

OVERCOMING THE CASH ECONOMY

Strategies for Resettlement and Vocational Professionals

ERIK S. HERRON, M.A.

Program Assistant, Refugee Employment Service, Jewish vocational Service, Southfield, Michigan

Soviet refugees work "off the books" for a variety of reasons, and a culture of the cash economy has developed in the refugee community. It is beyond the power of vocational professionals to eliminate the cash economy or the disincentives to legitimate employment. However, by engaging in educational efforts in which members of the refugee community participate and by providing incentives for those who obtain early employment, legitimate employment will be encouraged.

Resettlement and vocational professionals who work with Jewish refugees from the former Soviet Union (FSU) encounter many obstacles as they strive to help refugees achieve early employment. Perhaps one of the most challenging barriers to economic self-sufficiency is the lure of the cash economy, the network of jobs and employers willing to pay employees "off the books." The cash economy has many aliases, including the underground, black market, and shadow economies. The label "cash" is appropriate because most transactions take place in cash, and more importantly, Soviet refugees call this sector of the economy "work for cash."

Because of the clandestine and illegal nature of the cash economy, it is rarely discussed openly, though it is a constant source of frustration for professionals. Although many refugees from the FSU do gain access to the cash economy, most do so for a limited period of time and eventually enter into employment that is legitimate and competitive. The main question for the Jewish community and Jewish agencies to address is, What steps can be taken to limit the numbers of refugees who work in the cash economy and/or reduce the duration of participation of those who work for cash? The significance of this issue is magnified during this time of anti-immigrant sentiment nationwide and of welfare reform in our national and state capitals.

It is important to note that the cash economy attracts not only refugees but also

other immigrants and native-born Americans. Although refugees from the FSU are motivated to gain access to the cash economy for some of the same reasons as other groups, additional motivating factors are unique to this population. This article defines and examines the cash economy, particularly as it applies to Soviet refugees, explains reasons that motivate Soviet refugees to work for cash, addresses some of the dangers of the cash economy, and introduces strategies for resettlement and vocational professionals as they encounter individuals working for cash.

EARLY EMPLOYMENT AS A GOAL OF THE MATCHING GRANT PROGRAM

Private agencies and the U.S. government work together to ease the transition from the FSU to the United States under the framework of the Matching Grant Program. All families with at least one employable member are eligible for this assistance, which continues through the fourth month of residence in the United States. In this program, community agencies offer new arrivals money and a variety of services, and the government matches this assistance dollar for dollar up to \$1,000 per refugee.

The primary measurable goal of the Matching Grant Program is early employment. Although refugees are expected to strive toward economic self-sufficiency, they are expected to accept early employment opportunities, including entry-level positions. Those who are not employed af-

ter their 120th day in the country may apply for refugee cash and medical assistance offered by their state of residence and for federal aid. The goal of the program, however, is to eliminate the need for this aid by requiring early employment.

In order to promote early employment and self-sufficiency, local Jewish community agencies provide an array of services. Communities that participate in the Matching Grant Program are required to provide services for at least four months, although some communities are able to provide services for a longer period.

The ultimate goal of the Matching Grant Program is for refugees to become employed and self-sufficient instead of obtaining financial aid. The cash economy, however, provides powerful disincentives for legal employment and thus successful resettlement.

DEFINITION AND SCOPE OF THE CASH ECONOMY

The cash economy includes many disparate activities, the common characteristic of which is that income gained through participation is not reported to federal or state tax authorities. Cash jobs include working "off the books," working while collecting disability or unemployment compensation, working without required licenses, bartering goods and services, smuggling, prostitution, selling drugs, loan sharking, and illegal land deals (Carson, 1984).

Most refugees who work for cash have a relationship with their employer in which there is an explicit or implicit agreement that earnings will not be reported to the government. It is not the work these refugees perform that is illegal; rather, it is their failure and their employers' failure to report income to tax authorities that is illegal. Such arrangements occur in many industries, but are particularly prevalent in construction, trucking and warehousing, wholesale and retail trade, hotels, repair services, household services (child care and cleaning), and cosmetology (deLeeuw, 1985).

It is difficult to gauge the size and impact of the cash economy in dollars. Accurate calculations are undermined by the nature of the cash economy, which results in an absence of records, and by the psychology of participants. Coupled with this is the challenge of finding those who will admit that they do not report earned income and will provide accurate information about their actual income. Nevertheless, authors of various surveys and studies (using data from the 1970s and 1980s) have attempted to draw conclusions about the size of the cash economy. These surveys, using different methodologies and covering different time periods, have provided data that indicate that the size of the cash economy is from 4 to 33 percent of the gross national product (Carson, 1984).

