

Informality revisited: Hidden Economy Dynamics in Macedonia

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Policy Round Table:
Tackling Undeclared Work and Hidden Economy in Southeast Europe:
Improving Governance and Prosperity

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Hidden Economy in Macedonia – general data

- **Hidden economy rate in Macedonia ranges from 24% to 47% of GDP**, depending on the method used.
- **Non observed Economy (NOE) estimated by the state statistical office sets it at around 20%.**
- **Unemployment** stands at 24.5%, with youth unemployment close to 50% and above 80% long-term unemployment.
- **Positive trend of the revenues** coming from social security contributions and other taxes gathered by the Public Revenue Office (PRO) despite the decrease in tax rates in Macedonia.

How we measured and when?

- Two methodologically identical population surveys, representative regionally and demographically,
- Conducted in 2014 and 2016 in Macedonia.
- CSD methodology
- Face-to-face household survey - direct method for assessing hidden economic activity
- Qualitatively different and more varied information compared to the traditionally used indirect approaches (which usually present the hidden economy as % of the GDP)

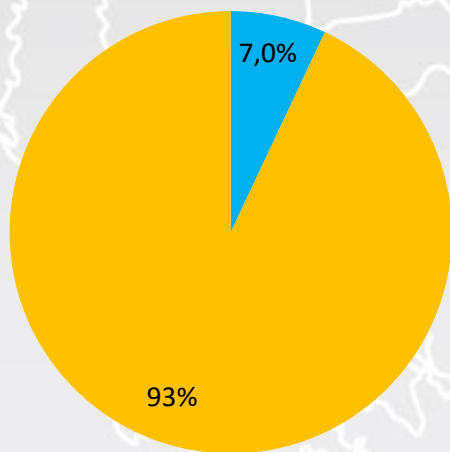
Sample

	2014	2016
Sample	1116	1097
Date	10/2014	5/2016
Representative	Regionally and demographically	Regionally and demographically

Survey Data: Undeclared Workers

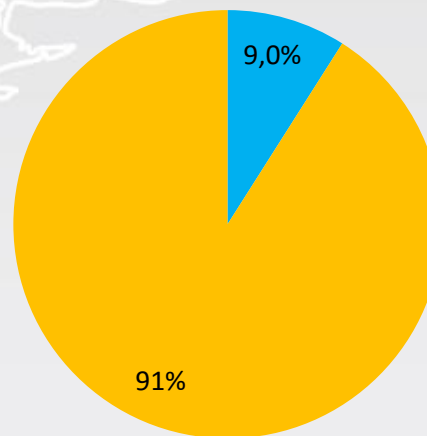
Do you have a written job contract for your primary occupation?

