

TWO WAYS TO REDUCE UNDECLARED WORK

SWEDEN'S EXPERIENCE

CASPIAN REHBINDER · **TIMBRO** · SWEDEN

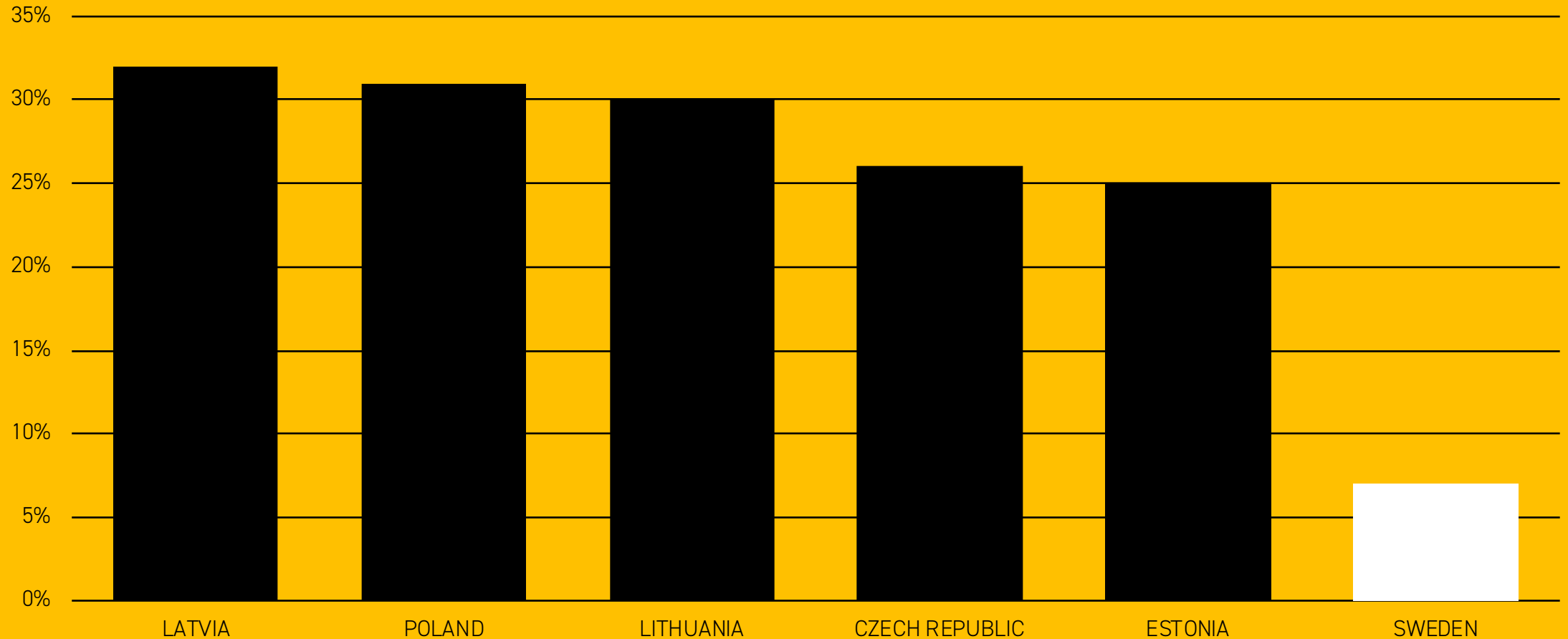
WHO AM I?

- Caspian Rehbinder
- Labour market policy director, Timbro
- M.Sc. Political Science
- Formerly political advisor

