



Green gold

- and how the Swedish forest became a new wild west

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In Sweden, forests are sometimes called “the green gold”. “Green” alludes both to the colour and to the renewable and environmentally friendly raw material that comes from the forests, while “gold” alludes to the significance of forests for our country’s economy. Gold also brings to mind the Klondike Gold Rush, and provides another link between gold and Swedish forests, namely the Wild West. The sad fact is that in Sweden the forests have quite simply come to resemble the Wild West.



There are of course several reasons why things have developed in this way in the forests, but one thing is certain – the real mess came in the wake of hurricane “Gudrun”.

On the night of 8-9 January 2005, hurricane “Gudrun” felled about 75 million cubic meters of forest. This is equivalent to nearly one normal year’s felling in Sweden. In the affected areas, there was a lack of resources, both machine and human, to ascertain the amount of timber brought down by the storm. The trade union realised that companies and personnel from other parts of Sweden and indeed from nearby countries would find their way to the affected areas. We realised that this would mean an increased risk that working environment and collective agreement issues would be neglected. We therefore allocated extra resources to reinforce the local union organisation.

This work was successful, and with the benefit of hindsight we can say that we did not come across any case of the major forestry companies trying to earn more money by subcontracting to rogue companies. From a work environment perspective it is always difficult to talk about success when there have been accidents, even deaths, but compared to our experience in previous storms, things went relatively well. The storm did however have consequences for the future of employment within Swedish forestry.

Many relationships were formed between Swedish and foreign companies, above all companies from Eastern Europe. This opened up new channels for recruiting staff from countries with lower wage levels. This has brought about a major change in Swedish forestry. Planting, and to an increasing extent also forest clearing, is carried out by players who hire staff from low wage countries, either in their own name or through subcontractors. Pay dumping on the scale we feared did not happen during the aftermath of the storm, but has instead now arrived through the back door.

This report consists of two parts. The first is called “Foreigners are people too”, and describes how workers from other countries are exploited by employers, and also end up outside the Swedish social security system. The picture of Sweden as a welfare state is being shattered, or as a woman in the report puts it: “Sweden is well

known for human rights and for being a welfare state – but the truth is very different. It's all lies." It is not hard to understand this unfavourable view of Sweden after reading this report and seeing what can happen. In this part of the report, we want to shed light on the situation for those who come to Sweden to work in the forests.

The second part is called "The lawless forest". It shows how companies cheat on social security contributions, and reveals the problems facing the authorities in controlling them, or in some cases failing to do so. It also shows how the Polish authorities are disregarding EU legislation, thereby giving companies opportunities to avoid social security contributions in Sweden. This part illustrates what can happen when rogue companies undermine the Swedish model of collective agreements, thereby driving honest companies out of business.

As a result of the report, we, together with Olle Ludvigsson, a Swedish Member of the European Parliament representing the Social Democratic Party, have reported the activities of the Polish authorities to the EU Commission.

Several different actions are needed to deal with the problems described. Above all, the forestry companies must accept full responsibility when they employ contractors for forest maintenance. The companies ought to be able to work out for themselves that the prices being offered for services by some contractors can never provide their workers with the terms and conditions specified and agreed by the social partners through collective bargaining. It would obviously be even better if the companies employed people directly instead of using contractors.

What is needed is a national database to register foreign companies and their employees. As no one knows how many foreigners are working in Sweden, or where they come from, or how long they have been here, it is hard for the authorities to check that the companies are paying the taxes and charges they ought to be paying. In addition, there needs to be a computer database in the EU to register all E101 certificates. With such a database, the tax authorities could check whether an individual has an E101 or not.

The Swedish Tax Agency needs to act quickly. During the period when a staff agency is operating in Sweden and has not returned home for the season, additional resources and personnel are needed for investigations. Currently, it can take up to a year before a tip-off about tax evasion is investigated by the Tax Agency. By then it is too late!

This report, written by freelance journalist Anna-Lena Norberg, shows that in the forests, all that glitters is not gold.

Per-Olof Sjöö

President

GS – the Swedish Union of Forestry, Wood and Graphical Workers

PART 1

Foreigners are people too!

Hard work for up to 15 hours a day. Not a single day off.
Low wages or no wages at all – sometimes hunger. No sick pay.
No protective clothing when working with hazardous chemicals.
Is this a poverty-stricken country in Africa? No, it describes the
forestry industry in the country that the Swedes fondly like to
believe is the home of welfare and equality.

The Swedish forestry industry is far from the official picture of Sweden as a welfare state. It is also far from the picture of a leading democracy. Or, as Ania Szczech, Personnel Manager at the Polish staff agency E-bop puts it:

“Your democracy is screwed up. It is sick. Sweden is well-known for human rights and its welfare state – but the truth is very different. It’s all lies,” she says bitterly.

At the moment Ania Szczech is in Philadelphia in the US, staying with her mother. She is there in order to earn money to pay off her debts in Poland, debts she incurred when she did not receive any wages from E-bop, because E-bop never received any money from their Swedish client, Jan Karlsson Skog AB.

“I have got debts of about 3,000 US dollars. I owe money for the flat I rented, I owe money to the dentist and to the university. I am now working in the US as a personal assistant, and saving money so that I can return to Poland.

I really miss my dog. I had to leave it behind in Poland.”

“I have worked for many years teaching English. I went to university to get paper qualifications for my skills, so that I could start teaching adults and get work as a translator. But I have missed out on one year at university, all because of Jan Karlsson Skog,” she adds.

Bankruptcy

Jan Karlsson Skog AB, (JK), was the largest forestry management company in Sweden. When JK went into bankruptcy in December 2008, many foreign staff agencies lost money. As a result, about 100 workers were affected. Several months’ hard work in Sweden and Finland ended without a penny in wages. They were furious, to put it mildly.

“For the last year, it has been pure hell for my boss. He has been threatened and has had police bodyguards. The workers smashed up the car that his son had bought with his savings.

My boss has also moved away from his family. I think it was because of the threats," says Ania Szczech.

No Christmas dinner

There was also deep despair for George Silvestrovici, owner of the Romanian staff agency Pingala Prod. He had 60 people who received no wages for several months' work.

In December 2008 George Silvestrovici wrote in an e-mail:

"Now we are in great danger my life my wife and my child life are at risk. Romanians work very well, but get very angry when they are not paid."

When JK went into bankruptcy, Pingala Prod was owed more than SEK 2 million¹ in receivables. George Silvestrovici is trying everything he can to get money to the furious workers. He has written to the forestry companies, but without any result. This is what he wrote to Holmen Skog:

"Hello Holmen Skog Umea, We know you are one of the biggest forest owner and forest managing companies in Sweden. We are Romanian company Pingala Prod who have worked in your forest from June to November 2008. We have never been paid for around 1,000 ha and more than 500,000 plants. We have all the reports and invoices ready. I attach you more

details. Please do not pay more to that criminal company. All we want is our money. There are more than 45 persons who have worked on your properties and will sit in front of empty Christmas table. They all struggled all summer and all autumn on your fields."

Norra Skogsägarna²

George Silvestrovici also attempted to contact Norra Skogsägarna. Here is an excerpt from his e-mail:

"We have never been paid for around 138.1 ha and 271.673 plants with reports and some 200,000 I shall get from people.... Thank you for the caps this is all we got from you. Santa is not coming to Romania this year. And he is not definitely coming from North. From North only came sorrow, frustration, unfulfilled hopes, misinformation, and disaster. The effects of this disaster cannot be upon only on the people that took all the hard part of the job. You cannot only win. Understand that from accepting some of the loss you assume also take your responsibility. This is only what Confidential companies do."

