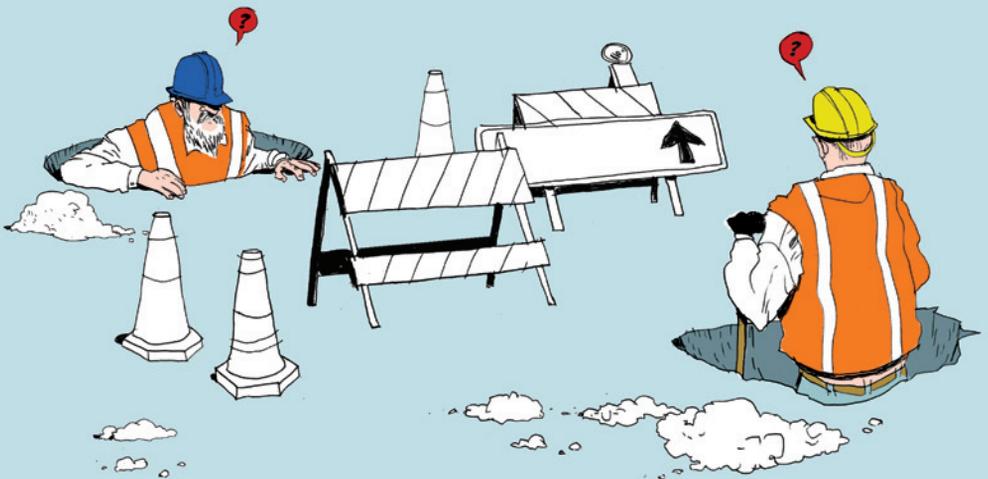


The borderless fight against the undermining of Danish workplaces

The trade union movement's effort to
prevent social dumping and other anti-social behaviour
in the labour market



LO highlights social dumping

“The 2004 EU enlargement with eight Eastern and Central European countries is the main cause of Denmark’s problems with social dumping. After a five-year transition period, we are now really starting to register that foreign labour is offering work on completely different terms than those customary in Denmark. This creates unequal competition. We also see production shifting from Denmark to areas where wages and other conditions are much lower. This is what we consider as social dumping...”

The Federation of Building, Construction and Wood-workers’ Unions, the Building and Construction Group, the Transport Group, the Trade policy centre for work-life balance, all under the United Federation of Danish Workers, the Central Organization of Industrial Employees in Denmark, the Danish Metal Workers’ Union, the Danish Union of Public Employees – Trade and Labour, the Danish Food and Allied Workers’ Union and the Union of Commercial and Clerical Employees in Denmark have all participated in the committee work with the International Department of the Danish Confederation of Trade Unions as secretariat.

The conclusions from the work in this group of dedicated trade unionists were presented in a booklet published in Danish during the Summer 2011. The booklet has now been updated with recent developments and translated into English as a contribution to the urgent European debate on these issues.

The borderless fight against the undermining of Danish workplaces

The trade union movement's effort to
prevent social dumping and
other anti-social behaviour in the labour market

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Free movement of workers must be legal and fair

By Harald Børsting, LO-President

Let there be no doubt, we have many foreigners in Danish workplaces that we may justly call good colleagues. Some of them have been in Denmark for years, others have arrived after the European Union accepted eight new member states from Central and Eastern Europe and the Baltic States.

We welcome them to Denmark and the Danish labour market. But we reject exploitation of foreign workers that undermine the Danish labour market and welfare model.

The challenges come from so many places that no easy or clear solution exists.

Some EU directives and Danish legislation lag behind. Rules are being evaded – and authorities fail to take timely and firm action in respect of the culprits who skip the bill in Denmark. This does not increase competition, but rather distorts competition to the detriment of good workplaces and proper businesses.

All affected LO areas have participated in describing the comprehensive complex of problems. The outcome has been summarised in this brief and hopefully proactive statement.

