1. Introduction

What methods can be used to measure the varying size and character of the shadow economy across the world? How can the resultant cross-national variations in the prevalence and nature of the shadow economy be explained? And what policy approaches can be used to tackle the shadow economy? This book seeks answers to these questions. Indeed, whenever we as authors give talks on the shadow economy, or listen to others giving talks, one of the first questions asked by audiences not familiar with the subject is whether it is possible to conduct research on work that is not declared to the authorities for tax, social security or labour law purposes. Given that such activities by definition exist in the shadows and are hidden from view, they are correct to question the validity of any measurements of its size or character. Indeed, researching a form of work hidden from the authorities for tax, social security and/or labour law purposes is without doubt a difficult task. Nevertheless, just because something is difficult does not mean that it should not be attempted. Neither does the fact that it is hidden from the authorities mean that it cannot be uncovered. On the one hand, it is wholly possible to expose the extent and character of such work using indirect measurement methods that identify such work in statistical indicators collected for other purposes. On the other hand, and perhaps more contentiously, it can also be at least partially uncovered using surveys. Just because it is hidden from the authorities does not mean that it is necessarily hidden from academics doing research on this topic. Although illegal in the sense that it is not declared to the authorities when it should be, it is often viewed as socially legitimate to engage in such endeavour. The result is that participants will frequently openly discuss in conversation with researchers their engagement in such activity in much the same way as they might discuss participating in voluntary work.

It is not just how this activity can be uncovered, however, that this book addresses. Just as important are the findings these measurement methods produce and what they tell us about the distribution of the shadow economy across the world and its determinants. For much of the twentieth century, the shadow economy was widely perceived as a leftover or residue from some previous mode of production and as steadily disappearing with economic development and the modernization of economies (Lewis, 1959).

What the development of measurement methods that estimate the size of the shadow economy have revealed, however, is that such endeavour does not merely prevail in a few marginal enclaves of the global economy. Rather, and as this book will reveal, it is a persistent and extensive feature of the global economic landscape not only in the developing world but also in the post-socialist transition economies as well as the developed world. It is also a phenomenon that is not solely related to the level of economic development of countries. Many other macro-level conditions also influence the prevalence and nature of the shadow economy.

Understanding the extent and nature of the shadow economy and its determinants, of course, is not simply an ‘academic exercise’ (in the derogatory sense meaning of little practical use or value). Indeed, quite the opposite is the case. Throughout the world, tackling the shadow economy has moved near the top of policy agendas of governments and supra-national agencies, including the World Bank, International Labour Organization and European Commission. Until now, however, and compared with the amount of scholarship dedicated to measuring its size and character, rather scant attention has been paid by academic commentators to what should be done to tackle the shadow economy. Here, therefore, we wish to start filling this gap by examining the various policy approaches that are available for tackling this sphere in order to more fully understand what might be done to address this extensive and omnipresent sphere.

Before starting to address these issues, however, this introductory chapter first needs to define what we here mean by the shadow economy; second, to explain the reasons why it is important to understand and tackle the shadow economy; and third and finally, to provide an outline of the structure of this book.

DEFINING THE SHADOW ECONOMY

What this book refers to as the ‘shadow economy’ is known by many other names. Indeed, Table 1.1 lists 44 different adjectives and ten different nouns sometimes used to denote this realm. Analysing the multifarious adjectives used, what becomes quickly apparent is that all describe what is absent, insufficient or missing with regard to work in the shadow economy relative to work in the formal economy. Such endeavour is seen to be for example undeclared, unregulated, unreported, unobserved, irregular, illegitimate and off-the-books.