Sveaskog³

He has written a similar e-mails to the Finnish company NFP Taimi.

"We are Romanian company Pingala Prod who have worked in your forest

¹ 1 SEK is approx. 0.10 EUR (August 2009).

² Norra Skogsägarna is a forest owners' association. This means that the association is owned by its members, some 15,000 private forest owners with their own forest areas in northern Sweden.

³ Sveaskog is Sweden's largest forest owner and leading supplier of timber, pulpwood and biofuel.

from April to november 2008. We have never been paid for arround 200 ha and more than 300,000 plants. We have the reports and invoices for that..."

NFP Taimi is a subsidiary of Svenska Skogsplantor AB, which in turn is a subsidiary of Sveaskog – a company where former Swedish Prime and Social Democrat Minister Göran Persson is chairman.

"None of these companies accepted any responsibility. We were forced to resolve the situation by taking out a bank loan of EUR 50,000. That way, we have paid almost all our workers," says George Silvestrovici.

Skogsvårdarna

JK went bankrupt on 10 December 2008. But just over six months before the bankruptcy, on 19 May, its owner Jan Karlsson started a new company,

the "land of good fortune", where well-paid forestry jobs were waiting. The fate of the Romanians featured in newspapers during the summer and autumn. The first mention was when they arrived tired out after a three-day bus journey from Romania to JK's head office in Storvreta near Uppsala, where they were packed together in the company cellars and had to sleep like animals on the cold cement floor.

Later on, the newspapers noted that three of JK's Romanian workers were living destitute in a car. One of the Romanians described in a letter what happened to him and his comrades. He wrote that they would not be getting any wages from JK, and that some of them actually owed money to JK. The Romanians went to the police to get help to obtain their wages, but another agency had to step in instead, he writes:



"All eyes are upon you when you are the country's/nation's biggest, says Björn Lothigius, chief negotiator at SLA Skog. I would like to see the entrepreneur who is completely flawless. Jan Karlsson got the Romanians by the short and curliest. He only got (to suffer for it) trouble for trying (when he tried) to help them."

We consider him to be serious. The fact that he became bankrupt is neither a reason to another.

Dagens Arbete (no 6/2009)



Skogsvårdarna i Uppland AB. So, while Poles and Romanians slaved away in the forests without being paid a penny, Jan Karlsson already had another company up and running.

This summer, a busload of 54 Romanians arrived at JK, all arranged by the agents Diana and Cezar Angheluta, who charged EUR 300 for a ticket to

"After working for a month, we have not received a penny, and are now stranded in Sweden with a broken-down car... And we have sunk so low that we have had to accept help from the social services.

We came here to work, but instead we are being looked after by the social services."

Of the 54 Romanians who planted trees for JK, 10 later received their final wages, with help from the trade union GS, which organises forestry workers in Sweden.⁴

"We had some success in doing this, as the Romanians had recorded a conversation with JK personnel. Apart from that, there were no employment contracts or anything else to back up our claims," says Peter Lindström from GS.

Peter Lindström is the regional safety representative of GS Branch 15 of the union, covering the counties of Norrbotten and Västerbotten in the far north of Sweden. For the last two years, Peter Lindström has been employed on a project called "Good Order in the Forest".

He is the right person in the right place. The further north you go, the worse it gets. There are 40,000 kilometres of public roads and 80,000 kilometres of private roads. This makes it harder to track down irresponsible and sometimes out-and-out criminal organisations, and here workers can be brutally exploited.

Food? Petrol?

Peter Lindström has come across many workers who have found life very difficult. In 2008, deep in the northern Swedish forest, he came across a 4-man team from Thailand, whose first words were:

"Food? Petrol? Are you the new boss?"

These Thai workers had been dumped in the forest the previous day by the JK foreman. They did not know where they were and had neither food nor petrol.

The men told Peter Lindström that they worked from sunrise to sunset every day. But when Peter Lindström checked later, it turned out that the foreman had logged only 40 hours per week.

These Thai workers were part of a group of 130 people who had been "imported" from Thailand. Peter Lindström met many of them, but there was not much he could do.

"I checked to see whether they had employment contracts, but I could not discover what they were being paid. Few of them understood English, and most of them were terrified of talking to the union."

On occasion, Peter Lindström has been really surprised, such as the time two years ago when he came across a Polish man working for JK who wanted help with his employment contract. The Pole showed Peter Lindström his employment contract and asked "Is this a good contract?"

What the man showed him was not even an employment contract. It was

⁴ Prior to 31 May 2009, GS was called the Swedish Forest and Wood Trade Union. On 1 June, the trade union merged with the Swedish Graphical Workers Union, forming GS – the Swedish Union of Forestry, Wood and Graphical workers. For easier reading, the union is usually called GS in this document.

just a document stating that the Polish man was self-employed, and was the foreman of the tree planters.

The "Good Order in the Forest" project began two years ago when the branch received a telephone call from Polish forestry planters. They wanted Peter Lindström to come to their plantation, but when he arrived, they were very frightened and wanted to hide out of sight so they could talk to him.

It turned out that the Polish workers had no car, no petrol, no money and no food. Nevertheless, they all owed money to the employer.

"The employer considered that they had not done enough work, and after deductions for accommodation and food, they were not due any wages, but in fact owed money," explains Peter Lindström.

Threats and intimidation

Håkan Engberg from GS Branch 12 in Dalarna has also come across unscrupulous companies. His department has been in conflict with the Sia Rentapro company.

"The company is Latvian, though the representatives live in Sweden. However, Sia Rentapro does not pay any taxes or social security contributions here. I don't understand why the tax authorities have not done anything

about this situation and just let it carry on," he says.

In 2007, Sia Rentapro was a staff agency that provided a small forestry management company with cheap foreign labour. The following year, 2008, the setup looked very different. The reason was that the customer, Svenska Skogsplantor AB, was moving towards having just one contractor layer. That did not happen later however, and Svenska Skogsplantor and GS reached agreement on two contractor levels.

The setup was changed, "mixing" together the Sia Rentapro company and the forestry management company. Now Sia Rentapro could be a contractor, and the forestry management company's representative was hired/employed as a foreman!

GS is now in a legal dispute with Sia Rentapro after 13 Polish workers received no wages for several months in the summer. GS is suing Sia Rentapro for nearly SEK 1 million in unpaid wages, compensation and damages. The case will be decided later by the Karlstad district court.

The company's representative, Celso Franzetti, responded by suing one of the Polish workers for SEK 230,000. "Celso Franzetti maintains that the Polish worker had been paid too much,



"We have a good cooperation around these issues with Sveaskog and Svenska Skogsplantor AB. They are building a system which will minimise the occurrence of irregularities. It looks promising."



Per-Olof Sjöö – President GS

and is guilty of breach of contract. But who can, wants to, or should work on a site month after month without receiving any wages? Not surprisingly, the Polish workers were forced to find other work. That is not a breach of contract. The legal action against the Polish worker is just one way of threatening and frightening them, making Polish workers afraid of claiming their rights," says Håkan Engberg.

Attempted murder

The union branch in the city of Västerås made 21 site visits during 2008. One company was visited several times, and GS found a number of irregularities.

"During the year, there have been a number of breaches of contract at the company, restrictions on freedom of association, and even attempted murder. One of the employees tried to murder a colleague. The attempted murder is linked to the way employees are treated by company management," explains ombudsman Magnus Lindberg.

GS also received several reports about poor and dangerous working conditions at the company, including reports that the workers had to carry petrol on their backs while clearing the forest.

During the site visits to all the companies under investigation, GS could see that the companies were careless in general about information and safety regulations concerning plants treated with pesticides.

