

Index

- Act on the Contractor's Obligations and Liability when Work is Contracted Out 174, 175, 176, 180
- Action Programme of the Prevention of the Grey Economy and White-collar Crime (APPGE) 174–7
- active briefing of partners 161, 163
- Africa 55, 139
- age
- firm age 80, 87
 - self-employed people 96, 99–109
- Ahumada, H. 181
- Algina, J. 39
- alliances to counter corruption 160, 162, 163
- Allingham, M. 204, 207–9
- allocation of budget to work with authorities 160, 161, 163, 166
- Alm, J. 211
- amnesties 208, 210, 216
- Amorós, J.E. 13
- annual surveys of entrepreneurs 3, 60, 61–3
- anti-corruption strategies 160–66
- Apressyan, R.G. 151
- area of residence 98, 99–109
- Armenia 184, 185, 193–6, 197
- Asea, P. 25
- attitudes 79, 80–81
- Australia 217
- awareness-raising campaigns 208, 212–13, 216
- Azerbaijan 184, 193–6
- B2B business model 156–7, 166
- 'bad equilibrium' 1, 5
- bailiffs 141
- Baltic countries 3, 60–88, 169–70, 173, 179–80
- attitudes 79, 80–81
 - determinants of shadow activity 78–80, 87–8
 - Shadow Economy Index 68–76
 - survey of entrepreneurs 3, 60, 61–3
- Banerjee, A.V. 24
- Bastrykin, A. 141
- Baumol, W.J. 11, 119
- beliefs 208, 211–13
- benchmarking procedures 40–41, 46–7
- beneficial impacts of shadow entrepreneurship 202–6
- benevolent indifference approach 26
- bills, difficulties in paying 97, 99–109
- Black Economy – Black Future campaign 169, 179
- Boettke, P. 24
- Bollen, K.A. 38
- bonuses 153–5
- Box–Cox transformation 15
- Braithwaite, V. 217
- Brazil 197
- breeding ground for the micro-enterprise system 202, 203, 205
- Breusch, T. 40
- bribery 75, 76, 77; *see also* corruption
- Brill, L. 94
- Buehn, A. 193
- 'buffer' strategy 161, 163, 166
- business failure 145
- business freedom 32, 41–6
- business income, unreported, *see* unreported business income
- business legislation, satisfaction with 79
- business model 156–7, 166
- capitalist exploitation 92
- cash transactions 176, 180
- cash wages, *see* off-the-books wages
- Cassar, A. 39–40

- Caucasus and Central Asia (CCA) 5–6, 184–98
 conceptual framework 185–6
 data 187–90
 empirical methodology 186–7
 model estimation results 190–92
 policy recommendations 196–7
 size of the informal economy 185, 193–6
- Central Asia 41–4, 45; *see also*
 Caucasus and Central Asia (CCA)
- centralized collective bargaining 188–9
 charity donations 212
 children 97, 99–109
 Chung, J. 213
 cities
 corrupt governance 131
 types of and firm location 156–7, 166
- class, social 96–7, 99–109
 codes of corporate behaviour 160, 161, 163
 collective bargaining, centralized 188–9
 company funds' use for personal gain 154, 155, 156–7, 158–9
 compliance 214, 218
 deterrence approach to
 non-compliance 207–9
 simplification of 208, 210
 voluntary and enforced 218–19
 confirmatory factor analysis 35, 40
 conscription 189
 construction sector
 Baltic countries 76, 78, 80, 82, 84
 Finland 172, 175, 176, 180–81
 Russia 134, 135, 136–7, 146
 consumption goods retail 136
 context dependency 124–6
 contract value, and bribery 75, 76, 77
 contractors 139–40, 143, 146
 core and periphery workers 132–3, 143–4
 corruption
 bribery in the Baltic countries 75, 76, 77
 control of 189
 Russia 131, 137–42
 Ukraine 151, 153–66
 courts, use of 162, 163
 covariance matrices 37–8
- Coyne, C. 24
 criminal activity 63, 86, 90, 121, 137–8
 Cristi, O. 13
 currency
 depreciation 143
 held outside depository corporations 190–92, 196
 MIMIC approach 33, 41–6
 currency demand approach 170
 customers
 impact of shadow entrepreneurship on 203, 206
 relations to in Russia 134–7
 customs officials 137–8
- De Beer, J. 206
 De Castro, J. 12
 De Soto, H. 9, 10, 12, 13–14, 25, 120
 defining the shadow economy 11, 30–31, 90–91, 120–21, 151, 171, 174
 deleterious impacts of shadow entrepreneurship 202–6
 Dell'Anno, R. 40, 46
 demand-side incentives 208, 210–11
 Denisova-Schmidt, E. 157
 Denmark 173
 Home-Job Plan 210–11
 deregulation of the legitimate economy 204
 detection probability
 Baltic countries 78, 79, 84, 87
 policy approaches 204–5, 208, 209, 216
 Russia 140
 determinants of the shadow economy 31–4, 185–6
 Baltic countries 78–80, 82, 84, 87–8
 deterrence measures 207–9
 developing countries 41–5
 development
 economic, *see* economic development
 human 10, 12, 14–26
 informal sector role 2, 9–29
 social 208, 215–16
 difficulties paying bills 97, 99–109
 direct controls 110, 207–11, 219–20
 joining up indirect controls and 216–19

