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THE RELATIONSHIP BETWEEN CORRUPTION, SHADOW ECONOMY AND HAPPINESS. SURVEY ON ROMANIA

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Abstract. In this paper we address the relationship between happiness and acts of corruption and shadow economy in Romania. From our survey conducted on a sample of 101 respondents from Romania (on March 2020), we find that Romanian people do not link happiness to material issues in particular, but rather they see it as a consequence of having families, professional and spiritual fulfillment, while money and property are last in this ranking. The average income that would make the respondents happy is on average of 5,223 lei (about 1,100 Euro) per month, an amount that they consider necessary to cover the basic needs that influence their development. Our findings reveal that the most corruption practices encountered in the public institutions refer to receiving money and gifts for services to which people are entitled followed by receiving money and gifts to favor someone. However, corruption and shadow economy are not perceived as being very relevant in fully influencing the level of happiness they perceive.

Keywords: *happiness, corruption, shadow economy, impact.*

Rezumat. În această lucrare este abordată relația dintre fericire, acte de corupție și economie ascunsă în România. Din sondajul realizat pe un eșantion de 101 respondenți din România (în martie 2020), constatăm că românii nu leagă fericirea de problemele materiale în special, ci mai degrabă o văd ca pe o consecință a unei împliniri profesionale și spirituale a familiilor, în timp ce banii și proprietățile sunt ultimele în acest clasament. Venitul mediu care i-ar face fericiți pe respondenți este în medie de 5.223 lei (aproximativ 1.100 euro) pe lună, sumă pe care o consideră necesară pentru a acoperi nevoile de bază care le influențează dezvoltarea. Descoperirile noastre arată că cele mai multe practici de corupție întâlnite în instituțiile publice se referă la primirea de bani și cadouri pentru servicii la care oamenii au dreptul, urmate de primirea de bani și cadouri pentru a favoriza pe cineva. Cu toate acestea, corupția și economia ascunsă nu sunt percepute ca fiind foarte relevante pentru a influența pe deplin nivelul de fericire pe care îl percep.

Cuvinte cheie: *fericire, corupție, economie ascunsă, impact.*

1. Introduction

Various studies have suggested that the corruption affects economic development being an impediment for increasing the investments [1 - 2], the absorption of European funds [3], business development and performance [4], and finally affects the economic growth [5 - 6]. The

phenomena of corruption and shadow economy generate negative effects on economic and sustainable development [7], on the physical and mental health of the population [8 - 11].

In the literature, few studies have investigated the relationship between corruption and happiness or life satisfaction, and the results are quite contradictory [8, 9], [12 - 14].

Thus, the studies of [12], and [13], did not identify any relationship between the level of corruption and the level of mental health. Thus, Bjørnskov et al. investigated a wide range of life satisfaction factors, using a sample of over 70 countries, but did not identify corruption (along with other institutional components, such as freedom of the press) among the significant factors of satisfaction with life. Some similar results were found by [13], for Latin American countries, which also did not identify corruption as a possible determinant of happiness. Graham claims that "the people of Afghanistan, for example, are as happy as Latin Americans and are 20% more likely to smile one day than Cubans," and the explanation is only a matter of adjustment.

On the other hand, the study of [14], comes to document the existence of such a relationship. Therefore, the study of Arvin and Lew conducted in countries around the world, in the period 1996-2010, partially contradicts the conclusions of [13]. Thus, Arvin and Lew empirically point out that acts of corruption reduce happiness, but only for high-income countries. As for low-income countries, they document that happiness is not correlated with corruption. Similar results are obtained by the study of [11], conducted for 185 countries for the period 2005-2017. They find that happiness (mental health) is more pronouncedly affected by corruption in high-income countries than in low-income countries while a high level of corruption more deeply affects the physical health of population in low-income countries than in high-income countries while. In other words, they found that in low-income countries under the low level of life satisfaction, people are more interested to assure the basis needs, which are best related to the physical health and secondary. In this context, corruption does not sting so hard.