Pawel

Pawel, (not his real name), comes from Poland. He works in the forestry industry, and over the years has met several hundred Polish forestry workers in Sweden who have been supplied by staff agencies.

"They work without protective clothing. It is also quite common that blade guards on saws are dismantled, and that workers do not use ear protection. They often have to pay for petrol for the clearing saws themselves. That means they do not buy the environmentally friendly petrol, just the standard petrol," he explains.

Nor do the Polish workers get any proper training. Instead, it is the "veterans" who train the beginners on site. What is more, the beginners have to pay for this training themselves.

"This is done by transferring a proportion of the beginners' wages direct to the old hands," he says.

Pawel gets annoyed when Polish workers are depicted as cheats.

"Yes, of course, there is a lot of cheating regarding social security contributions, insurance, wages and so on, but that is because the Swedish companies want the work done as cheaply as possible."

The contract

Over the years, more and more employment contracts with foreign workers have been revealed. Business contracts between staff agencies and forestry management companies have

also come to light, as well as false employment contracts that have been produced solely to show to the union.

The first type, the “employment contract” requires Polish workers to set up private companies in order to have any chance of working in Sweden.

The following details are taken from a contract between FHU Darkus Dariusz Kusnierz (the staff agency) and a Polish worker. This staff agency worked mostly for JK.

According to the contract, the worker is required to work with great care, and to complete the work within defined timescales. The worker “undertakes to obtain insurance at his own expense”. If the worker does not do his job, or does not do it properly, he may have to pay penalty charges. If the worker is still in Sweden, he must rectify the error within seven days, otherwise he must pay a penalty charge of 500 Polish zloty⁵. If the worker refuses to do the work, he must pay a penalty charge of 240 zloty each working day, and also pay for his accommodation. If the worker is at fault, FHU Darkus may cancel the contract with the worker, and the worker must pay a penalty charge of 2,500 zloty. The contract lists what are considered to be transgressions by the worker: consumption of alcohol, absence from

the workplace without leave, causing conflict between workers, submitting incorrect work reports, causing material damage such as destroying plants, burying them in the soil etc.

The notice period for the worker is 14 days, while for FHU Darkus it is 7 days.

When the worker signs the contract, he undertakes not to work for any other company for two years. The wage is set at SEK 65 per hour⁶. The piece rates are SEK 0.22 per plant (planting pipes) and SEK 0.52 per plant (pickaxe). The piece rates go up in step with the number of plants planted. For example, for more than 2,000 plants planted by pipe, the rate is SEK 0.35 per plant.

The worker receives an advance each month of 2,000 zloty. The final payment is made to the worker in Poland, but only once FHU Darkus has received the money from the Swedish customer. The contract stipulates that the worker must pay his own living costs in Sweden.

RUFA

It is not the case that the Swedish customer, JK, has been unaware of the wages received by the Polish forestry workers. The following details come from a business contract between the staff agency RUFA and JK. Under the heading Payment it says:

⁵) 1 Polish zloty is approx. 0.25 EUR (27 Aug 2009).

⁶) In Poland, the term ‘net pay’ is often used. In other words, the money in your pocket after tax. Net pay is SEK 65 per hour. Gross pay in this case, where workers sign up as self-employed, is SEK 72 per hour. Gross pay for E-bop employees was also SEK 72 per hour, before tax.

"The net wages for RUFA's employees must be no less than 65% of the money paid to RUFA by Jan Karlsson Skog AB. A cash advance will be paid to cover expenses during the planting season such as petrol, food, wages or telephone calls. This advance will be SEK 2,000 per planter. This will be paid to RUFA no later than one week before planting starts in the spring."

The arrangement whereby forestry management companies employ staff agencies is not appreciated by all their customers. This too is mentioned in the contract, and what should be done in such a situation.

"At some companies, Jan Karlsson Skog AB must have directly employed staff. For that reason, some RUFA staff may be temporarily employed directly by Jan Karlsson Skog AB. The conditions for this will be discussed in each particular case."

Nor are the workers treated as free individuals. They must complete their work, and are not allowed to leave it – otherwise they run the risk of not receiving their wages. The contract between RUFA and JK "includes the completion of all work, which means the workers are not permitted to return home earlier than this. If a worker decides to return home earlier than agreed with Jan Karlsson Skog AB, the reason for this will determine whether or not full payment will be made for the work."

Keeping yourself clean

JK's business contracts with various staff agencies are basically largely

similar, but there are variations. In one business contract prepared by JK for the staff agency E-bop there are clauses which are simply offensive.

"E-bop must encourage people to keep themselves clean, to wash and change their clothes at regular intervals, to avoid any unpleasantness for other people."

E-bop has had to agree to a number of stringent conditions. One such condition is that the company has to pay a fine of SEK 1,000 per day if a worker leaves unexpectedly and without giving notice. E-bop must rapidly replace the worker with another one to avoid escalating fines.

Employment contract

E-bop's workers were employees of the staff agency, and E-bop's contracts with its employees are not a pretty sight. They state that each worker must plant a certain number of plants. This requirement comes, according to E-bop, from the Swedish trade union. In the south of Sweden, the workers are required to plant at least 1,500 plants using planting pipes, and 800 plants using a pickaxe, each day. In northern Sweden, they must plant 2,000 plants using planting pipes. If a worker is not able to achieve this minimum standard, for whatever reason, he runs the risk of being sent home – at his own expense.

The wage is set in the employment contract at SEK 72 gross (unless it was piece work), and is, according to the contract, entirely in line with the Swedish collective agreement.

The false contract

E-bop's employees also had an entirely different employment contract which only existed to be shown to the union. This false employment contract looked completely different. It states, for example, that the hourly wage is SEK 91 per hour, and that the wage is paid on the 25th day of each month.

"There was a requirement from JK for us to have another contract in addition to our own. They sent over a contract so that we could see in detail what it would look like," says Ania Szczech, Personnel Manager at E-bop.

As proof, she shows us an e-mail from JK, which states:

"Hello! I send to you one example of employment agreement that we have with our workers and we want that you shall be similar to this. We want to have a copy of the employment agreement for all the workers to show to the union. You can scan it to us. Greetings xxxx."

How it all started

The foundations for the staff agency business in the forestry industry were laid as early as 2002. The agency business absolutely exploded following the Gudrun hurricane and turned the forestry industry into a lawless Wild West. As a result, JK went from being on the verge of bankruptcy to being Sweden's largest forestry management company.

The initiative for this came not from Sweden but from Poland... from the Polish Pentecostal Church Hosanna in

Czestochowa. "In 2002, some members of the church wanted to find a way to earn money and build "God's Kingdom on Earth". They needed to get in touch with Christian business people in order to do business together. Their ideas reached Ulf Ekman in the Uppsala church, whom some of them knew previously. They got in touch with Ulf Ekman, or it might have been the church office... I am not sure which... who facilitated the contact with Jan Karlsson," says Krystian, (not his real name), one of the leaders of Hosanna.

At first the business was conducted by private individuals from the church, but in 2004 Hosanna took over the agency business by setting up a subsidiary called Besalel AB, (meaning "under God's protection"). Those who wanted to travel to Sweden and work for JK through Besalel had to start their own companies.

"We stopped doing business with Jan Karlsson in 2007 when he told us that the trade union did not accept the arrangement with self-employed people. And for us it was unacceptable to continue the business by employing the workers. With our arrangement with self-employed people, the workers earned more money."

Krystian holds a senior position in the church, but he too worked one summer doing forestry planting for JK.

"There were always problems with the advance wage payments. Many times we were told "Sorry, but you will have to manage on your own".

There was chaos when Jan Karlsson had to keep track of 400 people, though it got gradually better," he says.