We propose cooperation to eliminate *anti-social behaviour in the labour market*, also called *social dumping* and *social tourism*. We will only achieve real results through the individual worker's union activism hand in hand with shop stewards, trade unions and federations – and in cooperation with the responsible employers and businesses who have always been working for the Danish model. This is Danish and European labour market policy, requiring a long haul

together with Danish and European politicians who pursue the solidary welfare society – in Denmark and in Europe.

The Danish Trade Union Movement has always acknowledged the internal market as a dynamic vehicle for growth and employment, and we still do.

But greed, lack of control and weak legislation has become a real challenge. That is why we want to draw attention to the present stage of social dumping undermining the whole idea of the internal market.

We are pleased to provide our European partners with this English version of the Danish booklet and extremely pleased to be able to convey the message that the new government, which took office at the beginning of October 2011, has already prepared key measures to deal with the problems described.

A translation of the relevant pages from the 2012 Government Budget has been annexed to the booklet.

Free movement at low wages

Even when rules are observed, there is a risk that competition becomes distorted

Social dumping is about unfair competition on pay and employment conditions in the EU member states. The unfair competition may originate from cross-border employees or from businesses' services offered across borders. The relocation of businesses to low-pay countries is another aspect of social dumping. The outcome is the same: loss of Danish workplaces.

Social dumping. Wage dumping. Social tourism. The challenges facing Danish workplaces and welfare systems have many faces.

The core of the problem lies in the great divide between pay and living conditions in the European countries.

This entails fully legal inflow of low-paid workers from low-pay countries in Europe.

This also entails legal export of Danish workplaces to low-pay countries in or outside Europe.

To this must be added the increased opportunities of evading and exploiting complex rules.

The solution is union and political activities.

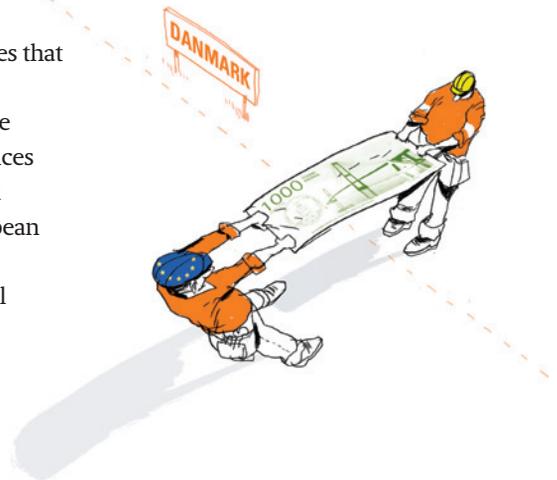
Trade union organisation where pay and working conditions are included in collective agreements that are observed. Legislation that takes the increase in cross-border activities into account.

Authority control that ensures that the rules are observed.

The internal market with free movement of workers and services remain the driving force behind growth, employment and European competitiveness.

The core rules of the internal

market are free competition on equal terms – and prohibition against discrimination on grounds of nationality. However, plenty of holes need to be filled if workplaces and businesses are to exist on equal terms. LO and the affected unions have therefore pooled their experience from the internal market.



If they move and move to achieve social services

Social tourism is not widespread, but worth stopping

It is the very idea of the free movement of workers that you must be able to improve your living standards by taking work outside your own country – thus paying taxes and receiving social services from the country of work. The idea of a large internal market is healthy. It strengthens growth and employment and offers Danish workers other advantages. However, the Danish tax system and the tax-paid welfare model are not conditioned for the internal market and the high degree of mobility.

Foreigners receiving Danish social services weigh heavily in the debate on the undermining of the Danish welfare society – but sometimes based on wrong assumptions. If you live in Denmark, work in Denmark and pay your taxes in Denmark, pay labour market contribution in Denmark – and earn money to your Labour Market Supplementary Pension Fund, it is only fair that you will at some point also receive Danish social services. In other words, the expression social tourism must only be applied in situations where a worker opts for a fast-in fast-out approach – and preferably a large bag of money.

