TWO WAYS TO REDUCE UNDECLARED WORK
SWEDEN'S EXPERIENCE

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WHO AM I?

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- M.Sc. Political Science
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OUTLINE OF THE PRESENTATION

- Relatively small shadow sector
- High priority politically
- Two main ways to reduce shadow labour
  - Detection
  - Lower taxes
- Few evaluations yet
- Evaluations tend to favour lower taxes
REASONS FOR UNDECLARED WORK

- High Taxes: 40%
- Employers Insist: 30%
- Bureaucracy and Regulation: 20%
- No Trust in Government: 15%
- Keep Social Benefits: 10%
UNDECLARED WORK BY SECTOR

- Construction and renovation
- Catering and hotel services
- Auto and other repairs
- Housework, gardening and property care
- Farming, forestry or fishery
- Transportation and storage
- Wholesale and retail trade
- Production
- IT and telecommunications
- Training and tutoring
- Medical and beauty services
- Sewing, clothing and shoe repairs
- Childcare, sick and elderly care
- Financial intermediation and consultancy
- Arts, entertainment and recreation
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DETECTION

- Employee ledgers
- Unannounced visits
- Stronger Tax Agency

TAXES

- RUT credit
EMPLOYEE LEDGERS

- Keep track of workers and hours
- First launched for hairdressing and restaurants
- Expanded to washing, construction, repairs & retail
- Mixed results
- Tax Agency and Government say it has been effective
- Employers mostly disagree
- Some research indicate costs 2.5 times tax increases
UNANNOUNCED VISITS

- €2 million to Swedish Work Environment Authority
- Aims to detect and deter illegal activity
- Mainly unannounced visits, also other ways
- Few evaluations
- Results indicate noticable but very modest effects
STRONGER TAX AGENCY

- Also unannounced visits
- Increased responsibility for employers
- More exchange of information
- Increased tax controls
- No evaluations yet
RUT CREDIT

- Rengöring – cleaning
- Underhåll – maintenance
- Tvätt – laundry
- Tax credit for buying services, 50% of the cost
- In total, €500 million a year
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EFFECTS OF RUT

- Lower justification for tax avoidance
- Lower shadow employment in affected sectors
- Lower tax revenue, but also growth in tax base
- Larger employment in RUT sectors
- Several studies of varying quality, more coming
- Right now, National Audit Office (Riksrevisionen)
SUMMARY

- Too few evaluations!
- Effect of Detection
  - Existent but small reduction of shadow work
  - Expensive for employers
- Effect of RUT
  - Large reduction of shadow work
  - Large reduction of justification
  - Reduced tax revenue and distorted markets
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