-



2014

■ No contract ■ Have contract

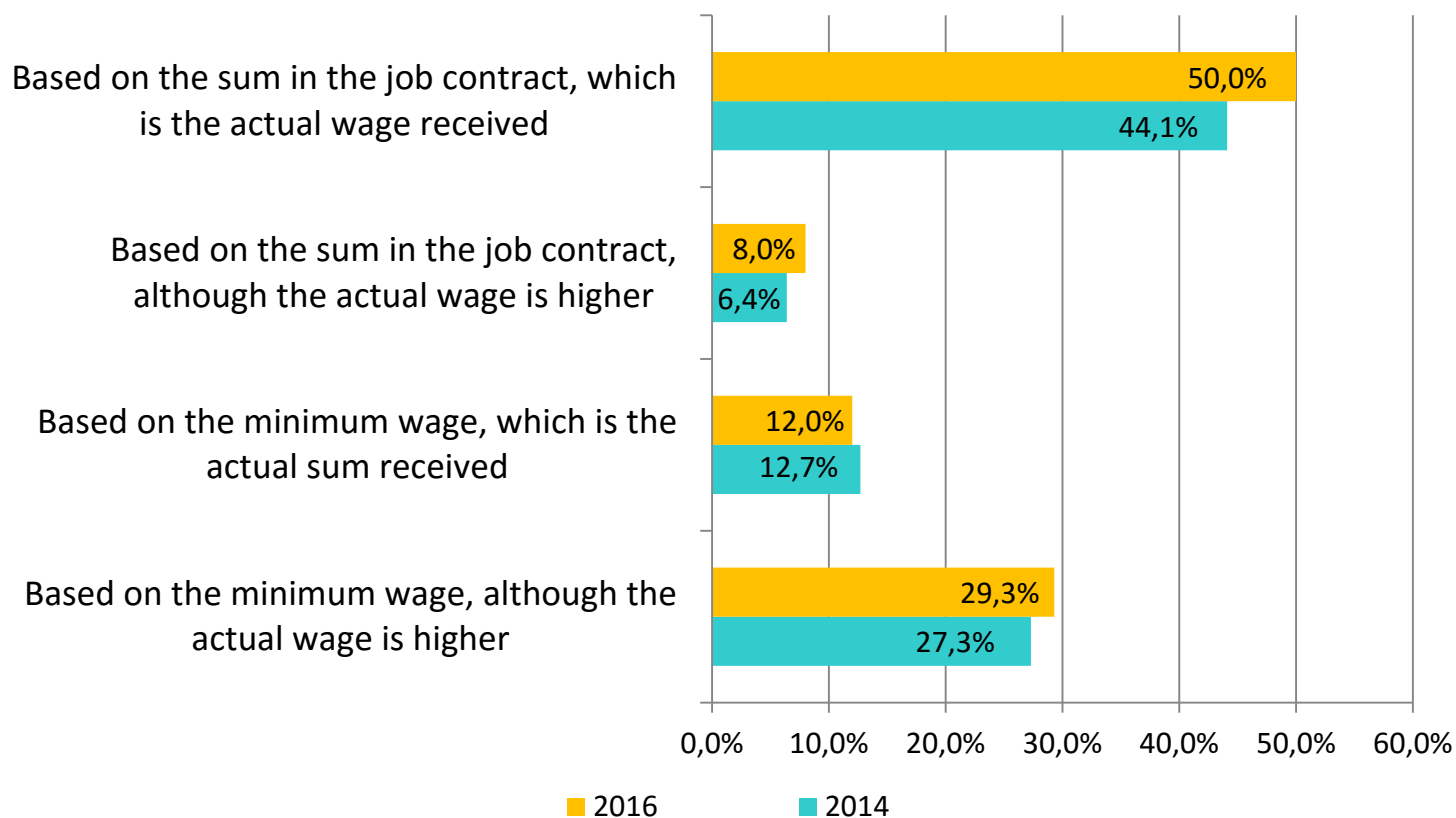


2016

■ No contract ■ Have contract

Survey Data: Undeclared Workers

What is the wage amount on which your social security contributions are being paid?