Based on the above, we aim to investigate the effects of corruption and shadow economy for the Romanian population as an emerging country.

For our study, we use questionnaires that were sent to 101 respondents from Romania. We find that the average income that would make the respondents happy is on average of 5,223 lei (about 1,100 Euro) per month, an amount that they consider being enough to cover the basic needs. In addition, we find that corruption and shadow economy did not affect the level of people happiness.

Our paper is structured as follows: The next section reflects the working methodology, then section 3 presents results and discussions regarding our main results. The paper ends with the conclusions including a summary and a brief discussion of policy implications, limitations and the avenues for future research.

2. Methodology

This study involved 101 people, who voluntarily chose to participate and complete the questionnaire anonymously, on March 2020. These persons are 100% Romanian citizens and domiciled in Romania. Regarding the distribution by gender, the female gender predominates, in a percentage of 61.4%, while the male gender is present in a percentage of 38.6% (Figure 1).

Regarding the grouping by age categories, they were chosen so as to include both young and mature population, or seniors, the respondents not being limited by this aspect. Thus, according to the statistics in the questionnaire, the predominant respondents are between 21 and 30 years old. Being followed by those aged between 41 and 50 years, in a percentage of 10.9%, then those aged between 31 and 40 years, which are found in a percentage of 9.9%.

Furthermore, 8.9% of respondents are between the ages of 51 and 60, being followed in a percentage of 3%, equally, by those under 20 years, and those over 60 years (Figure 2).

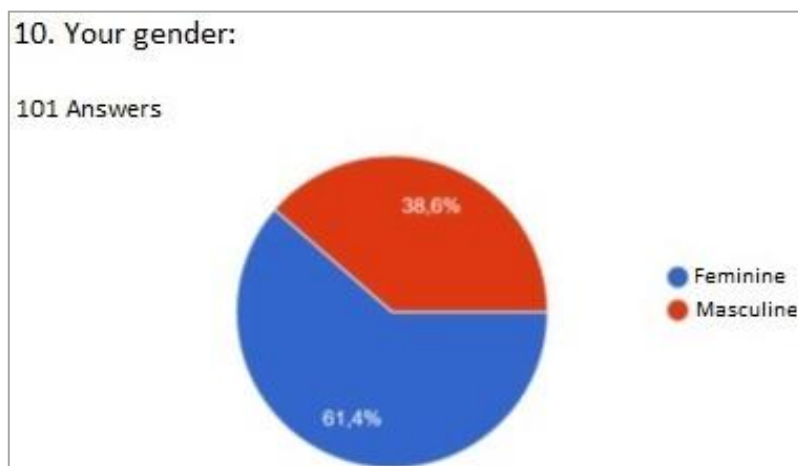


Figure 1. Gender distribution of respondents.

Source: own processing.

According to the distribution regarding the respondents' domicile, the urban environment is predominant, with a weight of 70.3%, while the rural respondents have a weight of only 29.7% (Figure 3).