To denote what is missing or absent, three broad types of definition have been used, namely enterprise-, jobs- and activity-based definitions. Although these three types of definition adopt a different unit of analysis

Table 1.1 *Adjectives and nouns used to denote shadow economy*

Adjectives			
Bazaar	Black	Cash-in-hand	Clandestine
Concealed	Diverse	Dual	Everyday
Ghetto	Grey	Hidden	Illegal
Illegitimate	Illicit	Informal	Invisible
Irregular	Marginal	Moonlight	Non-observed
Non-official	Occult	Off-the-books	Other
Parallel	Peripheral	Precarious	Second
Shadow	Submerged	Subterranean	System D
Twilight	Undeclared	Underground	Under-the-table
Unexposed	Unobserved	Unofficial	Unorganized
Unrecorded	Unreported	Unregulated	Untaxed
Nouns			
Activity	Economic activity	Economy	Endeavour
Enterprise	Entrepreneurship	Employment	Sector
Sphere	Work		

when defining the shadow economy, what all have in common is that they define the shadow economy in terms of what is absent from, missing or insufficient about enterprises, jobs or activities in the shadow economy relative to enterprises, jobs and activities in the formal economy. That is to say, enterprise-based definitions denote what is missing, absent or insufficient about shadow economy enterprises compared with formal enterprises, jobs-based definitions; what is missing, absent or insufficient about shadow jobs relative to formal jobs and activity-based definitions; what is missing, absent or insufficient about shadow economic activities compared with formal economic activities. Here, we briefly review each type of definition in turn.

The most commonly used enterprise-based definition is that adopted by the 15th International Conference of Labour Statisticians (ICLS) in 1993 (Husmanns, 2005; ILO, 2011, 2012), which defines enterprises in the shadow economy as ‘private unincorporated enterprises that are unregistered or small in terms of the number of employed persons’ (ILO, 2012, p. 1). Here, what is meant by each of the terms in this definition is required. By an ‘unincorporated’ enterprise is meant a production unit that is not constituted as a separate legal entity independent of the individual (or group of individuals) who owns it, and for which no complete set of accounts is kept. An enterprise is deemed to be ‘unregistered’, meanwhile, when it is not registered under specific forms of national legislation

(e.g., factories' or commercial acts, tax or social security laws, professional groups' regulatory acts). The issuing of a trade licence or business permit under local regulations does not qualify as registration. An enterprise is considered 'small', meanwhile, when its size in terms of employment is below a specific threshold (e.g., five employees) determined according to national circumstances (Husmanns, 2005; ILO, 2011, 2012).

Given the recognition that not all employment in the shadow economy is found in shadow enterprises, and that many employed in the shadow economy work in formal enterprises, a shift has taken place from an enterprise-based to a jobs-based definition of the shadow economy. The most widely used jobs-based definition is that adopted by the 17th ICLS in 2003. This defines jobs in the shadow economy as those jobs lacking basic social or legal protections or employment benefits (ILO, 2011, p. 12). Persons in such jobs include: (a) own-account workers and employers employed in their own shadow enterprises; (b) members of informal producers' cooperatives (not established as legal entities); (c) own-account workers producing goods exclusively for own final use by their household (if considered employed given that the production comprises an important contribution to the total household consumption and is included in the national definition of employment); (d) contributing family workers in formal or shadow enterprises; and (e) employees holding shadow jobs in formal enterprises, shadow enterprises or as paid domestic workers employed by households. As regards (e), employees have shadow jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (e.g., advance notice of dismissal, severance pay, paid annual or sick leave). The reasons may be the following: non-declaration of the jobs or the employees; casual jobs or jobs of a limited short duration; jobs with hours of work or wages below a specified threshold; employment by unincorporated enterprises or by persons in households; jobs where the employee's place of work is outside the premises of the employer's enterprise; or jobs for which labour regulations are not applied, not enforced or not complied with for any other reason (ILO, 2011, p. 12).