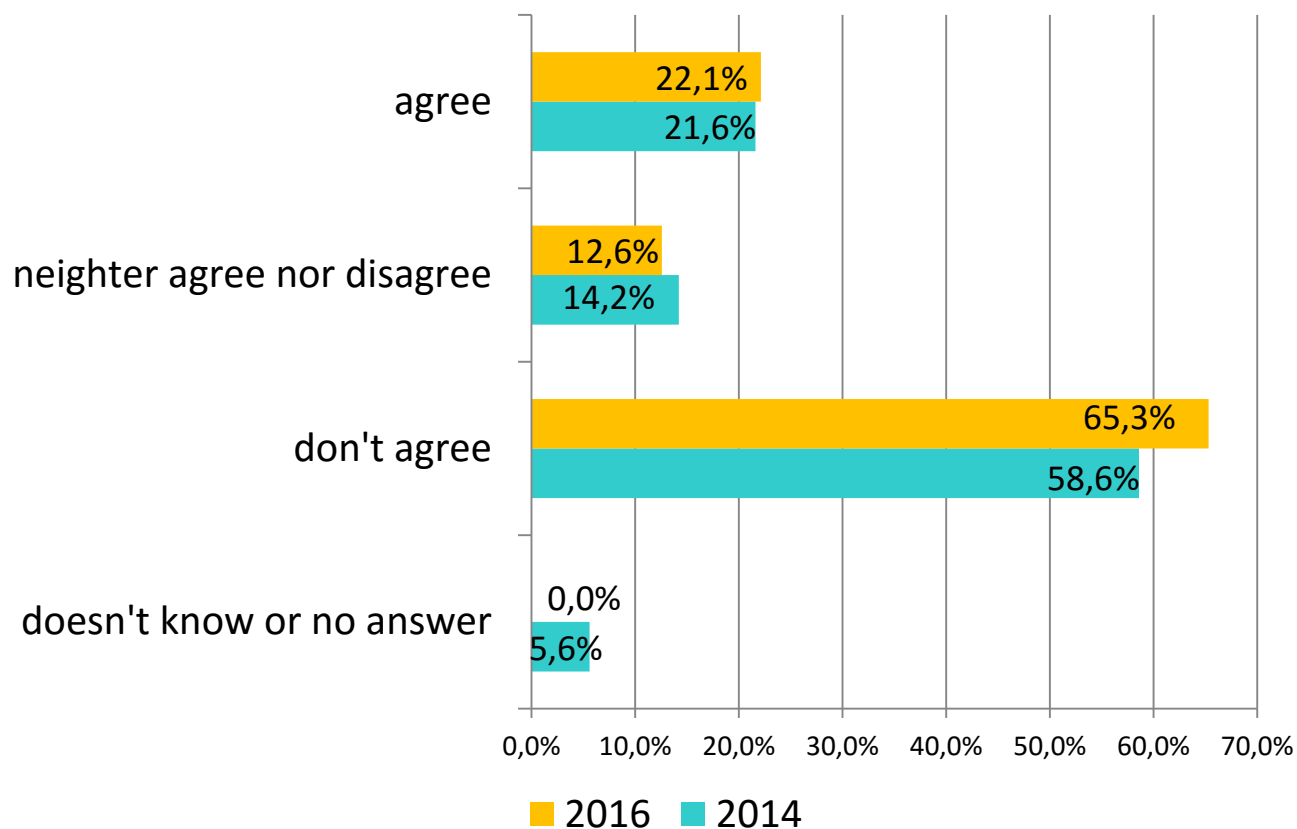


Survey Data: Undeclared Workers

- **In 2016, 37.3% of employees in Macedonia** (29.3+8=37.3%) have their social security contribution paid by employers on contracted wages that are lower than the actual wage they receive
- If combined with the respondents not having job contract – **the employment income of almost half employees (46%) is partially or completely undeclared**
- Situation is worse than 2014!

