

English summary of Brå report 2015:8

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The certificate that opens the door to the welfare system

*A report on welfare offences committed
using incorrect certificates*

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committed using incorrect certificates

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**The Swedish National Council for Crime Prevention (Brå) –
centre for knowledge about crime and crime prevention measures**

The Swedish National Council for Crime Prevention (Brå)
works to reduce crime and improve levels of safety in society
by producing data and disseminating knowledge on crime
and crime prevention work.

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Production:
The Swedish National Council for Crime Prevention (Brå)
Box 1386, SE-111 93 Stockholm, Sweden
Tel: +46 (0)8 527 58 400, fax: +46 (0)8 411 90 75
E-mail: info@bra.se
Brå on the internet: www.bra.se

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Summary

The Swedish welfare system has been built up over the course of many years. Taxes finance this system, the primary purpose of which is to secure the individual's security in many phases of life and situations, including childhood, parenthood, illness, unemployment, disability, and old age. The welfare system consists of many public authorities, municipalities, and organisations; their mandate is to pay compensation and benefits to individuals and companies. There are many different benefits which have varying characteristics. Certain benefits, such as the child benefit, are paid out on the principle of the same benefit to all beneficiaries. Other benefits, such as the parents' allowance, statutory sick pay, and pensions are determined on other grounds, for example income. Other benefits are paid to companies in the form of tax credits.

This report is characterised by a systemwide perspective on erroneous payments in the welfare system. The purpose of this all-inclusive study is to look at the interdependency of the public authorities within the welfare system and see the consequences of this interdependency on preventing and fighting crime. The focus is on incorrect certificates which are used to commit what we refer to here as welfare offences – benefit offences and fraud. The systemwide perspective also means that various benefits, such as statutory sick pay, pensions, and wage guarantees are included in the study.

The following public authorities have participated in the study: the Swedish Employment Service (*Arbetsförmedlingen*); the Central Student Financial Aid Board (*Centrala studiestödsnämnden (CSN)*); the Social Insurance Office (*Försäkringskassan*); the Swedish Pensions Agency (*Pensionsmyndigheten*); the Swedish Tax Agency (*Skatteverket*); the City of Stockholm; the Swedish Council for Higher Education (*Universitets- och högskolerådet*

Authorities which pay out benefits:

Swedish Employment Service

Unemployment Insurance Funds

Central Student Financial Aid Board

Social Insurance Office

County Administrative Boards

Swedish Pensions Agency

Municipalities

Swedish Migration Board

Supervisory authorities:

Swedish Social Insurance Inspectorate

Swedish Unemployment Insurance Board

Bankruptcy Supervisory Authority

Monitoring authorities:

Swedish Migration Board

Swedish Tax Agency

Swedish Council for Higher Education

Criminal investigatory authorities:

Swedish Police

Swedish Prosecution Authority

(UHR)); the Swedish Social Insurance Inspectorate (*Inspektionen för socialförsäkringen (ISF)*); the Swedish Unemployment Insurance Board (*Inspektionen för arbetslöshetsförsäkringen (IAF)*); the Swedish Federation of Unemployment Insurance Funds (*Arbetslöshetskassornas samorganisation*); the Swedish Migration Board (*Migrationsverket*); the Stockholm County Administrative Board; the Bankruptcy Supervisory Authority of the Swedish Enforcement Authority (*Kronofogden (Tillsynsmyndighet i konkurs-er)*); Uppsala University; the Swedish Police; and the Swedish Prosecution Authority.

The study is based on a review of 159 welfare offence matters and 92 interviews, primarily with public authority administrators but also with perpetrators and certifying officials. It was also grounded on telephone calls to a tips line, a small-scale Internet analysis, and seminars.

All previous studies indicate that the vast majority of payments from the welfare system are correct. So why devote an entire report to the vast minority which are incorrect? Firstly, even a low percentage of erroneous payments translates to significant amounts because of the volumes involved in the welfare system. Secondly, by taking a systemwide view, it is possible to identify the gaps in the system and regulatory framework which can be repaired, and thus impede and prevent future welfare offences.

Identity, residence and work

The paying authorities have a great deal in common. They rely on correct certificates. However, all paying authorities in the study receive incorrect certificates.

