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LINKS WITH NATIONAL AND LOCAL SOCIAL, ECONOMIC, FINANCIAL AND CRIMINALISATION POLICIES

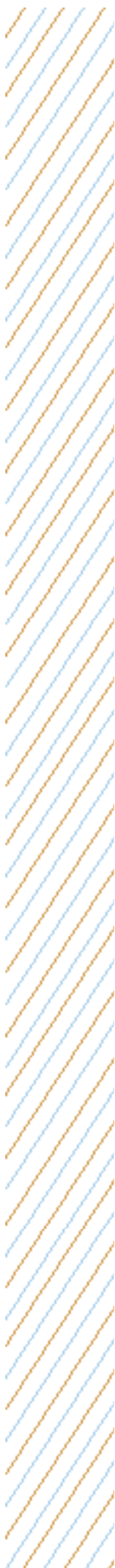
ANTOINETTE VERHAGE

I - INTRODUCTION

By means of introduction, we shortly repeat the general goals of work package 5. In this work package, we aim to :

1. Explore the interaction between crime, socially deviant behaviour and organised crime - in relation to those who participate in such activities or are drawn into them (seminars 1-3: see newsletter 21).

2. Study the consequences of different national, regional, and local social and criminal law policies on the forms of criminal activity regulated and accordingly, the groups of people most affected ;



In this newsletter, we will focus on the second objective: the consequences of policies on crime and informal economy. During the seminars, an interdisciplinary mix of academics and practitioners were invited to reflect on the domain, extent, content and changeability of the informal economy. During two seminars, criminologists, lawyers, economists, historians, sociologists, geographers and many more, presented their research results to the participants. The discussions that arose afterwards, have given us the opportunity for not only detecting new fields of research, but also to develop new outlooks on the policies that tries to tackle the informal economy.

The central question during the two final seminars of workpackage 5, relates to the impact on the informal economy : what affects the forms of the informal economy ? How is the informal economy constituted in different places : who is participant and who is subject of scrutiny ?

The main focus was on the effect of policy on the extent and content of the informal economy, based on the hypothesis that policy may actually be encouraging the informal economy. Possible effects of these policies, that were discussed during the seminars, were: policies who are stimulating criminality, the creation of underclasses as a result of social policy, contracting out of specific activities as a result of economic policy, migration, focus on low paid workers, ... (Shapland, 2008a, b).

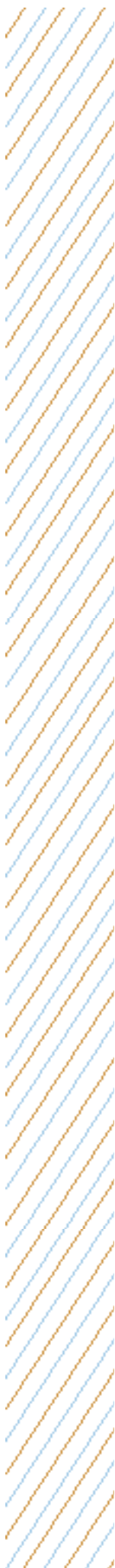
II - SEMINARS AND TOPICS DISCUSSED

1 - Ljubljana: “Informal Economy, Illegal Labour and Public Policy”

A - Illegal labour

The aim of the seminar in Ljubljana was to discuss the impact of several types of policy on the amount/extent of the informal economy. Firstly, the presenters were questioning the position of the European Union in regulating the market and in preventing illegal activities. After all, political and administrative decision-making at both a European and a national level can influence informal (or illegal) behaviour. For example, the efforts of states to battle illegal labour, such as the instalment of specific institutions that are expected to ‘police’ this illegal workforce, also partially determine the extent of the phenomenon : by drawing the lines between legal and illegal, policymakers define the phenomenon of illegal labour (Aden, 2008).

All participants thought the EU is of main importance for the unification of local decision makers. Still, illegal economic activities are crossing European borders. In some cases, simply the fact that people cross these borders may constitute a criminal fact.