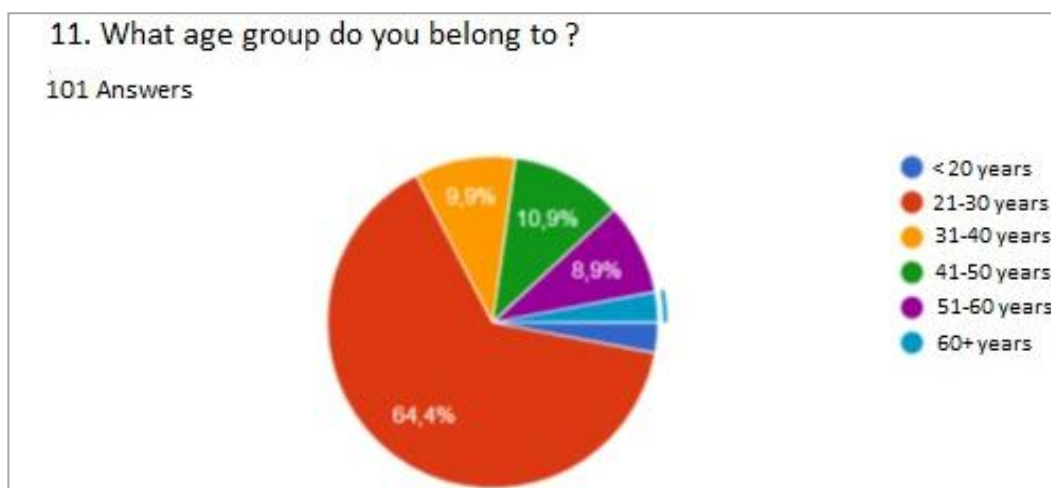


Figure 2. Distribution of respondents by age categories.

Source: own processing.

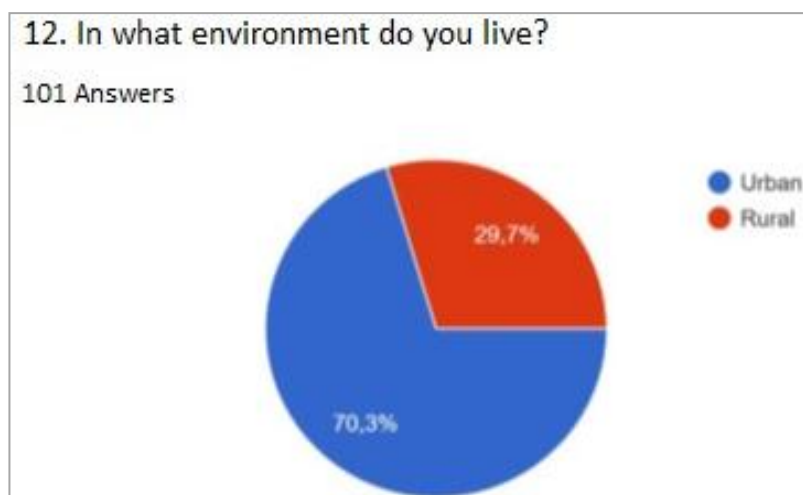


Figure 3. Distribution of respondents by area of origin.

Source: own processing.

Regarding the marital status, the respondents are divided into 4 such categories, which we will present in the order of their predominance. Thus, 67.3% of respondents are unmarried, followed by married people, with a percentage of 20.8%. Next, on the 3rd place are the divorced persons, in percentage of 8.9%, and the widows come in percentage of 3% (Figure 4).

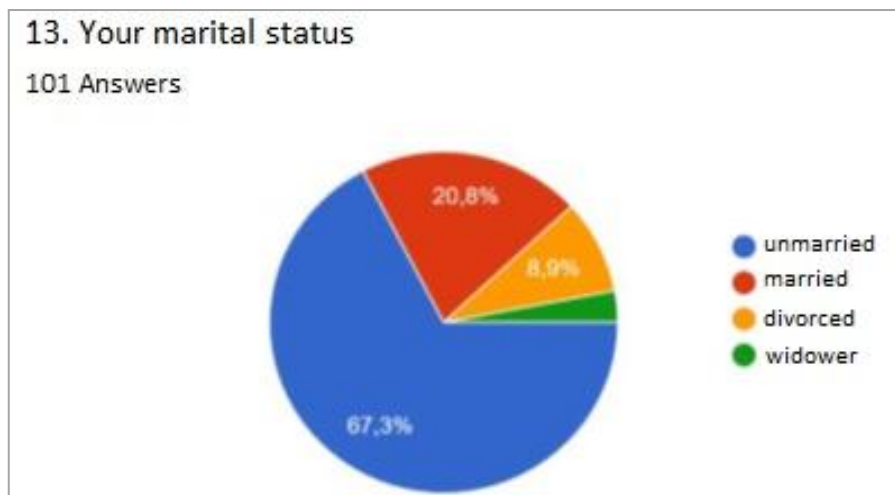


Figure 4. Distribution of respondents by marital status.

