CONSUMER SOCIAL VALUES BEHIND THE GREY ECONOMY

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Abstract. The paper explores the influence of consumer social values on the grey economy in Latvia.

Measuring the grey economy is a complex issue which has not received a required attention in academic research thus resulting in a lack of consistent assessment methodologies. This has might result in serious implications for national economies limiting the implementation of the effective mitigation measures in economic policies.

The objective of this paper is to explore and analyse the nature of dominating social values in Latvia, the impact of the above on related consumer behaviour and influence of the grey economy. The study suggests higher support for tax evasion driven by self-centred values which might have stimulating impact on the grey economy. Traditionalist, domestic and peaceful values are associated with prevailing acceptance towards properly paying taxes which represents an opportunity to raise taxation income assuming right communication strategy developed. Domestic value domain represents another opportunity for acceptance behaviour however proper tax settlement is lower among their individual priorities thus to be considered as an alert for attempts to increase tax burden.

The findings of the study represent an interest both from academic and national fiscal planning perspective.

Introduction

Informal economic activities represent rather a cluttered and diverse area. There are a number of definitions and terms used to describe it, such as "informal," "shadow,", "hidden," "parallel," "second," "cash," "underground" economy and so on—depending on the context and angle of each particular study. The importance of the subject has grown substantially since gaining the attention in 1970s however the taxonomy still remains an issue (Peattie, 1987; Feige, 1990) which is generally covered later in this paper.

Also measuring the grey economy is a complex issue which has not received a required attention in academic research thus resulting in a lack of consistent assessment methodologies. This has might result in serious implications for national economies limiting the implementation of the effective mitigation measures in economic policies. Moreover, the research of causes behind the dynamics of the grey economy has been scarce.

Our study focuses on a single aspect related to unreported economy: behaviour and attitudes of private individuals related to underground economy practices of tax evasion via unreported income. This area is often referred as to "grey economy" to distinguish it from the area related to severe criminal activities ("black economy," e.g. production and distribution of drugs) but is nevertheless considered illegal (practices like paying cash-in-hand to circumvent tax load). A lot of effort is invested by government officials to uncover and fight the grey economy while the drivers behind it sometimes fail to gain the attention from motivational point of view. We seek to fill this gap by analysing what are the values of the individuals who engage grey economy activities and are they different from the ones who do not.

The objective of the paper is to explore and interpret the nature of dominating social values in Latvia from a perspective of their impact on consumer behaviour and propensity for tax evasion. This would allow official institutions approach public communications in the most meaningful way to prevent tax evasion and motivate tax payers desired behaviour.

The study is based on empirical sociological data from national value survey and Social Values methodology and quantitative survey of the general Latvian population with 1547 respondents, commenced in November 2009.

1. The Context of the Underground and Grey Economies

The concept of the underground economy was initially approached from labour aspect. (ILO, 1972) Hart (1973) first used the term of "informal sector" regarding low-income labour force outside the formal market such as self-employed individuals thus providing the original definition of the term. Later on, International Labour Organization provided more specific definition in reports on employment in Kenya which are remarkable early studies on the subject. Most commonly applied definitions refer to underground economy as all currently unregistered economic activities

which contribute to the officially calculated or observed gross national product. (Frey & Pommorehne, 1984; Feige, 1990; Schneider, 2002)

The most comprehensive definition is given by Smith (1997) defining it as "market- and non-market-based production of goods and services, whether legal or illegal, that escapes detection in or is intentionally excluded from the official estimates of GDP."

However taxonomy of the concept incorporates rather different aspects that are clearly distinct among themselves.

1.1. Taxonomy of the Underground Economy

As noted before, taxonomy of the underground economy is rather unclear due to vast range of activities forming it. Feige (1990) identifies four specific types of underground economies:

1. illegal economy (usually associated with production or distribution of prohibited goods, e.g. drugs or black market currency operations);

2. unreported economy (typically representing circumvention of fiscal rules, e.g. unreported income and associated tax evasion such as "cash-in-hand pay");

3. unrecorded economy (economic activities that circumvent reporting to official statistics authorities like household production, which also might be associated with tax evasion aspects, e.g. VAT);

4. informal economy (economic activities that circumvent costs and are excluded from benefits and rights incorporated in property, commercial, social etc. legislation).