These enterprise- and jobs-based definitions have been most commonly used when studying such endeavour in developing nations. In developed nations, however, enterprise- and/or jobs-based definitions have been less popular. This is because they view enterprises and jobs dichotomously as either shadow or formal. In the developed world nevertheless, there has been growing recognition that much work in the shadow economy is concurrently both. On the one hand, and on enterprises, there is a burgeoning literature that a considerable proportion of shadow work is in

formal enterprises that undertake a portion of their work in the shadow economy (Small Business Council, 2004; Williams, 2006a, 2009b, 2010b). On the other hand, and with regard to jobs, there is growing recognition that many formal employees receive from formal employers part of their wage as a declared salary and part cash-in-hand as an undeclared ('envelope') salary (Karpuskiene, 2007; Meriküll and Staehr, 2010; Neef, 2002; Sedlenieks, 2003; Williams, 2009c, 2010a, 2012a, 2012b, 2013c, 2013d, 2014b; Woolfson, 2007; Žabko and Rajevska, 2007). These prominent types of shadow economic activity in developed countries are not included in enterprise-based definitions since this work is in a formal enterprise, and not in jobs-based definitions since the worker is in a formal job (Husmanns, 2005).

The result is that developed nations have largely adopted activity-based definitions of the shadow economy (Eurofound, 2013; European Commission, 1998, 2007b; Renooy et al., 2004; Sepulveda and Syrett, 2007; Thomas, 1992; Vanderseypen et al., 2013; Williams 2006a; Williams and Windebank, 1995, 1998). The most frequently adopted is the activity-based definition published in 2002 by the Organisation for Economic Co-operation and Development (OECD), International Monetary Fund (IMF), International Labour Organization (ILO) and Interstate Statistical Committee of the Commonwealth of Independent States (CIS STAT) as a supplement to the System of National Accounts (SNA) 1993. This defines 'underground production' (or what is here termed the 'shadow economy') as,

all legal production activities that are deliberately concealed from public authorities for the following kinds of reasons: to avoid payment of income, value added or other taxes; to avoid payment of social security contributions; to avoid having to meet certain legal standards such as minimum wages, maximum hours, safety or health standards, etc.

(OECD, 2002, p. 139)

Indeed, other activity-based definitions of the shadow economy used in developed nations align closely with this OECD definition. For example, Schneider et al. (2010) similarly define the shadow economy as all market-based legal production of goods and services that are deliberately concealed from public authorities to avoid either payment of taxes, social security contributions or legal labour market standards (e.g., minimum wages, maximum working hours, safety standards). Likewise, although no official definition of the shadow economy exists across the 28 member states of the European Union (EU-28), the most widely used definition is the activity-based definition adopted by the European Commission. This defines the shadow economy as '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, 2007b, p. 2).

There is thus a broad consensus across these activity-based definitions regarding what is included and excluded from the shadow economy. The only absence or insufficiency is that shadow economic activities are not declared to the authorities for tax, social security and/or labour law purposes when they should be declared. If activities possess additional absences or insufficiencies, they tend not to be defined as the shadow economy. For example, if the economic activity is also illegal in terms of the goods and services provided (e.g., illegal drug-trafficking), then these activities are viewed as separate from the shadow economy and defined as 'criminal' activities, while if the economic activity is unpaid, it is defined as belonging to the 'unpaid' sphere rather than the shadow economy.

Of course, and as with any definition, blurred edges exist. Some economic activities are neither reimbursed with monetary income and nor are they unpaid. Rather, they are recompensed in-kind using reciprocal labour or via gifts for the work conducted. In this book, wherever feasible, all economic activities remunerated, either with money or in-kind, are included. As such, barter and the in-kind exchange of services are included since these are often supposed to be declared, albeit usually only above a certain threshold. Indeed, including these activities is particularly important in countries where payment in-kind is a common practice. Here therefore, the shadow economy is viewed as any remunerated activities not declared to the authorities for tax, social security and/or labour law purposes when they should be declared. Wherever feasible to do so, depending on the datasets available, this will be the definition used throughout this book.

WHY STUDY THE SHADOW ECONOMY?

To understand the reasons for studying the shadow economy, it is important and necessary to understand the consequences of its existence for various groups, namely formal businesses, shadow economy enterprises, shadow economy workers, customers of the shadow economy, the wider economy and society, and governments. In the early literature on the shadow economy, the tendency was to highlight solely the negative consequences of the shadow economy (e.g., Castells and Portes, 1989). Since the turn of the millennium, however, a more balanced approach has gradually begun to emerge and there has been a growing recognition that sometimes the shadow economy might have some positive consequences. In this section, therefore, we take each of these groups affected by the shadow

economy in turn and review both the negative as well as the positive consequences of the shadow economy for each group. At the outset, however, it needs to be stated that although few attempts have been made to enumerate these negative and positive consequences, the widespread consensus is that the negative consequences far outweigh the positive consequences, and that action is therefore required to reduce the size of the shadow economy.