A range of 4 to 33 percent is very wide, a spread of hundreds of billions of dollars. Even more conservative estimates indicated that legal-source income generated in the cash economy was well over \$70 billion in 1976. There is no reason to believe that the cash economy has shrunk since these surveys were taken. In fact, a California commission estimated that the total cash economy generated \$40 billion statewide in 1985. More recently, estimates of the size of the total cash economy in New York City reached \$54 billion (Garvin, 1993). Whatever the actual numbers may be, the cash economy plays a large role in the U.S. economy.

Data on the Soviet refugee community's stake in the cash economy are unavailable for many of the same reasons they are unavailable in the economy as a whole. Based on my experience with the Soviet refugee community and anecdotal evidence, the cash economy is at least as widespread in the refugee community as in the general population.

REASONS FOR PARTICIPATION IN THE CASH ECONOMY

Many immigrants to the United States who participate in the cash economy do so be-

cause they lack legal status (Garvin, 1993). Others enter this economy to provide or gain access to unlicensed and cheaper goods and services (Carvajal, 1994). Soviet refugees, who are authorized to work from the moment they arrive in the United States, enter the cash economy because of a perceived necessity. Refugees from the FSU work for cash to evade taxes, to allow them to gain access to government services and aid, for cultural reasons, to maintain self-esteem, and because of the existence of a cash economy culture.

Tax Evasion

Soviet refugees like many others who work for cash, are motivated by a desire to evade paying taxes. Although some native-born Americans avoid taxes as a form of protest, the refugee evades taxes to have more dollars in his or her pocket.

There are real consequences for failing to report income to the government. Individuals who evade taxes can be charged with a felony. The maximum penalty includes a fine of up to \$100,000 and a sentence of up to five years in prison (Rose, 1991). In addition, refugees may face a threat of deportation. These potential penalties do not serve as a deterrent to Soviet refugees because the refugees are either not aware of the consequences or, if aware of them, do not consider the threat to be credible. The size of the cash economy contributes to the refugees' lack of concern. Those who consider working off the books for cash usually know others who do the same. It is highly unlikely that their friends have been apprehended, tried, and convicted of tax evasion.

In addition to the perception that the refugee is not likely to be punished, Soviet refugees are accustomed to receiving their wages in cash. Workers in the FSU fill out no W-4 equivalents and receive no pay stubs. They receive their pay in cash. Thus, receiving cash payment for work is normal and comfortable for those from the FSU. And working for cash provides an

immediate short-term advantage: the refugee has more money than if taxes were deducted.

Access to Government Services

It is important to note that cash assistance from the government is often not sufficient to sustain an individual or family. Kathryn Edin, a sociologist at Rutgers University, studied single women who were receiving welfare. She discovered that only one of her 214 subjects lived without additional income from a cash job or help from friends and relatives (DeParle, 1994). Like Ms. Edin's subjects, refugee families often use cash jobs to supplement other forms of income, including welfare.

Although the type and amount of welfare that a refugee can obtain vary from state to state, refugees typically have access to some form of assistance. In most cases, any documented income jeopardizes receipt of cash assistance, food stamps, and/or medical coverage (Medicaid).

Soviet refugees are accustomed to a cradle-to-grave welfare state. The Soviet Union promised jobs, medical care, education, and subsidized food to its citizens. Although Soviet Jews experienced persecution in employment, education, and society at large, they, like other citizens, generally had their basic needs met. Refugees from the FSU arrive in the United States with expectations of benefits and services similar to those provided in the USSR. In fact, upon arrival, they do receive a variety of services, including help with housing, medical care, education, and food from non-governmental organizations and from the government. Refugees fear a loss of the security that these services provide (Belozersky, 1990).

The primary concern is a loss of access to health care. Soviet refugees are accustomed to the promise of universal health care. Although the Soviet health care system (and the system in successor states) was of poor quality, and they had limited access to it, Soviets believed that they would receive medical help, as needed, for free.

Ironically, many new arrivals come with a long list of physical complaints and concerns.

In a new country with alien customs, language, and laws, there is a pervasive fear that without a guarantee of medical coverage, the refugee (or his or her family) will die on the street or be impoverished by the cost of care. Because Soviet refugees are aware that employment on the books will reduce or eliminate their aid and possibly medical assistance, many seek the alternative that the cash economy provides: a job, additional income, and the social safety net provided by the government.

Some states have embarked upon welfare reform that attempts to make the welfare system more compatible with the needs of the working poor. These reforms are controversial, however, and are only in their nascent stages. Although national efforts at welfare reform have thus far exempted refugees from cuts in services, service providers must be prepared for changes that are inevitable in the current climate in Washington.