- direct measurement approaches 184
- direct taxes 31, 41–6
- discrepancy function (CMIN) 192
- Djankov, S. 25
- domestic ownership 156, 157
- domestic sales 156, 157
- Donbas region 153, 157
 - government positions dominated by people from 166
- Duflo, E. 24

- Easterly, W. 13
- Eastern European countries 41–4, 45
- economic crisis 153
- economic development 208, 215–16
 - modernization thesis 91, 123–4, 215–16
 - shadow economy, institutions and 2, 9–10, 10–11, 14–26
- economic freedom 17–24, 32, 41–6
- Economic Freedom Index 17, 31, 32
- economic globalization 91–2
- education 181
 - about tax 208, 212
 - age when full-time education ended 97, 99–109
- Egypt 197
- electronic payments 180
- employees
 - firing 188, 189
 - hiring 130–34, 143–4, 188
 - number of 70, 72, 73
 - remuneration, *see* off-the-books wages; salaries/wages
- employer obligations 175, 176
- enforced compliance 218–19
- Enste, D.H. 11, 39, 170, 186, 205
- enterprise culture 202, 203, 205
- entrepreneurial employees 124, 125
- entrepreneurial spirit 13–14
- ‘envelope’ wages, *see* off-the-books wages
- eradication of shadow
 - entrepreneurship 204–5, 206
- established shadow entrepreneurs, incentives for 208, 210–11
- Estonia 3, 60, 61–3, 68–84, 173
- ethnic restaurants 181
- ethnicities, mix of 80, 84
- Eurobarometer survey 95–6

- European Union (EU)
 - involvement of the self-employed in the shadow economy 95–110
 - regions 98, 99–109
 - structural funds 109
- exclusion perspective 93
- exit perspective 93
- exploitation 92
- exploratory factor analysis 55–6
- export-oriented firms 156

- fairness, procedural 208, 214
- feeding system 151; *see also* corruption
- Feige, E. 184
- financial market regulation 185, 186, 190–96, 197
- Finland 5, 169–83
 - estimated size of informal sector 170–73
 - preventive measures 173–6
 - results of 176–9
- firing
 - cost of dismissal 189
 - regulations 188
- firm age 80, 83, 87
- firm size 80, 83, 156
- fiscal freedom 31, 41–6
- formal institutions 208, 213–15
 - products of 208, 213, 215–16
- formalization 91, 109, 123
 - and relations with customers 135
- Fraser Index 188–9
- freelancing 144
- Frey, B. 26, 156

- Gatti, R. 197
- GDP 9, 30
 - approaches to measuring 63
 - NIHDI 14–16
 - observed and non-observed components 86
 - shadow economy as percentage of
 - 162-country study 47
 - Baltic countries 68–70, 82, 83, 169–70, 173
 - CCA 185, 193–6
 - Finland 169–70, 170–71, 172, 173
 - Nordic countries 169–70, 173
- GDP per capita 14, 33, 34, 41–6
- growth rate 34, 41–6

