	Yes
Serving as access points to corporate databases	No
Conduct workplace inspections	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.

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
Swedish Tax Agency	Tax Proceedings Act (SFS 2011:1244)
Swedish Public Employment Service	Act on labor market policy activities (SFS 2000:625) Ordinance on labor market policy activities (SFS 2000:628)
Swedish Gender Equality Agency	Paragraph 4.3 in regulation (2017:937) with the instruction for The Swedish Gender Equality Agency (GEA)
Swedish Social Insurance Agency	Social Insurance Code (SFS 2010:110)
Swedish Work Environment Authority	Work Environment Act (SFS 1977:1160) Working Hours Act (SFS 1982:673) Act on Working Time Etcetera in Domestic Work (SFS 1970:943) Posting of workers (SFS 1999:678)
Swedish Police Authority	Police Act (SFS 1984:387) Aliens Act (SFS 2005:716)

Source: Platform members to verify/add; ELA (2023) Overview on responsibilities, inspection competences and legal frameworks in Member States, Cooperation Support Unit, (October 2023), unpublished.

2.2.2 Cooperation between authorities in Sweden

Since 2018 there has been a growing focus on national collaboration in combatting undeclared work. Nine authorities, coordinated by The Swedish Work Environment Authority (*Arbetsmiljöverket*), are cooperating in an effort to stop violations of rules and crime in the workplace. A key part of this undertaking is joint inspections of



workplaces, where mainly three authorities (the Swedish Work Environment Authority (*Arbetsmiljöverket*), the Swedish Tax Agency (*Skatteverket*) and the Swedish Police Authority (*Polismyndigheten*)) perform inspections within their respective responsibilities. This work will be intensified. The next step is to install local centres for these joint inspections with personnel who works full time with crime in the workplace from all the participating authorities. The Swedish Social Insurance Agency (*Försäkringskassan*) and the Swedish Pensions Agency (*Pensionsmyndigheten*) also carry out various forms of inspections, even if it does not include workplace visits. Furthermore, 22 authorities collaborate to strengthen the work against abuse of the welfare system. The focus of the work is to develop general conditions for preventing and to detect abuse of welfare systems. There is also an obligation to notify between certain authorities when there is reason to assume that a financial benefit or financial support has been paid incorrectly (the Act [2008:206] on the Duty to Notify in the Event of Erroneous Payments from the Welfare System).²⁹ In another effort to make the cross-agency work and other measures more efficient in combating undeclared work, the government has initiated some official inquiries to map and propose legislative changes. As an example, there has been proposed that a new secrecy breaking rule should be imposed, so that authorities can share information when it is needed by one or the other authority in order to further pursue an investigation. However, challenges such as the lack of combined IT infrastructure impeding efficient information sharing, deviating priorities and lack of resources prevail.

2.2.3 Cooperation with other Member States

The Swedish Economic Crime Authority is part of the Advisory Committee for the Coordination of Fraud Prevention (COCOLAF) along with the Ministry of Finance and, like Swedish Customs, is the Swedish contact authority for OLAF. The Swedish Economic Crime Authority has national responsibility for cases of fraud if the act relates to the EU's financial interests and the improper use of subsidies. The Swedish Work Environment Authority (*Arbetsmiljöverket*) is responsible for co-ordinating the national work towards the European Labour Authority (ELA) and to represent Sweden in the European Platform tackling undeclared work³⁰. Sweden plans to strengthen their engagement with other EU Member States on undeclared work in the future, to learn from their practices and adapt promising ones to the national context.³¹

Between 2019 and 2021, Sweden participated in a project with other Member States including Denmark, Iceland, Finland, Norway, Estonia, Latvia to identify best practices in inspection activities related to undeclared work.³² The Nordic-Baltic initiative is “to strengthen already established co-operation within each country through cross-border inspection and mutual learning activities – and by bringing together, highlighting and sharing good practices.”³³ 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 authorities³⁴.

²⁹ ELA (2022). Overview on responsibilities, inspection competences and legal frameworks in Member States, Cooperation Support Unit, (March 2022), unpublished.

³⁰ Ibid.

³¹ 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.

³² 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.

³³ Ibid.

³⁴ 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.



3.0 Policy focus and measures

3.1 Policy approach

The Swedish Tax Agency has recognised that two decades ago, their objectives were to a large extent focused on how many enforcement activities they undertook and how much money was collected. They have since shifted their strategy away from deterrence and towards strengthening voluntary compliance.³⁵

Concerted efforts to raise social awareness of undeclared work have been undertaken through joint information campaigns by the tax authorities and the Economic Crime Authority (*Ekobrottsmyndigheten*). This co-operation has also involved branch organisations and trade unions in various sectors of the economy, in particular the construction sector.

