Germany's underground economy is predicted to rise in 2015 as the newly implemented national minimum wage is forcing more and more people to seek work in the shadows.

This forecast comes from researchers at Tübingen's Institute for Applied Economic Research (IAW) and Austria's Johannes Kepler University in Linz, who warned in a new study released Tuesday that 2015 will mark the year the underground economy will bounce back after decades of decline.

The researchers calculated that the parallel economy - where money is exchanged for services without
anyone paying the required taxes or social security contributions – will remain unchanged compared to last year at 12.2 percent, or 339 billion euros (app. $384 billion), of Germany's GDP this year. This would be the first year in two decades that the size of Germany's underground economy has not shrunk.

Compared to other OECD countries, this puts Germany somewhere in the middle, next to its northern neighbors and France, while southern European countries like Greece and Italy continue to round out the bottom of the parallel economy rankings.

The experts said the surge in people seeking unreported employment has been propelled by the nationwide minimum wage of 8.50 euros, introduced at the beginning of the year, and further fueled by rising costs of nursing care insurance.

The authors estimated that German businesses will short-change the state to the tune of 1.5 billion euros this year to avoid paying the minimum wage. Especially the service sector, where about 40 percent of employees earned 8.50 euros just a few months ago, is particularly prone to attract undocumented workers, according to the study.

However, the researchers said that the stable conditions on the German labor market and lower pension contributions could have a cushioning effect.

pad/hg (dpa, AFP)
Shadow economy in Germany in full retreat
Economic think tanks have revealed that Germany is currently seeing the lowest level of moonlighting in two decades. Researchers say the reasons for the declining hidden economy are low unemployment and other factors. (06.02.2013)

WWW LINKS

IAW press release (in German)
http://