Current EU rules offer optimum possibilities for stopping social tourism. If a foreign worker solely comes to collect income support as a job seeker, he or she can be rejected. The person must have a real and specific labour market attachment before he or she can receive help.

Contrary to social tourism, social dumping aims directly at the pay. Social tourism can be explained as actual *overpayment* in the form of higher social services than a job seeker could achieve at home, while social dumping is *underpayment*. This situation becomes unsustainable if an unscrupulous employer includes the high level of the Danish social services in the plan to reduce underpayment even further.

Social tourism is misuse of free movement. The crux of the matter is that a person's motivation to move is not rooted in a real wish to find a job but a wish to obtain a legal right to social services.

Cooperation with results

Broad industrial and political effort against social dumping is necessary

The statutory rules of 27 EU member states as well as directives and regulations from the EU constitute a finely meshed network that occasionally needs to be overhauled. This is the activity LO now continues. The work was launched already few years after the internal market was formed at the end of the 1980s.

The Central Organization of Industrial Employees in Denmark and the Confederation of Danish Industries started addressing the issues in Spring 1992, and on 20 November 1992, LO and the Confederation of Danish Employers concluded the agreement on foreign employers' posting of workers in Denmark. Since then, social dumping has been a recurring theme in connection with collective bargaining. Various social partners have established standing committees that follow the path and terms of foreign labour in Denmark.

In connection with the 2010 collective bargaining, the issues were subjected to cross-sectoral scrutiny. Agreements have therefore now been concluded ensuring insight into foreign workers' pay, control of fleeting foreign sub-contractors, which mainly constitute a problem in the construction industry. Agreements have also been concluded on fast-track processing in the industrial

dispute system when foreign workers become the centre of conflicts. Moreover, in 2012 the problems will be considered in the framework of collective bargaining - and hopefully in the perspective of the change and amendment proposals put forward by the European Commission at the end of 2011 or beginning of 2012.

At the same time, LO and the Confederation of Danish Employers established a liaison committee to maintain and extend the agreements concluded to fight social dumping. Since 2004, workers, employers and the government have engaged in tripartite cooperation on foreign labour. This cooperation continues; however, according to LO, this requires considerable tightening in the Liberal-Conservative coalition government's handling of its cooperation with the other partners.

The partners' focus on the outside challenge has not only yielded results at the collective bargaining. New and recent legislation also restricts some of the unhealthy traffic:

- Reverse VAT liability is an innovation that implies that Danish businesses registered for VAT are liable for VAT payment when buying services from foreign businesses.
- The travel allowance that may become particularly large for foreign

workers is limited to DKK 50,000.

- 30% tax deduction and 8% labour market contribution are an innovation for “labour hire” that previously offered too many opportunities to avoid tax in Denmark.
- From 1 January 2011, the rules in accordance with the Register for Foreign Service Providers have been tightened so that it now seems likely that they will work. This register is certainly a helpful tool, but closer and faster cooperation with the authorities in the country where these companies

are supposedly registered could identify shadow-companies with no legal foundation but an intention to violate the general idea of the internal market.

The development is heading in the right direction and so are the activities explained on the following pages.



Two commissions addressing serious problems

Tax payment, tax control, principles and transparency in social legislation constitute the fulcrum of actions against social dumping

Denmark has NOT designed the welfare state to accommodate the EU member states' rules on free movement. These principles stem from a different time, both in terms of tax rules and the overall social legislation. Consequently, Denmark and the Danish labour market are particularly vulnerable to attempts at pushing or bringing extremely low-laid labour to the Danish labour market - and taking out social services.

It is mainly the tax-financed welfare services that distinguish Denmark from most other European countries. In Denmark, employers pay various labour market contributions to social schemes.

It is easy to work in low-paid jobs in Denmark if tax is avoided. The lack of VAT and tax payments of cross-border businesses undoubtedly constitutes the greatest risk of competition distortion. If the foreign worker on top of that also participates in a travelling circus that quickly pull up stumps and kisses withholding tax goodbye, Danish workplaces, businesses and the very idea of the large internal market are undermined.