Certain certificates, above all identification documents, are essential for entering the welfare system. As compared with other public authorities, the Migration Board and the Tax Agency – which may be seen as the gatekeepers to the system – have significantly more experience and better tools to evaluate identification documents. The civil registration system provides the Tax Agency with information regarding residency as well. In addition to the question of identification, this information is very significant for enabling entry into the welfare system since certain benefits are residency-based.

The employer's certificate can be described as the most strategically significant certificate in the welfare system. This is because many benefits are income-related, which means that incorrect employer's certificates – those which exaggerate working hours and salary – lay the ground for many welfare offences. Since these certificates are not standardised, but may instead take virtually any form, this poses a particular problem for the public authorities. The study includes everything from handwritten wage specifica-

tions to meticulously completed forms designed by the paying authority. The variety impedes efficient verification.

Unknowing certifying officials

The certificate is issued by a third party, referred to here as a certifying official. Sometimes the applicant has, in fact, personally issued the certificate but in such case has presented himself/herself as an employer, landlord, doctor or suchlike. In other cases, the certifying official has been tricked or persuaded to issue an incorrect certificate. Since the certificate comes from an independent third party, the public authority gives great significance to the information.

One problem is that the certifying officials are often unaware of their central role in the welfare system. The purpose of issuing an employer's certificate and enhancing wages and work hours may not be to facilitate a welfare offence, but rather to help the employee get a new job. Another difficult situation which appears in the matters and interviews involves a doctor basing a diagnosis on oral information provided by the patient rather than a clinical evaluation. This may lead to the doctor not being willing to make any assessment of the patient's ability to work. There are examples of medical certificates lacking a description of the patient's reduction in function based on observations and systematic medical signs. It is important that the benefits administrator sees what is missing in the certificate, particularly if no medical signs are stated, and the certificate is regarded more as an account of the patient's recital.

In certain cases, the certifying officials are not uninformed but, instead, commit their own offences. Above all, employers may be committing their own tax and accounting offences. There are examples in the study where employers need a paper workforce for their own welfare offences in respect of employer subsidies, wage guarantees, or assistance allowances.

Great variety of perpetrators

The study shows significant variation in respect of perpetrators. Some came into the system correctly but use incorrect certificates to remain in the system. Others have a right to a basic benefit but cheat to gain small additional amounts in the form of compensation for costs they never incurred or excessively high housing allowances. Certain perpetrators have stated that they found themselves in financial straits and needed every krona.

Yet another group of perpetrators learned to commit welfare crimes through their families, close friends, or acquaintances. According to interview subjects, they often have significant disdain

for public authorities and, in such cases, outsmarting the system becomes almost a game. There are also elements of individuals with criminal backgrounds who use the welfare system either to provide a base income or as a primary source of income. Some of the latter also use businesses in their welfare offences. In such case this occurs deliberately and involves significant amounts of money and criminal commercial activity.

The welfare system is interdependent

The welfare system has gradually expanded and, over time, has come to include a host of public authorities. Moreover, there are organisations such as unemployment insurance funds and municipalities which, for simplicity's sake, are included in the definition of public authority in this report.

Although each public authority has its own regulatory system, they are interlocking and interdependent. The welfare system is intertwined at its core. One clear example is that a decision made by the Tax Agency regarding identity, residence, and income affects decisions regarding payments from other public authorities.

Nevertheless, there are clear boundaries between the public authorities which create opportunities for perpetrators to commit welfare offences and which render discovery and verification more difficult. The Notification Obligation Act covers only some paying public authorities and some benefits. Since the public authorities operate within the same system, it happens that welfare offences committed by companies are discovered (first and foremost by the Tax Agency) but the information cannot be shared with the public authority which is affected.

Despite limitations, the public authorities benefit from each other in the welfare system. One example is joint working groups which chart and analyse criminality risks and trends. Moreover, public authorities whose verification work is not relatively advanced take the example of public authorities which are farther along. The Social Insurance Office, with its relatively long history of specialised investigators, is a role model in this respect.

Focus on ex post controls

Verification activities are a relatively new part of the paying authorities' mandate. This indicates that the focus is often on paying benefits, and doing so promptly. At the same time, all of the paying authorities have developed verification activities to varying degrees.