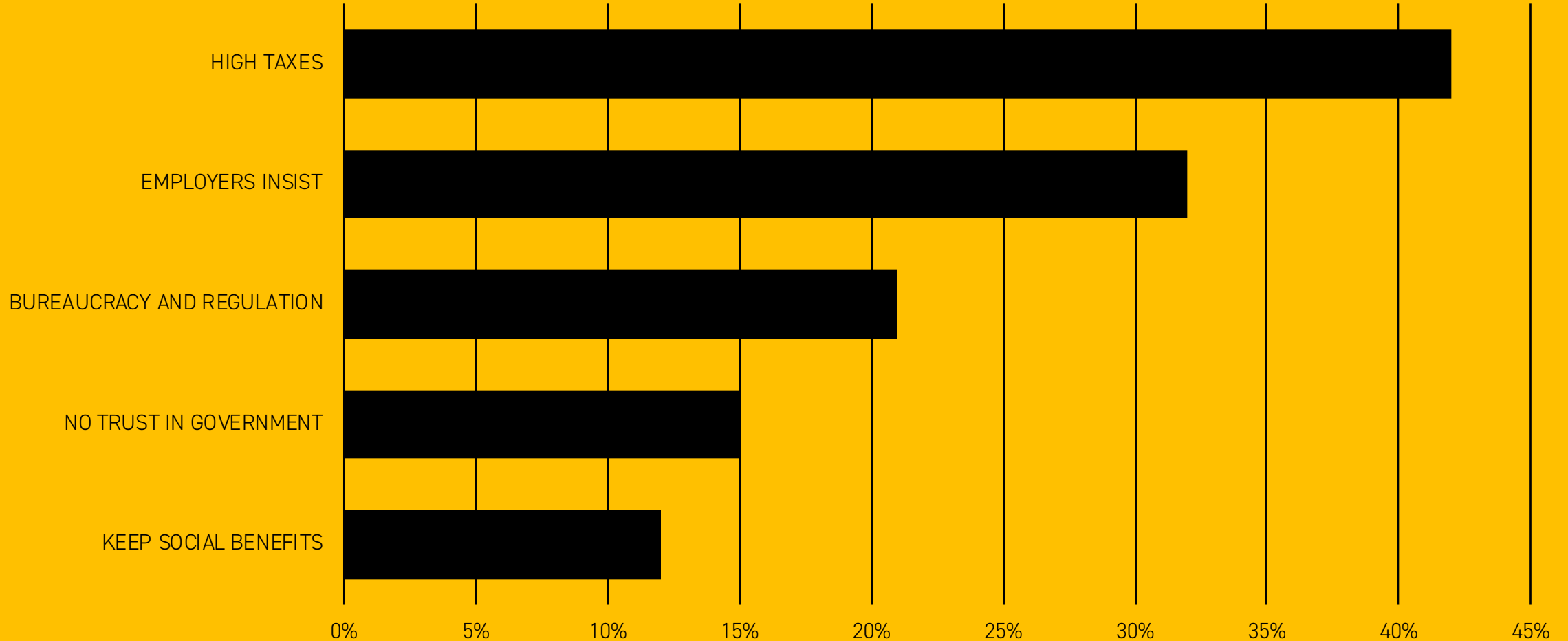
OUTLINE OF THE PRESENTATION

- 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

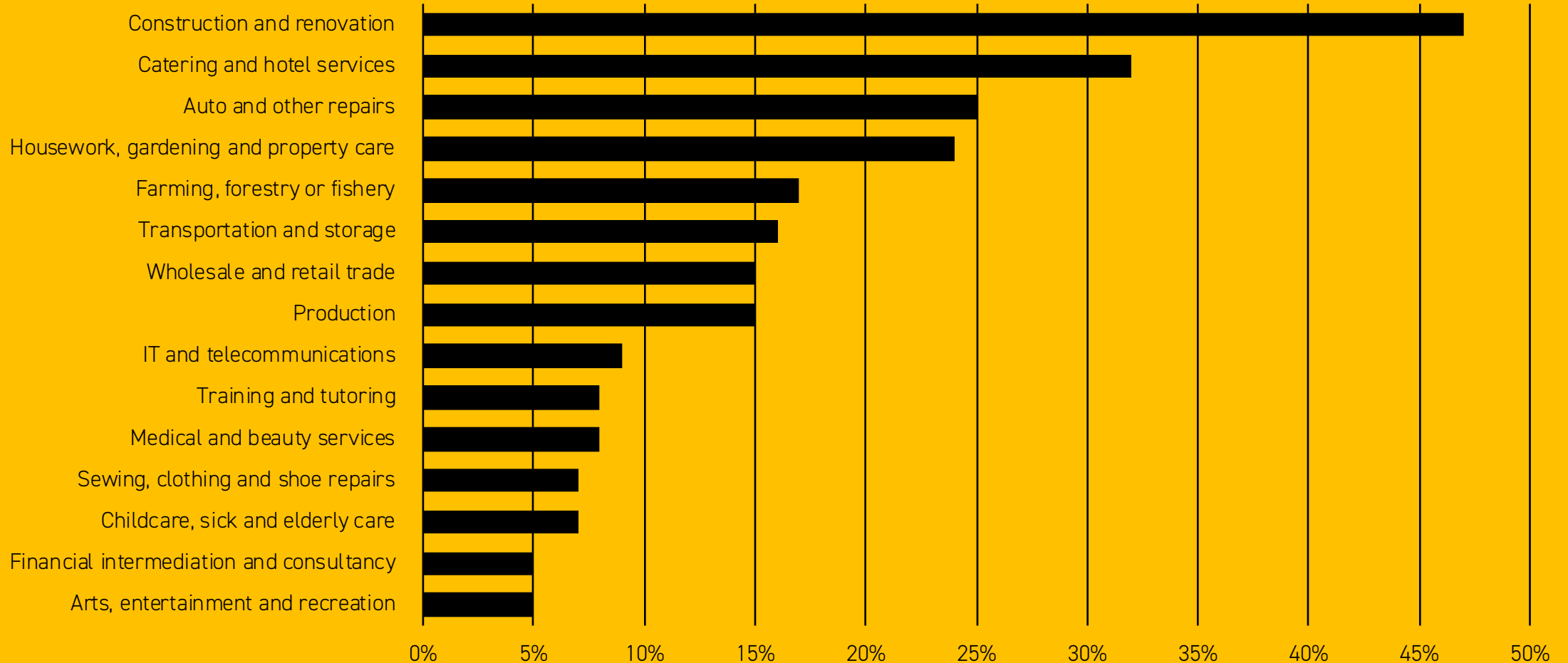
SMALL SHADOW LABOUR SECTOR



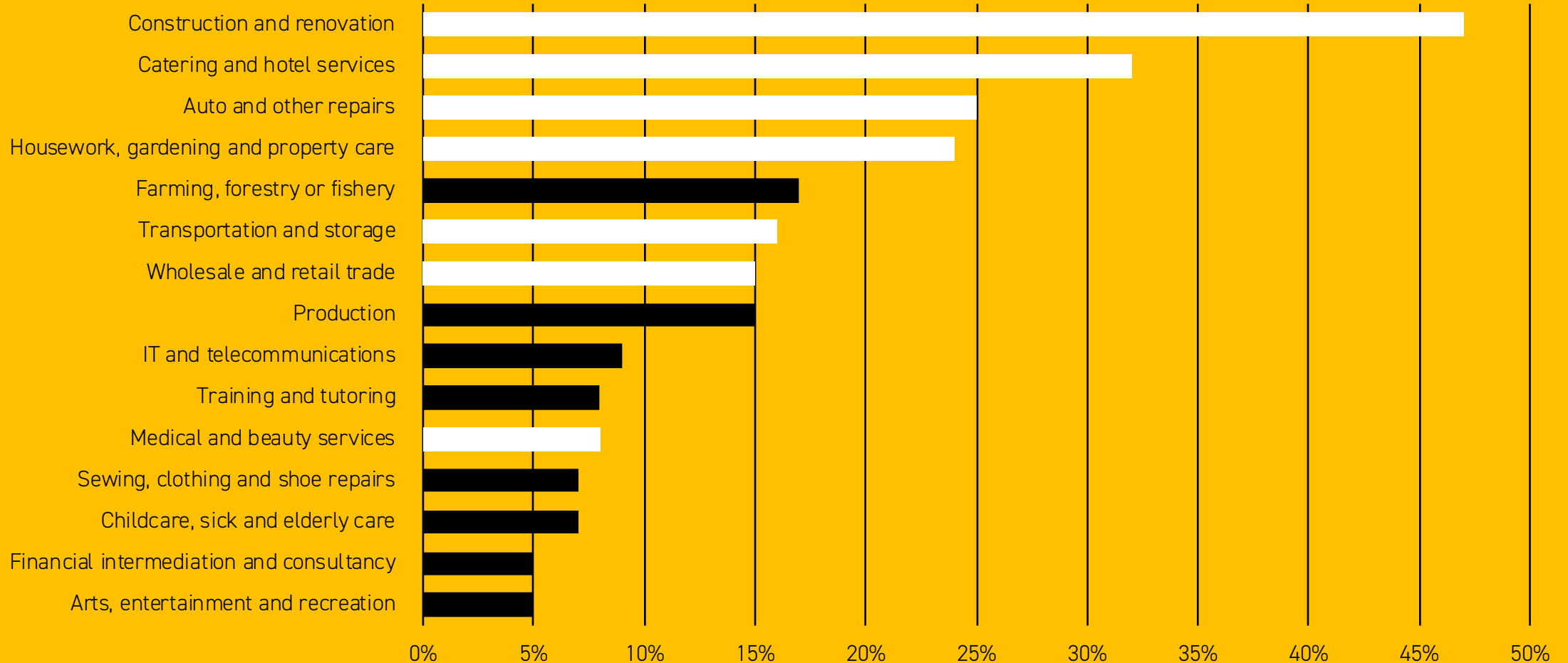
REASONS FOR UNDECLARED WORK



UNDECLARED WORK BY SECTOR



UNDECLARED WORK BY SECTOR



TWO WAYS TO REDUCE UNDECLARED WORK

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 noticeable 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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