Formal Businesses

The rationale for tackling the shadow economy so far as formal businesses are concerned is that it results in unfair competition. Shadow economy enterprises have an unfair competitive advantage over formal businesses since they do not necessarily conform to labour laws or health and safety legislation, and they evade taxes and social security payments (Andrews et al., 2011; Bajada and Schneider, 2005; Evans et al., 2006; Grabiner, 2000; Karlinger, 2013; Renooy et al., 2004; Small Business Council, 2004). Indeed, if such shadow enterprises take a significant market share and/or hinder the development and growth of formal businesses, these formal businesses may themselves start to consider whether they should any longer conform to the legal 'rules of the game'. The outcome is that deregulatory cultures may emerge where formal businesses themselves start to operate partially or fully in the shadow economy, and businesses already conducting a portion of their trade in the shadow economy conduct an even greater proportion in the shadows (Gallin, 2001; Grabiner, 2000; Mateman and Renooy, 2001; Small Business Council, 2004; Williams and Windebank, 1998). The outcome is a vicious downward spiral in which ever greater proportions of trade take place in the shadow economy. To prevent this from happening, it is therefore necessary for governments to ensure the 'rule of law' and that businesses operating in the shadow economy are detected and encouraged to move out of the shadow economy.

The consequences of the shadow economy, however, are not universally negative for formal businesses. One positive consequence of the shadow economy is that it acts as an incubator for business start-ups where they can 'test-trade' their business venture in order to see whether it is viable before deciding whether to create a fully formal and legitimate business venture (Williams and Martinez-Perez, 2014a). Indeed, in the UK, for example, some one-fifth of what are now formal enterprises test-traded in the shadow economy before formally registering their business (Williams and Martinez-Perez, 2014c). As Autio and Fu (2015) have shown, some two-thirds of businesses start up without registration in the shadow economy not only in emerging and transition economies (where 0.62 unregistered businesses are created annually for every 100 people compared with 0.37

registered businesses) but also in OECD countries (where 0.62 unregistered businesses compared with 0.43 registered businesses are annually created for every 100 people).

A further advantage of this sphere for formal enterprises is that in contemporary capitalism, flexible production and cost reduction is being achieved by pursuing subcontracting, downsizing and outsourcing arrangements (Castells and Portes, 1989; Davis, 2006; Gallin, 2001; Hudson, 2005; Meagher, 2010; Slavnic, 2010; Taiwo, 2013). The shadow economy is thus increasingly becoming an inherent and integral component of the supply chains of formal businesses because outsourcing and subcontracting to shadow enterprises and workers is cheaper than doing so to formal enterprises (Ketchen et al., 2014). A result is that outsourcing and subcontracting to the shadow economy has thus become a common strategy used by formal enterprises to reduce their production and distribution costs (Castells and Portes, 1989; Meagher, 2010).

Shadow Economy Enterprises

The shadow economy also has consequences for enterprises operating in the shadow economy. Similar to formal businesses, these consequences can be both negative and positive. Starting with the negative consequences, both shadow economy businesses and sole traders working on their own account in the shadow economy find that their opportunities to develop and grow their business are severely constrained for at least five reasons. First, they are often unable to gain access to capital to develop their business since they have no formal accounts (ILO, 2014; Kempson, 1996; Leonard, 1998; Llanes and Barbour, 2007). Second, they cannot advertise their business openly to attract new customers for fear of being detected by the authorities (Williams et al., 2012a). Third, they need to keep their business small in order to stay 'under the radar' of the authorities (Barbour and Llanes, 2013; Polese, 2014; Williams et al., 2012a). Fourth, they cannot secure formal intellectual property rights to process and product innovations (De Beer et al., 2013), and fifth and finally, they lack the same access to business support that is available to formal businesses (ILO, 2002a, 2002b; Karjanen, 2014; Llanes and Barbour, 2007; Williams and Nadin, 2013, 2014).