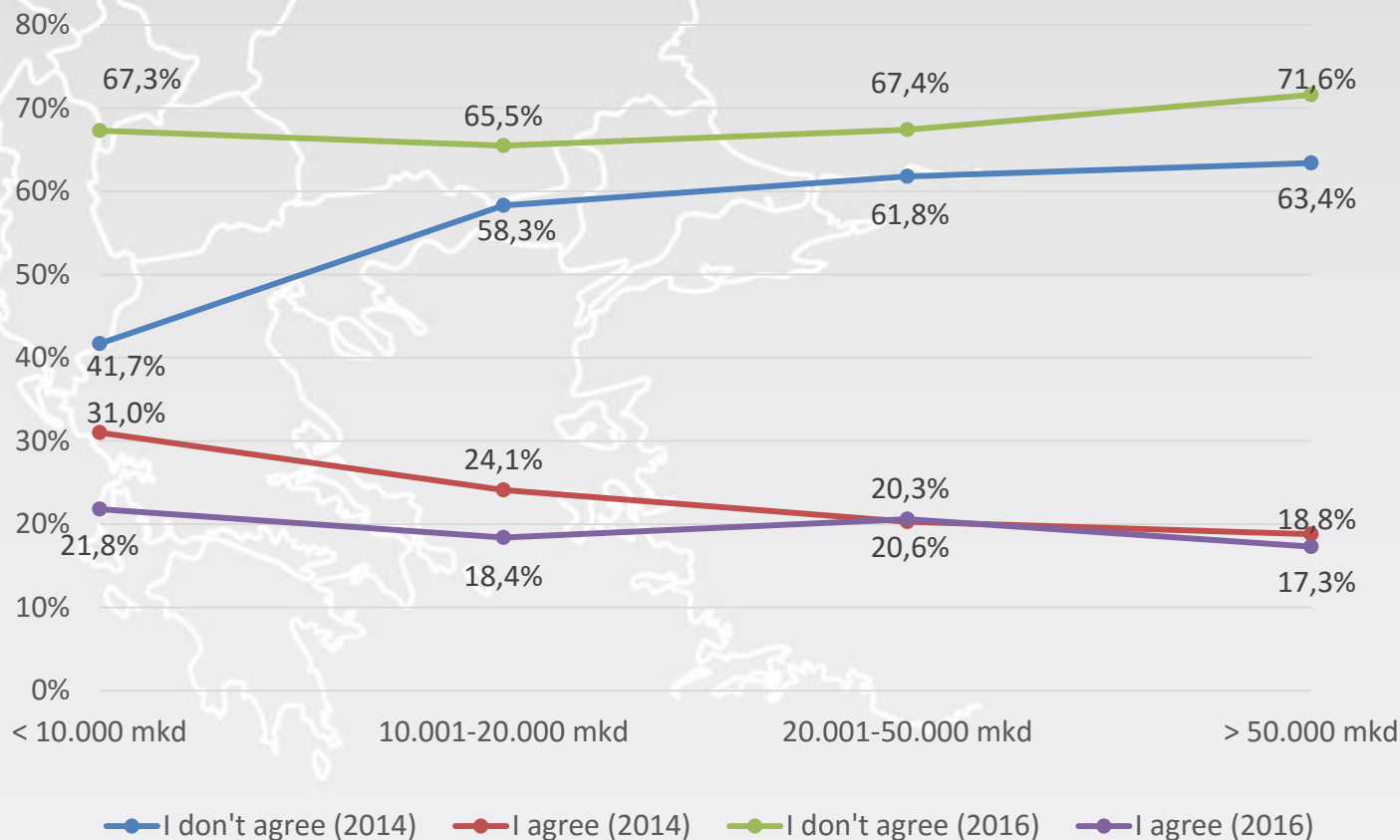
Survey Data: Undeclared Workers

Level of agreement with the statement 'I would rather be an undeclared worker with a higher wage, than a declared one with a lower wage'



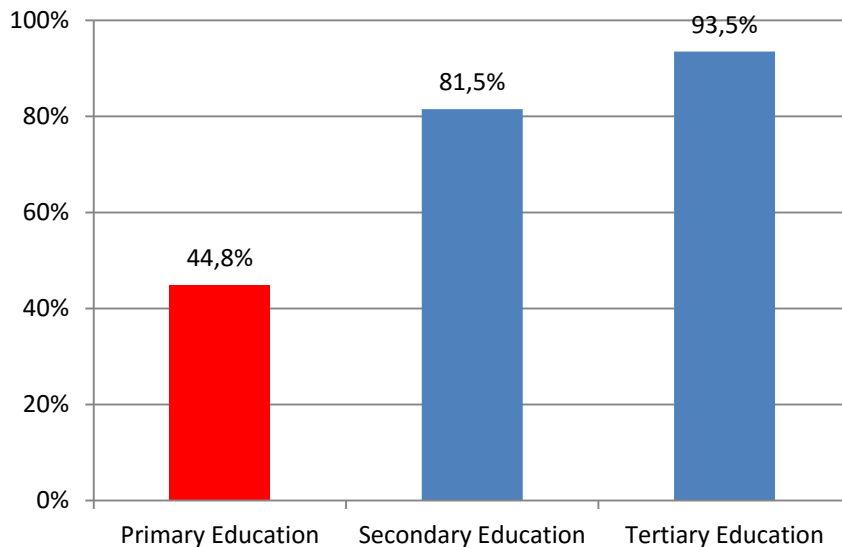
Survey Data: Undeclared Workers

Level of agreement with the statement 'I would rather be an undeclared worker with a higher wage, than a declared one with a lower wage' and household income