B - Art crime

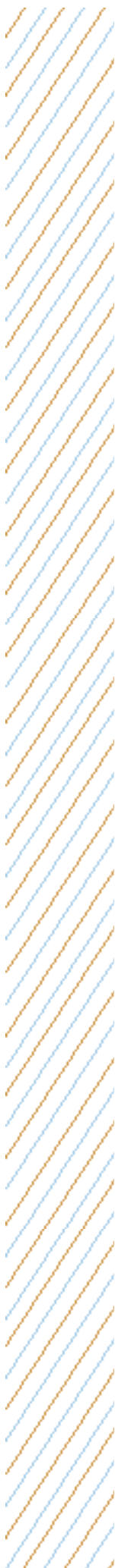
The way in which art is used as an illicit currency also sheds some light on the use of alternative pay methods in the informal economy (Charney, 2008). According to Charney, most art crime, such as vandalism, theft, forgery or looting is mainly carried out by (or on demand of) organised crime syndicates, who use art as means of currency for perpetrating organised crime, ranging from the drugs trade to terrorist activities. The fact that no money changes hands, as the work of art remains a trading good within a closed black market-system, makes it even more difficult to trace these types of crime. Art looting, the most prevalent type of art crime, is the most difficult to trace, as these artefacts are not registered and therefore nonexistent.

C – Corruption

Societies in transition find themselves in a specifically weak position. The transition towards more democratic systems, from a socialist economic model towards a free market model, enhancing the number of choices that can be made and the possibilities of making use of an informal market, result in specific problems. The case of Slovenia illustrates this ; in order to fight corruption, a major problem in most Eastern European countries (specifically the Balkans), a number of initiative were started. One of those initiatives was focused on the activities of informal networks, active in politics, who have the tendency to ignore regulation. These informal networks are the basis for corruption and hamper every attempt to prevent of fight corruption (Dobovšek, 2008). The Slovenian “Commission for the prevention of corruption” tries to tackle these networks by – for example - supervising assets of official functionaries, providing information to the public through the website and restricting business conduct. Furthermore, the implementation of an anti-corruption programme by each institution is strived for. Nowadays, corruption, forgery and fraud are seen and perceived as a part of regular business activities and ordinary daily life, as a result of weak regulatory and legislative controls and cultural aspects. By introducing anti-corruption standards, policy makers hope to change these perceptions.

D - Migration

In two Italian contributions, migration policy and its effects on the informal economy was addressed. One of the illustrations of this showed the results of stereotyping and criminalisation in relation to a specific inhabitant group. A ‘no-go’ zone had grown as a result of a combination of migration and a lucrative informal economy. This area came to be perceived as the ‘enemy’ within the city, leading to a social alarm. Severe law enforcement practices were the result, leading to an increased level of criminalisation and potential expulsion (Sbraccia, 2008). This case study showed how intervention, specifically intervention based on an exaggeration of the facts, can have even more severe consequences : the remedy is worse than the



disease. This observation was supported in another case study of a Roma group, who made use of the informal economy as an instrument to advance socially (Saitta, 2008).

E - Private institutions

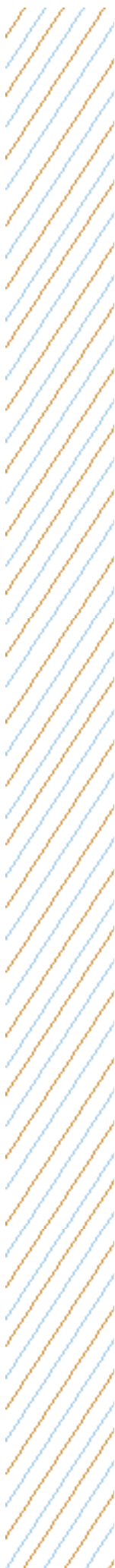
The position of the private market within this regulatory and legislative inspection position, was a fourth subject of discussion. An example was the financial sector and its efforts to control money laundering. By trying to control money laundering, however, society must be aware of the adverse effects of this all-invasive control system. There are some suggestions that the large restrictions placed on entering the formal financial system, leads to an enhanced and more creative use of the informal system (Verhage, 2008).

