

Essays on informal versus formal economy choices

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ADDENDUM ON IMPACT

In line with article 22 of the regulation governing the attainment of the doctoral degree at Maastricht University in the following paragraphs I highlight the scientific impact of the results of the research described in the thesis, as well as the social impact. The aim of this section is to show how the knowledge developed in my research project can be valuable for society, policy makers, and researchers.

The dissertation's main objective was to examine the main determinants of the informal economy to inform policymakers on the best approach to tackle it. This thesis's novelty stems from the empirical evidence it offers on the main strategies used so far to tackle informality while considering the African continent's specificities. In line with this objective, Chapter 1 shows that policies that increase informality costs will effectively reduce its size, but at the expense of higher unemployment. The contribution of this chapter to social challenges is essential. A large share of the population in African countries have their livelihoods in the informal economy. Therefore, Chapter 2 informs local governments in South Africa that a repressive approach towards informality does not produce the best outcome. It emphasises that conditions must be met, such as offering alternative employment opportunities in the formal or the informal sector to avoid an increased exit into unemployment. This chapter provides the first empirical study that tries to assess a stricter policy's impact on the informal economy. Governments can learn from this chapter's results and consequently adapt their stance towards informality and implement accompanying measures to cushion the potential consequences.

Chapter 3 provides an insight to policymakers eager to use the financial sector as leverage to reduce informality. The chapter's results have demonstrated that an increase in the benefits of the formal sector effectively increases the compliance of micro and small firms to a wide range of taxes. Its results will also be of interest to tax offices in African countries. Indeed, African governments are in desperate need of resources now more than ever. Besides, the chapter considers the existence of an informal financial sector. It demonstrates that any policy that wishes to use the banking sector must factor in the availability of other financial resources to firms on the continent. It provides evidence that more efforts will be needed to effectively use the banking sector as leverage in Sub-Saharan Africa compared to other regions. Chapter 4 offers a leeway to governments reluctant to push micro and small firms towards formalisation. It shows that training and support from incubators help micro and

small firms reap the benefits of formalisation. On another note, with the increasing migration of youth in Sub-Saharan Africa because of poor working conditions and lack of opportunities, Chapter 5 offers an exciting insight to governments facing these challenges. The results show that governments can effectively use employment tax incentives to motivate firms to formally hire young people previously employed in the informal economy or unemployed.

The results from this thesis will be of interest to governments, policymakers and researchers. All chapters were presented at conferences. For instance, Chapter 2 was presented at the DRUID Academy Conference in Denmark in 2019. Chapter 3 was presented at the 11th Conference on Model-based Evidence on Innovation and Development (MEIDE) in Abidjan, Ivory Coast. Chapter 4 was presented at the 2020 UNU-MERIT internal conference. Finally, Chapter 5 was presented at the virtual Western Economic Association International conference in March 2021. The discussions in these meetings were positive and indicated the relevance of the topic in both research and policy. Besides, all chapters will be submitted to peer-reviewed journals.