The principles need to be turned upside down, says LO's strategic committee against social dumping, which recommends that the government establish a commission to review

tax rules so that they can be made to prevent social dumping. This requires outside expertise. The same applies to social legislation.

After a review of the entire social area, LO and the affected unions find that the Danish rules allow misuse. If an irresponsible business that brings in external low-paid employees also relies on the special Danish social safety net, things go horribly wrong.

The objective is to adapt rules to ensure the modern welfare state in a Europe with no borders.

Local authorities can do more

Collective agreements must be respected in open procedures

LO and the affected unions are now demanding that the local authorities abide by the same principles as the central government when engaging in public procurement. In their tender documents, central-government authorities require the supplier to observe current collective agreements. The local authorities only make these requirements partially and mainly in the construction area.

The principles build on a convention from ILO, the UN's labour organisation.

The LO committee does not only want the knowledge of the convention to be disseminated through more than just information initiatives. Its proposal also involves making the rules mandatory in both local authorities and regions and requiring local authorities to observe the labour clauses - possibly by terminating suppliers that fail to meet the requirements.

All problems under one hat

Foreign workers belong under various Danish authorities, which is not always the optimum solution.

Therefore, as early as February 2008, LO and the Confederation of Danish Employers proposed that authority activities be united at the Ministry of Employment which will "have the overall responsibility of

the entire immigration area relating to work and residence permits, job provision, information, recognition of education and training, etc."

When the new coalition government led by the Social Democratic Party took office at the end of September 2011, a redistribution of responsibilities for the individual ministries took place in the way the social partners had recommended.



National action plan against social dumping?

Cooperation to keep the issues on the EU's agenda

The effort against social dumping is largely an industrial affair, but should also be dealt with at Danish and European political levels.

LO and the affected unions have therefore carefully negotiated a comprehensive catalogue of the issues. The catalogue includes proposals for streamlining authority work, proposals for new legislation and commissions to produce proposals for thorough and viable legislation in core areas, i.e. tax and social rules.

Where should work be continued? According to LO, the work should preferably be continued via a national action plan against social dumping. The objective is to make the government prepare the national action plan with contributions from the social partners.

The 2012 budget compromise is certainly making the fight against social dumping a priority. As a result of a political agreement between the coalition government and the Red-Green Alliance (Enhedslisten) on the 2012 budget, around EUR 9 million have been set aside for the following tasks:

The agreement includes four initiatives totalling DKK 65 million:

- improved authority action in respect of foreign businesses
- improved control of whether foreign businesses are established in their home country

- improved control of and higher fines for illegal lorry services (cabotage services)
- establishment of a committee to prevent social dumping

The parties to the agreement also agree to promote the use of labour clauses and social clauses in a public context.

Subsequently, the action plan must encourage the European Commission to take initiatives to strengthen the internal market by eliminating all possibilities of social dumping - especially social dumping through evasions, misuse and lack of authority cooperation.

We are well aware of the proposals to be presented by the European Commission in the beginning of 2012. Together with our European partners, we will carefully follow this process and eventually present necessary amendments.

A translation of the relevant pages from the 2012 Government Budget has been annexed to the booklet.



Business responsibility must be chained

Legislation on chain liability must ensure that public services are always paid

Cross-border soldiers of fortune who skip the bill in Denmark have too often got away with their deeds at the expense of others. Action therefore needs to be taken. The recipe is chain liability. Liability is chained so that more people are instrumental in ensuring that everyone contributes.

Usually, only the employer is responsible for paying collectively agreed pay, tax, labour market contribution and Labour Market Supplementary Pension Fund contribution. Liability may be spread to the entire chain of participants by agreement or legislation.