Source: own processing.

As for the level of institutionalized education that the respondents present, it varies from middle school to postgraduate studies. The most predominant level of education is that of completing high school, existing in a percentage of 44.6% and holds the supreme majority. On the 2nd place is the level of university studies, which materializes in a percentage of 40.6%. Those who graduated postgraduate studies are in a percentage of 6.9%, followed by people who graduated vocational school in a percentage of 4%. The last 2 positions are occupied, equally by those with secondary and post-secondary education, in a percentage of 2% (Figure 5).

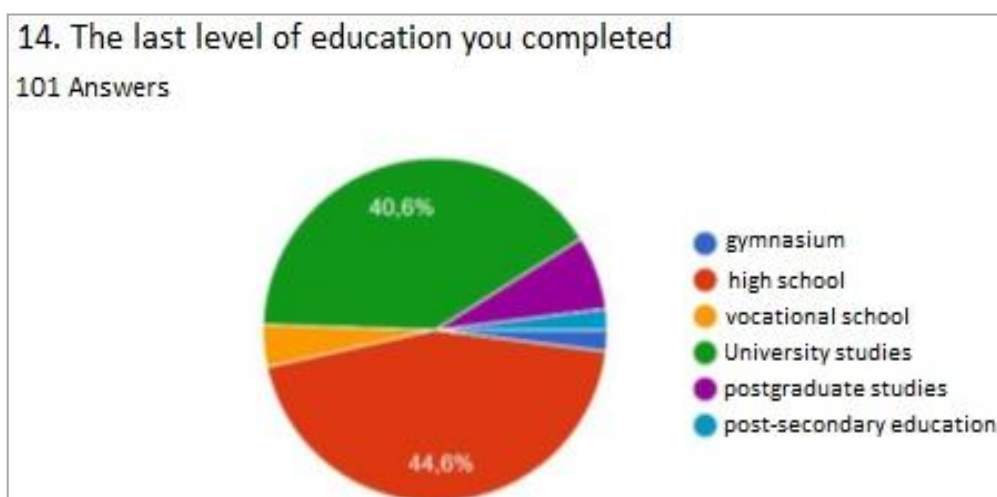


Figure 5. Distribution of respondents by institutionalized education.

Source: own processing.

If we refer to the distribution of employees according to the environment in which they operate, the vast majority work in the private sector, in a percentage of 50.5%, while activists in the public environment are distinguished by a percentage of 12.9%, and people who do not have a job at the moment are in a percentage of 36.6%. This percentage largely includes students, pensioners and the unemployed (Figure 6).