- gender 96, 99–109
- generalized least squares (GLS)
 - estimator 56
- generalized method of moments (GMM) distance statistics 'C' test 19
- Gens, G. 146
- Georgia 193–6
- Gerxhani, K. 62
- gifts 90–91
- Giles, D.E.A. 39
- Gimpelson, V. 121
- global economy 91
- Global Entrepreneurship Monitor (GEM) project 16, 17, 122
- globalization 91–2
- Goldmark, L. 16
- Gollin, D. 9, 16
- government
 - effectiveness 32–3, 41–6, 189
 - funds allocated to combat the shadow economy in Finland 178–9
 - impacts of shadow entrepreneurship on 203, 205, 206
 - officials, *see* state/public officials
 - satisfaction with 62, 79, 83
 - size of 31, 41–6
 - support for entrepreneurs 79
 - trust in 126, 218–19
- Government Platforms 169, 179, 181
- 'gradual' approach in surveys/ interviews 62, 96
- Grey Economy Information Unit (GEIU) 169, 171, 174, 175, 177, 178, 179, 180
- Grossman, G. 151
- Hanousek, J. 62
- Hart, K. 151
- Hausman test 22
- Helberger, C. 40
- Heritage Foundation
 - Economic Freedom Index 17, 31, 32
 - Labour Freedom Index 196
- high income OECD countries 41–4, 45, 55
- hiring of personnel
 - regulations 188
 - Russia 130–34, 143–4
- Hirvonen, M. 172
- Home-Job Plan, Denmark 210–11
- hospitality industry 172, 175, 176, 181
- hours regulations 189
- household expenses tax credit 181
- household size 97, 99–109
- Huber, M. 157
- human development 10, 12, 14–26
- Human Development Index (HDI) 14, 18–19
- illegal activity 63, 86, 90, 121, 137–8
- immigrant workers 131, 132
- impacts of shadow entrepreneurship 202–6
- in-kind reciprocal favours 90–91
- incentives
 - misaligned individual and public 12
 - policy approach 55, 207, 208, 209–11
- income approach to GDP
 - measurement 63
- indirect controls 110, 207, 208, 211–16, 219–20
 - joining up direct controls and 216–19
- indirect measurement approaches 184–5
- indirect taxes 31
- inflation rate 33, 41–6
- informal institutions 208, 212–13
- institutions 124–6
 - formal 208, 213–15
 - products of 215–16
 - informal 208, 212–13
- institutional quality 185, 186, 189, 190–96
 - shadow economy, development and 2, 10, 11–12, 13–14, 17–24, 25
- International Labour Organization (ILO) 16, 92, 206, 215
- interviews
 - Eurobarometer survey 95–6
 - Russia 126–9
- job candidates, kickbacks from 154, 155, 156–7, 158–9
- Johnson, S. 32
- justice
 - procedural 208, 213–14
 - redistributive 208, 214–15