Schneider (2002), extending Mirius and Smith (1997) has applied classification of economic activities related to underground economics based on type of activity.

We have extended the initial list of activities (Table 1) where we refer to activities considered illegal and prohibited as "black economy" while legal activities that circumvent reporting, taxation or supervisory frameworks (which is barely legal or illegal) are referred to as "grey economy." The scope of this study covers more specifically private individuals in grey economy—their behaviour and attitudes versus grey economy practices of tax evasion via unreported income.

Table 1. Taxonomy of Underground Economic Activities by Type

Type of Activity	Monetary Transactions	Non-Monetary Transactions	
Illegal Activities	Trade in stolen goods Manufacture and trade of drugs Prostitution, gambling Smuggling Black forex market operations Fraud, MLM or internet scams	Barter of drugs, stolen goods etc.	Produce or grow drugs for own use Theft for own use

	Tax Evasion	Tax Avoidance	Tax Evasion	Tax Avoidance
Legal Activities	Unreported income from self-employment Wages, salaries and assets from unreported employment Unregistered or concealed import and trade activities	Employee discounts Fringe benefits Formal business registration abroad in favourable taxation areas	Barter of legal services and goods	Do-it-yourself work Neighbour help

Source: authors' extension based on structure from Schneider (2002), Mirius & Smith (1997)

1.2. Impact of the Grey Economy

Grey economy has a controversial role in economic systems with both negative and positive impact. Grey economy is negatively correlated with fiscal revenues and health of the public finances. Tax evasion practices support incorrect data which could become a serious distorting factor in government policies, e.g. quality of anticipated changes in social and taxation systems. This might facilitate unfair income redistribution, too. (Rosser et al, 2003; Ahmed et al, 2007) Therefore the more accurate understanding of grey economy we can gain, the higher credibility and fairness of these systems is supported. Negative impact is also related to competitive advantages grey businesses might gain which are distortive in open market context. (Maloney, 2003; Brēķis, 2008)

However some positive impacts of grey economy also might be suggested by us in certain circumstances. From our perspective grey economy might have positive effects on some extent, some of them well observed in Latvia under the current economic downturn:

- social cushion: a certain share of unemployment is being absorbed by grey sector thus increasing social stability and partially providing a relief for the budget (apart from the time-bounded excess load from groups of people receiving unemployed benefits);
- consumption stimulus: grey income allows people to increase their consumption thus indirectly stimulating economic growth;
- indirect tax gains: grey earnings being spent in transparent economy generate extra tax revenues via indirect taxes such as VAT on goods and services.

Though we identify both positive and negative effects of the grey economy, its scale is yet unclear. Irrespectively if it is negative or somewhat positive, the effect of the grey economy might have an important impact which can be measured and explained.

1.3. Measuring the Grey Economy

The diversity and instant development of different forms of hidden economic activities evolve in an infinite loop with the mitigation measures introduced by authorities. This is an obvious manifestation of the nature of the grey economy activities which are intended to be unregistered and undetectable. Variety of methods to assess the size of the grey economy exist however there is no single methodology which would allow referring unanimously to the assessed size of the grey economy.

To assess it, direct measurements via voluntary surveys could be used (Mogensen, 1994) however they might pose such drawbacks as biased data due to responders' willingness to co-operate, right selection of the target group and relevance of the assessed manifestation of the grey economy. (OECD, 2002)

Alternatively, a variety of indirect methods are applied which are based on:

- discrepancy of national income and expenditure statistics (MacAfee, 1980);
- discrepancy in official and actual labour force (Del Boca, 1981);
- physical input approach which is based on the difference in dynamics between electricity consumption and GDP growth (Johnson et al, 1997);
- transaction approach which links money flows to total value added in economy (Feige, 1979);
- currency demand approach assessing the growth in demand for currency as indicator to estimate total economic growth to be compared with official GDP developments (Schneider, 1987);
- MIMIC (multiple indicators, multiple causes) approach dealing with simultaneous assessment of multiple factors and their effects on informal economy. (Giles, 1999; Vuletin, 2004)

While all of the methods could be applied to estimate the size of the grey economy, they all have as well their advantages as limitations and issues which are well reviewed in literature. The results of academic studies applying different approaches and initial assumptions yield rather different estimates of the size of the grey economy. It is recognized that there is no single approach which could be considered as the best. (Schneider & Enste, 2000; Schneider, 2002; Vuletin, 2004) A detailed review of these methods out of the scope of this paper, however they are considered while setting up the context of the study.

