



Australian Government  
Australian Institute of Criminology

# Ten impediments to the quantification of organized crime

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# Objectives in quantifying organized crime

## Trends and typologies

- To provide baseline data that can be used to measure changes in the incidence of organized crime
- To identify changes in the targets and methodologies employed by organized crime
- To compare experiences in different locations internationally

## Resource allocation

- Cost and impact estimates can be used by government to allocate resources for the detection, investigation and prosecution of organized crime
- To allocate scarce crime prevention resources effectively

## Awareness-raising

- To raise awareness for risk-reduction and victim support



# Approaches to quantifying organized crime

## Market-based approach

- Determine the market demand for goods and services
- Determine the extent to which goods and services are supplied both legally and illegally
- Apply unit cost estimates for each category of goods and services
- *Application: drug crime, IP crime, vehicle crime, firearms, currency, tax*

## Crime statistics approach

- Determine the number of reported crimes
- Determine a multiplier for undetected and unreported crimes
- Apply unit cost estimates for incidence statistics for each crime type
- *Application: violent and street crime, fraud, corporate crime, kidnapping*

## Both approaches

- Add in estimates for indirect and intangible costs
- Deduct proceeds of crime recovered and compensation received
- Assess the proportion of costs attributable to organized crime



## United Nations Palermo Convention 2000 (article 2)

### ‘organized criminal group’

- A **structured group** of three or more persons
- Existing for a period of time and acting in concert with the aim of committing one or more **serious crimes**
- Obtaining directly or indirectly, a financial or other material benefit

### ‘Structured group’

- A group that is not randomly formed for the immediate commission of an offence and that does not need to have formally defined roles for its members, continuity of its membership, or a developed structure

### ‘Serious crime’

- Conduct constituting an offence punishable by a maximum deprivation of liberty of at least four years or a more serious penalty



## Barrier 1 – Applying the Palermo definition

### The number of offenders

- Crime statistics rarely include the number of offenders, but focus on individual offenders or victims of crime as units of measurement

### The seriousness of offending

- Seriousness cannot be assessed by maximum of 4 years penalty only
- Organized crime often uses low-level workers (e.g. money mules) to commit minor offences, while the total enterprise remains serious

### The continuity of offending

- What period of time is required to constitute planning and offending?
- Does a group Skype call amount to planning a crime?

### The nature of collaborative offending

- What types of collaborative activity are sufficient – planning, offending in concert, post-offending behaviour – laundering, concealment, reprisals?
- Should this include professional advice provided unwittingly?



## Barrier 2 – Defining the categories

### Organized street crime

- *Acquisitive, profit-driven crime* – theft, burglary, fraud, drug trafficking
- *Violence and intimidation* – murder, assault, kidnapping, extortion

### Sophisticated organized crime

- *Personal* – abduction, criminal defamation, serious order offences, euthanasia, surrogacy, criminal medical negligence, human trafficking, cyber-stalking, identity crime, child exploitation, organised sex crime
- *Property* – blackmail, corporate crime, vehicle crime, IP crime, online fraud, malware, art crime, currency crime, firearms trafficking

### Transnational organized crime

- *Global economic crime* – tax & revenue fraud, LIBOR, share markets
- *Global infrastructure* – energy, natural resources, ICT, cloud computing
- *State crime* – vote-rigging, aid fraud, wars, conflict, piracy, terrorism
- *Environmental crime* – depletion of fisheries, logging, climate change, illegal waste disposal (hazardous waste, e-waste)



## **Barrier 3 – Inadequacy of statistical data holdings**

### **Focus on traditional crime types**

- Limitations of official crime statistics and lack of unit record data

### **Paucity of non-criminal justice agency data**

- Lack of uniform data collection categories for corporate offending, consumer protection, IP infringement, revenue and tax fraud
- Unwillingness of government agencies to release statistics for undisclosed / covert political and national security reasons

### **Paucity of private sector data**

- Inadequate and unavailable data collection in the private sector – forensic accountants and consultants, ICT security, crime prevention
- Lack of objectivity in private sector data that are used for marketing
- Small sample sizes used in most industry surveys

### **Risk of double-counting**

- Overlap between crime categories (e.g. cybercrime and fraud)



## **Barrier 4 – Unreported organized criminality**

### **Additional impediments to the reporting of organized crime**

- Increased risks of threats and intimidation for reporting org. crime
- Inability and unwillingness of official agencies to investigate complex, cross-border organized crime – makes reporting fruitless

### **Lack of ownership of victimisation**

- Many types of organized crime have impacts that make individual ownership and reporting impractical – environmental harm, infrastructure attacks, global offending
- Often victims receive financial compensation that obviates the need to report (e.g. payment card fraud losses reimbursed by banks)

