

SIR ARTHUR LEWIS INSTITUTE OF SOCIAL & ECONOMIC STUDIES

Invites you

to a **Research Seminar Presentation**

by **Nilio Gumbs, PhD Social Policy**

on **Thursday 26th March, 2015 at 10.00am**

in the **SALISES Conference Centre, UWI**

Abstract

An Empirical Investigation into the Size and Structure of the Informal Economy in St. Vincent and the Grenadines

This three-paper research investigates the informal economy in St. Vincent and the Grenadines. The first paper employs a multinomial probit model to examine the socio-demographic characteristics of workers in the informal sector. A Heckman selection model is used to examine the wage gap between the formal and informal sectors and between male and female workers in the informal sector. If a wage gap were found to exist between male and female workers in the informal sector, then the Oaxaca decomposition technique would be used for further exploration. The second paper employs the currency demand technique to estimate the size of the informal economy. Data from the period 1990 to 2010 will be employed and ordinary least square regression will then be used to examine whether taxes and excessive regulations are major determinants of the informal economy. The third paper employs structural equation modelling to examine the informal economy. It is evident that a number of factors may influence the informal economy. An ordinary least square regression is employed to examine socio-demographic variables that are more likely to influence the size and structure of the informal economy. A confirmatory factor analysis is then used to examine the dependence relationship of those socio-economic and demographic factors that are likely to impact the informal economy. Finally, a latent structural equation model will be used to examine the dependence relationship between several constructs, with specific focus on whether an absence of social protection and an avoidance of legal requirements are features of worker behavior and conditions in the informal sector.

Keywords: informal sector, multinomial probit, currency demand technique, structural equation modeling