1.4. Sizing the Grey Economy in Latvia

Latvia is frequently referred as one of those EU countries which has the highest level of the grey economy measured as % of GDP. In 1990-1993 the grey economy in Latvia was estimated at a level of 20-27% using different methods by Schneider and Enste (2010), 24% by Johnson et al. (1997) and 32% Lackó (2000); Schneider (2002) referred to 39.9% for 2000 while Renooy et al. (2004) referred to 18.9% based on undeclared work and noting it as underestimation; in 2007 Schneider et al. (2010) reported higher estimate of 44.3%. We do not aim for exact figures in the context of this study;

however these indications clearly reflect the scale of the issue: the level of grey economy in Latvia is among highest in Eastern Europe. However, the comprehensive study by Schneider et al. (2010) covering 162 countries worldwide also suggests a need to consider socio-cultural factors when interpreting the trends of the grey economy. Estimates for individual countries vary a lot. Grouping of countries by traditional means on politico-economical basis (e.g. EU-15 and EU-12, OECD, transition economies etc.) still reveals a remarkable spread between low and high values within the groups. Less variation is observed when more holistic grouping by cultural and geographic resemblance is considered (Table 2).

Table 2. Estimated size of the grey economy by country groups, % of GDP in 2007

Region	Number of territories	Average, unweight	Low within group	High within group
Europe				
West	9	14.2	9.1	23.1
South	14	32.6	23.1	41.2
Nordic	5	19.1	16.8	20.4
Central	4	24.5	21.1	29.1
East	6	47.3	34.0	58.1
Russia	1	52.0		
Asia				
Middle East	7	24.2	20.0	36.2
Japan	1	12.1		
China (with HK, Macau)	3	16.1	14.3	18.6
Other South and East	19	33.4	14.0	57.2
Africa	41	42.7	31.7	63.0
Australia	1	15.0		
Americas				
US	1	9.0		
Canada	1	16.6		
Latin America	23	42.8	21.1	70.7

Source: *Authors' elaboration based on Schneider, F.; Buehn, A.; Montenegro, C., 2010*

However, even in such a grouping variance remains high within the group. For instance, variation within South Europe group is 0.359. More detailed split in smaller regions based on both socio-cultural similarities and politico-economic factors reveal much less variance, e.g. Mediterranean and Balkans group of EU members have variance of 0.028 while the rest 5 non-EU states—0.023. At the same time such an approach is not effective (a) due to split in too small groups and (b) doubtfully causal (e.g. while Nordic region with variance 0.021 looks in-line but small group of politically, economically and culturally close Baltic States 0.294 does not support it). While some part of this difference might be attributed to precision of estimates, it still suggests the indi-

vidualism of each country and potential influence of different factors. Some of these factors are closely related to behaviour of consumers and business entities which could be explained from social and cultural values angle.

These findings are in line with other studies that suggest a need for interdisciplinary analysis which could assist explaining the causes and increase of the grey economy as economic factors and models can only partly explain it (e.g. Frey, 1997; Rabin, 1998, Elster, 1998).

The size of the grey economy is dependent on a complex set of factors which are individual to each country and territory. Some of such factors are traditionally referred in research, e.g. local tax regime, control environment, administrative burden and labour market regulation. In the same time contemporary approach claims that some part of the impact, even more significant could be attributed to socio-cultural factors, e.g. corruption, values, religion, tax ethics and morale. (Frey, 1997; Alm & Torgler, 2006) Even more extensive list and references is widely examined by Thießen (2010).

1.5. Role of Social Values in Grey Economy

Analysis of social values also represents one of the approaches that enable explaining economic developments from behavioural perspective.