Jewish community agencies are not immune to changes taking place in Washington and in the state capitals. Consistent and comprehensive efforts must be made to reduce the number of refugees who obtain welfare and limit the duration of those who receive aid.

Cultural Reasons

As in many economies, the black market economy in the FSU was widespread and included a broad range of activities. In the FSU, moreover, the underground economy was even more vital for the functioning of the economy than it is in the United States.

Until very recently, many activities that are legal in the United States were illegal in the FSU. Soviet citizens violated the law when they hired other individuals to make repairs, construct private homes, or gain access to scarce resources. Soviets were not supposed to barter services, but often did so in order to gain access to goods or services in high demand. Although these types of

activities were not officially sanctioned, they occurred daily and openly in the FSU (Grossman, 1977).

As a result of their experience with the Soviet economy and with the Soviet version of the cash economy, most refugees from the FSU are adept at manipulation and subversion of bureaucracy. They are accustomed to doing what they feel is necessary in order to gain access to what they need. In addition, the refugees are comfortable engaging in these activities without feeling guilty about breaking the law. These cultural attitudes persist after arrival in the United States and provide further justification for working in the cash economy.

Self-Esteem

As a population, Soviet refugees are highly skilled and educated. When they arrive in the United States, many refugees find that barriers to employment prevent them from immediately re-entering their field of expertise. The refugee's English-language skills may not be sufficient, the knowledge of American technology and standards may be inadequate, demand for workers in his or her field may be low, or other barriers such as licensing requirements may prohibit or delay employment at the professional level. Refugees fear the loss of status associated with working outside their chosen profession (Fox, 1992).

Many refugees express concerns about accepting any job (usually work in manufacturing, maintenance, or retail trade) in order to become self-sufficient. They often believe that accepting such positions on the books will restrict their ability to find professional employment by trapping them in low-wage, low-prestige positions. Many believe that including these types of positions on resumes or job applications will inhibit professional growth. It seems that refugees consider that cash jobs can be kept secret, while jobs "on the books" immediately become part of one's job record.

Because many refugees from the FSU are accustomed to lifelong employment in one

enterprise, they do not quickly accept American notions of job mobility, career changes, and freedom of movement. In addition, a major part of identity for most refugees is based on their work. Working for cash, however, does not seem to reflect on a person's identity or at least is something "everyone does." As a result, Soviet refugees often refuse employment on the books, but will perform the same or similar job tasks off the books for cash.

Culture of the Cash Economy

Because of a large influx of refugees from the Soviet Union in the 1970s and 1980s, a cash economy culture has developed. Many refugee community members have been through the cash economy, know how to gain access to it, and know how to avoid detection. New arrivals are instructed by their predecessors to wait before accepting employment, to study English, to receive additional training, and to obtain government assistance as long as necessary and possible (Handelman & Miller, 1990).

In order to earn additional wages, new arrivals are encouraged to enter the cash economy, sometimes by former refugees who have organized their own cash work brigades. In addition, some community members, believing that they are helping refugees, offer them cash jobs. In this way, the refugee cash economy feeds upon itself.

PROBLEMS FOR PARTICIPANTS IN THE CASH ECONOMY

Although participants in the cash economy may believe that the cash economy is safe, they are actually potential victims of many types of exploitation. Employees have little recourse if they are not paid expected wages, if they have to work in substandard conditions, or if they must work long hours because they are not on the books. Moreover, worker's compensation, unemployment insurance, and Social Security are not withheld and cannot be obtained by a worker who needs to use the social safety net.

Participation in the cash economy also

restricts the refugee's ability to establish him- or herself permanently in the United States. The refugee will have no official work history or recommendations, will find loans difficult or impossible to obtain, and may not learn the skills needed to be successful in the world of legitimate, competitive employment. Finally, the refugee is at risk of being held accountable for evading taxes and breaking the law.

STRATEGIES FOR RESETTLEMENT AND VOCATIONAL PROFESSIONALS

Resettlement and vocational professionals are in a difficult position regarding the cash economy. Although they may suspect or know that a refugee is working for cash, acknowledging this participation is risky. On one hand, it is important to acknowledge this activity in order to maintain a relationship of trust and make realistic vocational plans. Yet, professionals are obligated to ensure that their clients obey laws regarding employment and move toward economic self-sufficiency. To resolve this dilemma, professionals apply various approaches when dealing with a refugee with a cash job. The cash job may be ignored, the cash job may be reported as part-time employment, the cash job may be privately acknowledged or accepted, or unfortunately, the cash job may be encouraged.