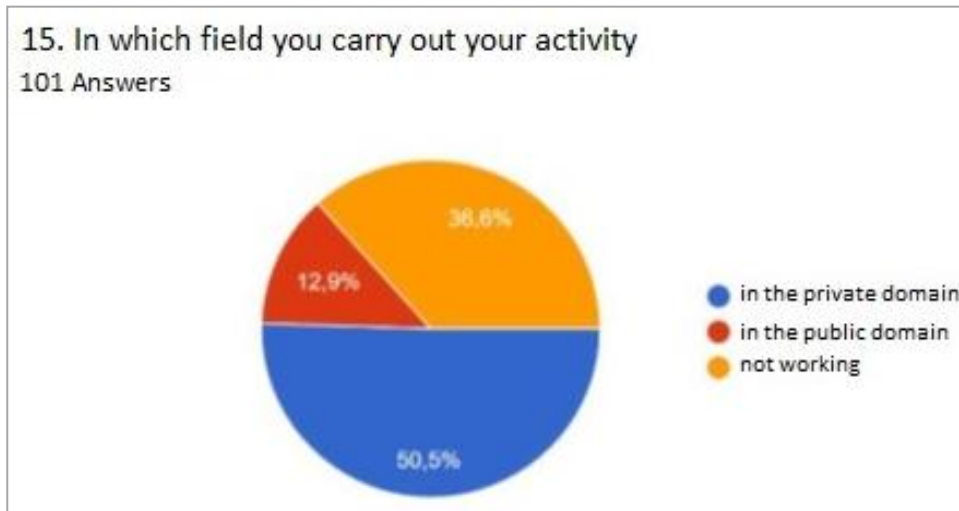


Figure 6. Distribution of respondents by activity environment.

Source: own processing.

Finally, regarding the occupation of the respondents, according to the statistics, it appears that a percentage of 47.5% are employed, followed by the category of students, which are in a percentage of 38.6%. On the 3rd place follow the entrepreneurs, with a percentage of 6.9%, then the pensioners, with a percentage of 4%. On the 5th place are the unemployed with a percentage of 4%, and on the last position, the PFAs in proportion of 1% (Figure 7).

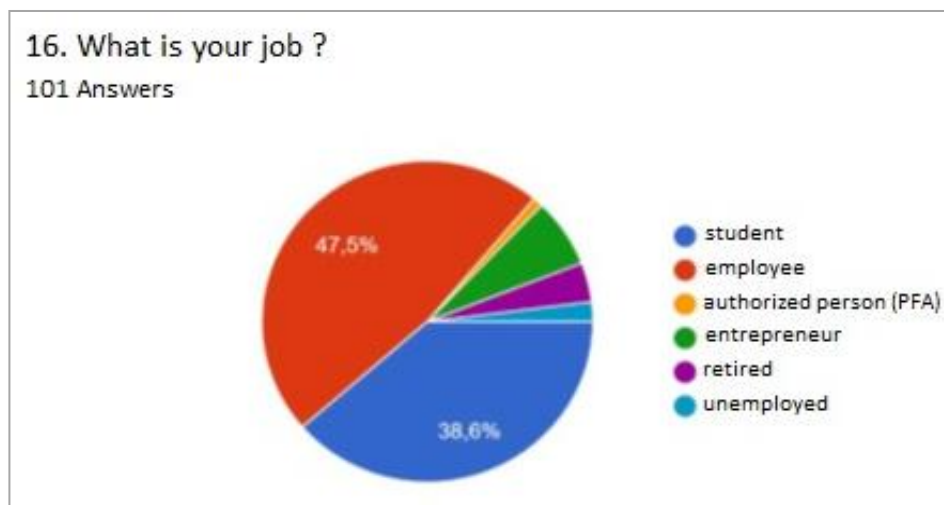


Figure 7. Distribution of respondents by occupation.

Source: own processing.

The questionnaire consists of 16 questions, with multiple choice answers. Within it, the answers were anonymous, out of the desire to respect the identity of the participants. Returning to the 16 questions, they are divided into questions about happiness, then about corruption, it continues with the underground economy, and the questionnaire ends with questions about demographics, age, status, etc. 101 answers were received, from people of all ages, from young people to seniors, with occupations in both public and private sectors, etc.

Below we will present the 16 questions contained in the questionnaire given for completion, namely:

1. What makes you happy?
2. From what level of income would you become happy and satisfied?
3. Which of the following can promote corruption?

4. Which of the following practices do you think are most frequently encountered in public institutions in your town / county?
5. Which of the following would you categorize as acts of corruption?
6. How do you think the relationship between corruption and the shadow economy works?
7. On a scale of 1 to 7, what is your level of happiness, given the society in which you live?
8. Have you faced at least one situation regarding corruption / tax evasion / undeclared work?
9. If Yes, on a scale of 1 to 7, to what extent did these facts affect your well-being (happiness)
10. Your gender is...
11. What age group do you belong to?
12. In what environment do you live?
13. Your status is ...
14. The last level of study you completed:
15. Where do you work?
16. What do you do for a living?

