Eurobarometer approach to examining the shadow economy

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Outline

• Definition of undeclared work
• Survey design
• Findings
• Conclusions: strengths and weaknesses
Definition of undeclared economy

- Any paid activities that are lawful as regards their nature but not declared to the public authorities, taking into account the differences in the regulatory system of Member States (European Commission, 2007: 2)
  - Not declared to the public authorities for:
    - Tax purposes
    - Social security purposes
    - Labour law purposes
Eurobarometer survey design

- Unit of analysis: household, not business
- Structured face-to-face interviews (mostly closed-ended questions)
- Definition of undeclared work: made explicit to participants
- Gradual approach towards sensitive issues: from attitudes to purchases, to envelope wages and supply of undeclared work
Survey design (continued)

- Demand- and supply-side
- Relationship between buyers and sellers
- Socio-demographic background information
- Reference period: 12 months prior to survey
- Sample size: 1,000 in each member state (500 smaller member states).
- Undertaken in 2007 and 2013
## Respondent co-operation

<table>
<thead>
<tr>
<th></th>
<th>No. of respondents</th>
<th>%</th>
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<tr>
<td>Bad</td>
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% purchasing undeclared work

- Poland: 5%
- Denmark: 7%
- UK: 8%
- Spain: 8%
- France: 9%
- Romania: 10%
- Portugal: 10%
- Ireland: 10%
- Finland: 11%
- Hungary: 11%
- EU-27 average: 11%
- Italy: 12%
- Estonia: 12%
- Austria: 14%
- Luxembourg: 14%
- Lithuania: 14%
- Belgium: 15%
- Sweden: 16%
- Cyprus: 16%
- Bulgaria: 16%
- Slovakia: 17%
- Croatia: 17%
- Czech Republic: 19%
- Slovenia: 22%
- Malta: 23%
- Denmark: 23%
- Latvia: 28%
- Netherlands: 29%
- Greece: 30%
- EU-27 average: 11%
- Italy: 12%
- Estonia: 12%
- Austria: 14%
- Luxembourg: 14%
- Lithuania: 14%
- Belgium: 15%
- Sweden: 16%
- Cyprus: 16%
- Bulgaria: 16%
- Slovakia: 17%
- Croatia: 17%
- Czech Republic: 19%
- Slovenia: 22%
- Malta: 23%
- Denmark: 23%
- Latvia: 28%
- Netherlands: 29%
- Greece: 30%
Source of shadow economy goods and services purchased

<table>
<thead>
<tr>
<th>Country</th>
<th>Relatives</th>
<th>Neighbours</th>
<th>Friends, colleagues or acquaintances</th>
<th>Other private persons or households</th>
<th>Firms or businesses</th>
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</table>
Rationales for purchasing goods and services in undeclared economy

<table>
<thead>
<tr>
<th>EU region</th>
<th>Lower price</th>
<th>Favour among friends, relatives or colleagues</th>
<th>To help someone who is in need of money</th>
<th>Faster service</th>
<th>Better quality</th>
<th>Good or service not available on regular market</th>
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</thead>
<tbody>
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<td>10</td>
<td>22</td>
<td>11</td>
<td>11</td>
</tr>
</tbody>
</table>
Envelope wages

- 3.3% of employees receive envelope wages
- Receive 25% of their gross income as undeclared earnings

Envelope wage remuneration for:
- Regular work 37%
- Overtime/extra work 31%
- Both regular & overtime work 25%
- Refusal/don’t know 7%
% supplying undeclared work

- Malta: 1
- Portugal: 2
- Ireland: 2
- Italy: 2
- Cyprus: 2
- Denmark: 2
- Poland: 3
- UK: 3
- Romania: 3
- Finland: 3
- Greece: 3
- Hungary: 4
- EU-27 average: 4
- Belgium: 4
- Czech Republic: 4
- Spain: 5
- France: 5
- Austria: 5
- Luxembourg: 5
- Bulgaria: 5
- Slovakia: 5
- Sweden: 5
- Croatia: 5
- Slovenia: 5
- Lithuania: 8
- Denmark: 9
- Estonia: 11
- Latvia: 11
- Netherlands: 11
## Clients of shadow work

<table>
<thead>
<tr>
<th>Country</th>
<th>Friends, relatives or acquaintances</th>
<th>Relatives</th>
<th>Neighbours</th>
<th>Firms or businesses</th>
<th>Other private persons or households</th>
<th>Other/refusal/don’t know</th>
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</thead>
<tbody>
<tr>
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## Reasons for doing shadow work

<table>
<thead>
<tr>
<th>Country</th>
<th>Both parties benefit</th>
<th>Could not find regular job</th>
<th>Taxes and/or social contributions are too high</th>
<th>No other means of income</th>
<th>Shadow work common practice in region or sector so no real alternative</th>
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<td>5</td>
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</table>
## Consequences of shadow work

<table>
<thead>
<tr>
<th>Country</th>
<th>No social security entitlements</th>
<th>Lack of insurance against accidents</th>
<th>Harder physical working conditions than regular job</th>
<th>Higher risk of losing job</th>
<th>Higher risk of accidents compared with regular job</th>
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</thead>
<tbody>
<tr>
<td>EU-27</td>
<td>20</td>
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</table>
## Participation in undeclared work in Baltic nations

<table>
<thead>
<tr>
<th>Sample size</th>
<th>% engaged in undeclared work</th>
<th>€1-100 (%)</th>
<th>€101-200 (%)</th>
<th>€201-500 (%)</th>
<th>€501-1000 (%)</th>
<th>€1000+ (%)</th>
<th>Don't remember/know; refusal (%)</th>
<th>Mean</th>
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</tr>
</tbody>
</table>
Conclusions: strengths and weaknesses

- Poor on measuring size/magnitude
- Better on characteristics of shadow economy:
  - Who engages in undeclared work
  - What types of undeclared work they do
  - Who they work for
  - Motives

Useful for preliminary risk assessments and understanding how to tackle undeclared work
Thank you for listening