SHADOW ECONOMY OF UKRAINE

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Research supervisors

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Research questions, purpose of research

- There is always some kind of economy “in shadow”
- SE – main feature of the economy in transition
- Significant SE – characteristic of the “survival” economy
- Large-scale or complicated investments are impossible under such circumstances
- The most common reasons for business activities taking place in shadow:
  - burdensome and costly government regulations
  - level and administrative complexity of taxation

The purpose of this research is to define main factors of the existence of a SE in Ukraine and to identify the ways to reduce its size.
**Methodology**

- **Macroanalysis – MIMIC method**
  - linking the unobserved variables to observed indicators
  - defining factors that influence the SE

- **Microanalysis**
  - econometric micro-simulation in order to model the ways to reduce the SE
  - the methodology of the International Labour Organization
    - information on general household income and expenditure, households production, purchases of goods and services from individuals
    - information for measuring the SE
    - provided by the State Committee of Statistics of Ukraine with 13 000 surveyed participants
Tendency in the research of SE

• Main approaches:
  1. Direct (voluntary replies, tax auditing, compliance methods)
  2. Indirect (macroeconomic)
     1. National income ≠ National expenditures
     2. Official ≠ Actual labour force
     3. Transactions approach
     4. Currency demand approach
     5. Physical input (electricity consumption) method
  3. Model approach
Research results

• Researched the basic and main literature on the topic.
• Analyzed the situation of SE in Ukraine.
• Analyzed the situation of SE in Europe.
• Analyzed the SE in Ukraine in the context of European integration.
• Compared SE in Ukraine and Romania
• Participated in scientific conferences on the topics mentioned above in Ukraine, Finland, and Slovenia.
Features of SE of Ukraine

- High taxation
- Heavy regulation
- Declining “tax morality”
- Size of the businesses in shadow
- Sectors of the businesses in shadow
- Disputes in legislation
- Distribution of Society
Size of SE for European countries, 2010

Difficulties

• Getting necessary statistics
• Dependency of methodology on statistics
• Interdisciplinary study
Thank you for attention!

Q&A