In recent years, greater attention has been paid to the incentive structure of the labour market in explaining the relative deficit of employment growth in Sweden, in particular in personal services. Social transfers, taxes and non-labour costs may, either separately or jointly, raise barriers and disincentives affecting the growth of service activities, in particular personal services. It has been argued that a high tax wedge restricts consumer demand for household related services, limiting job creation, favouring undeclared work and leading to inefficient resource allocation within the household and in the hole economy.

One central measure in this context is the 'ROT' tax deduction, introduced between April 2004 and June 2005 to address the issue of undeclared work related to the repair of dwellings. The tax deduction applied to those who build or repair their dwelling. A further step was taken in 2007, when the government announced a tax deduction for household related services ('RUT'), related to, for example, cleaning, care of children, elderly and disabled individuals, and gardening. The tax deduction allows a reduction of 50 % of labour cost up to a ceiling of SEK 50 000 per year and household. A regulation on reversed charges of value added tax (VAT) for the construction sector was introduced in 2007, with the explicit aim of reducing tax evasion. In Sweden, VAT is normally paid by the seller of commodities and services and included as a part of the market price. From 1 July 2007 reverse VAT was introduced in the construction sector to impede fraud where buyers of services make a deduction of VAT, but where the seller does not pay the VAT to the State. The seller is often a subcontractor that supplies untaxed labour by charging labour costs as a cost of material. The Government has also emphasised the need for reforms stimulating and facilitating entrepreneurship and business development. This is especially regarding SMEs for which the present rules and regulations, including those related to the tax system, are described as too complicated and present significant obstacles to the creation and development of small-scale firms.

Concerning preventive actions against undeclared work, from 1 January 2007, employers in high-risk sectors (restaurants and hairdressers) are required to keep a register of their staff. From April 1, 2013 laundries, and from 1 January 2016 the construction industry, are also included.³⁶

³⁵ Williams, C.C., Sauka, A. and Plasschaert, I. (2022), Developing methodology and Key Performance Indicators (KPIs) measuring the effectiveness of labour inspectorates. Platform tackling undeclared work.

³⁶ Eurofound (2013), Tackling undeclared work in 27 European Union Member States and Norway: Approaches and measures since 2008, Eurofound, Dublin, [Tackling undeclared work in 27 EU Member States and Norway: \(europa.eu\)](https://www.eurofound.europa.eu/publications/2013/01/tackling-undeclared-work-in-27-eu-member-states-and-norway), accessed on 19 April 2023.



3.2 Main policy measures

The 2022 holistic approaches study³⁷ indicates that four types of measures are commonly used in Sweden to tackle undeclared work - predominantly the use of:

- ▶ Penalty measures;
- ▶ 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.

3.3 Good practices³⁸

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 Sweden:

- ▶ [GigLab Sweden](#) (2021): GigLab Sweden is a policy initiative advocating sustainable growth for Sweden's gig economy. Through research, user involvement and data collection, GigLab builds prototype and pilot solutions aiming to make it easier for gig workers (those undertaking shorter work assignments, so-called 'gigs', as opposed to traditional jobs) to report work, pay taxes and ultimately ensuring job security for gig workers alongside ownership of their own data.
- ▶ [Tax relief for domestic service work](#) (2019): ROT (repairs, conversion, and extensions) and RUT (cleaning, maintenance and laundry) are tax relief schemes for consumers on the labour costs of domestic services, which aim to increase declared work and boost employment. ROT deductions cover home repairs, conversions and extensions and reduce the cost of labour for these services by 30 %. RUT deductions cover cleaning, maintenance and laundry and reduce labour costs by 50 %.
- ▶ [Virtual Reality Films](#) (2018): Three virtual reality films were created as part of the Swedish Work Environment Authority's 2015-2018 awareness-raising campaign on undeclared and unhealthy work portraying examples of unhealthy competition in different workplace environments, including a kitchen, a construction site, and a farm.

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

3.4 Challenges and barriers

While under-declared employment is lower in Sweden, undeclared work and bogus self-employment are higher than the EU-27 average (see Figure 1 above). Efforts to cooperate between relevant authorities at national level have increased significantly since 2018, but their effects are yet to be evaluated systematically.³⁹ Furthermore, data sharing between different enforcement authorities is also limited. The absence of joint targets across all national stakeholders also hampers the impact of the strengthened collaboration. On the positive side, joined-up

³⁷ 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.

³⁸ [Virtual library | European Labour Authority \(europa.eu\)](#)

³⁹ ELA (2022) Overview on responsibilities, inspection competences and legal frameworks in Member States, Cooperation Support Unit, (March 2022), unpublished.



operations with other national organisations are a clearly defined strategic objective for Sweden, as well as transforming undeclared work into declared work. Sweden has also fully adopted the development of partnerships with social partners as strategic objective.⁴⁰

The citizens' perceptions of tax morale, horizontal trust and vertical trust, but towards the tax authority and the labour inspectorate, is higher than on average in the EU (see Table 4).

