

## The informal economy in Belgium's hotel and catering sector – survival strategy and crime risk

Dr. Noël Klima

**Project DANGER:** [www.law.ugent.be/ircp/danger](http://www.law.ugent.be/ircp/danger)

**Program Society & Future:** [www.belspo.be/belspo/ta/](http://www.belspo.be/belspo/ta/)

**Funded by Belgian Science Policy:** [www.belspo.be](http://www.belspo.be)

Study day on the Informal Economy

“The economic crisis and the informal economy in Europe”

Ghent University – 6<sup>th</sup> September 2012



**IRCP**

Institute for International Research on Criminal Policy  
Ghent University

*"... It's mostly one of the reasons why they practice fraud. Because they struggle to survive."*

*"Your accountant is your best friend. ... Your lawyer and your accountant are the only two people in whom you can confide, to whom you have to tell the truth at all times."*

*"... sometimes we think: they must have noticed this, they must have been aware. But it doesn't often happen that they are convicted."*

*"But what it is really about, is that when you work without employees, like a café owner, then you have to buy via the black market because otherwise you don't earn any money here in Belgium."*





**IRCP**

Institute for International Research on Criminal Policy  
Ghent University

## Contents

- Context of the research
- Methodology
- Interesting facts on the hotel and catering sector in Belgium
- Major findings hotel and catering industry
- Some conclusions
- Indications for future research



## Context of the research

- Studies on vulnerability to (organised) crime in the context of a cooperative research project on the 'dangerousness' of organised crime 2008-2011 (Project DANGER; Ghent University, KU Leuven and Rotterdam University)
- Vulnerability to crime (opportunities in legal environment): Searching for structures, relations, interdependencies, mechanisms and conditions within economic activities that play a crucial role with respect to crime
- Contribution to the academic discourse of the legal-illegal nexus of (organised) crime and the policy debate on involvement of economic sectors in criminal activity

## Methodology

- Under research: the hotel and catering industry
- Empirical basis:
  - 17 interviews professionals, public servants and police agents
  - 2 interviews convicted criminals
  - 21 case files Belgian Federal Police
  - 1 case file from the Customs services
  - 2 informal conversations administrative city servants
- Way of working: Qualitative, explorative, bottom-up and circular research process, diversity of sources, analysed jointly, flexible topic list, computer-based analysis (MAXQDA 10)



## Interesting facts on the hotel and catering sector in Belgium

- One third of people working in the sector are self-employed
- The number of self-employed entrepreneurs in the sector is almost twice as high as in other economic sectors
- Over 50% of the companies in the sector have only one member of staff, and almost 90% have less than five employees
- The number of part-time workers in the sector is twice as high as the average for the Belgian economic sectors
- The bankruptcy rate is notably higher than for other sectors



## Major findings hotel and catering industry

- Informal economy reinforced by:
  - High turnover of personnel and high percentage of part-time workers (ex. fraud, black labour)
  - Low profitability of enterprises pushes entrepreneurs to search for new ways to survive (ex. using cheaper (illegal) products, fraud, business with criminals)
  - VAT legislation hampers compliance business-economically
  - Independent accountants provide necessary expertise
  - Pressure from demanding suppliers and customers



## Major findings hotel and catering industry

- Elementary informal economy in the sector:
  - Makes fully illegal service provision possible and attractive (ex. mobile bartender groups, bouncers without licence)
  - Culture of silence ('everyone' involved in informal economy), informal dispute resolution
  - Makes sector vulnerable to (organised) criminals (ex. food is attractive for money launderers, low preconditions to start an (front) enterprise in the sector)



## Some conclusions

- Hotel and catering sector has a strong local character based around personal contacts and cash exchanges
- Informal economy is reinforced by inadequate sector conditions and lack of/insufficient control such as:
  - General structure of economic regulation (ex. VAT regulation)
  - Weak economic conditions of players due to low profitability in the sector
  - Size does matter: Self-employed and SME's dependent on informal economy activity to survive
  - Insufficient control of key positions such as accountants



## Indications for future research

- Examine case files from labour and tax authorities to identify patterns of interdependencies in the sector reinforcing the informal economy
- Rely on offender interviews ('experts' view on the sector) to explore new *modi operandi*
- Verify the role of accountants in the sector and their interaction with entrepreneurs
- Interview 'newcomers' in the sector to explore more deeply the push and pull factors feeding the informal economy



Institute for International Research on Criminal Policy  
Ghent University

## **Informal economy in Belgium's hotel and catering sector – survival strategy and crime risk**

**noel.klima@ugent.be**

**Project DANGER:** [www.law.ugent.be/ircp/danger](http://www.law.ugent.be/ircp/danger)

**Program Society & Future:** [www.belspo.be/belspo/ta/](http://www.belspo.be/belspo/ta/)

**Funded by Belgian Science Policy:** [www.belspo.be](http://www.belspo.be)

Study day on the Informal Economy

“The economic crisis and the informal economy in Europe”

Ghent University – 6<sup>th</sup> September 2012