- Katainen government 169, 170, 174, 181
- Kay, J. 153
- Kazakhstan 184, 193–6
- kickbacks 154, 155, 156–7, 158–9
- Kirchgässner, G. 214
- Kirchler, E. 218
- Knepel, H. 40
- Kogler, C. 219
- kompromat* (compromising information) 154, 155, 156–7, 158–9
- Kyrgyz Republic 184, 185, 193–6
- LABORSTA database 16
- labour force participation rate 34, 41–6
- labour market
- indicators 34, 41–6
 - regulations 31–2
 - CCA 185, 186, 188–9, 190–96, 197, 198
- Lanit 146
- LaPorta, R. 13
- large firms 139–40, 142, 143
- Latvia 3, 60, 61–3, 68–84, 173
- legitimate entrepreneurship
- impacts of shadow entrepreneurship
 - on 203, 205–6
 - shifting it into the shadow economy 204, 206
 - transforming shadow entrepreneurship into 205–6, 206–7, 219
- Li, S.X. 212
- Lillemets, K. 215
- Lima, Peru 14
- limited access order 124–6
- Lith, P. 172
- Lithuania 3, 60, 61–3, 68–84, 173
- Loayza, N. 13
- Luzhkov, Y. 142
- M0 33
- M1 33
- Maloney, W. 9, 12, 13, 16
- manager training 162, 163
- mandated cost of worker dismissal 189
- marginalization thesis 4, 89, 90, 93–4, 95, 99–103, 104–9, 110
- marital status 96, 99–109
- Martinez, A. 202, 206
- maximum likelihood (ML) estimator 38–9
- McGee, R.W. 214
- media 162, 163
- middlemen 161, 163, 166
- minimum wage 188
- missing sales 177, 179
- modernization thesis 91, 123–4, 215–16
- monetary indicators 33, 41–6; *see also* currency
- monitoring measures 177
- Moscow 131
- motivation 13, 81
- Muelbacher, S. 219
- multilevel mixed-effects logistic regression analysis 96, 103–8
- multiple indicators, multiple causes (MIMIC) method 3, 30–59
- Caucasus and Central Asia 5–6, 185, 186–7, 190–92
 - detailed description 35–41
 - limitations 40–41
 - size of the shadow economy for 162
 - countries 41–7, 48–54
 - econometric results 41–6
 - from 1999 to 2007 46–7, 48–54
- Murphy, K. 205, 209
- Naudé, W. 9, 16
- necessity entrepreneurship (NEC) 16–24
- negative reinforcement 204–5, 209
- neo-liberal thesis 123–4, 215–16
- Nichter, S. 16
- no action approach 202, 203, 206
- Non-Income Human Development Index (NIHDI) 14–16, 18–19
- Nordic countries 169–70, 173, 179–80
- normative appeals 208, 213
- norms 79, 208, 211–13
- North, D.C. 25, 124
- Norway 173
- number of employees, underreported 70, 72, 73
- obliquity 153
- occupation 97, 99–109
- OECD countries 41–4, 45, 55

- off-the-books wages
 - Baltic countries 63, 64, 70, 72, 74, 82
 - Finland 177, 178, 179
 - Russia 130–34, 143–4
 - Ukraine 153–5, 156–7, 158–9
- official economy 33, 41–6
 - need to improve the attractiveness of 55
 - state of 33, 41–6
- Olympic games projects 146
- ‘On the Spot’ initiative, Portugal 210
- openness 33, 41–6
- opportunity costs 25
- optimal size of the informal sector 26
- oral agreements
 - with customers 134, 135–7
 - with employees 131
- Palda, F. 62
- path dependency 123
- payment arrears 143, 146
- penalties for detection 204–5, 208, 209, 216–17
 - Baltic countries 78, 79, 83, 87
- perception of corruption 156, 157–60
- periphery workers 132–3, 143–4
- Perry, G. 13, 17
- personal factors 124, 125
- policy 6, 201–26
 - complementarity of formal and informal activities 25–6
 - direct controls 110, 207–11, 219–20
 - Finland 173–82
 - hypothetical policy choices 202–7
 - indirect controls 110, 207, 208, 211–16, 219–20
 - joining up direct and indirect controls 216–19
 - Latvia 82–4
 - making official economy work more attractive 55
 - recommendations
 - for the Baltic countries 83–4
 - Caucasus and Central Asia 196–7
 - for Russia 142–5
 - for the self-employed 109–10
- polytomous universal model (PLUM)
 - procedure 155
- pooled OLS 22, 23
- Portugal 210
- positive externalities 181–2
- post-socialist societies 121, 122–3, 124–6; *see also* Eastern European countries; Russia; Ukraine
- post-structuralist perspective 123–4
- power 218–19
- printing and publishing 136
- proactive proposals to regional authorities and regulatory agencies 160, 161, 163, 166
- procedural fairness 208, 214
- procedural justice 208, 213–14
- procurements 143, 144, 146
- product market regulation 185, 186, 190–96, 197
- products of formal institutions 208, 213, 215–16
- profits, veiled distribution of 177, 179
- proposals for debiting 177, 178–9
- provincial cities 156, 157
- psychological contract 211
- public officials, *see* state/public officials
- public sector services 32–3, 41–6
- Putniņš, T.J. 60, 61, 62, 63, 169
- random effect model 22, 23–4
- receipts with incorrect content 177, 178
- redistributive justice 208, 214–15
- regional authorities, proactive
 - proposals to 160, 161, 163, 166
- regional capital cities 156, 157, 166
- regulation 11, 12, 55
 - Caucasus and Central Asia 185, 186, 190–96, 197
 - Finland 174–6, 179–81
 - intensity of regulations 31–2, 41–6
 - proactive proposals to regulatory agencies 160, 161, 163, 166
 - regulatory quality 17–24, 32, 41–6, 189
 - responsive 217–18
 - satisfaction with business legislation 79
- reinforcement thesis 4, 89, 90, 94–5, 99–103, 104–9
- rent-seeking behaviour 126, 137–8
- responsive regulation 217–18
- retail 78, 135, 136
- reverse value added taxation 175, 176