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

	Tax morale*	Horizontal trust**	Vertical trust: Tend to trust tax authority***	Vertical trust: Tend to trust labour inspectorate***
Sweden	8.86	44 %	77 %	71 %
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 Sweden are provided in Annex 2.

⁴⁰ 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 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	No
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')	No
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	No
Coordination of strategy on undeclared work across government departments	Yes
Use of complaint reporting tools (e.g. telephone hotlines) ⁴¹	Yes
Certification of business, certifying payments of social contributions and taxes	Yes
Notification letters	Yes

⁴¹ [Information and tools for working declared | European Labour Authority \(europa.eu\)](https://european-labour-authority.europa.eu/information-and-tools-for-working-declared)



Mandatory ID in the workplace	Yes
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	Yes
Provide free record-keeping software to businesses	No
Provide fact sheets on record-keeping requirements	Yes
Provide free advice/training on record-keeping	Yes
Gradual formalisation schemes	No
Initiatives to ease transition from unemployment into self-employment	Yes
Initiatives to ease transition from employment into self-employment	Yes
Access to free marketing	No
Demand-side measures (i.e., to encourage purchasers to buy declared goods and services)	
Service vouchers	No
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: Platform members to confirm/validate; 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 Sweden. 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

SWEDEN				
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))	2.04	1.70	■	-
2. Formal institutions acting in a corrupt manner				
Corruption Perceptions Index (CPI) (0-100 (very clean)) *	88	85	■	-
Control of corruption (-2.5 to 2.5 (strong performance))	2.24	2.13	■	-
II. FORMAL INSTITUTIONAL VOIDS AND WEAKNESSES				
1. Modernisation Explanation - Level of 'development'				
GDP (current prices, euro per capita)	33 840	46 390	■	31 300
Human Development Index (HDI) (0-1 (highest development))	0.904	0.947	■	-
Social Progress Index (SPI) (0-100 (high)) **	88.25	89.22	■	-
Self-employment (% of total employment)	9.6	8.7	■	13.4
2. State intervention				
Burden of government regulation (1-7 (best))	4.0	3.8	■	-
Business flexibility index (0-10 (high))	7.52	7.81	■	-
Expense of government (% of GDP)	33.8	31.2	■	36.6
Research & Development expenditure (% of GDP)	3.40	3.39	■	2.23
Tax revenue (% of GDP)	27.2	27.4	■	19.7
Social contributions (% of revenue)	9.1	9.3	■	33.0
Impact of social transfers on poverty reduction (%)	50.00	40.83	■	32.38
Labour market policy (LMP) expenditure (% of GDP)	1.71	1.42	■	1.65
Unemployment rate (% of active population)	8.5	7.0	■	6.8
People at risk of poverty/social exclusion (% of total population)	17.8	18.8	■	20.9
Severe material deprivation rate (% of total population)	2.0	1.8	■	5.5
Inequality of income distribution (income quintile share ratio)	3.96	4.33	■	4.99
Gini coefficient (0-100 (perfect inequality))	26.3	27.6	■	30.2
Labour productivity (% change on previous period)	-2.3	1.4	■	0.7
III. FORMAL INSTITUTIONAL POWERLESSNESS				
Reliability of police services (1-7 (best))	6.2	5.1	■	-
Judicial independence (1-7 (best))	6.6	5.6	■	-
Rule of law (-2.5 to 2.5 (strong performance))	1.96	1.82	■	-
Regulatory quality (-2.5 to 2.5 (strong performance))	1.65	1.80	■	-
Voice and accountability (-2.5 to 2.5 (strong performance))	1.55	1.56	■	-
Trust in Government (% tend to trust)	55	56	■	35
Trust in Parliament (% tend to trust)	63	66	■	34
IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY				
Democracy Index (0-10 (full democracy)) ***	9.50	9.39	■	-
Political stability (-2.5 to 2.5 (strong performance))	1.08	1.04	■	-
B. INFORMAL INSTITUTIONS				
Social capital (0-100 (high))	73.0	70.2	■	-
Tax compliance (0-10 (high))	8.63	8.63	■	-



	Year:		2013	2019	
<i>Acceptability of undeclared work (% total 'unacceptable')</i>					
Firm hires worker on undeclared basis			95	92	■ 82
Undeclared work by firm for firm			96	94	■ 85
Undeclared work by individual for private household			65	63	■ 67
Undeclared work by firm for private household			94	92	■ 82
Someone partially or completely conceals their income			94	87	■ 78
<i>Personally know people engaged in undeclared work (% 'yes')</i>			39	44	■ 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.