Values in the economic context are often referred as individual choices, preferences and tastes. Hereby authors suggest that the choices or preferences are not values themselves. They are the consequences of the application of individual values in a process of choice. Rokeach (1973) defined value as "an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence." Schwartz (1992) in his value theory defines values as desirable trans-situational goals of variable importance applied as broader guiding principles by a person or social entity. From our perspective values serve as criteria for judgment, preferences, choice and decisions as they underlie the knowledge, beliefs and attitudes. (Kaže, 2010b) Values exert a major influence on the consumer behaviour thus serving as determinant for his/her decision making where conflict of choice exists as generalized in Figure 1.
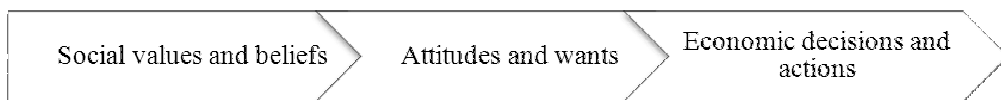

Figure 1. Role of social values in economic decisions (Kaže, 2010b)

If values are considered a factor which influences individual's action, a homogenous social group of individuals with similar core values and consequential actions might have a visible influence on the trends of certain industry or economy as whole e.g. dominating pessimism and vigilance in a period of economic downturn might easily result in a decreased consumption in nearly all the product groups thus influencing the total retail turnover of the economic system. The grey economy is not an exempt

of it, for instance dominating justification of tax evasion in society triggers the actual evasion activities.

Alm and Torgler (2006) have analysed from demographical perspective the issue of tax evasion and ethics across 33 countries based on data from Inglehart's World Values Survey (WVS). This study reveals that certain social groups (older, lower education, less income and female groups) are more opposed to tax evasion. The study was mainly focused on international demographic comparisons than local social groups. However findings indicating that United States followed by Switzerland and Austria exhibited the highest tax morale within the group which corresponds to estimates of the grey economy for the respective countries among the lowest worldwide (9.0%, 9.1%, 10.1%). (Schneider et al, 2010) The study also suggested a higher tax morale in Nordic Europe than Roman countries (Spain, Italy) which is in-line with several other studies—and the size of grey economy for these regions correspond to this finding over time (e.g. Frey & Weck-Hannemann, 1984; Kirchgässner, 1999).

Some of the studies applied custom design surveys to evaluate tax morale aspects. Braithwaite's Community Hopes, Fears and Actions survey in Australia, 2000 examined tax behaviour of Australian citizens. Some of the findings revealed that close to 6% of investigated households admitted that had received "cash-in-hand pay" over the last year and 14% respondents requested and received unregistered work. (Schneider et al, 2001) Figures in different economies and surveys reflect remarkable differences, e.g. similar survey in Germany showed 24% grey economy employment rate. (Schneider, 1999)

This supports of our view that nature of the grey economy is individual for each country and has to be analysed in relation to locally relevant aspects. Tax behaviour has become integrated part of attitudinal and value researches, such as WVS and European Values Survey (EVS) which providing opportunity to explain the issue.

However, application of values is not limited to this extent only. As stated above, actions by large social groups might have influence on economic activities, and values, beliefs are determinants for it. Values and beliefs are formed within local cultural environment and can be influenced and formed though slowly. A certain role of mass media and government actions might either drive or limit anticipated behaviour becoming a tool to mitigate the current issues. In business, for instance, marketers try to apply their knowledge about values to drive the market in desired direction and gain competitive advantages. However, the relation between values and actions should be evident and measurable in order to take actions. This is where local insights focusing on values and behaviour patterns become valuable.

2. Methodology and Approach of the Study

The analysis of the attitudes of the Latvian population towards taxation issues is based on dedicated questions on attitude to taxation in annual value survey conducted November, 2009. Such a design enables further analysis and cross-section between

taxation related aspects and demography, customer social values, media consumption, lifestyle and other relevant attributes. This might assist in better understanding of factors facilitating the grey economy, and developing suggestions on influencing them.

Survey was designed as direct interviews with nationally representative sample aged 15-74, number of complete interviews—1547. Values section included a set of 64 universal social values selected via multi-dimensional scaling as having the highest local relevance for Latvian population. Values are grouped in 8 domains by similarity. Domains are attributed a descriptive name based on dominating values within them to enable simpler referencing (Table 3).