- root mean square error of
 approximation (RMSEA) 192
 rule of law 189
 Russia 4–5, 119–50
 data and methodology 126–9
 informal entrepreneurial activity
 and informal entrepreneurship
 120–26
 informal practices 129–37
 hiring of personnel and 130–34,
 143–4
 relations to customers and 134–7
 relations with state officials
 137–42, 145
 policy recommendations 142–5
 salaries/wages
 cash payments in Ukraine 153–5,
 156–7, 158–9
 Finland 175, 176, 177, 178, 179
 minimum wage 188
 Russia 130–34, 143–4
 underreported in the Baltic states 63,
 64, 70, 72, 74, 82
 Sandmo, A. 204, 207–9
 Sauka, A. 60, 61, 62, 63, 169
 scale invariance 39
 Schneider, F. 11, 17, 39, 46, 121, 170,
 173, 180, 186, 193–4, 198, 205
 seed-bed for enterprise culture 202,
 203, 205
 self-employment 144
 CCA 190–92, 196
 participation in the shadow economy
 3–4, 89–116
 in the EU 95–110
 marginalization thesis 4, 89, 90,
 93–4, 95, 99–103, 104–9,
 110
 reinforcement thesis 4, 89, 90,
 94–5, 99–103, 104–9
 personal factors influencing 124,
 125
 shadow economy, development and
 institutions 16–24
 semi-structured interviews 126–9
 Shadow Economy Index 60–88
 calculation 63–8
 for the Baltic countries 68–76
 example 65–8
 development, institutions and 16,
 17–24
 survey of entrepreneurs 3, 60, 61–3
 shadow production 63, 64–8
 shadow proportion 64–8
 Shane, S. 9
 Shekshnia, S. 153
 Shleifer, A. 13
 silent money lenders 124, 125
 simplified tax regimes 133, 135
 Sipilä government 179
 slippery slope framework 218–19
 Smith, P. 30
 social class 96–7, 99–109
 social concerns 12
 social development 208, 215–16
 social norms 79, 208, 211–13
 social security contributions 31, 41–6,
 172–3
 socialist past, legacy of 123
 socio-demographic variables 96–7,
 99–109
 socio-economic variables 97, 99–109
 solo entrepreneurs 133
 solo owners 124, 125, 133
 Solomon, O.H. 46
 Soviet Union 151; *see also* Russia;
 Ukraine
 spatial variables 98, 99–109
 staff training 162, 163
 start-ups 95, 123
 incentives for 208, 210
 state procurement 143, 144, 146
 state/public officials
 allocation of budget to work with
 160, 161, 163, 166
 bribery in the Baltic countries 75,
 76, 77
 corruption in Ukraine 160–66
 formal approaches to as anti-
 corruption strategy 162, 163
 relations with in Russia 137–42, 145
 Stigler, G.J. 25
 street entrepreneurship 121
 structural equation models (SEMs)
 39–41
 structuralist thesis 123–4, 215–16
 subcontractors 130, 143
 sub-Saharan Africa 55
 subsistence economy 122