Survey Data: Education, ethnicity, written contracts

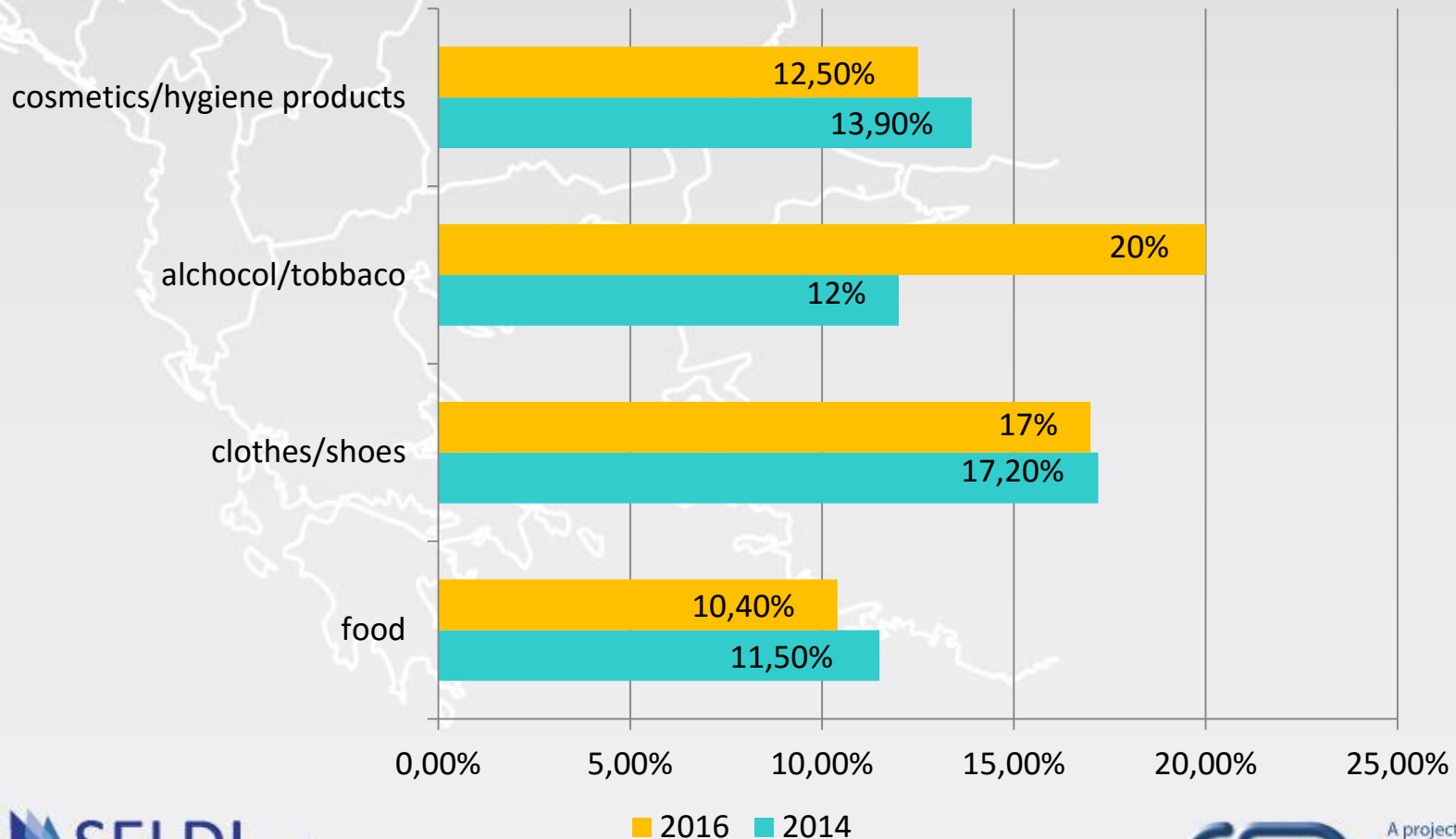
- Percentage of population with written contract for primary job according to educational attainment