The main contractor will have a special interest in keeping track of his sub-contractors and suppliers if he is left to pay if they skip the bill. The same applies if they fail to pay health and safety expenses or fail to own up to their liability of having violated statutory safety on the workplace. The main contractor's control will improve if he also faces a financial liability.

In other words: Chain liability forces the players in the labour market to engage only with serious players who do not leave unpaid bills. Employers, workers, businesses, companies and authorities share an interest in observing the agreements and rules. When

all observe the rules, competition takes place on equal terms. However, competition is far from equal if the bogus companies without country solve the assignment and escape abroad with the proceeds in violation of all legislation, agreements and common decency.

The responsibility for payment of wages is established under the collective agreements - with or without chain liability as warranted by the area or industry.

LO recommends that chain liability be enforced by legislation so that tax, labour market contribution, Labour Market Supplementary Pension Fund contribution, VAT and other public benefits are so strongly chained that the money will always be funnelled in the right direction.

LO is always closely following the work on European legislation. The objective is that posting rules be accompanied by requirements that prevent unscrupulous businesses from displaying cross-border greed and undermining serious businesses and good workplaces.

The working time directive

Unhealthy competition involving people working their knuckles off and then returning to the home country

The flexible labour market includes agreements on working time that observe the prohibitions against excessive attrition of labour under the Danish Working Environment Act.

The EU has a working time directive that is so flexible that the individual countries can apply various reference periods and lay down exceptions and deviations by law. The social partners may also agree to deviate from the

general rules of the directive. In this context, it should be noted that the working time directive is a minimum directive. The individual countries and the partners may establish better levels of protection.

If some countries make exceptions to reduce protection and hike working time - while other countries move in the opposite direction - this will create a discrepancy that will translate into competition distortion with the health of the workers as stake.

Basically, the directive rules stipulate a maximum weekly working time of 48 hours, including overtime work. People working nights must not work more than eight hours per 24 hours on average.

It is important that the fundamental rules of the directive are observed. The opportunity for deviations through opt outs must therefore be removed.



The directive on the posting of workers

Unambiguous industrial action against social dumping is acceptable

The idea behind the EU member states' posting of workers directive from 1996 is to promote free movement of services across borders and ensure that this takes place on the terms of the country of work:

Minimum wage, maximum working hours, minimum rest period, right of holiday, conditions for the work of temporary employment agencies, health and safety at work, protection of pregnant women and people on maternity/paternity leave and equal treatment of employees must all be respected by the foreign business sending people to Denmark to work.

The Court of Justice of the European Communities has created doubt as to how and when industrial action can be brought against foreign employers who fail to observe the rules. The Court's judgments have caused ETUC, the European Trade Union Confederation, to propose a number of amendments to the directive on the posting of workers.

Basically, the ETUC wants the directive to be understood as a minimum directive that allows the countries to go further - not as a maximum directive that places a cap on the demands the countries may place on foreign service providers. This is an uphill battle since several countries are satisfied with the current situa-

tion and their businesses' possibilities of competing on pay, which is low abroad but higher than at home.

LO and the affected unions support the proposal to revise the directive, but strongly emphasises the introduction of a social clause in the next treaty amendment. (See page 15 Violation of EU rules sanctioned by the police and policies - The social Europe)

Even if judgments from the Court of Justice have created some uncertainty, industrial action can still be taken against foreign employers. It must be clear that foreign employers are not subjected to demands other than those placed on Danish employers in the same area.

The directive on working conditions for temporary workers

A need still exists to keep an eye on unscrupulous temporary employment agencies

The businesses' use of temp agencies that send underpaid people to a user undertaking still constitutes a massive risk of social dumping. If the business can use the temporary worker as cheap labour, the next step may be that the temp agencies take over the work, while the employees of the businesses are dismissed.

On 19 November 2008, the EU adopted a directive on temporary work which must be implemented in all member states by 5 December 2011. Once this directive has been implemented into Danish legislation, it will be firmly established that temp workers "posted from another EU member state - will enjoy the pay and employment conditions applying for the user enterprise in Denmark... to prevent social dumping of the condi-

ons in these situations".