Table 3. Social values included in survey by domain

Rationalist	Traditionalist	Peaceful	Domestic
Treating others as equals Respecting differences Accepting life as it is Understanding the world Being logical Not relying on instant feelings Striving for truth	Caring for weak Environment protection Humbleness Hold on to religion Spiritual development Helpfulness Unity with nature Good relationships with others	Honesty World peace National security Politeness Avoiding conflict Preserving national culture Acting in a tested way Inner harmony Empathy Living in a just society	Loyalty Health Family security Dedicating oneself to family Responsibility Thrift Practicality

Profound	Self-centred	Ambitious	Maximalist
Friendship Mature love Finding life's meaning Wealth Settled personal life Understand oneself	Varied life Enjoying life Belonging to a group Get the most out of life Independence in thought Self-respect Self-determination Being true to oneself Not being concerned with trifles	Exploring new things Excitement Superiority Fame Power Career Gratification Influence Authority	Self-reliance Perpetual education Activity Not showing weakness Creativity Self-realisation High demands Holding ground

Domains are organised in respect to motivational similarities into 4 dimensions: living for tomorrow vs. today, identity vs. relations, self vs. other, domination vs. adjustment.

Social groups or target consumer segments can be easy plotted on radar visualizing the respective value profile and importance of certain value domain within the segment. Value profile is a novelty way to describe the social group as it does not attribute individual to a single group – such an attribution might be misleading due to the fact that no individual is purely driven by his or her decisions by single value or very narrow group them. Any social group will have a certain value profile which will show the

mean values of importance of certain value domain within the group. For the ease of representation, value profiles could be plotted on a radar chart for a general visualization (Figure 2).
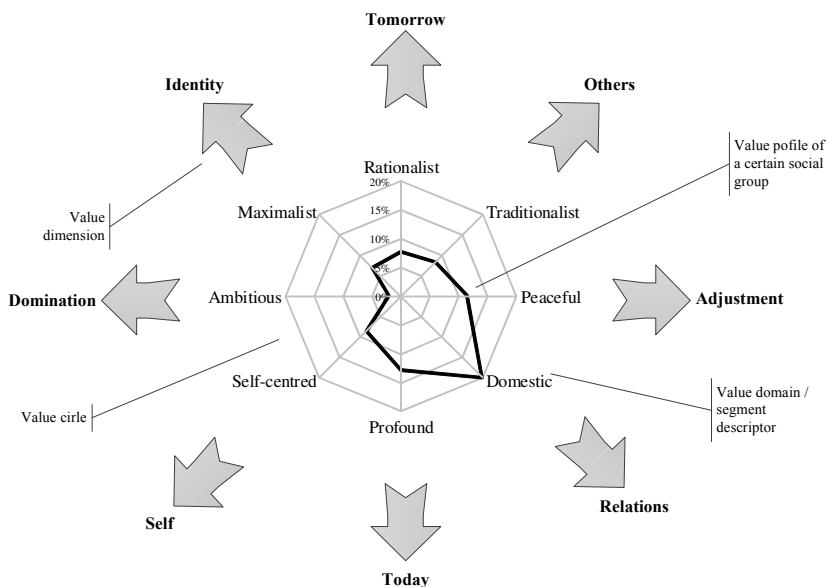

Figure 2. Visualisation of Social Values model

The construction of the survey provides a powerful tool which enables to link values of a certain social group to their attitudes and related consumption behaviour. This not only offers the insight which is linked to core beliefs of the group but also enable to manage these attitudes. For instance, a proper understanding of key values of the segments more exposed to grey economy along with information on their media consumption profile (which topics are relevant to them, which media channels deliver information on socio-politic topicalities to them etc.) provides a valuable input for management of these attitudes. This can be used to influence the actual behaviour by forming the desirable public opinion in a way to which the social group will be the most open and perceptual.

As social values form attitudes which are later underlying economic decisions, gradual change of values in society could be considered as an indication for the later change in overall attitudes or resulting consumption behaviour. (Kaže, 2010a) Analysis of the dynamics of values for a certain group might assist in the development of preventive measures or social programmes, evaluation of anticipated reaction to legislative or administrative changes in government economic policies.

