

MSc in International Business and Politics  
Applied Policy Analysis (CPOLO1903E)

1. You are a policy analyst for the Department of Labour in a country or International Organization of your choice. Recent reports indicate that informal employment remains widespread, leaving workers without legal protections, social security, and stable income. The core executive has requested a policy brief recommending one or more solutions to address the problem.

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**Date:** 12/12/2025

**To:** Kaare Dybvad Bek, Minister of Employment

**From:** Mads Locher, Policy Analyst, Center for Arbejdsret, International og Jura (CAIJ),  
Ministry of Employment

**Subject:** Addressing informal and semi-formal employment among migrant workers in  
Denmark

Proposed policy solution: Introduce a risk-based joint enforcement model using the VIVE social-dumping index as the main tool to target firms employing foreign workers, supplemented by labour clauses in state contracts.

### **Problem**

Denmark has strong labour-market regulation and high formalisation, yet informal and exploitative employment of migrant workers persists in construction and demolition. Migrant workers make up around 13% of the construction workforce but 37% of fatal accidents (Overgård et al., 2023, p. 84). Case studies describe workers living on sites, working 60–80 hours per week and in some cases paying back part of their wages in cash, leaving them without real access to Danish wage levels, social protection or effective voice (Møller et al., 2020, pp. 9–10; Overgård et al., 2023). These practices create a parallel “B-labour market,” where labour standards are undercut, compliant firms face unfair competition, and risks of labour-market crime rise. Because they occur in weakly organised segments with opaque subcontracting, they cannot be handled by collective bargaining alone and require targeted public enforcement.

## **Background**

Foreign workers now account for about one in seven employees (Juni, 2025). They are especially concentrated in construction. A mapping for the Ministry identifies 59,355 enterprises with at least one foreign worker in 2022; 23.4% are assessed to be at risk of social dumping, and 38.4% of all foreign workers are employed in such firms (Pejtersen et al., 2025, p. 8). The risk is highest in construction, where around 40% of firms with foreign workers are classified as at risk (Pejtersen et al., 2025, p. 84). Exploitative practices are thus concentrated in a minority of firms that compete by undercutting wages, working hours or safety standards.

Research on vulnerable foreign workers shows that exploitation combines low pay, long or irregular hours, unsafe jobs and opaque or illegal conditions, often tied to the employer through housing, debt or immigration status (Møller et al., 2020, pp. 9–10). Migrant workers are disproportionately assigned to hazardous tasks and account for a higher share of fatal accidents than their share of employment (Overgård et al., 2023). The Working Environment Authority, the Tax Agency and the police cooperate in an enforcement effort against social dumping, and Statens Kontrolenhed oversees labour clauses in state contracts (Pejtersen et al., 2025, pp. 24–26). Despite this, violations persist in the same sectors and many foreign workers remain in high-risk firms (Pejtersen et al., 2025, pp. 8–9).

## **Policy options**

### **Option 1: Risk-based joint inspections using a social-dumping index**

This option deepens joint enforcement by using the new VIVE social-dumping index as the main tool for prioritising inspections. In the VIVE study, a firm with foreign workers is considered at risk if it breaks key labour laws or pays most foreign workers below the relevant collectively agreed wage (Pejtersen et al., 2025, p. 14). The index combines wage data with enforcement information from several authorities. The Ministry would instruct the Working Environment Authority, the Tax Agency and the police to use the risk score as the default basis for selecting firms for joint inspections, concentrating resources on the highest-risk firms while reserving some for random checks. Implementation mainly requires investment in data sharing and analytical capacity (Pejtersen et al., 2025, pp. 12–13).

**Option 2: Stronger chain responsibility and labour clauses in public procurement**

This option uses the state's role as a client to change incentives in subcontracting chains. Building on ILO Convention 94 and Statens Kontrolenhed, labour clauses would be tightened and combined with chain responsibility in large state construction and service contracts. Main contractors would be jointly responsible for wages, working time and safety throughout the subcontracting chain and required to document compliance beyond first-tier subcontractors (Pejtersen et al., 2025, p. 26). This would reduce severe exploitation on publicly funded projects but requires careful legal design to comply with EU procurement rules.

Both options address the gap between strong formal rules and weak protection in practice. Option 1 offers a fast, scalable way to reduce the most severe abuses by targeting high-risk firms through existing structures. Option 2 intervenes more structurally in public supply chains but has a narrower reach and higher costs. On balance, Option 1 should be the primary lever, with Option 2 as a complementary tool where public procurement plays a key role.

**Recommendation and implementation**

I recommend **Option 1: risk-based joint enforcement** using the VIVE social-dumping index. Within six months, the Ministry should mandate the Working Environment Authority, the Tax Agency and the police to use the risk score as the default inspection basis, supported by lawful data sharing. Within twelve months, the model should be fully operational, prioritising high-risk firms while reserving capacity for random checks. The Ministry should set a 2026–2030 target: reduce the share of foreign workers in high-risk firms, and commission a re-mapping after four to five years to assess progress (Pejtersen et al., 2025, pp. 8–9). In parallel, labour clauses should be applied in state contracts to extend enforcement in subcontracting chains, with results reviewed within 24 months.

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