Abstract for “Using Administrative and Survey Data to Analyse Tax Evasion from Unregistered Labour”

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Official estimates of the hidden economy are currently produced as a “by-product” of the GDP estimation process. Hidden economy (and the tax evasion thereof) is estimated on the basis of well established methods which differ from country to country depending on their statistical systems. However all such methods provide macro estimates of hidden GDP but do not allow to evaluate the impact of the hidden economy on income distribution.

The Italian method assumes that hidden economy stems mainly from the use of unregistered labour (6.5% of GDP in 2008) and from the under-reporting of value added (due to the under-reporting of legal production and/or to over-reporting of intermediate costs). Furthermore, the balancing of supply and use tables allows to recover the part of GDP (1.2% in 2008) which it is otherwise difficult to detect (e.g. informal economy). Estimates of hidden GDP are detailed according to economic sector and geographic region but do not take into account income, firms or household typologies. There is therefore no way of measuring the impact of the hidden economy on income distribution for the general population or its segments. The macro estimate of the hidden economy, however, exploits information at micro level contained in survey and administrative data about individuals, households and firms. This raises the question whether one can create variability and inequality indicators to go with the macro estimate.

This work examines the share of value added due to unregistered employees or to registered employees who perceive part of their wage so to avoid tax compliance. This part of the value added is currently estimated using firms information sources, with the exception of the irregular labour volume which is inferred comparing sources on the firms side with those on the household side. This research aims at providing an alternative estimate of irregular labour earnings on the household side, using survey sources (Eusilc) integrated with administrative data (social security archives, tax registers) through deterministic record linkage techniques. A further goal is to observe the corresponding tax evasion on the firms side, that is to estimate the operating surplus/mixed income generated by employing irregular labour forces. As a result, it will be possible to measure the impact of non registered incomes (both from employees and self-employed) on household income distribution. Finally, again resorting to information from the employees/household camp, we wish to use multivariate statistics to characterize the typical features of irregular labour.