There were several questions related to the grey economy aspects such as current engagement level and anticipated readiness to engage in the grey economy:

- Have you received "cash-in-hand pay" over the last 12 months?
- What proportion of your total pay usually is "cash-in-hand pay"?

- What would you choose if your employer would allow a choice between "cash in hand pay" or "all taxes paid and less net salary" options?

As supportive aspects to interpret the answers few extra factors were added (if respondent has been lately employed, his preference for salary pay—bank account vs. cash, trust in banking institutions—which option of savings is considered safer by them: bank vs. cash at home).

3. Key Findings of the Study

Majority of the respondents had been employed lately—valid percent 73.4%, 26.6% represented by unemployed persons. Remarkable share of them had been unemployed for at least 12 last month period (13.1% valid percent from total).

Overall, 20.3% responders confirmed that have received "cash-in-hand pay" over the last 12 month period, including 7.4% who had been paid "cash-in-hand" regularly (see Figure 3). At least 62.5% of respondents admitted that have not received grey pay.
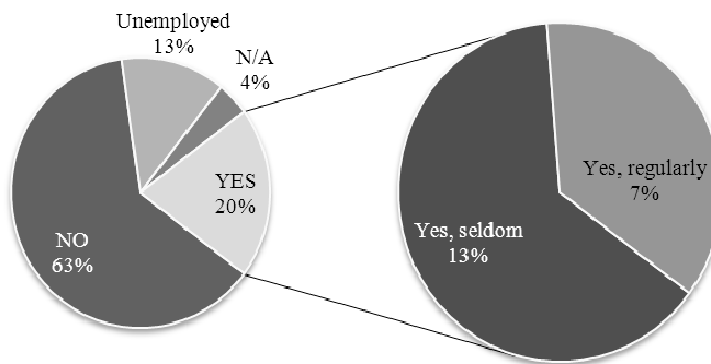

Figure 3. Have you received "cash-in-hand pay" over the last 12 months? (n=1405)

43.6% from those who regularly receive "cash-in-hand" have all of their income from the grey economy only and 31.1% more receive half of their income or more in cash. Thus 74.7% of them have most of their income originated in the grey economy area.

If these figures illustrate the actual situation, another angle should be taken—willingness to opt for grey pay. Results reveal that in case choice exists, 29.2% of lately employed respondents certainly will choose higher "cash-in-hand pay" instead of lower "all taxes paid" salary. Add to that 25.0% who responded that more likely would opt "cash-in-hand," we come to rather high 54.2% support rate for "cash-in-hand pay" among employed respondents, while 34.9% would not opt for grey pay (and only 16.0% would certainly reject grey pay).

Some of the earlier values studies, such as European Values Study that has considered an aspect if respondents "justify paying cash to avoid taxes" (EVS, 2010), and

WVS would they justify "cheating on taxes if you have a chance." (EVS & WVS, 2010) The results of these studies suggest that respectively 33.9% in EVS 2008 (a decline from 45.9% in EVS 2000) and 59.8% in WVS 1999 of respondents would never justify it (rated 1 in scale from 1 to 10). These two studies deal more with moral aspect—justification *per se* in the whole population - rather than a situation related to them directly. Therefore we considered a cross-section between two aspects: current pay form and individual preference, omitting lately unemployed respondents which might be more biased (Table 4).

Table 4. Individual preference in respondent groups by current pay status (n=895)

| | | Individual preference | | |
		"Cash-in-hand"	"Taxes paid"	Total
Current pay status	"Cash-in-hand" (n=250)	84.0%	16.0%	100.0%
	"Taxes paid" (n=645)	52.2%	47.8%	100.0%

As seen from the study, 84.0% of current "cash-in-hand" respondents will prefer such a pay if they have choice. While to less extent, the same is true also the group of respondents with all taxes paid: 52.2% preference for "cash-in-hand." This might suggest that real-life decisions might be different from simple attitudes measured via direct questionnaire. The underlying values could assist in explaining what drives such a preference.