Between 2002 and 2007 the church sent about 200 people to work in Sweden. "It was good business for the church, and good business for the workers. Now we at Besalel are looking for new ways of earning money so that we can contribute to the building of God's Kingdom on Earth," says Krystian.

18 kilos

While Krystian talks about chaos at JK, he does not want to acknowledge that it was not always good business for the workers. But the story from the Christian Pole Wojtec testifies to something quite different. (Wojtec is not his real name). He was recruited by Besalel and in 2004 he worked for two and a half months for JK. During those months he lost 18 kilos in weight, and his fellow workers also lost a lot of weight. Once they had eaten all the food they had brought from Poland, they tried to get by with the advance of a few hundred SEK that JK gave them – each week.

"But sometimes we received no money at all. We kept hearing that JK could not give us any money as the company was waiting for money from its customers," says Wojtec.

Despite their hunger, the Polish workers worked hard, often 13-15 hours a day. They had been promised earnings of anything between SEK 14,000 and 20,000 a month. But Wojtec never saw a wage anything like that. His final pay

was SEK 1,500 a month, and the pay did not arrive until long after he had returned home to Poland.

Wojtec has lived in Sweden for some years, and during that time he has helped many of his fellow countrymen who had been supplied by Besalel and has even given them food when they were hungry. Today he wants to put it all behind him and is glad that Besalel have closed down their staff agency business.

The bookseller

Several Christians latched onto the staffing bandwagon in the Swedish forestry industry in 2004. One of them was Darek Kusnierz who runs Friendly Books, a Christian bookshop in Gdansk in Poland.

"I believe there were up to 10 staff agencies run by Christians from Poland. I myself got in touch with Jan Karlsson through people from Hosanna," he says.

Darek Kusnierz describes himself as a respectable entrepreneur who took proper care of the workers he sent to Sweden. He made sure that taxes and social security contributions were paid. His wife looked after the bookkeeping of the workers' "self-employed companies".

But there were other staff agencies not run by Christians which, according to Darek Kusnierz, simply "robbed" their workers.

"I gave the workers 65% of the money I received from JK, cash in hand", he

continues. "The Aqua Polska company gave only 50%."

Other Polish sources say that Aqua Polska is a notorious company always ready to take a tough line. These sources allege that the company does not pay social security contributions in Poland.

In 2007 Darek Kusnierz was pretty well resigned to putting a stop to supplying "self-employed people" to the Swedish forestry industry. He still believes that "his workers" earned more money than when they were employed by Swedish companies, with tax and social security contributions being paid in Sweden. In the years 2004 - 2007 Darek Kusnierz supplied 480 people to Sweden, mostly to JK.

"These days I act as a consultant for Swedish forestry management companies, and I receive some commission for this," he says.

Open advertising

Foreign staff agencies now exist in many different industries in Sweden. They advertise openly in newspapers and magazines, on the Internet and by direct mail to companies. Here are some examples (of many) of offers received by a Swedish forestry management company.

"My name is Henrik Arvidsson, and my partner and I run a company in Riga called Arvidsson & Sundling. We specialise in hiring out cost-effective Latvian personnel in the EU. Hiring staff from us costs from SEK 59 per

hour. All our staff speak English, have good references and are willing to work ...".

The Polish company Agro Poland writes to the same Swedish forestry management company, saying that the company offers services in forestry, construction, horticulture and agriculture. Agro Poland has worked with Danish and Dutch companies for three years, and these are pleased with Agro Poland's services.

"This is what we can offer. Our price list states that the employers pay SEK 120 net, which means that when you employ our skilled workers, you do not have any other costs than those on the invoice. If you want to employ more than one person for a longer period, we are happy to offer a discount ..."

The same forestry management company has been visited by several representatives of foreign staff agencies and has received many strange offers.

"One staff agency was prepared to discuss the price, depending on whether we wanted taxes to be paid in their country of origin or not," reports the Managing Director.

Maintaining good order

Every industry wants work done as cheaply as possible, but there are limits beyond which there are breaches of regulations, lawlessness and reckless exploitation of the workforce. The forestry industry is under intense pressure. A striking example of this is a contract

between a large forestry company and a forestry management company, in which the forestry company filled in the price they wanted per hour. The price is SEK 189.80, way beyond the limits of what is feasible.

Even Swedish authorities are happy to go beyond what is possible, as long as it is cheap. The County Administrative Board in the county of Kronoberg chose in 2006 to employ JK to set up and empty fir bark drill traps for a price of SEK 195 per hour.

“That price-dumping monstrosity JK was a creation of the major forestry companies. I say that, even though JK was a competitor. I often heard the forestry companies demand JK prices, even though they were well aware that it was impossible to do things above board at those rates,” says the manager of a forestry management company.

There will never be order in the forests as long as the major forestry companies and authorities do not comply with collective agreements, working environment regulations and legislation on working hours. Can it be interpreted in any other way when they go beyond the limits of what is feasible?

Sources in the forestry industry say that price levels do now look better than they did a couple of years ago – but that the rogue staff agencies seem to be popping up again. Nor will there be order regarding ro-

gue staff agencies as long as SLA⁷, has no verification mechanism and accepts them as members. When rogue staff agencies are accepted, they are given a certification of quality and professionalism they can show people. Because of their membership of the SLA, they are bound by the collective agreement, and to all appearances they are now “legitimate”.

Regardless of what these staff agencies call themselves, they are by definition staff agencies. If they are to belong to any employer organisation, it should be Almega.

The bungling Swedish Social Insurance Agency

There are countless descriptions from the lawless forest of how foreign workers supplied by rogue staff agencies are exploited in our Swedish forests. So what is it like for foreign workers who are employed on the same terms and conditions as Swedish workers? Sad to say, it is easy to list bad examples here as well.

Joakim Gustavsson is the Managing Director of Svensk Skogsservice AB. He always keeps his employees informed about how the Swedish system works, for example sick pay, child allowances and health insurance cards. But the big problem is that the system does not work for foreigners.

Last year, Svensk skogsservice had 58 Polish employees, of which only 22 received a health insurance card, and

⁷⁾ SLA is the Swedish abbreviation for The Federation of Swedish Forestry and Agricultural Employers.

90% of these received it after returning home at the end of the season or finishing their employment. The rest of them never received their cards and were registered at the Social Insurance Agency long after they had returned home.

Among those with permanent jobs at the company, 2 or 3 have still not received their health insurance cards. This means that they have already waited 12-14 months.

"I had one employee who broke his leg and had to spend a few days in hospital. Much later, when he had returned to Poland, he received a bill for SEK 32,000. This worried him a great deal. Of course I arranged for the bill to be torn up. The only reason he did not have a health insurance card was the chaos at the Social Insurance Agency, and he was not to blame for that. He had worked and paid tax in Sweden."

When Polish workers are registered at the Social Insurance Agency, they are simultaneously deregistered from the Polish equivalent. This means that if they fall ill when travelling home to Poland during weekends and holidays, they have no health insurance card.

"This worries them, because it can be very expensive. That is why they can contact me at any time of day or night if they need medical care in Poland. I simply have to fax all the documentation to the hospital showing that they are working and paying tax here, but that the Social Insurance Agency has not yet given them a health insurance card," explains Joakim Gustafsson.

Nor is the Social Insurance Agency quick to pay sick pay to foreign forestry workers. The man with the broken leg, for example, has already been waiting eight months for his sick pay. None of the company's Polish staff has yet received any child allowances.

Svensk Skogsservice has spent a great deal of time sorting out the problems caused by the Social Insurance Agency in contact with the agency. Joakim Gustafsson estimates that it takes the equivalent of half an employee working full time to deal with these issues, and this annoys him. But he has no choice if he wants to maintain good relations with his employees.