- Significant difference in the rate of acquiring a written contract due to the **crossover from primary to secondary education**
- That difference is even more significant if you take the ethnic background in context. **75% of Macedonians** with primary education have a written contract compared with **26% of Albanians** and **57% of other ethnic communities**.

Survey Data: Tax Evasion

Percentage of respondents stating they've never or rarely been issued fiscal receipts for purchased products during the past month



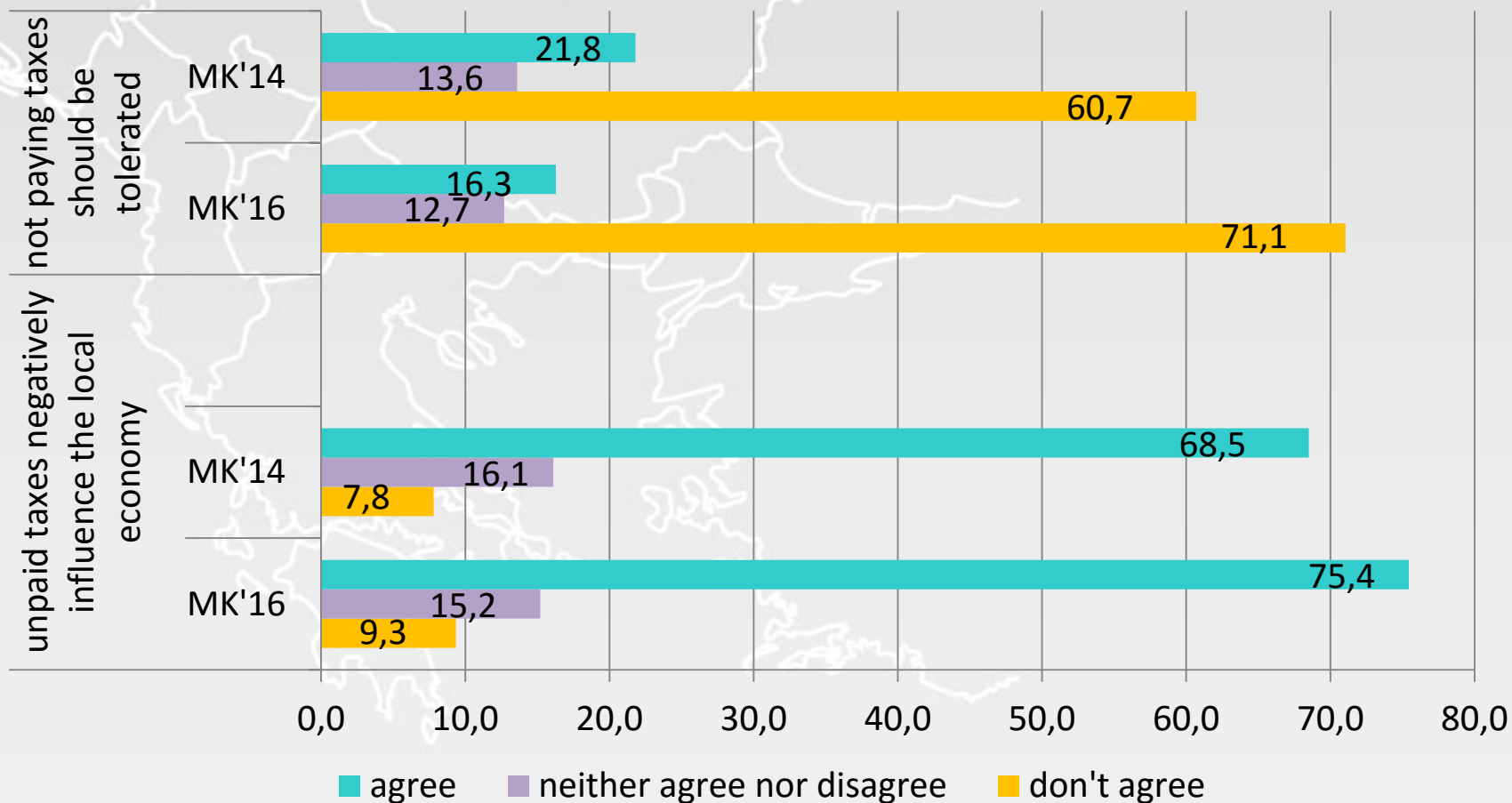