The LO committee and the affected unions are pleased with this development. But they take it a step further with demands for a licensing scheme that entails regular, thorough and independent, external control to weed out any unserious players. This licensing scheme must be performed in cooperation with the social partners.

The LO committee further suggests removing the possibility for an exemption from the principle of equal treatment in accordance with article 5, 2 of the directive. Finally, the committee has pointed to the importance of applying article 3, 9 of the directive on the posting of workers with a view to ensuring equal treatment for posted temporary workers.



Violation of EU rules sanctioned by the police and policies

The trade union movement is the best at ensuring firm enforcement

Too many poor examples show that violation of EU rules in the labour market does not result in sanctions that can be felt by the offenders.

There is therefore every reason that LO and the ETUC start the discussions on reforming the reprimanding and sanctioning systems.

The *general rule* in Denmark is that violation of agreements in the labour market are discovered, investigated and sanctioned in the form of an appropriate fine issued by the Labour Court.

An *exception* to the general rule in Denmark is the acts that implement EU directives not incorporated into collective agreements.

The discovery, investigation and reprimanding are at a poor level. Sometimes the employers get off with a warning for violating e.g. the notice rules in the Danish collective dismissals act. In severe cases, the fine reaches DKK 5,000, which is no deterrent for the offenders. Only few cases involving modest fines exist for violating the directive on the posting of workers rules on pay and working conditions.

So what do we do? We may include rules on enforcement and sanctions in the individual directives which each country must observe. We may introduce specific rules on

control in the individual countries – this may be done by spreading responsibility for violations so that the businesses benefiting from breaking the rules are also held accountable even if the violation is made by false-front or gang enterprises that have been acquired to hold responsibility and then run away from it.

The LO unions take a more pragmatic approach to incorporating enforcement rules in the various directives than others in the circle of ETUC federations. But enforcement must be strengthened in some way or other. See the next section.

The European Commission must be able to ensure enforcement

Law is law, and EU law must be observed and prevent social dumping

If the European businesses that put pressure on pay by illegal measures undermine the concept behind a large European market, the proper response may be: that the European Commission scrutinises its reprimanding system and is faster to approach the many businesses that violate the working time directive and the directive on the posting of workers. The two directives are virtually not enforced, which means that the Commission must use the following procedure to crack the

whip over the businesses that cheat in the labour market:

- the committee establishes that it is paramount that the employment law directives are observed
- The European Commission must be granted the requisite resources and powers to ensure observance. The European Commission should therefore establish an actual supervisory authority in relation to enforcing employment law directives
- the social partners must have proper access to appeal to the supervisory authority

- the individual member states must be under an obligation to make annual reports to the Commission on their implementation of the directives
- the Commission should publish a separate annual report on the progress in the work to fight social dumping in the EU

The social Europe

LO: Social rights must be clearly prioritised in the next EU Treaty

In Spring 2011, the EU member states started discussing an amendment of



the Lisbon Treaty. The starting point is German-French wishes for stronger economic coordination – and particularly greater responsibility in the group of Euro countries. An amendment to the Treaty on 9 December 2011 has been announced.

The ETUC has a set of proposals for amendments to the Lisbon Treaty. Experience with social dumping and undermining of the internal market warrants the incorporation of “The Social Protocol” presented by the ETUC. This must prevent any attacks on the right of negotiation and industrial conflict. In other words: Where conflict arises between the basic rules of the treaty, the basic social rights must take priority. Commercial businesses have a right to free movement, but such rights must not – and are not allowed by the European Court of Justice to – disregard any initiatives to stop social dumping.

The ETUC proposals are formulated as new articles to the EU Treaty. The following presents a highly condensed version of the main elements.