First we examined the demographic aspect for statistically significant differences (probability P=0.95 to maintain the same vector in repeated studies) among groups preferring cash and taxes paid vs. general population. While there are some differences, they do not make the groups very distinct. For "cash-in-hand" preference group, the demographic profile is more exposed to male (56% vs. 47% in general population), younger people (44% up to 35 years, vs. 36% in general population and 33% in "taxes paid" group). "Cash-in-hand" respondents more often have the highest income per member of household (28% over EUR 370, vs. 22% in general population) and are main contributors to the household budget (34% contributing 51-99% of household budget, vs. 26% in general population). At the same time, demographic profile of "taxes paid" group exhibits more prevalence of female, age group 36-60 years, also relatively high income while contributing more often 31-50% to household budget, more white collar workers (contrary to "cash-in-hand" group). As demographic aspect does not provide straightforward explanation of the drivers that determine their preference, they are sought on values level.

Construction of the value profiles for the both groups reveals some statistically significant differences (Figure 4). There are more respondents in "cash-in-hands" group attributed to Self-centred and Ambitious domains vs. both general population and "taxes paid" group, as well Maximalist values are more important for this group

than general. At the same time this group is less driven by Rational, Traditional and Peaceful values. Contrary, "taxes paid" group is statistically significantly more driven by Domestic values.
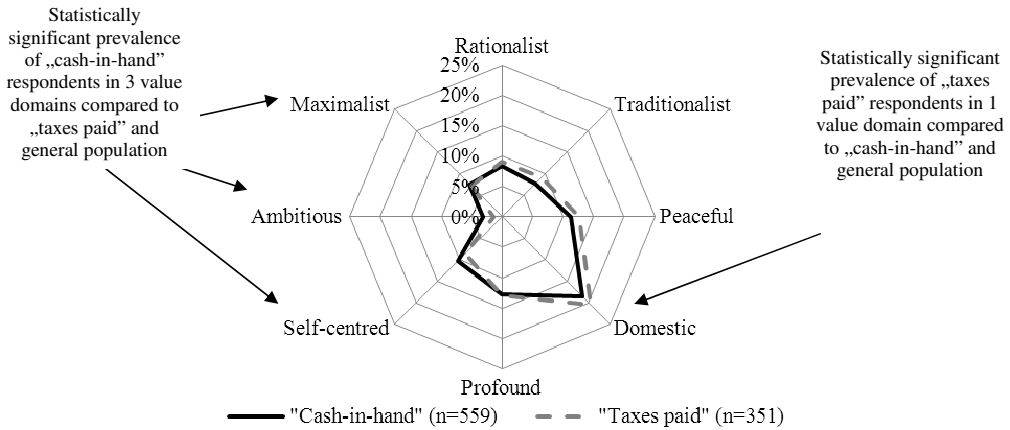
Statistically significant prevalence of „cash-in-hand" respondents in 3 value domains compared to „taxes paid" and general population

Statistically significant prevalence of „taxes paid" respondents in 1 value domain compared to „cash-in-hand" and general population

Figure 4. Value profiles by individual pay preference

Some of individual values which are driving the preference for "cash-in-hand" are carrier development, protecting own opinion, diversity of life and openness to novelties are significantly more relevant for the group than in average for the general population. These more individualistic values influence economic decisions of the group, e.g. are reflected in their shopping behaviour. This in some aspects is significantly different from general, for instance—43% of the group purchase goods for own pleasure (38% in general population) while are less likely to spend money on the essential goods only (62% vs. 69%). These features of individualistic and hedonist behaviour influence also the attitude towards tax evasion – maximization of own benefit prevails. This is somewhat supported by findings in shopping behaviour section suggesting that sub-group which "definitely would choose cash-in-hand" (n=302) has a strong preference for "comparative shopping to save money" as significantly important aspect of their economic decisions—90% of respondents from sub-group agree to that statement (vs. 84% in general population). Their individual benefit is a key touch-point when fighting tax evasion. Lack of the sense of guilt as grey economy offer immediate individual benefits and ease of participation are suggested among the key drivers for the grey economy. (Schneider, 2004) We support this assumption, and it has a perfect fit with values driving this social group. Contrary, the risk of losing such benefit should be prioritised when addressing them. They are less likely to respond to a call for socially proper behaviour, and threat to their personal benefit might be more effective (e.g. effective fine on being caught).