Survey Data: Tax Evasion

Percentage of respondents stating they haven't received receipts for used services during the past three months

2014 year	2016 year
55%	54%

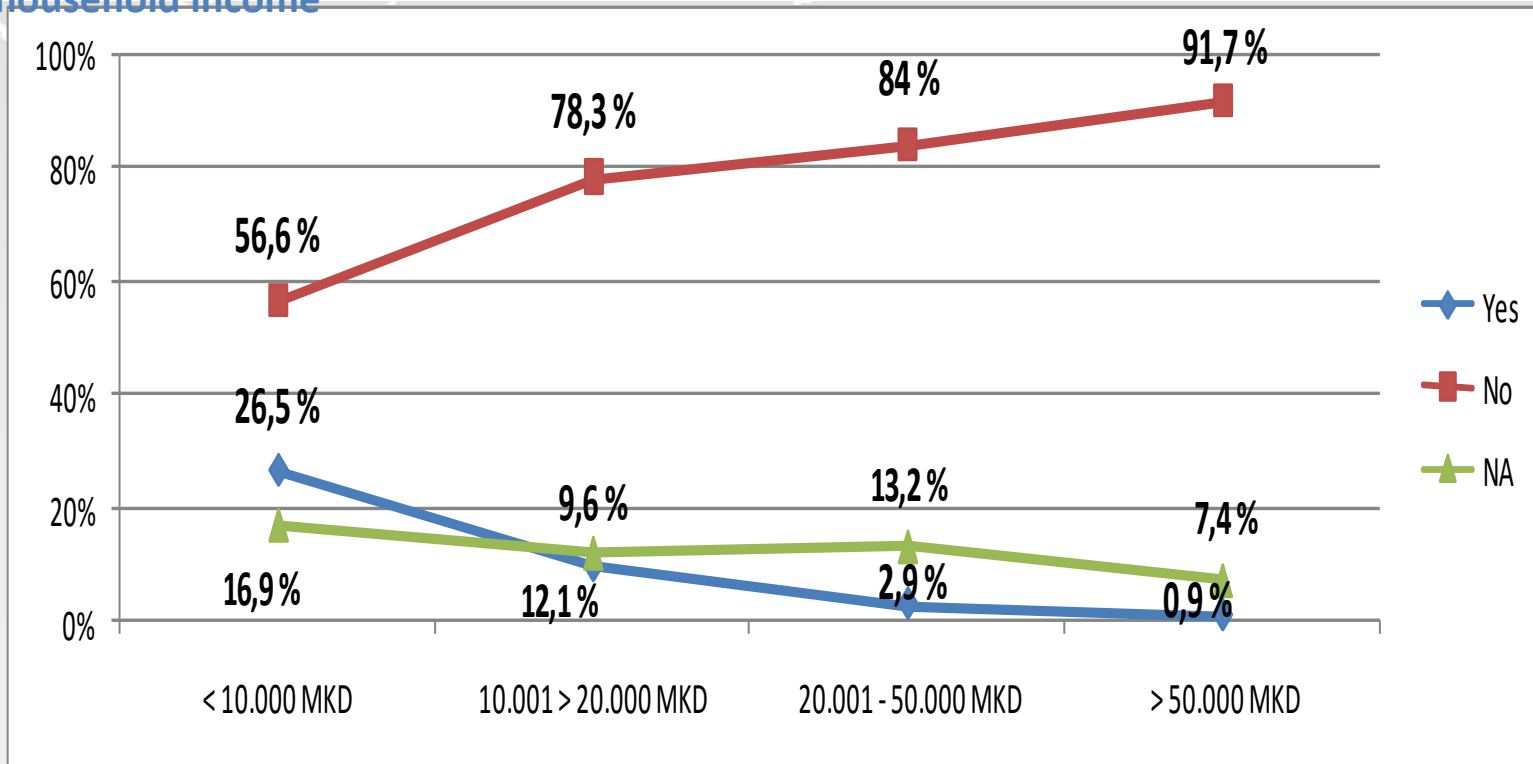
- Receipts most frequently given for professional services (accountants, psychologists, architects, etc.) and transportation services
- Receipts less frequently given for: repairmen, auto mechanic services; household maintenance; renting assets/ premises; craftsmen services (hairdressers, tailors/seamstresses, beauticians)