2 - Rotterdam: “ The effects of policies on the nature and extent of the informal economy”

The Rotterdam seminar was aimed at an interaction between practitioners and researchers. In order to exchange information and viewpoint, we invited policy officials to reflect on the issues related to the development of the informal economy. The theme that was discussed was the impact of national policies on the informal economy. Do policy makers and countries, by developing and implementing legal, social and economic policies, choose for a certain form of informal economy? After all, by their definitions, states define what is formal-informal-illegal. The actions that they take have consequences on the extent of the informal economy: although there is no direct link between high tax rates and a large informal economy, there may be an influence.

A - Corruption

One of the examples of adverse effects of regulation on the informal economy, was discussed by A. Kupatadze, who showed that after the police reform in Georgia – in which the state tried to fight corruption and tried to create a more efficient and effective police system - many policemen were fired. These former policemen subsequently moved to organised crime groups, leading to a professionalization of organised crime in Georgia. However, there still are contacts between the former and current policemen. The result is a system of corruption, nepotism and cronyism, in which family ties play an important role. By fighting corruption, the state has pushed corruption towards specific areas in society: the public procurements and international business deals (as politicians are often business men). The result is that the smuggling of illegal goods continued, through the political elites and the former police officers. These goods are sold in illegal markets, providing crucial income for the impoverished parts of the population. In these illegal markets, all strata of society are involved: the government, the police, corporations, ... These markets therefore also fulfil a certain function in this society. The role of law enforcement



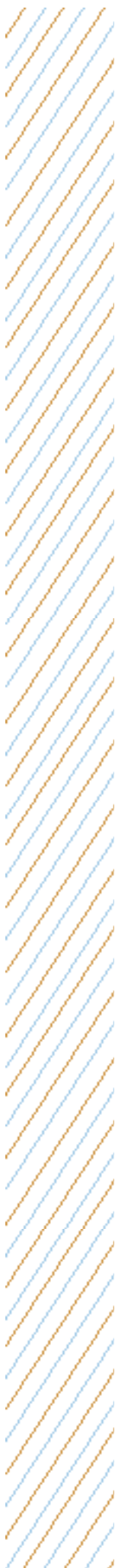
is crucial: sometimes, law enforcement is more involved in crime than the criminal groups. Combined with the widespread perception in society that corruption is ‘normal’, and criminals who function as a role model for the youth, the problems are deeply rooted in society. Kupatadze also notes that criminal groups are also involved in charity issues and provide help for poor people, as a kind of social safety net.

B - Survival economy?

Another example of legislation as a push factor towards the informal economy is the informal economy within the Ukraine (Round, 2008). As a result of state policy that leads to low wages, low pensions, the formal income is not enough to live on. This implies that teachers, doctors, factory workers, working full time, cannot earn enough money during their formal job to make a living: a survey showed that only 10% of the households can rely solely on their formal income. This pushes people into the informal sphere (based on the same survey, 20-80% of all income in the Ukraine stems from the informal economy). In practice this implies that in order to obtain a service, people are obliged to pay a bribe (to the doctor, the kindergarten,...)the government also takes advantage of this and asks bribes for licences etc. Concretely, people are paid two wages, both a formal and an informal wage. The informal character of these wages can be problematic, for example when trying to get a loan from the bank, but also results in insecurity regarding the income and the position within the job. Not only penal legislation can have an effect on the informal economy, also labour regulation may influence this (Aden, 2008a, b).

Furthermore, it is not only the legislation, but more the extent of enforcement – e.g. the chance of getting caught- which is a determining factor. This, however is not the only impact. The informal economy is also the result of a social struggle between different parties and organisations – the powerful versus the powerless. For example, much of the labour regulation aims to protect the powerless. Within the informal economy, we see an invisible workforce as a result of this regulation. We see a bifurcation between the powerful and the powerless, depending on the extent of organisation of the informal economy: there is a continuum of activities in the informal economy, ranging from housing issues to corruption.