The union must:

- support the workers’ right to safeguard existing conditions and fight for better living and working conditions than prescribed by existing (minimum) regulations

- grant the member states and/ or the social partners the right to maintain or introduce a higher level of protection than currently laid down by the treaties
- ensure that basic social rights take precedence where they conflict with economic freedoms or the competition rules

If the social protocol is not incorporated now, we must press on in connection with future EU expansions.

Basic salaries by agreement

The Danish model of bargaining is still the right solution

The LO's strategic committee on social dumping has considered the pros and cons of a statutory minimum wage scheme as it is known in 20 of the EU member states.

The conclusion is clear: the social partners should continue to determine wages by agreement and not leave it to the Danish parliament by law.

It is further emphasised that the debate on a statutory minimum wage is gaining popularity in the ETUC, and several member organisations are pushing for the setting of a minimum wage.

The options that will be discussed in the coming years include a European standard, a model building on the national pay level. The minimum wage may be 50 or 60% of the average wage as measured on the basis of collectively agreed Danish wages.

The group of LO unions are sceptical. The European common denominator will always be so low that it will inadvertently start a downwards trend. Every time it is politically signalled that a very low wage is acceptable, it fuels the race to the bottom.



Agreement on the Budget for 2012

Published by the Danish Ministry of Finance

November 2011

Agreement on the Budget for 2012

Published by the Danish Ministry of Finance

November 2011

Page 17-19

A strengthening of the efforts to combat social dumping

Social dumping is a growing problem in the Danish labour market. The past years' efforts to combat social dumping show that there are considerable problems when it comes to ensuring that foreign companies and workers observe Danish legislation in this area. There are companies that avoid paying taxes and VAT. Safety requirements and health and safety requirements are also ignored and foreign labour is exploited and abused. The social partners agree that this is incompatible with the Danish labour market model.

Not all foreign companies are registered in the Register for Foreign Service Providers (RUT), and not all companies registered in RUT actually exist in their home country. This contributes to complicating the efforts to point out companies that fail to observe Danish legislation in this area.

The social partners agree to promote the use of labour clauses and social clauses in connection with major public tenders.

The government and the Red-Green Alliance therefore agree to strengthen the efforts to combat social dumping by means of a number of specific initiatives.

These efforts must be organised in a way which is in accordance with EU legislation.

Improved authority action in respect of foreign companies

A cross-disciplinary cooperation between authorities is crucial in order to successfully counter social dumping.

The efforts to ensure that foreign companies and employers observe legislation are strengthened by means of increased control, surveillance and coordination across relevant authorities. The relevant authorities must react promptly and in cooperation and must have the resources to do so. These efforts must include the relevant industries, including services, climate technology and, particularly, the building & construction industry as well as smaller building projects in private households and other relevant areas.

The strengthened efforts will be implemented by means of:

- A strengthening of the three regionally based alarm service providers under the National Working Environment Authority so that the extent and the pace of the monitoring and control it performs vis-à-vis foreign companies are

increased. The Danish Tax and Customs Administration (SKAT) and the police form part of the combined task forces - among other things, to ensure quicker and more efficient sanctioning in cases where the law has been breached.

- Implementation of major, joint actions between SKAT, the National Working Environment Authority and the police which, in a targeted, swift and efficient way, carry out control of relevant industries in combination with quick sanctions in cases of violations of the law, for example through administrative fine notices. These major joint actions are coordinated and prioritized on the basis of a systematic risk assessment, etc.
- The possibilities of the National Working Environment Authority to issue administrative fines for lacking or faulty registration with RUT must be examined. This work is carried out in the aegis of the Committee to combat social dumping, cf. below.
- The optimization of the possibilities of reporting potential law breaches - for instance by establishing a hotline, it-support or similar initiatives.

A margin of expenditure of approximately DKK 55 million a year in 2012 and 2013 has been allocated in this Budget. These funds will be distributed so that DKK 25m is earmarked for the

National Working Environment Authority, DKK 20m for SKAT and DKK 10m for the police.

The strengthened efforts will be carried out during a two-year trial period and will be subject to evaluation in 2013.