### **Crime victimisation surveys don't measure these crimes**

- Crime victimisation surveys are unable to address organized crime due to the absence of identifiable victims, or unwillingness to report victimisation due to fear of reprisals



## Barrier 5 – Inability to quantify financial impact

### Undetected and unknown losses

- Some organized crime has unknown harm (e.g. charity fraud, IP crime)
- Actual losses often can't be counted (e.g. covert corporate fraud)

### Quantification of financial losses

- Problems of pricing parity with international offending involving multiple currencies (use OECD *Purchasing Power Parity Rates*)
- Unit costs for individual offences unable to be calculated where one pattern of offending has such wide variability (e.g. serious fraud)
- Cost of research required for quantification makes calculation of losses impossible for business and government – preference to dismiss suspects from employment rather than prosecute criminally

### Impossibility of measuring consequential losses

- Financial impacts on business confidence, trading patterns, consumer confidence all can't be correlated with impact of organized crime



## **Barrier 6 – The value of non-pecuniary harm**

### **Unquantifiable and unknown impact**

- Loss of productivity of workers due to victimisation
- Lost opportunity costs of responding to organized crime

### **Medical and psychological impact**

- Unwillingness of individuals to report non-financial impacts and harm
- Lack of evidence of medical and psychological impact of organized crime (e.g. stress-related harms, depression, suicide)
- Difficulty of establishing a causal link between criminality and harm

### **Temporal limitations in quantification**

- Harms may often not become apparent until years after the offending occurred – need to use prevalence rather than incidence-based calculations to capture the present value of future losses
- Organized criminality can extend over years making calculation of cost in any specific year difficult where the impact is cumulative



## **Barrier 7 – Measuring the impact on offenders**

### **Lack of data on lawful productivity**

- Difficulty of measuring what individuals involved in organized crime might have done had they not been involved in crime

### **Cost of personal harm suffered by offenders**

- Personal losses, medical and psychological harms suffered by offenders arising from involvement in organized crime

### **Impact on families of offenders**

- Measurement of the impact on families of the harms caused through organized crime (e.g. violence, property damage)
- Loss of direct income for families while offenders are incarcerated
- Cost of support for families of injured or murdered offenders

### **Second-generation costs**

- Difficulty of quantifying the impact when children of offenders become involved in crime, and relating this to the criminality of their parents



## **Barrier 8 – The indirect costs of organized crime**

### **Fear of crime**

- Social costs of fear of crime – e.g. unwillingness to use technology through fear of cybercrime
- Cost of community defensive action

### **Financial impact on business**

- Cost of bribes and corrupt payments made to organized crime groups
- Damage to reputation of being associated with organized crime
- Disinvestment in areas where organized crime is prevalent

### **Loss of productivity**

- Loss of productivity in government and business due to victimisation and responding to organized crime
- Loss of productivity of organized crime victims and offenders



## **Barrier 9 – Prevention and response costs**

### **Disaggregation of CJS costs in the public sector**

- Difficulty of attributing a proportion of the costs of criminal justice system administration to organized crime
- Difficulty of disaggregating other public and private sector organisational costs to organized crime response activities

### **Costs of preventing organized crime**

- Difficulty in calculating organized crime prevention costs (e.g. community, business and household security, consumer protection, insurance administration, anti-corruption, counter-terrorism)

### **Other responses to organized crime**

- Difficulty in costing more general responses to organized crime (e.g. AML regime, assets confiscation regime, victim assistance, witness protection, legal aid, cost of volunteer time, policy and legislation, research and statistics)



## **Barrier 10 – Accounting for financial benefits**

### **Contributions to the economy from organized crime**

- Provision of employment for workers involved in criminal enterprises (e.g. savings on unemployment and income support payments)
- Profits generated by businesses supported by organized crime – disaggregate the costs of the legitimate aspects of markets to which organized crime contributes (e.g. lawyers, travel, entertainment)

### **Restitution, compensation and other recoveries**

- Outgoings from organized crime need to be balanced with income received from civil and criminal compensation claims, and recovery of losses from business and the community

### **Deduct the proceeds of crime confiscated from offenders**

- A deduction needs to be made for the proceeds of crime recovered from criminals through criminal confiscation and other assets confiscation procedures, excluding processing costs



# Overcoming the barriers

## Definitions

- Use specific definitions of organized criminality within individual crime categories, rather than the UNTOC general definition
- Focus the level of seriousness and degree of collaboration involved
- Clarify the causal relationship between organized crime and harms

## Research

- Improve the evidence base for traditional crime types
- Undertake new research to quantify the extent of unexplored crime types
- Develop new research methods that focus specifically on organized crime (e.g. offender-based research, financial crime, response costs)

## Future directions

- Begin by refining the total costs of crime, and then assess whether it is necessary and / or feasible to estimate the costs of organized crime



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