In two Dutch contributions, the approach of policymakers towards the informal economy in two large cities in the Netherlands (the red light district in Amsterdam, with its ties in organised crime on the one hand, and the Rotterdam ‘intervention teams’, focused on tackling illegality and thereto related (petty) crime. These contributions showed the intentions of policy makers to ‘sweep the city’. (Rombout, 2008 ; Huisman, 2008).



C - Human trafficking

One of the examples in which we can actually speak of powerlessness, is the situation on human trafficking in Serbia (Copic, 2008). Human trafficking is one of the most profitable markets in Serbia, in which women, but also men and children are victimised through labour exploitation, lower salaries, long working hours, bad living conditions and threats. However, Copic also pointed out that the victims can also become offenders: through the recruitment of other victims, they change places and become the exploiters, not the exploited. This shows that it is very difficult to establish who is the perpetrator and who is the victim.

D - Private sector regulation

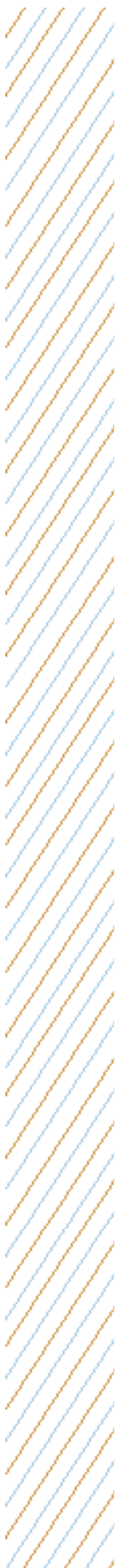
A third factor is private sector regulation or market changes, which also may have an impact on the activity within the informal sphere. The combination with larger amounts of subcontracting, for example, makes the economy more diffuse, resulting in more opportunity for informal activity.

The phenomenon of Hawala banking is one of the examples of market changes: by the increasing restriction of official banking systems, people try to look for other solutions, one of which is the Hawala banking system¹. Informal banking is considered to be an important part of the informal economy in the Netherlands (Siegel, 2008). Informal banking is based on trust, and Hawala bankers are respected members of the (immigrant) community. Users of Hawala banking are mainly (legal) immigrants. As regulations on the financial institutions are not very likely to decrease, Hawala banking will always remain needed.

Conclusions

The informal economy is a very broad domain, in which several disciplines are active. By making these disciplines meet each other, insights can be shared and viewpoints, although diverse, can give new outlooks on this phenomenon. One of these viewpoints is a market analysis of the informal economy; by looking at supply and demand, we were able to find some answers to why people engage in the informal economy. It also became clear that people who are active in informal economy are not by definition victims; moreover, it is rather difficult to establish who is the victim and who is the perpetrator, especially because these positions are interchangeable. Furthermore, policies may and do have (unintentional) adverse effects, and push people or markets into the informal sphere. Furthermore, the level of regulation is not that crucial; it is the level of enforcement that determines the impact of policy (Shapland, 2008a, b). As such, strict legislation combined with a lack of enforcement may have an even

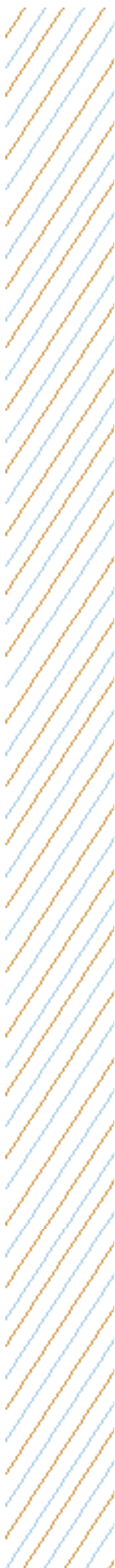
¹ The Hawala banking system is an informal banking system through which remittance services are provided through connections and without many formalities. The system is mainly used by expatriate workers who want to send money home.



more adverse effect by making access to the formal economy more difficult in theory, while allowing many activities in the informal economy.

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Contacts

Antoinette Verhage - Governance of Security - Faculteit Rechtsgeleerdheid - Universiteitstraat 4 - B - 9000 Gent

antoinette.verhage@ugent.be

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