The shadow economy, however, also has some positive consequences for shadow economy businesses and individuals working on an own-account basis in the shadow economy. First, it provides a source of income that enables them to stay out of poverty and provides them with a means of livelihood when excluded from the formal economy (Williams and Shahid, 2015). Second, it can reduce the barriers to entry into work because the

majority of work in the shadow economy is purportedly either labour-intensive production requiring few skills and little start-up capital in developing countries or starts with close social relations in developed nations (Chen, 2012; Williams and Lansky, 2013). Third, the shadow economy provides an exit strategy in contexts where the regulatory burden stifles business development (De Soto, 1989, 2001). Fourth, it provides entrepreneurs with an escape route from corrupt public sector officials who would otherwise demand bribes if one attempted to start up legitimately (Round et al., 2008; Tonoyan et al., 2010) and fifth and finally, the shadow economy arguably provides greater flexibility in where, when and how to work, especially important for women who remain responsible for childcare (Chen, 2012; Snyder, 2004).

Shadow Economy Employees

For those employed in the shadow economy, furthermore, there are similarly both negative and positive consequences. The negative consequences of being employed in waged work in the shadow economy are tenfold. First, such employees do not have access to employment rights such as annual and other leave, sickness pay, redundancy and training (Evans et al., 2006; ILO, 2015; TUC, 2008; Williams and Lansky, 2013). Second, they lack access to a range of other legal rights such as the minimum wage, tax credits and any working hours directives (Dellot, 2012; Renooy et al., 2004; TUC, 2008; Vanderseypen et al., 2013; Williams and Windebank, 1998). Third, they cannot build up rights to the state pension and other contributory benefits, and access occupational pension schemes (Dellot, 2012; Gallin, 2001; ILO, 2002a; Williams and Lansky, 2013). Fourth, they lack access to health and safety standards in the workplace (Evans et al., 2006; Gallin, 2001; ILO, 2002a, 2015; TUC, 2008). Fifth, they have lower job security compared with formal employees (Katungi et al., 2006; Kovács, 2014; Williams, 2001). Sixth, they lack collective bargaining rights (ILO, 2002a, 2014). Seventh, they lose employability due to their lack of evidence of engagement in employment (Barbour and Llanes, 2013; Dellot, 2012). Eighth, they are unable to gain access to credit such as for mortgages or loans if they are shadow employees since they have no evidence of their income (Kempson, 1996; Williams, 2014a). Ninth, they are unable to get an employer's reference (ILO, 2002a; TUC, 2008), and tenth and finally, they suffer a constant fear of detection and risk of prosecution (Grabiner, 2000).

The positive consequences of working in the shadow economy for waged employees meanwhile, are first, that it provides them with a source of income in circumstances when other means of livelihood and/or social

protection may not be available to them, and second, it provides them with some flexibility regarding where, when and how they work. On the whole, however, the negative consequences appear to largely outweigh the positive consequences for waged employees in the shadow economy.

Shadow Economy Customers

Another group, sometimes forgotten when considering the consequences of the shadow economy, are the customers who purchase goods and services from this realm. Again, there are both negative and positive consequences. The negative consequences of the shadow economy are first, that such customers find themselves without legal recourse if a poor quality job is undertaken (Eurofound, 2013; Small Business Council, 2004); second, their insurance cover is invalid (Llanes and Barbour, 2007; Small Business Council, 2004); third, they have no guarantees in relation to the quality of the work which is undertaken (Williams et al., 2012a); and fourth, there is no certainty that there has been adherence to health and safety regulations (Dellot, 2012; Williams et al., 2012a). A fifth and final negative consequence is that despite the assumption that goods and services purchased in the shadow economy are cheaper, this might not always be the case. Shadow enterprises operating in various ‘bottom of the pyramid’ markets are often hugely inefficient and, as such, unlikely to be capable of charging lower prices for the same products (London et al., 2014). Whether this is the case is, of course, open to debate and, similar to many of the other claims regarding the positive and negative consequences of the shadow economy, there is currently little empirical evidence available.

