

Abstract

This paper attempts to explain the behaviour that motivates individuals to engage in the shadow economy. Results show that those who fear being caught by tax authorities are less likely to supply or purchase work in the shadow economy. Further, those who earn more money in the 'official' economy, work less in the shadow economy, but purchase more shadow economy work. The results of logistic regressions show that when working in the shadow economy is seen as socially acceptable, shadow economy activities are higher.

Additional findings showed that, on average, a shadow economy worker earned AUS\$2135.31 during 2000, and households spent AUS\$2293.00 for these services. Using micro-data to calculate an overall aggregate figure for the estimated size of the shadow economy in Australia during 2000, it was found that between 4.81% and 8.8% of the gross national income (GNI) was earned in the shadow economy.