Improved control of whether foreign companies are established in their country of origin

It will be examined how to launch initiatives that ensure the future, efficient control of whether foreign companies that operate in Denmark actually exist in their country of origin. The possibility for introducing requirements for documentation for the establishment in the country of origin will be examined.

These initiatives will be carried out as part of a set of efforts to improve the functioning of the RUT register.

It will be examined whether or not stricter sanctions can be imposed on those who evade EU-rules on services. In this connection, it will also be examined whether to provide a possibility for withdrawing a company's operating licence in severe cases.

This work will be carried out in the aegis of the Committee to combat social dumping, cf. below.

Improved control of and higher fines for illegal lorry services (carbotage services)

Carbotage services allow road transport operators from EU member states

to perform haulage operations in other EU member states for a limited period of time. The current level of fines for illegal carbotage has, meanwhile, remained unchanged since the 1980s and, today, the fines therefore only have limited consequences for the transport companies that violate the rules on carbotage services.

In order to raise the level of economic sanctions in case of illegal carbotage services, the Danish government will, in the current parliamentary session, present a proposed government act regarding a significant increase of the penalties from DKK 4,000 to DKK 10,000.

The improved possibilities for registration will be examined more closely in the aegis of the Committee to combat social dumping, cf. below.

Police control with carbotage services will be strengthened. An annual DKK 10 m will be set aside for these purposes in 2012 and 2013.

Establishment of a Committee to combat social dumping

It is assessed that there will be opportunities for taking further steps against foreign companies and workers that violate Danish legislation. This area is heavily regulated and there is therefore, among others, a need for clarification of a number of legal aspects, including the issues bordering on EU-legislation.

On this basis, a Committee to combat social dumping will be set up with

a view to assessing the possibilities for further initiatives. The work of the Committee will, among other things, include the following:

- The possibility for improving the enforcement of requirements for foreign companies to pay penalties due, including the possibility for introducing/increasing access to issue administrative fines.
- Improved possibilities for recovering claims, both public claims - such as fines and taxes, and private claims - such as corrective payments in accordance with collective agreements.
- Examination of the measures used in other countries in this area, including ID-cards and posting of labels at construction sites.
- Access for public authorities to use labour clauses.
- Examination of other possibilities for introducing notification duties, among others by means of information sharing between authorities in different countries.
- Review of legislation and administration, including the possibilities for tightening requirements for reporting to- and registration with the tax authorities.
- Improved control of whether foreign companies are actually established in their country of origin.
- The possibilities for registering carbotage services.
- Review of tax rules for posted companies.

The social partners must be involved in the work of the committee. The analyses and proposals of the committee are to be discussed with the social partners before they are presented to the parties to the agreement for a political decision.

The parties to the agreement will be informed of the progress on these matters on a continuous basis. The committee will hand over the final report to the parties to the agreement on 1 October 2012. New initiatives can be launched before 1 October 2012 if the ongoing efforts of the committee show that there is a need for such initiatives and if the parties to the agreement agree to it.

This booklet is published by the Danish Confederation of Trade Unions. It is based on a report prepared by the trade union movement's social dumping committee. The full report in Danish can be found at www.LO.dk/rapport-fra-udvalget-om-social-dumping

The borderless fight against the undermining of Danish workplaces.
The trade union movement's effort to prevent social dumping and other anti-social behaviour in the labour market

Published by
LO, The Danish Confederation of Trade Unions

Text: Poul Smidt in cooperation with LO

Illustration: Rasmus Meisler, Spild af Tid

Layout: LO

Print: FOA

LO, December 2011

LO-item no. 2209

ISBN-printed: 978-87-773-519-0

ISBN-elektronc: 978-87-773-5191-4

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This booklet is published by the Danish Confederation of Trade Unions. It is based on a report prepared by the trade union movement's social dumping committee. The full report in Danish can be found at www.LO.dk/rapport-fra-udvalget-om-social-dumping

LO-item no. 2209
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