When the public authorities think and talk about verification, they often mean conducting verification when the benefit has already been paid out. There are verification elements as early as

during the administration of benefits, but the scope varies widely among public authorities and administrators. In the study, one can glimpse talented, driven administrators who not only verify but also detect incorrect certificates prior to payment. Other administrators do not know exactly what to look for but, instead, take some measure which can almost be described as pro forma verification, and then take a decision. Public authority prioritisation of swift administration and payment over accurate administration and payment was identified as an aggravating circumstance in interviews and matters.

Inadequate administration renders the task of investigators and the justice system at a later stage more difficult. In certain cases, it becomes difficult to investigate and ascertain whether the applicant erred, because he or she provided information which the public authority missed. If the administrator has approved a clearly incorrect certificate – clear, in any event, to the investigator who knows more about verification issues – it may become more difficult to prove intent. This is necessary for the paying public authority's verification case to lead to a preliminary investigation or indictment and judgment. The fact that this is a problem for many public authorities is illustrated by a number of frustrated investigators who were interviewed for this study.

Benefits paid to businesses are often described as particularly neglected in terms of verification. This is distinctly problematic in that these benefits are often significantly greater than those paid to individuals. The administrators are trained to check the applicant and its circumstances. However, determining the size of the benefit on the basis of a business owner's salary or other aspects of the business requires basic accounting and business law knowledge. Understanding a company can require tools and skills other than those involved for the individual applicant. In this case, the paying public authorities can develop their work and learn from, for example, the Tax Agency.

Damage on several levels

Welfare offences lead to damage on several levels. In conjunction with incorrect payments, the best benchmarks for damage are: a) erroneously paid; b) repayment demanded; and c) amounts granted but not paid. This is a highly relevant benchmark.

Many benefits form the basis for both sickness benefits and pensions. This means that an erroneously paid salary guarantee can lead to erroneous payment of unemployment compensation or parents' allowance. These benefits generate, in turn, erroneously paid pension. The errors grow or accumulate in the system.

The study contains examples of dishonest parties also using benefits to affect competition within their industries. Erroneously paid

assistance allowances or employer subsidies lead to certain companies realising higher profit margins through compensation from the state. Certain interview subjects believed that this could, in the long run, also lead to such perpetrators dumping prices and winning public contracts. In certain cases, welfare offences are combined with fraud on other systems, for example in the context of various economic crimes or private insurance fraud.

However, research into economic crime shows that the injury to public trust is far greater than financial losses. To put it somewhat simply, this means that welfare offences jeopardise public trust in the welfare system and trust between groups in society. If there is a perception that the welfare system is leaking erroneously paid amounts, there is a risk that cheating will increase. Moreover, no one wants to be the last taxpayer when the welfare system collapses.

This report has focused on incorrect certificates and the interlocking nature of the welfare system. A central purpose has been to identify gaps in the system which are exploited by perpetrators. Crime is prevented by plugging these gaps, and thus trust in the system is preserved.

Proposals for prevention

The most important proposals of the report are summarised below:

- The public authorities must have relevant verification steps as early as in the determination of whether there is a right to a benefit. Experience from the public authority's own investigators and other authorities may be used to increase verification skills. The need is particularly great in respect of benefits to employers (businesses).
- The Notification Obligation Act can be more widely used than it is today and should be expanded to include all welfare offences. Frustration is created when an authority discovers an offence against another authority but cannot transmit this information. The flow of information here – and thus also verification – can become more effective.
- Certifying officials should be replaced to the extent possible; the Tax Agency plays an important role here. Instituting monthly data would increase the possibility of discovering incorrect verification information increases and, in the long run, welfare offences as well.
- The rules should be simplified for several reasons. Firstly, it will increase the applicant's ability to understand the rules regarding a benefit increases and decrease the risk of unintentional error. Secondly, it would become easier for administrators to ascertain which benefits are relevant for the applicant and which require-

ments should be imposed on the applicant. When the number of mistakes and unintentional errors decreases, resources are also freed up for verification in conjunction with more difficult cases, for example welfare offences with incorrect certificates.



Brottsförebyggande rådet/National Council for Crime Prevention

BOX 1386/TEGNÉRGATAN 23, SE-111 93 STOCKHOLM, SWEDEN

TELEFON +46 (0)8 527 58 400 • FAX +46 (0)8 411 90 75 • E-POST INFO@BRA.SE • WWW.BRA.SE