"My employees sometimes find it hard to understand that it is not me telling lies and it is the Swedish system that does not work. Some of them thought I was lying, so they fiddled their time sheets and cheated me out of quite a lot of money.

To be honest, I am very nervous about what I should say about our social security schemes when I recruit people. At the end of the day, I am the one who has to explain the Social Insurance Agency's action, or rather inaction," says Joakim Gustafsson.

Svensk Skogsservice also has to translate all the letters that the Social Insurance Agency sends to Polish people. That also costs time and money. "In short," he says, "it is easier to conduct business illegally in Sweden than to manage the company and the employees correctly. Something is seriously wrong."

PART 2

The lawless forest

These days thousands of foreign workers work in the Swedish forests – without any social security contributions being paid for them by their employers. This means that in a five year period, the Swedish government is deprived of nearly half a billion (approx. EUR 44,5 million) in unpaid social security contributions.¹

Foreign staff agencies are supplying manpower by the thousand to the Swedish forestry industry. On the surface, these staff agencies may appear genuine. They have obtained Swedish F-tax status, (preliminary tax paid by self-employed persons). They have become members of SLA and therefore have collective agreements. However, behind the polished facade there are advanced systems for circumventing Swedish and European legislation and agreements. The staff agencies are popular thanks to their low prices, which they can maintain by not paying social security contributions in Sweden. (These are sometimes paid in their own countries where the contributions are much lower. Sometimes

the staff agencies simply do not bother to pay any social security contributions at all).

This means that the Swedish forestry companies are going to the wall, as they cannot compete on the same terms as the foreign staff agencies. It also means that the foreign workers are denied access to the Swedish social security system.

Social colonialism

The former Prime Minister and Social Democrat Göran Persson was concerned that expansion of the EU would lead to Sweden suffering from social tourism, that people from the former Eastern European states would come

¹⁾ According to different sources are between 1 000 – 3 000 foreigners working in the forestry industry each season without any social security contributions being paid in Sweden.

How much money the government loses on this has been calculated like this: The average pay in forestry is: Swedish kronor (SEK) 128.11/hour (2008). The monthly pay is therefore: SEK $128.11 \times 174 = \text{SEK } 22\,291,14/\text{mth}$.

If we include holiday pay, the monthly pay becomes: SEK $22,291.14/\text{mth} \times 1.13 = \text{SEK } 25,189/\text{mth}$. Social security contributions are 31.42%, equivalent to: SEK 7,914 per person per month.

Assuming seasonal employment for 4 months, this becomes per person:
 $4 \times \text{SEK } 7,914 = \text{SEK } 31,656/\text{mth}$.

For 3000 seasonal workers the Government loses out on revenue (social security contributions) of about SEK 95,652,000. For 3000 people over five seasons, the Government loses out on revenue of about SEK 478,260,000.

to Sweden purely in order to exploit our extensive social security system. That did not actually happen. Instead, people from the former Eastern European states come and work by the sweat of their brows in our country, making little use of our welfare system. There was no social tourism. Instead we got social colonialism...

But how is it possible that this undermining of the Swedish economy, and the exploitation of manpower, is allowed to continue year after year? Part of the answer is that the Swedish authorities have no idea which foreign citizens are working in Sweden, how many they are and how long they have been here. Another part of the answer is a big loophole in the EU which leaves the Swedish authorities at a loss, because they cannot collect the social security contributions from the foreign staff agencies.

To see the whole picture, let's take it from the beginning – the first stumbling steps towards the EU.

The EC

The basic idea of the EU is that goods, services, people and money should be able to move freely within the Union, without customs duties or other obstacles in the way.

The first step towards the creation of the EU was taken in 1952 when the European Coal and Steel Community was formed by six countries – Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. The countries were to collaborate in the production of coal and steel. Collaboration would

prevent war between countries, and facilitate the reconstruction of those countries' industries after the Second World War. In the years that followed, this collaboration was expanded to cover goods, services, and money, and to create a Customs Union. The EC was formed, and during the 1970s and 1980s the EC kept growing as more and more West European countries became members.

1408/71

As early as 1971 thoughts in the EC turned towards the different social security systems in the various countries. Agreement was reached on a regulation, a law, that would regulate what happens when people work in other countries. The regulation is designated 1408/71 and has been amended many times throughout the EU's history.

However, the basic concept is the same: Everyone should be covered by the social insurance system in the country where they work, regardless of where they live.

This also applies to foreign workers who come to Sweden in order to work in the forests. They are entitled to coverage by our Swedish social insurance system. This in turn means that their employers must pay social security contributions here in Sweden. Nevertheless, perhaps half of all the workers in Swedish forests are working without any social security contributions being paid for them. Nor is this just a temporary situation. When Poland joined the EU in 2004, the Swedish forestry industry became a lawless Wild West.

E 101

There is no rule without exceptions, it is said. This also applies to the rule about the social insurance system. There is one exception, which requires social security contributions to be paid in the country of origin – namely if you are sent out by your company to work for a short period of time in another country. In such a case you need a certificate called E101. This also applies to foreign workers working in Swedish forests. Every person must have an E 101 certificate.

But many criteria must be fulfilled in order to obtain such a certificate. The guidelines for E 101s were laid down by the EU's Administrative Commission on Social Security for migrant workers. Member states must comply with these guidelines.

Requirements

A staff agency whose only business is sending workers to another country may not obtain any E 101s for their employees. One reason for this is that the staff agency does not have any significant business in its country of origin. (The guidelines specify that at least 25% of the business must be conducted in the agency's country of origin, and the agency must have been

in operation for at least 4 months). Another reason is that companies with only administrative staff in their countries of origin can never obtain E101s for employees they send out to other countries.

In other words, for obtaining E101s for employees, it is not sufficient to just have an office in Poland and then send people to Sweden. Social security contributions must be paid in Sweden.

If GS runs checks and finds, despite everything, that E101 certificates do exist, then they must be either false or incorrect. The course of action followed in such circumstances is explained later in this document.

Self-employed people

Foreign staff agencies have yet another model for their employees. They let them start a one-man business. That way, the social security contributions and taxes in the country of origin are even lower. But this setup does not work at all. It is not possible to obtain E101s that way. According to current guidelines, people must be employed.

Of course, self-employed people can obtain an E101 certificate, but there

"The terms of employment are complicated. The forest owners would, through/via Södra Skogsägarna establish contact with Jan Karlsson Skog, who also employs the foremen and manages plantation equipment. The Swedish entrepreneur in his turn would make contact with the polish staffing company responsible for recruiting the staffs. The polish company which will be responsible for example, logistics and hygienic commodities/items. Further more, the plantation workers (themselves) registers a company of their own in Poland. It is alleged to lower the tax, from 17 to 8,5 percent."

Aftonbladet, the 23rd of July 2006

must then be an agreement directly with the Swedish company. In practice, this means that a Swedish forestry company would have a very large number of business agreements with these "self-employed" workers who clear the land and plant for them.

This arrangement with self-employed people also constitutes a breach of the collective agreement between GS and the SLA. No-one is permitted to work as a self-employed person in simple forestry work.

For the sake of clarification, it should also be mentioned that self-employed persons must have a significant business in their countries of origin in order to obtain an E 101, thereby paying social security contributions in their countries of origin.

Loopholes

In view of this regulation, it might seem that Skatteverket, the Swedish Tax Agency, could easily collect the social security contributions payable in Sweden. However, this is not the case.

There are major loopholes which leave the social security system worthless. Sweden can demand payment of all social security contributions – but has no way of collecting the money. This is not possible as long as there are administrative assistance agreements between the countries.