- suppliers, kickbacks from 154, 155, 156–7, 158–9
- supply-side incentives 208, 210
- surveys of entrepreneurs 3, 60, 61–3
- Swaminathan, H. 39
- Sweden 173
- systemic transition 122–3

- Tajikistan 193–6
- Takala, K. 170, 172
- take no action approach 202, 203, 206
- Tanzi, V. 171
- tax 55
 - awareness-raising campaigns 213
 - direct taxes 31, 41–6
 - education about 208, 212
 - Home-Job Plan tax deduction scheme in Denmark 210–11
 - indirect taxes 31
 - knowledge of how taxes are spent 212, 214–15
 - reverse value added 175, 176
 - Russia 133–4, 135, 137
 - satisfaction with the tax system in the Baltic countries 79, 83, 84
- tax audits 177–8
- tax avoidance 173–9
- tax burden 11
 - Caucasus and Central Asia 185, 186, 188, 190–96, 197
 - Finland 172–3, 180
 - MIMIC approach 31, 41–6
- Tax Debt Register 174, 176
- tax evasion 79–80
 - entrepreneurs' attitudes to 81
 - Finland 173–9
 - tolerance of 75–6, 87, 126
- tax morality index 97, 103–9, 110
- tax number 174, 175, 176
- Tedds, L.M. 39
- tendering procedures 153, 154, 155, 156–7, 158–9
- Thomas, J.J. 40
- Thurik, R. 19
- Tokman, V. 13
- tolerance of tax evasion 75–6, 87, 126
- Torgler, B. 156
- total labour force growth rate 34
- trade (openness) 33, 41–6
- training 162, 163, 181

- transaction costs 25
- transformation of shadow
 - entrepreneurship into legitimate entrepreneurship 205–6, 206–7, 219
- transitional countries 121, 122–3, 124–6; *see also* Eastern European countries; Russia; Ukraine
- Transparency International 151
- Trivedi, V.U. 213
- trust in the state/authorities 126, 218–19
- typical cases approach 126–45

- Ukraine 5, 151–68
 - anti-corruption strategies 160–66
 - corruption 151, 153–66
 - perception of corruption 156, 157–60
- underreporting 62, 63, 64, 70–73, 74
- unemployment 98
 - rate 33, 41–6
- unethical informal tools 154, 155, 156–7, 158–9
- unfair tender procedures 153, 154, 155, 156–7, 158–9
- United Kingdom (UK) 202, 213
- unobserved variables theory 35
- unproductive entrepreneurship 126
- unregistered businesses 62–3, 75–6, 77, 78, 82, 86
- unregistered employees 70, 72, 73
- unreported business income
 - Baltic countries 63, 70–72, 82, 86
 - Russia 144
- unreported production 63, 64–8
- unweighted least squares (ULS) estimator 56
- use of company funds etc. for personal gain 154, 155, 156–7, 158–9
- use of unethical informal tools 154, 155, 156–7, 158–9

- values 208, 211–13
- Van Stel, A. 19
- veiled distribution of profits 177, 179
- violent entrepreneurs 121
- Viren, M. 170, 172, 173
- Visa 180
- voluntariness 13

- voluntary compliance 218–19
- voluntary disclosure schemes 208, 210, 216
- Vuletin, G. 186, 194, 198
- wages, *see* off-the-books wages; salaries/wages
- Wahl, I. 219
- Webb, J. 11, 12
- weighted average of shadow production 64–8
- Welter, F. 124, 126
- Wenzel, M. 214
- wholesale sector 76, 78
- Williams, C.C. 123, 202, 204, 206, 211, 215–16
- Windebank, J. 206
- women 10, 94, 95; *see also* gender
- World Bank
 - Doing Business* 188, 189
 - World Development Indicators* 184
 - Worldwide Governance Indicators 17, 32, 189
- World Economic Forum
 - Global Competitiveness Indicators 196
 - Global Competitiveness Report* 65, 188–9, 190
- Yamada, G. 12
- Yeltsin, B. 142
- Yevtushenko, V. 142
- Zudina, A. 121