Indeed, turning to the positive consequences for consumers, other commentators have claimed that the shadow economy provides purchasers with more affordable goods and services not only in low-income markets (Ketchen et al., 2014) but also in higher-income economies when payment is made in cash and no receipts change hands (Williams, 2014a; Williams and Martinez-Perez, 2014b; Williams et al., 2012c).

Economies and Societies

There are also consequences for the economies and societies in which work in the shadow economy takes place. The negative consequences for the wider economy and society are first, that because shadow economy enterprises are purportedly low-productivity enterprises and lack the scale to produce efficiently, and the substantial cost advantages they gain by avoiding taxes and regulations more than offsets their low productivity and small scale, they reduce the overall level of productivity in economies

and hinder the development of higher-productivity economies, thus hindering overall economic development and growth (La Porta and Schleifer, 2008, 2014; Williams, 2014a). A second negative consequence for the wider economy and society is that the existence of a shadow economy can have knock-on effects on the rule of law and encourage a more casual attitude to the law more widely (Gallin, 2001; Grabiner, 2000; Mateman and Renooy, 2001; Small Business Council, 2004; Williams and Windebank, 1998) and third and finally, shadow economies result in weakened trade union and collective bargaining (Gallin, 2001; TUC, 2008).

Reviewing the possible positive consequences of the shadow economy for wider societies and economies, meanwhile, it has been asserted that the shadow economy first, provides employment and work, even if it is under-employment (Ketchen et al., 2014); second, provides a breeding ground for the micro-enterprise system and test-bed for fledgling businesses; and third and finally, that the income earned in the shadow economy spent in the formal economy boosts demand for formal goods and services and contributes to official economic growth (Schneider and Williams, 2013).

Governments

Finally, and for governments, the consequences of the shadow economy are again both negative and positive. The negative consequences are four-fold. First, and the principal focus for most governments is that the shadow economy causes a loss of revenue for the state in terms of non-payment of direct and indirect taxes (Bajada and Schneider, 2005; Evans et al., 2006; Grabiner, 2000; Müller and Miggelbrink, 2014; Vanderseypen et al., 2013; Williams and Windebank, 1998). Second, the shadow economy has knock-on effects on efforts to forge social cohesion at a societal level by reducing the money available to governments to pursue social integration and mobility initiatives (Andrews et al., 2011; Eurofound, 2013; Vanderseypen et al., 2013). Third, it results in a loss of regulatory control over the quality of jobs and services provided in the economy (ILO, 2013; Vanderseypen et al., 2013; Williams and Lansky, 2013). Fourth and finally, if a significant segment of the population is routinely engaged in such activity, it may result in a more casual attitude towards the law more widely (Andrews et al., 2011; Dong et al., 2012; Karjanen, 2014; Morris and Polese, 2014; Ojo et al., 2013; Sasunkevich, 2014).

The positive consequences for governments, at least in the eyes of some commentators, are first, that it acts as a brake on governments introducing burdensome regulatory regimes because if they do, then businesses will decamp into the shadow economy in order to avoid the burdensome costs and regulations involved (De Soto, 1989, 2001). A second positive

consequence of the shadow economy for governments is that any ‘on the job’ training in shadow enterprises alleviates pressure on the state and its agencies to provide training during times of reduced public spending (Williams, 2014a).

In sum, there are multifarious rationales for studying the shadow economy due to its consequences for formal businesses, shadow economy enterprises, shadow economy employees, customers of the shadow economy, the wider economy and society, and governments. Although most of these consequences have not been enumerated so as to measure the actual impacts of the shadow economy, there is little doubt that the shadow economy is not some minor and unimportant realm in terms of its consequences. Neither, moreover, is there much doubt that if one was to enumerate these consequences, that the negative consequences would outweigh the positive consequences. Therefore, in sum, what can be stated with certainty is not only that the shadow economy is an important feature of the contemporary global economic landscape but also that it has an overall deleterious effect on the lives of millions of people. Given this, we here turn our attention to the structure of this book, which seeks to understand not only how the shadow economy is measured and the findings regarding its extent, nature and determinants, but also what might be done to tackle the shadow economy.