Based on the answers in the questionnaire, we conducted an analysis to determine the level at which people perceive corruption and the underground economy, but also the extent to which they can be happy in a state that brilliantly combines the two acts. Thus, the results and conclusions that emerged from this study will be presented in the subchapter for the development of the analysis.

3. Results and discussions

In this stage of development of the analysis, we will present the relevant aspects related to our study. Namely, we will reveal both the way in which happiness is perceived by participants and how they see the corruption and the shadow economy, what is the connection between them, what practices influence them, or to what extent these practices of society affect their level of happiness. Regarding the first aspect of the questionnaire, which addresses the reasons for the happiness of the population, a percentage of 65.3% of respondents say that family and / or children are the main reason for their happiness, followed immediately by professional fulfillment, with a percentage of 53.5 % (Figure 8).

The last two places according to the respondents' preferences are occupied by the owned properties (with a percentage of only 22.8%) and money (which hold a percentage of 34.7%). That being said, we can state that these people relate their happiness to a greater extent to their loved ones and achievements than to personal property or money.

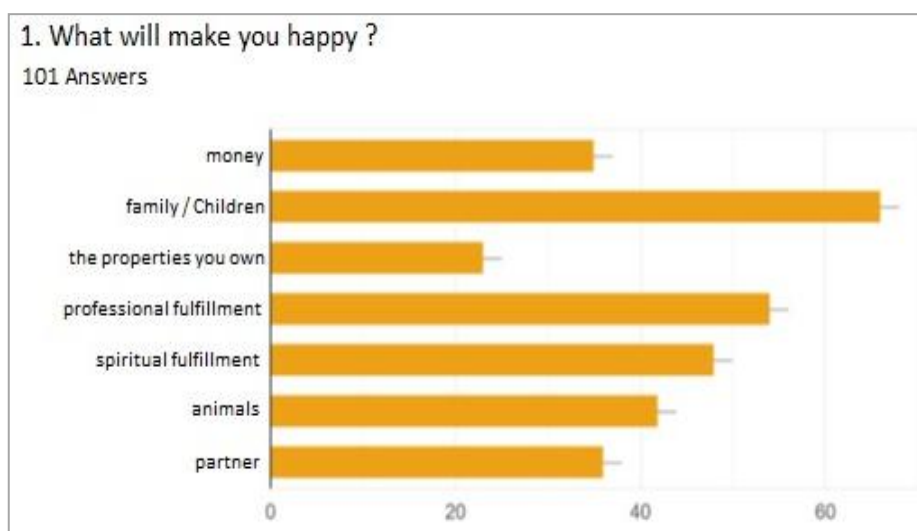


Figure 8. Ranking of the reasons that determine happiness.
Source: own processing.

The second aspect of the questionnaire concerns the relationship between satisfaction and people's salary level (Figure 9).

Thus we find that there are four amounts of income that prevail among the respondents, namely: 4000 lei (26.7%), followed by income of 5000 lei (18.8%), then 6000 lei (17.8%) and the fourth place belongs to the income of 3000 lei (13.9%).

Making an average of all incomes taking into account the percentage allocated to each, we obtain an average income of 5,223 lei (about 1,100 Euro/month).

Thus, we can say that the average level of satisfaction of the respondents is around 1,100 Euro.

Also, what we notice is the fact that the respondents do not link their satisfaction with some very high incomes, but are satisfied with amounts that will bring them comfort and well-being, as evidenced by the small percentages they obtained the highest incomes.

For comparison, an average for European Union of the income at which people is financial satisfied is about 2,326 Euro/month (about double than the level for Romania) [14].