Survey Data: Perceptions on Tax Evasion



Survey Data: Tax compliance

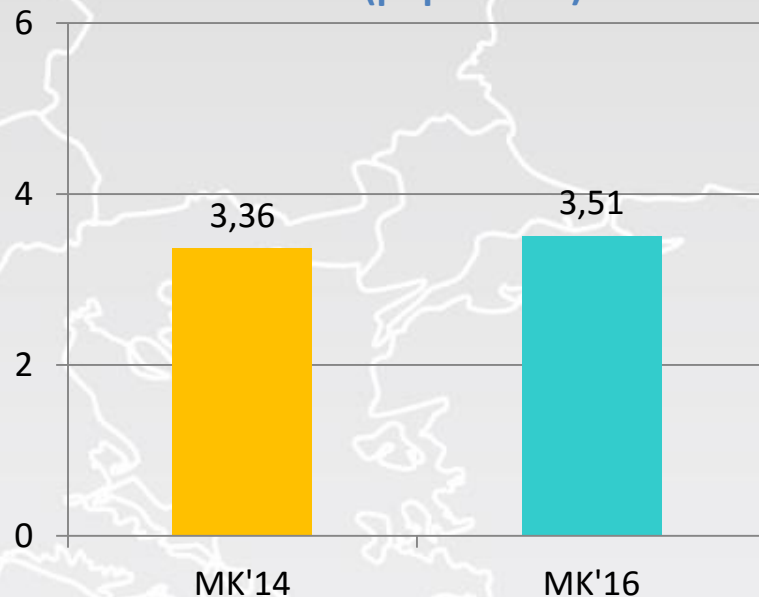
(Dis)agreement with the statement “I do not pay taxes since they are too high?” and household income



Hidden Economy Index

Macedonia 2014-2016

Hidden Economy Index and sub-indexes (population) for Macedonia (2014-2016)



- **Slight worsening (larger values)** across the board in **most categories** of the hidden economy index for 2016.
- **Improvement** is only evident in categories **Health Insurance** and **Fiscal Receipts for Goods**.

Conclusions

- **Around 45% of employees (a rise from 40% in 2014) with primary employment are partially or completely undeclared.**
- **1/3 of employees in Macedonia with primary employment besides their regular wage also receive envelope wages or additional wage through temporary service contracts.**
- **7.4% of the employed in Macedonia admitted that they received envelope wages in the past month.**
- **Only 44% of the employees with primary education have a written contract compared to 81% of the employed with secondary education.** The difference is more drastic if ethnic background is taken into account.
- Macedonia experienced **slight worsening (larger values)** across the board in **most categories** of the hidden economy index for 2016.
- However, **perceptions** regarding undeclared work and tax evasion have **improved** .
- Will it result with changed behavior? **Changes in the environment needed. Shift from punitive towards simulative measures.**

Thank you for your attention!