So far, such agreements between countries only exist for taxes.

No big deal

The Tax Agency discovered these loopholes in the EU during one of the largest tax inspections ever made, when they inspected the companies involved in the work of dealing with the windfall timber following Hurricane Gudrun in January 2005.

"But the companies involved in clearing up were mainly well-established companies with expensive machinery and experienced workers, and we assumed they had E 101s, or were entitled to them. The group we were due to inspect did not include the companies working on afforestation or normal forest clearing," says project manager Birgitta Bergstrand.

"I sent inspection details about 500 foreign companies to the Agency's Foreign Department, which in turn sent them on to the countries concerned. Then it is up to the various countries to make sure that the social security contributions are being paid in the countries of origin," she says.

In those cases where indications were found that the company had a fixed place of business in Sweden, the Tax Agency carried out investigations. Examples of such indications are that the company has an office or corporate management in Sweden.

R.O.T.²

The ongoing forestry work following Hurricane Gudrun's ravages was the reason why a number of foreign staff

²⁾ R.O.T. is a tax relief on building work and repairs carried out on domestic housing.

agencies set up in business in Sweden. That, in any case, is what the Tax Agency's investigator Inger Herding suspects.

It is her job to inspect foreign staff agencies, and at the time of writing she was rushing to complete a number of proposals in conjunction with the introduction of the R.O.T. tax relief on 1 July 2009.

"The R.O.T. deduction is meant to be used for stimulating the Swedish economy, and it is very important that Swedish and foreign companies are on a level playing field," she says.

But that is no easy task. The foreign staff agencies with offices in Sweden have proved in many cases to have a lifetime of no more than a year or two. Then the owners start up new agencies. When the Agency starts its inspections, the companies are simply not there any more.

As for foreign staff agencies without offices in Sweden, the Tax Agency cannot, as mentioned, collect any social security contributions, or at least not without great difficulty.

"I have come across many foreign staff agencies who do not pay any social security contributions here in Sweden. Sometimes they have the Swedish F-tax status, (preliminary tax paid by self-employed persons), sometimes not.

Proposals

The Tax Agency has previously proposed that all companies should report

employer contributions and tax at source monthly for each employee. Another proposal it has put forward is that foreign companies and employers working in Sweden should also be registered if and when they set up in business in Sweden. That would make it easier to check whether employees have an E101 certificate or not. It would also be easier to prove whether an employer has been in Sweden for more than 183 days.

"It is easier for us to take action when the people concerned are in Sweden. Once they have returned home it becomes impossible," she says.

But as stated previously, collecting social security contributions from foreign staff agencies requires an administrative assistance agreement between the countries involved.

Försäkringskassan, the Swedish Social Insurance Agency

In Sweden, E101 certificates are issued by the Social Insurance Agency. This agency also checks whether E101 certificates are legitimate.

Sweden has asked that when a country issues an E101 certificate, a copy should be sent to the agency. If, for example, Poland issues an E101 certificate, a copy should be sent to the agency in Sweden. The Swedish agency in turn sends a copy to the Tax Agency's Foreign Department. If the Tax Agency finds something odd about an E101, they get in touch with the Social Insurance Agency, which then investigates the matter. But the investigation is not quick, as the other

country also needs to investigate the matter. All of this can take up to a year. In all, the Swedish Tax Agency has requested investigations into hundreds of E101 certificates over the years.

Complying with the guidelines

The Swedish Social Insurance Agency believes that countries comply with the existing guidelines when they issue E101 certificates. In a handful of cases, the agency has queried certificates and conducted investigations. Some years ago, the agency discovered suspect certificates in the construction sector. The agency contacted Poland, which investigated the matter. It discovered that a person working at ZUS, the Polish Social Insurance Institution, had been forging E101 certificates and selling them.

If the Swedish Social Insurance Agency is not able to agree with its foreign equivalents about an E101 certificate, a discussion takes place to attempt to reach a joint decision. It is not possible to obtain details from the Social Insurance Agency as to whether a person has an E101 certificate or not. That information is confidential. However, if the union discovers an E101 certificate which does not appear to be legitimate, this must be notified to the agency. The Union telephone the agency's customer services, describe the case, and are connected to a National Social Insurance Centre, which then carries out the investigation.

No-one knows

According to the Social Insurance Agency's statistics, 13,000 foreigners with E101 certificates came to Swe-

den to work in 2007. The year before, the figure was 10,000.

The figures are reported only as a lump sum as there is no split by industry. The figures are also unreliable. The agency does not know whether Sweden has received copies of all the E101 certificates. There are also many more people working in Sweden without E101 certificates, but no one knows just how many.

According to Birgitta Bergstrand, project manager for the Swedish Tax Agency's "Gudrun Investigation", "We do not know how many foreigners are working in Sweden, where they have come from, or how long they have been here. Until we can get a reasonable idea of this international labour force, a joint European electronic database of E101 certificates would be a great help. It would be great if we could search for both employees and employers in the database,".

Administrative Assistance Agreements

On 1 January 2010 an Administrative Assistance Agreement covering taxation and social security contributions will come into effect. Sweden will then be able to collect social security contributions from the foreign staff agencies that have so far escaped the net, but this will take time and is not without problems.

The simplest cases for the Tax Agency will be where a staff agency has not paid social security contributions in its country of origin. The Tax Agency will be able to collect those contribu-

tions directly. However, if the staff agency has paid contributions in its country of origin, the situation immediately becomes more complex. In these cases it is up to the Social Insurance Agency to investigate the whole matter and discuss it with the corresponding agency in the other country. "This will lead to a competitive situation about money between the two national agencies, so the outcome will be uncertain. Sweden cannot collect social security contributions if the other country says no," explains Pia Blank Thörnros, a legal expert at the Swedish Tax Agency.

The process will also demand a great deal of time and effort on the part of the Social Insurance Agency. Each individual staff agency employee will be an individual case, and each case will need to be investigated.

work in Sweden for less than six months.

"The Swedish Ministry of Finance has long been aware of this, but nothing has been done," says Pia Blank Thörnros.

And to top it all, these individual entrepreneurs are entitled to all Swedish social benefits without paying any social security contributions.

Poland

Some other unforeseen "loopholes" have also emerged, and these occur when EU member states do not comply with the guidelines laid down by the EU.

As previously mentioned, the EU's Administrative Commission on Social Security for Migrant Workers has laid



Olle Ludvigsson (S) and GS have reported Poland to EU commission. Poland is breaking the EU's regulations where the consequences means wage reduction.



Göteborgs-Posten, the 5th of June 2009

The loophole

Unfortunately, even with the new Administrative Assistance Agreement, a substantial loophole remains. This concerns foreign workers doing planting and clearing work who start their own company in their country of origin and then work for no more than six months in Sweden. (They must also fulfil the Swedish Tax Agency's criteria in order to be regarded as self-employed).

The Tax Agency cannot demand payment of social security contributions from self-employed individuals if they

down guidelines defining how the E 101 exception is to be applied. These guidelines must be followed by the member states. A fundamental requirement is that a company that sends out workers must have a substantial business in its country of origin in order to be able to pay social security contributions in that country. The requirements specify that the company must have been operating for at least four months in order to obtain E101s for its employees, or for a person who is self-employed to obtain an E101.

(Only in exceptional cases can this 4-month requirement be waived).

Meanwhile, Poland has issued its own guidelines. The 4-month requirement does not apply in that country. Poland has simply halved the requirement.

An e-mail received from ZUS, the Polish Social Insurance Institution, states that individual entrepreneurs who travel to and work in another EU member state can obtain an E101 posting certificate providing they do not work for more than 12 months, and have operated for at least two months in Poland. (The original wording of this e-mail can be found at the end of this chapter.

