Executive summary

Recently the Central Fine Collection Agency (**CJIB**) experienced a decrease in the collection percentages of both out-of-court settlement fines ('**Trias**') and fine sentences ('**Strabis**'). In the same period the collection percentage of traffic fines ('**WAHV**') remained constant. The decrease for Trias and Strabis may be caused by several factors: economic & demographic developments, judicial policy and changes in the characteristics profile of offenders.

To investigate these possible causes SEO Economic Research (SEO) carried out econometric analyses on all cases registered by CJIB between January 1st 1999 and October 30th 2004. The main conclusion from this research is that:

> *changes in the composition of types of sanctions are by far the most important explanation for the changes in collection percentages of Trias- & Strabis cases*

Research design

To reach this conclusion we first analysed the time series of collection percentages and disposal percentages on their own, without taking into account effects of other possibly influential factors ('exploratory analysis'; chapter 2). Then we analysed behavioural trends regarding the payment of fines in different sectors (chapter 3) and formulated the research design (chapter 4). Finally the collection- and disposal percentages for Trias, Strabis and WAHV are analysed separately taking into account their relation to several explanatory variables ('explanatory relation').

> *In our analyses we use the following definitions:*
>
> **Collection percentage** = number of cases for which the fine is collected within 1 year, as a percentage of the real inflow
> **Disposal percentage** = number of cases disposed of within 1 year, as a percentage of the real inflow

From desk research and telephone interviews investigating private debts at institutions like municipalities, insurance companies, public utility services and tax collection, it appeared that the collection deficits have risen slightly over recent years. People do pay, but not so quickly as they did before. Theoretically this could also be one of the explanations for the decreasing collection percentages at the CJIB, but that assumption remains to be tested.

The explanatory model

To separate behavioural effects from compositional effects we analyse our data on the individual level. In the end we want to estimate the <u>chances of collection of the settlement or sentence fine within one year</u>. Possible explanations considered are judicial, economic, social and individual factors and we also correct for possible seasonal effects. We also add extra explanatory variables to the data, like neighbourhood characteristics (merged on 4-digit postal code) and crime statistics (merged on police district). The (sentence) cases in Strabis are merged with the (out-of court settlement) cases from Trias. This allows us to flag the inflow into Strabis of cases who come from the Trias registration, as opposed to the direct inflow. After taking into account all these explanatory variables we can calculate the 'real' yearly percentages.

Results from the exploratory analysis

Exploratory analysis of collection percentages reveals that:

- At a first look, the explanation for the fall in collection percentage for <u>Trias</u> settlements appears to be the increasing number of sanctions regarding motorcar insurances (**WAM**), public offences nationally (**Bijzondere Wetten**) and public offences locally (**APV**). Fines in these categories are traditionally hard to collect, while simultaneously the percentage itself has also dropped for the last two mentioned groups.

- The first apparent explanation of the fall in collection percentage for <u>Strabis</u> sentences could also be the increasing number of sentences based on offences of APV and WAM (traditionally hard to collect) along with a decrease in the number of traffic sanctions (**WVW**), which always have relatively high collection percentages. Simultaneously the percentage itself has also dropped for sentences based on APV and criminal law (**SR**). It appears unlikely that the falling collection percentages are solely caused by a stretching period of payment (as the deskresearch among other institutions suggested). The trend of collection percentages paid after 1,5 year has the same downsloping pattern as the trend after 1 year, thereby suggesting that this falling percentage is not a statistical artefact but structural.

- The percentages for <u>WAHV</u> sanctions remained constant over the whole period. Nor the collection percentages nor the disposal percentages differs structurally by type of offence or region.

Results from the explanatory analyses

To determine the 'real effects' of possible explanatory variables we estimate the chance that the settlement or sentence fine is paid within one year, simultaneously correcting for other possible explanatory factors. The results are as follows:

Trias

Changes in the composition of settlement categories are by far the most important explanation for changes in Trias collection percentages since the year 2000. More settlements were registered in offence categories that are relatively hard to collect. After we have corrected for this compositional effect the payment of settlement fines has actually increased between 2000 and 2002. Would there really be an overall decrease in payment behaviour among the public, it can only be so after the year 2002.

Main causes for the aforementioned effects are the traditionally low paying categories WAM, APV en Bijzondere Wetten (motorcar insurances & public offences). These settlement fines have gained in relative importance, thereby decreasing the overall average collection percentage. The apparent decreasing percentage *within* these categories – as observed in the exploratory analysis – is explained almost completely by the other factors in the model. Only two categories show declining 'real' collection percentages when the other model factors are corrected for.

As a result of recent performance agreements between the government and the police (the so-called 'Veiligheidsprogramma') one can expect the number of settlements for public offences to increase further. Most offences within this category are committed in the subcategory 'relieve oneself in public', which also happens to be the only subcategory with an above average collection percentage. Fines for offences related to the use of alcohol, the use of drugs, loitering, rioting and residence permits are hard to collect. A future increase in the number of these settlements will therefore (all else equal) automatically cause a further decrease in the Trias overall collection percentage.

The gap between the collection percentage and the disposal percentage increases during the period of our analysis. Apparently the 'difficult cases' get transferred to the public prosecutor more quickly. The observed increase in disposal percentages is partly explained by, again, a changing composition of the settlement categories. When we correct for this composition effect we still see a rising percentage until 2002, albeit less steeper.

Strabis

In Strabis the explanatory analysis reveals two important explanations for the falling overall collection percentage. Firstly we observe, just as with Trias, a compositional effect of changes in the type of offences that are sentenced. More sentence fines were

registered in categories that are relatively hard to collect (especially public offences), thereby decreasing the overall average. Secondly the <u>inflow of sentences from Trias</u> has increased. This inflow signals the more 'difficult' cases: only 40% of the via-Trias-inflow is collected within a year versus 58% of the other cases. That makes sense, because if one doesn't pay a Trias settlement for his offence, why would he be willing to pay a sentence fine instead? After correcting for all these factors we don't observe a decreasing percentage anymore, but a instead a rising 'real' collection percentage in 2003. 'Real' collection of sentence fines is estimated to be 2%-points higher in 2003 than in 1999.

On a more detailed level we distinguish seven sub-categories of sentences. Some contain typical offences that are directly sentenced (and registered in Strabis), other contain offences that are typically settled first (and registered in Trias). The last category is registered in Strabis only after they have been disposed from the Trias registration. Half of these sentences sanction public offences (APV), the subcategory with the lowest collection percentage. Therefore it can be expected that as a result of the aforementioned performance agreements in the 'Veiligheidsprogramma' the inflow of these hard to collect sentences will increase further. This will (all else equal) automatically cause a further decrease in the Strabis overall collection percentage.

The analysis of disposal percentages reveals the same pattern as the analysis of collection percentages: the type of offences and the inflow from Trias are the two main explanations. The observed decline in disposal percentages is completely explained by these two factors. The observed decline is caused by the fact that more 'difficult' cases have been sanctioned and the inflow from Trias has increased. After correcting for these factors we even estimate an increasing 'real' collection percentage since 2001.

WAHV
Finally we also analysed the collection percentages for sanctions in the WAHV registration. If Trias and Strabis would have shown us a 'common trend' in payment behaviour that trend should be observed in the WAHV registration as well (after correcting for compositional effects). But such a trend was not found in the Trias or Strabis analysis, which makes the WAHV analysis practically superfluous.