Reporting a refugee who works for cash to the authorities would be self-defeating. Not only would doing so destroy the relationship of trust with the client, but the professional would also likely lose credibility within the refugee community (where word spreads very quickly). However, the cash job should not be ignored and thus implicitly accepted.

Legitimate employment must be encouraged and promoted. For refugees to acculturate and to be protected adequately from exploitation, they must enter employment that is competitive and "on the books." If a refugee chooses to enter the cash economy, professionals should be empowered to acknowledge this decision and assist the refu-

gee in making a realistic plan to enter competitive employment. The refugee should not fear punitive action if he or she divulges information, but must be made aware of the dangers of the cash economy and that working for cash is temporary.

Although refugees should be encouraged to enter legitimate, competitive employment, positions that often pay cash may be appropriate for those who cannot enter competitive positions. Babysitting and house-keeping may be the only options for elderly refugees who have not reached retirement age, but will not enter the workforce. Positions in private homes can provide a way to be active and earn money. Often this income, though it may be small, will assist elderly refugees in maintaining independence and thus reduce the burden on their children. If the elderly refugee lives with his or her family, this income can help promote economic stability and reduce the disincentives to legitimate employment for others in the household.

Education

It is difficult to overcome the many incentives for working in the cash economy. Education of the refugee and anchor family is the first step to combat the cash economy. The traditional educational paradigm has been one in which Jewish community agencies and their representatives have instructed refugees that working for cash is inappropriate and a violation of community expectations and the law. This approach has not been successful.

Several explanations can be found for its failure. The first is the refugees' distrust of social service agencies, especially those that are perceived to dictate behavior. Second, community representatives lack credibility on this issue in part due to inconsistent messages regarding early employment presented by community agencies and organizations. Well-meaning community members and organizations often offer refugees temporary or permanent cash jobs despite well-articulated community policies that re-

quire legitimate employment. The community can be perceived as providing the message that although it must provide lip service to the law, cash jobs are acceptable. Refugees experience this inconsistent behavior and respond to it by ignoring official policies, much like they did in the FSU. Contradictory messages undercut community efforts to encourage early employment. Third, educational efforts often fail to involve the refugees' most influential and credible sources: their relatives and the refugee community itself.

Although community agencies can influence the behavior of refugees, New Americans have far more contact with and trust in their family and neighbors. Involving in the education process successful refugees who have found employment could begin to address this issue. Refugee community members who have not entered the cash economy can serve as role models and often have greater credibility with new arrivals on this issue than resettlement or vocational professionals. These community members can make presentations to groups, write articles in the Russian-language press, and make personal or telephone contact with refugees as mentors or simply as resources. Agencies can establish and organize this network of role models, but should allow the community members flexibility and autonomy in presenting the information.

Restructuring educational efforts as an ongoing process involving the refugee community should help yield positive results. However, to be successful, educational strategies must be coupled with economic incentives to choose legitimate work over the cash economy.

Incentives

New Americans quickly become very savvy regarding financial matters. They calculate and measure what opportunities are most financially beneficial and will choose options that will improve their economic well-being. Because New Americans often decide that working for cash provides the greatest

short-term economic benefit, agencies must overcome a strong economic barrier to legitimate employment. Too often, punitive measures are used to "motivate" a refugee to accept an available job. Punishing the refugee for refusing to accept job interviews or offers will likely breed resentment. In addition, punitive measures are often not used consistently or follow an agreed-upon set of criteria for compliance. This inconsistency can also be a source of confusion and resentment.

Instead of punishing refugees for behavior deemed inappropriate, perhaps the refugee could earn monetary and nonmonetary incentives for moving toward and achieving legitimate employment in the expected time frame. Providing the refugee with incentives for the choices that are deemed most appropriate by agencies should encourage, not force, the refugee to accept early employment.

To create a successful incentive program, criteria must be set and adhered to for receipt of incentives. Early employment is not the only goal; the refugees must take several steps to become job-ready as well. Progress in achieving a plan agreed upon by the refugee and professionals should allow the refugee to earn his or her incentive. The plan could include attendance at English as a Second Language classes, participation in vocational seminars, achieving independent transportation, independently developing job leads, and participating in job interviews. This is not intended to de-emphasize employment as the ultimate goal, but to recognize that due to conditions outside the refugee's or professional's control, early employment is not always possible.