"Taxes paid" group on other hand are significantly driven by such values as inner harmony, spirituality, exactingness and overcoming difficulties. These values are associated with shopping behaviour oriented towards choosing "ecologically friendly goods even at premium price" (53% vs. 45% in general population). Tax morale is also

considered by them as a socially proper behaviour which is an argument they are more responsive that the other group.

Besides these two groups, there is a sub-group which is currently paying taxes however would prefer "cash-in-hand" if offered (n=337). As they constitute 52.2% of all current tax payers, they represent a risk group which at certain circumstances might migrate to the grey economy area. Basically their values profile corresponds to general, only significant difference: less in Rational values domain than general and more Ambitious and Self-centred than "taxes paid" group on average. This group share certain values similarities with drivers for the current tax evaders rating higher than average an active position in life and superiority. The economic behaviour of the group is highly value-at-price driven (94% vs. 89% in general population, however the same 94% is average for the whole group of current tax payers). This might suggest handling the group with care. As the group is dominated by Domestic values, it could negatively react to decrease of welfare of the household. Rationale behind Domestic values is "savings by any means to support family." If the tax burden is raised at same current ease to enter the grey economy, a certain share of the group is under a risk of migration to grey area.

On other hand, an opportunity is offered by a sub-group among current tax evaders which would prefer paying taxes. While small (16.0% of tax evaders, 4.2% of total), the group share similarities in prevailing values with "taxes paid preferred" sub-group of the current tax payers, e.g. inner harmony, exactingness and personal development is important for them.

The diversity of drivers for the groups represents a challenge in choosing the right means to mitigate tax evasion behaviour. However values analysis might provide not only understanding of the relevant drivers but also an approach to develop social and communication programmes by linking the values not only to economic behaviour but also to lifestyles and media consumption of these social groups.

Conclusions and Suggestions

Due to the limitations for the size of the paper, we have illustrated the approach itself and the potential of its application in explaining the drivers for the individual to adopt tax evasion behaviour. The approach has a potential to offer a level deeper understanding of values driving tax evasion decisions than other, more attitude based value surveys.

The study suggests higher support of tax evasion in Self-centred value segment which might have stimulating impact on the grey economy. Contrary, Traditionalist, Domestic and Peaceful values are associated with prevailing acceptance towards properly paying taxes which represents an opportunity to raise taxation income assuming right communication strategy developed. Domestic value domain represents another opportunity for acceptance behaviour however proper tax settlement is lower among their individual priorities thus to be considered as an alert for attempts to increase tax burden.

If any taxation policy changes and increased control over the proper taxation is considered, we suggest a deep-dive applied to dataset in order to develop communication strategies and choose the right means (e.g. media and topicalities) to address the segments in a way which could stimulate the socially proper attitude. The study suggests that inconsiderate moves could have a reverse effect by facilitating certain social groups to enter grey market.

The approach is simple and universal in its structure which might suggest repeatability. Future tests on a dynamic base in Latvia and verification on other countries should be considered. As well an analysis of the relationship between human values and consumption patterns in aspect of tax morale might provide insights in some mechanisms behind the shadow economy, e.g. consumer propensity to seek options of purchasing goods and services without VAT.

Acknowledgment

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VARTOTOJŲ SOCIALINIŲ VERTYBIŲ ĮTAKA PILKAJAI EKONOMIKAI

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Santrauka. Straipsnyje apžvelgiama vartotojų socialinių vertybių įtaka pilkajai (šešėlinei) ekonomikai Latvijos pavyzdžiu. Šios vertinimo metodologijos gali turėti nemažos įtakos veiksmingoms ekonominės politikos priemonėms. Atkreiptas dėmesys į vertybinę orientaciją, kuri gali turėti įtakos vengiant mokėti mokesčius, pažymimas palankus vietinių tradicinių vertybių poveikis faktiniam mokestiniam pajėgumui.

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Gatis Bolinskis – Data Serviss tyrimų bendrovės valdybos narys, tiria vartotojų elgseną.