It may be worthwhile to investigate how this issue is handled in other EU member states.

F-tax (Preliminary tax paid in by self-employed persons)

The fact that a foreign company has F-tax status (and is therefore taxed as self-employed) is no guarantee that the company is genuine, but rather a guarantee for Swedish companies doing business with it – so that they don't have to pay tax on behalf of the foreign staff agency. It is easy to obtain such a tax status registration. Simply intending to operate in Sweden is sufficient. A company without a fixed place of business in Sweden does not have to submit an income-tax return in Sweden. As regards VAT, there is mandatory reverse VAT liability. This means that it is the Swedish company that reports Swedish VAT on behalf of the foreign staff agency.

EU

In conclusion: If we believe that E101 certificates are being issued willy-nilly without any checks by different countries, this can be rectified. However, it is not that simple.

1. The EU Commission can turn this whole issue into an infringement case, and write to the relevant country's Government. That country then has the opportunity to apologise and correct the error. If the country chooses not to take the appropriate measures, the whole issue can go before the EU Court of Justice, where the country can be found guilty of breaching the treaty.

If any citizen wishes to make a complaint to the EU Commission, there is a link to a complaints form at <http://www.eu-upplysningen.se/>.

2. There is an informal network, Solvit, with several points of contacts among the various countries. In Sweden, the point of contact is Kommerskollegiet, the National Board of Trade. Swedish citizens can submit complaints to the Board of Trade, which will then take up the matter with the contact in the country in question. This approach is quicker than going to the EU Commission.

COMMENTS

Comments

Magnus Dahlberg, Press Officer at Livets Ord:

"The details are not correct. Livets Ord, like the church, has not been involved in arranging any business contacts. We do not carry on any such activity. However, it is possible that Hosanna has been in touch with one of our 3,000 members."

Evert Sivertsson, Personnel Manager at Holmen Skog:

"Holmen Skog employed the forestry contracting company JK Skog for a number of planting jobs and undergrowth clearance jobs during 2008. This included jobs mentioned in Pingala Prod's e-mail.

The contract agreed between Holmen Skog and JK Skog clearly states that the work is to be done by JK Skog's own employees. Holmen Skog does not normally employ companies who in turn employ subcontractors. Exceptions can be made, but must be clearly stated in the contract, and in such cases, Holmen Skog requires the subcontractors to be PEFC-certified.

In this case, Holmen Skog has been misled by JK Skog. They did not tell us that the people who carried out the job contract were employed by a subcontractor.

Holmen Skog has paid JK Skog in full for the planting and clearance jobs carried out. JK Skog has behaved unethically towards Holmen Skog, but

above all towards Pingala Prod whose employees have clearly suffered severe financial damage. We deeply regret this.

In view of JK Skog's highly dubious behaviour, Holmen Skog has decided in future not to award any new work to Jan Karlsson's new company, Skogsvårdarna i Uppland AB."

Nils Broman, Chief Forester at Norra Skogsägarna:

"That people working on our members' land have not received any wages from their employers is to be deplored. In their e-mail, Pingala wanted Norra Skogsägarna to withhold payment to the receiver and instead pay them directly. Not paying the receiver is not compatible with Swedish law. Paying the bills twice (to the receiver and to Pingala) is controversial, as it may set precedents, not in the legal sense, but rather in terms of expectations, and may also encourage the irresponsible handling of claims in connection with bankruptcies.

Accepting work as a subcontractor involves a degree of risk-taking. We consider that the staff agencies employed by JK Skog bore the responsibility for ensuring that they were paid by their client, or else terminate the contract. Furthermore, JK Skog is guilty of a breach of contract, as they hired a subcontractor without our knowledge."

What are you going to do to avoid this in future?

“Norra Skogsägarna’s procedures require companies employed to do work for Norra Skogsägarna’s members to fulfil a number of requirements in order to be considered as contractors. This includes paying contractually agreed wages (which can be guaranteed by being affiliated to the Employers’ Association, or by signing local collective agreements with the Swedish Union of Forestry- and Wood and Graphical workers, or by having third party liability insurance, or by having agreements on occupational health care for their employees etc. Subcontractors may only be used at one level, and if so this must be disclosed to the client and also fulfil the same requirements as the prime contractor.

If subcontractors are employed, this must be disclosed to us and we will consult with the unions about the suitability of this. We are restrictive about letting our contractors employ subcontractors. The forestry management company JK Skog employed Pingala Prod as a subcontractor, and did so without our knowledge. We do not intend to sign any new contracts with the successor of JK Skog (with Jan Karlsson as principal).”

Linda Andersson, Head of Information at Sveaskog:

“Sveaskog’s guidelines for forestry management contractors permit two levels, meaning that our contractor is permitted to employ a subcontractor. This is on condition that Sveaskog has been informed of this, and that both the contractor’s and the sub-

contractor’s checklists are in order. JK Skog was not employed in Sweden in 2008 or 2009. In Finland, JK were employed by Svenska Skogsplantor, and there have been no complaints there about the company. There, contracts and checklists were in order, and the stop placed on JK was therefore not covered by the decisions taken by Svenska Skogsplantor in Sweden.

Svenska Skogsplantor and Sveaskog have a responsibility towards our business partners to pay for the services we have purchased. We also have a responsibility to make sure that the business is carried on with high quality, that the personnel have good working conditions, and that they receive wages complying with laws, collective agreements and our code of conduct. When we employ contractors, we accept this responsibility by imposing requirements on wages, training etc for the contractor’s employees. We assume that the contractor will live up to his undertakings, but we nevertheless carry out follow-ups and checks.

It matters to Sveaskog that everyone who works for us has good working conditions. For that reason, we have tightened up our requirements and guidelines about how we ensure this. We are aware of this, and regard it as a good thing that this issue will always be in focus.”

Comments from Celco Franzetti, representing Sia Rentapro:

“We have had local and central negotiations which have ended in disagreement. We have paid all the money

due according to the time sheets, and the union cannot explain where the men could have worked. This case will now be heard before the Swedish Labour Court. We are receiving help from the SLA. I have reported one of the men to the police for the theft of equipment, including a pocket computer and bedding. LO-TCO Rättskydd (The Legal Bureau of the Swedish Trade Union Confederation) has got involved and are helping this man even though it is a crime. I think that's very interesting.

Sia Rentapro does not pay any social security contributions in Sweden, as it is a Latvian company. The Swedish Tax Authority has checked our documentation at our customer Svenska Skogsplantor AB and has not got back to us. We do not pay social security contributions in Sweden. This is not required for people working less than three months here. We pay insurance premiums and social security contributions in Latvia. The Latvian Tax Authority checked out Sia Rentapro only two months ago, and we have subsequently received papers saying that everything is fine."

Comments from Jan Karlsson who previously ran Jan Karlsson Skog AB and now runs the company Skogsvårdarna i Uppland AB.

"I find it unfair and wrong to be portrayed as a monster. I am not. Many people have earned good money working for me. I have never systematically exploited people, and never had any malicious intentions.

I now understand that it was a mistake to accept staff agencies that do not pay social security contributions in Sweden. In those days, there was a great deal of uncertainty about the EU regulations – not just for me but for many companies. These days I adhere to the regulations to the letter, and employ my staff in Sweden. So it is very surprising to see how many other companies are ignoring the regulations, even though everything ought to be clear and sorted. They just carry on not paying social security contributions in Sweden. There are lots of such companies. So my key question is this – why do the Tax Agency and the forestry companies allow these companies to carry on their business? Letting these companies carry on constitutes unfair competition. There was a great deal of uncertainty about which regulations applied. Both companies and the Tax Agency were and still are ignorant. So it was easy to believe that you were doing the right thing, even though in fact you were not.