The monetary and non-monetary incentives given to those who achieve employment-related goals could be drawn from a variety of sources. To provide a significant monetary incentive, the cash grant given to refugees by the community could be changed into a reduced entitlement and a portion that must be earned by participation in an early employment plan. In this way, existing resources could be used to provide

monetary incentives. Benefits traditionally given as entitlements, such as memberships to Jewish Community Centers, could be transformed into incentives for refugees who strive toward early employment. In addition, other resources may be sought out as sources of monetary or in-kind incentives. These could include donations of goods and/or services from community businesses or interested community members. In order for incentives to be successful, they must provide a real economic alternative, at least short-term, to a cash job, and they must consist of products and services that the recipients value. To determine the types of incentives most valuable to the refugee community, representatives of this community should be involved in structuring the incentive program.

An incentive program would require communities to rethink the approach to resettlement by changing resources that have typically been entitlements into benefits that must be earned. This approach reflects the reality that the refugee's job, upon arrival in the United States, is to seek legitimate employment in order to become self-sufficient as quickly as possible. When the job is done successfully, the refugee should receive his or her incentive paycheck.

Summary

Resettlement and vocational professionals need not and should not promote work in the cash economy. Soviet refugees who want to find the cash economy will easily do so. Professionals, however, should strive to create an environment in which Soviet refugees feel comfortable reporting that they work for cash. Although some characteristics many refugees bring from their Soviet experience—a distrust of authority and an ability to manipulate and subvert bureaucracy—will serve as barriers to open communication, professionals must work to overcome these challenges.

If the cash job is used as a transition to competitive employment, the refugee will continue to attend English as a Second Lan-

guage classes and will strive toward legitimate employment by learning how to fill out applications, write resumes, interview successfully, and retain a job. The refugee will also actively seek positions on the books. Education and incentives should be the methods to encourage legitimate employment. Punitive measures should be considered only if the refugee refuses to move away from the cash economy.

Success will require patience and a commitment to long-term results. Changing attitudes and expectations within agencies and the refugee community will take time, commitment, coordination, and improved communication among service providers, the refugees, and their families. Resettlement and vocational professionals must come to a consensus on how to carry out educational and incentive programs in a fair, equitable, and consistent manner and how to disseminate information positively. As agencies and the refugee community work more closely together, they can begin to eliminate disincentives to working in the legitimate economy.

CONCLUSION

The cash economy is large and pervasive. Participants in the cash economy are as diverse as the U.S. population: from young people who mow lawns and babysit, to unlicensed cab drivers and, some workers in construction, restaurants and various other fields. Soviet refugees, like many others in the United States, often secure cash jobs.

It is beyond the power of resettlement and vocational professionals to eliminate the cash economy or the structural and institutional disincentives to legitimate employment. The goal of the professional, however, remains to assist refugees to become economically self-sufficient as quickly as possible and to make a smooth transition to life in the United States. Professionals should continue to educate refugees and the community about the dangers of the cash economy and the benefits of legitimate employment. They should also involve suc-

cessful refugees in this process. In addition, agencies should seek ways to introduce incentives for those who strive toward and achieve early employment. Restructuring the process of resettlement will take time, commitment, consistency, and improved communication. Ultimately, doing so should help professionals assist refugees enter the world of legitimate employment and achieve the freedom and independence they left their homeland to find.

REFERENCES

- Belozersky, Irene. (1990, Winter). New beginnings, old problems. *Journal of Jewish Communal Service*, 67(2), 124-130.
- Carson, Carol. (1984, May). The underground economy: An introduction. *Survey of Current Business*, 64(5), 21-37.
- Carvajal, Dorren. (1994, December 13). Salvadorans trying to make ends meet by creating an economic nether world. *The New York Times*, p. A11.
- deLeeuw, Frank. (1985, April). An indirect technique for measuring the underground economy. *Survey of Current Business*, 65(4), 64-72.
- DeParle, Jason. (1994, December 18). Better work than welfare. *The New York Times Magazine*, pp. 42-49, 56, 58, 74.
- Fox, Susan. (1992, Fall). Loss and the emigration experience of Jews from the former Soviet Union. *Journal of Jewish Communal Service*, 69(1), 80-86.
- Garvin, Glenn. (1993, November). America's economic refugees. *Reason*, pp. 18-26.
- Grossman, Gregory. (1977, September-October). The "second economy" of the USSR. *Problems of Communism*, 26(5), 25-40.
- Handelman, Mark, & Miller, Alfred P. (1990, Winter). Vocational services in Soviet Jewish resettlement. *Journal of Jewish Communal Service*, 67(2), 108-113.
- Office of Refugee Resettlement. (1993). *Report to the congress FY 1993*. Washington, DC: Author.
- Rose, Michael D. (1991). *Selected federal taxation statutes and regulations*. St. Paul, MN: West Publishing co., p. 830.