STRUCTURE OF THE BOOK

This book is divided into four parts. In Part I, we review the measurement methods that have been used to evaluate the extent and nature of the shadow economy and shadow labour force. To do this, Chapter 2 provides an overview of the range of indirect measurement methods that have been employed to measure the shadow economy. This provides a comprehensive review of the different indirect methods, including a detailed outline of the methodology underpinning the indirect measurement method most widely used to estimate the size of the shadow economy, namely the MIMIC method developed by one of the authors, namely Friedrich Schneider. This is then followed in Chapter 3 by a review of how direct survey methods have sought to understand the magnitude and character of the shadow labour force. This provides a comprehensive review of the different direct survey methods that can and have been used to measure the shadow labour force and how the results regarding participation vary according to the different methods used. The outcome will be a comprehensive review of the different measurement methods available for estimating the prevalence and nature of the shadow economy and shadow labour force.

With this understanding of the measurement methods in hand, Part II of the book then turns its attention to reviewing the findings of the MIMIC indirect measurement method that has been used to evaluate the size and character of the shadow economy across the world. To do this, Chapter 4 reviews the results of applying the MIMIC method to understanding the prevalence of the shadow economy in 162 developing and transition economies over the period from 1999 until 2007. Chapter 5 then reviews the results of applying the MIMIC method to understanding the size of the shadow economy across OECD countries as well as the various country-level determinants of the shadow economy across these OECD nations.

Part III then turns attention to examining the results of using direct survey methods to measure the size and nature of the shadow labour force across the globe. Chapter 6 reviews the findings regarding the size and nature of the shadow labour force in developing and transition economies using International Labour Organization data, as well as the country-level determinants that influence the cross-national variations in the size and nature of the shadow labour force across these developing and transition economies. Chapter 7 then examines the results regarding the extent and character of the shadow labour force in developed countries using the 2007 Eurobarometer survey of participation in the shadow labour force across 27 European countries. This again also explores the country-level determinants of the cross-national variations in the prevalence and nature of the shadow labour force.

Having provided this review of the cross-national variations in the shadow economy and shadow labour force using both indirect and direct measurement methods, Part IV then turns its attention to how the shadow economy and shadow labour force can be tackled. To do this Chapter 8 provides a conceptual framework for understanding the range of potential policy approaches available for tackling the shadow economy and shadow labour force and, following this, reveals how the evidence available suggests that most governments across the world use only a narrow range of policy measures when doing so and not necessarily measures that tackle the determinants of the shadow economy and shadow labour force. The result in Chapter 9 is the presentation of a potential way forward for governments seeking to tackle in a more effective manner the shadow economy and shadow labour market across the world. This chapter argues that rather than focus on measures to cure the problem once it has occurred, a more preventative approach is required that deals with the determinants of the shadow economy and shadow labour force. This, as will be shown, requires some fresh thinking and the adoption of a much wider range of policy measures than are currently used.

In the concluding Chapter 10, the findings of the preceding chapters are then synthesized and conclusions drawn about the way forward both for measuring the shadow economy and shadow labour force as well as for tackling this sphere. On the one hand, this will reveal the need for the longstanding division between those using indirect and direct measurement methods to be transcended and for recognition that it is necessary to use both indirect and direct methods if the size and nature of the shadow economy and shadow labour force is to be more comprehensively understood. On the other hand, it will reveal the need for a serious rethinking regarding the determinants of the shadow economy and shadow labour force and how they are to be tackled. In doing so, we hope that this book will contribute significantly to the advancement of understanding not only regarding the measurement and understanding of the shadow economy but also, perhaps more importantly, what needs to be done to tackle this persistent and extensive sphere that remains omnipresent across the global economic landscape.