

Observations of the shadow economy and economic crime environment

Results of the survey sent to the supervisory authorities in February 2024

Teemme harmaan talouden torjunnasta näkyvää.

Torjunta kuuluu kaikille.

Survey on changes in the operating environment

- The survey conducted by the editors of the situational picture on the shadow economy and economic crime for the supervisory authorities, ministries and organisations in spring 2024.
- Changes in the shadow economy and economic crime, as well as in their prevention.
- The goal of the survey is
 - to assess any changes in official cooperation,
 - to identify the views and observations of the supervisory authorities of the operating environment and any changes in it last year,
 - to identify what changes or threats the authorities expect to see in the operating environment in the near future.
- The survey offers up-to-date information about the authorities' activities, various phenomena and shadow economy methods.
- The observations promote combatting.
- The results form part of the situational picture on the shadow economy and economic crime.

Survey results



Growing challenges in supervision

Highlights of abuse and crime

Changes in the authorities' operating environment

Growing challenges in supervision

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New ways of working have changed supervision

- Activities and information are fragmented
 - Several parties and growing data volumes tie resources
 - It has become more difficult to identify responsibilities
 - New sectors, operators also outside registers
- Shift from employment relationships to self-employment → increases in abuse and the need for supervision
- Subcontracting agreements are sold and transferred – also illegally

False information threatens societal functions

- Digitalisation, automation and electronic identification
- Electronic identity fraud
- Artificial intelligence (AI) and other similar applications
 - Accounting records, documents, photos
 - Blind spots and other loopholes
- False information may become official information in registers
 - Correcting or cancelling the information provided
 - Submitting excess volumes of information and mass reports

Registration involves risks

- Companies also used as tools in fraud
- Tax cards, tax numbers, or a responsible position in a company without the right to work
- Registered data on employees without strong identification
- Registration outside Finland – identification tools and reliability of information

International factors have an impact on the supervisory environment

- Wars and conflicts, inflation and climate change
 - have an impact on trade carried out by companies, transport flows, and the movement of people
- More international channels for payments and trade
 - International e-banking services, payment terminals, payment cards and virtual currencies
 - Professional assistants
 - E-commerce and goods flows

Other observations of supervisory activities

- Incomplete financial statements, accounting records, beneficiary information, etc.
- Neglect of regulations on activities subject to a licence
- Probing the limits of the supervisory authorities
- Lack of understanding of the necessity of official activities
- Different sanction policies of the authorities

Highlights of abuse and crime

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Labour exploitation is also part of the shadow economy

- Exploitation gives a competitive edge and is part of companies' earning model
- The need for foreign employees, a flexible and temporary workforce and long subcontracting chains increase risks
- Employment agencies use shell companies and straw buyers
- Seasonal work in agriculture, construction, industries, and restaurant, cleaning and wellness sectors
- Increased ability to identify and combat the phenomenon

Sanctions monitoring keeps the authorities busy

- Increased ability to identify the evasion of sanctions and associated methods
- Challenges set by sanctions monitoring
 - International activities, money transfers and new methods
 - Use of countries not willing to cooperate
 - Artificial ownership arrangements
 - Resources and slow investigations
- Transport, logistics and forwarding are high-risk sectors

In food chain abuse, activities are often carried out outside registers

- Missing production animals or livestock slaughtered for personal use
- Marketplaces and markets
- Import of illegal or unidentified meat
- Illegally made products or products with an incorrect content are also bought without knowing → the price level is often an indication of content and quality
- Activities outside registers and companies with a short lifespan
- Risks are increased by growing demand and fewer hunting licences, as well as a single party being responsible from production all the way to end products

Organised crime exploits the structures of society

- Organised crime is finding new forms and becoming more international
- Prohibited substances, economic crime, money laundering and social security abuse
- Criminal activities in conjunction with legal business
- Use of technologies and ways that protect anonymity
- Updating the strategy and action plan for the prevention of organised national crime

Changes in the authorities' operating environment

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Cooperation between the authorities is organised, combatting produces successes

- Cooperation is the most effective tool to respond to changes in the operating environment
- Operations, projects, situational picture, networks
- Understanding of the activities of other authorities
- Identifying the data needs of other authorities
- Speed, clarity and the low consumption of resources are key in information exchange
- Real-time field supervision prevents abuse
- Large shadow economy phenomena have decreased

Joint projects of the authorities need to be continued

- Joining forces is the most effective way to respond to changes in the operating environment
- New phenomena and supervisory activities, development of information exchange
- Projects product preventive tools and improve the authorities' ability to identify phenomena
- Some risks may remain unidentified without cooperation
- Phenomena also extend to such authorities that are not primarily engaged in crime prevention

Economic stagnation and inflation increase the shadow economy

- Business with shadow economy operators
- Neglected official obligations
- Unwillingness to pay and bankruptcy crime
- Abusing the acquisition of companies on the verge of bankruptcy
- Requirement for financial reliability

<https://www.vero.fi/en/grey-economy-crime/>

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