To sort this out, I think all companies working in Sweden should pay income tax and social security contributions in Sweden. We will never sort this out otherwise. I personally know of a number of companies currently doing business in Sweden, either directly for a forestry company or for a subcontractor. All these are cheating one way or another, and unfortunately there is no reasonable chance of checking this.

How it all started: Correct, it was Hosanna who contacted us. But I don't know how they found out about us. I thought that Hosanna started this business after being in touch with two other Polish staff agencies who had worked for me one year earlier.

The business contract: It has been claimed in the media that I set a low wage for the staff agency's wages. Not so: it was up to the staff agencies to set the wages for their employees. We wanted to make sure that no individual worker would be exploited. For that reason, the company has had to guarantee that at least 65% of the pay after tax would be paid out to the individual worker. In the first few years, we saw some examples of the opposite happening, so we did this to ensure that it would not happen. The reason we included advance payments in the business contract was because many of the workers had no money when they arrived. So to help them, we gave them an advance so that they could get by. After that, they would be getting steady money from the staff agencies. Remember, we were paying the agencies regularly.

E-bop's false employment contract: E-bop came to us and said they had experience of forestry management and had experienced forestry workers. We thought this sounded promising. We explained to them that in Sweden, Swedish collective agreements apply, and obviously they would have to comply with these while working in Sweden. We helped them to produce an employment contract to be applied, and complied

with, in Sweden. We then sent this contract to the Forestry- and Woodworkers Union so that they could express their opinion about the shape of the contract. When E-bop personnel arrived here, we immediately asked to see the individual workers' contracts they had with E-bop. These too were sent to the union for review, and both we and the union thought that the contracts were entirely in line with the collective agreement. During that season we made a number of spot checks, asking to see the employment contracts in order to reassure ourselves that the employees had the correct contracts with their employers. On no occasion were we shown anything other than the employment contracts we had seen previously. I and we really thought that E-bop were handling this in an entirely proper manner. When it later came to light that they had evidently had double contracts, I got very upset, to put it mildly. They had deceived us and the union. I realised at that moment that we could never rely on companies like this again.

JK's bankruptcy: This is personal tragedy for me and all those who lost their jobs. There is perhaps not much more to say – 19 years' work and some 40 full-time employees losing their jobs is a real tragedy. I read in Dagens Arbete that I should have said it was the union's fault. I have never said so, and do not think so either. During autumn 2008, some local trade unionists clearly went beyond the ethical and legal boundaries in their actions and inflamed the underlying reason for the bankruptcy. I know

many union representatives with a kind of passion for justice, and I have never had a problem with agreeing with them. As is well-known, there was only one item which diverged from the budget, and that was wage costs for workers doing clearing or planting work under collective agreements. A very large group discovered that they were entitled to contractually agreed wages – whether they were working or not. We had about 250 people who were systematically working for SEK 10 – 20 per hour, while we were paying out SEK 91 per hour, plus holiday pay and ATK (Reduction of Working Hours). Some union representatives sometimes encouraged this, saying things like “Don’t think about output – think of your rights.”

That Jan Karlsson started a new company in May 2008, Skogsvårdarna i Uppland: I have two farms that I manage, and I started Skogsvårdarna i Uppland where I alone would have the management. It wasn’t until October/November that I realised that JK might become bankrupt – nor did anyone else.

That E-bop did not receive any payment: The work they did was far from complete. We had foremen who issued instructions about how the work should be done. We did everything we could so that the workers could work properly, but despite that there were big failings. The customer, Korsnäs, withheld the money because the work had been done badly. So we in turn did not pay because of the poor quality of the work.

That Pingala Prod did not receive money: The company had received a lot of money at the time, but did not get paid the final receivables because we went into bankruptcy. We stopped paying Pingala Prod in November. Pingala Prod’s workers had done their work well, but it was only so-so with the owners. We paid out any amount in advance to Pingala Prod so that the company could pay the wages. We had at least three serious discussions with the owner of Pingala Prod about the fact that they were not paying out wages, even though we had paid out lots of money in advance, as well as regular invoices to Pingala Prod.

That E-bop’s workers did not keep themselves clean: The background to this is that we had a group who never washed themselves. This meant we had to clean up after them. That is why we wrote it into the business contract, and drew attention to it, in order to get everything to work properly. This is in fact for purely humanitarian reasons, and is a requirement at every workplace, I would have thought.

That the workers could not leave their work before it was completed: This was a business contract. We would not pay the staff agency if they had not completed the work. Obviously the company must pay its workers even if they leave the job.

The Romanians who were hired by the agents Diana and Cezar Angheluta: The first time round, in spring 2008, everything worked perfectly. But in the autumn far more people

arrived then we had agreed on. On 7 September some of the workers came to the office, demanding their wages for September because they wanted to return home. But we informed them that they could not receive the September wage until 25 October. All the Romanians who worked have received their wages. The bus with 54 Romanians who arrived at Ångeby at the end of July 2008 had definitely not been ordered by us. With hindsight, we should have called the police straight away, but unfortunately we tried at short notice to arrange jobs for them. This was a fateful decision.

That some workers did not receive any wages, and had no money for food: That is awful. When we employ a company, we expect them to pay their employees' wages. Sometimes the workers told us they had no money, and we have taken urgent action and given them money.

That JK sometimes employs agency staff for short periods, because some customers want it that way: There is nothing odd about that. Temporary jobs are OK under the collective agreement.

That Norra Skogsägarna believe that JK have committed a breach of contract: Our objective was that everyone should be an employee, but that was unattainable. We told Norra Skogsägarna about this. My Personnel Manager told the company and the union, who both gave approval. So I do not feel that we have committed any breach of contract.

That Holmen consider that JK has behaved unethically and misled Holmen: We had mostly employed people at Holmen, but we did not complete the planting in time. I told my Personnel Manager in August to call the company and the union. Above all the union, as it was they who would have to approve the subcontractor. Then I checked with my Personnel Manager, and she said she had received the go-ahead. But when I made an additional check a month later, in September, it turned out that she had spoken to the union department, and not with Holmen's union representative. The Personnel Manager then contacted the correct union representative, who said that we should have called earlier, but still gave us the go-ahead. If Holmen had not given their approval, they should have stopped the work immediately, but that was not done.

About the forestry industry: Prices in forestry management must increase, so it is easier to recruit workers. At the moment, this is very difficult. But it is not just a question of blindly raising prices. I really believe that we must raise the professional level of the work being done. If these days I have workers experienced in clearing or planting who really know their job, that alone is a factor automatically raising wage levels. In my company, I try to create secure long-term jobs, where employees can have a good social life outside their work. This is an equally important factor. As an example, let's take the four clearance workers working for me in the northern part of Uppland. They live with their families in flats that we

have arranged for them. They are competent professionals and earn good money. We have no problems paying them a good hourly rate (about SEK 130 per hour) and remaining a competitive company. If we run into profitability problems in a particular case, we can always discuss this with Stora Enso, and in most cases we find solutions that suit all the parties.

The report consists of two parts. The first is called "Foreigners are people too", and describes how workers from other countries are exploited by employers, and end up outside the social security system. The picture of Sweden as a welfare state is being shattered. In this part of the report, we want to shed light on the situation for those who come to Sweden to work in the forests.

The second part is called "The lawless forest". It shows how companies cheat on social security contributions, and reveals the problems facing the authorities in controlling them, or in some cases failing to do so. It puts the light on what can happen when rogue companies undermine the Swedish model of collective agreements, thereby driving honest companies out of business.



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