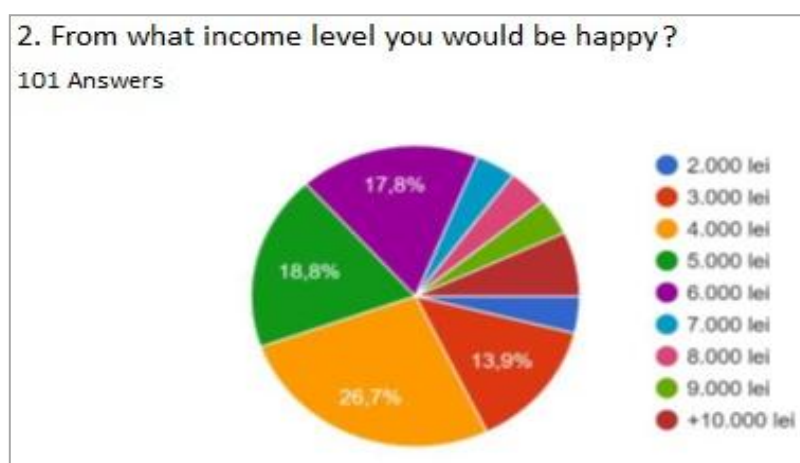


Figure 9. Percentage of income that brings satisfaction.

Source: own processing.

As for the factors that can influence the occurrence of corruption, they can be seen in the Figure 10. We find that most of the respondent (about 72.3%) consider that the factor that determines the most corruption consist in the deficiency of legislation.

The second place is hold the inadequate salary (61.4%) and the third place is held by the lack of transparency in the relationship of institutions with citizens. The last places in the top created by the respondents are held by religion (15.8%) and a suggestion of the respondents regarding general ignorance and lack of information.

The fourth aspect of the questionnaire refers to possible acts of corruption that may occur (Figure 11).

Thus, the respondents were given to choose from the list proposed by us the most frequent such practices that they consider common in the locality / county where they live. We find that, the first two practices proposed by us lead detached, in very similar percentages, and it is about receiving money and gifts for services to which you were entitled (72.3%), followed by receiving money and gifts to favor someone (69.3%).

The other types of corruption proposed by us are practiced, according to the answers obtained, in approximately equal percentages of 40%.

According to these answers, we notice that it is most common to offer attention in order to obtain certain benefits or favoritisms or even to benefit from some rights that should have existed for free.

3. Which of the following may favor the occurrence of corruption?

101 Answers

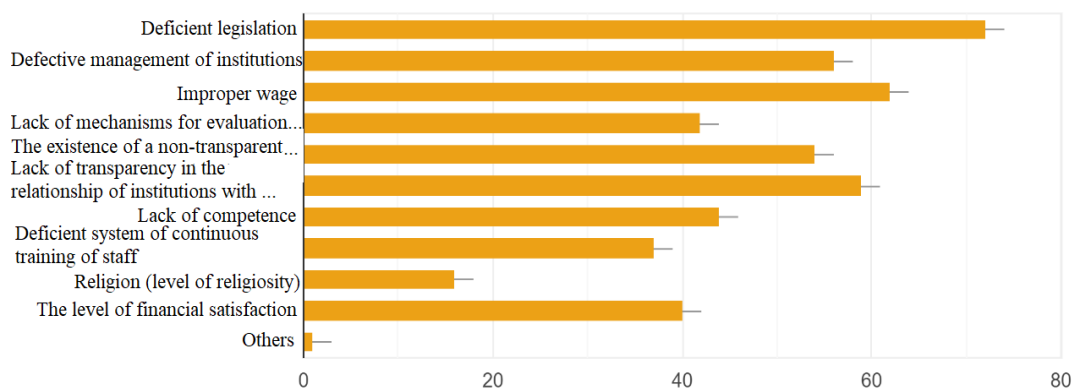


Figure 10. Proponents of corruption.

Source: own processing.

4. Which of the following practices do you think are most frequently encountered in public institutions in your locality / county?

101 Answers

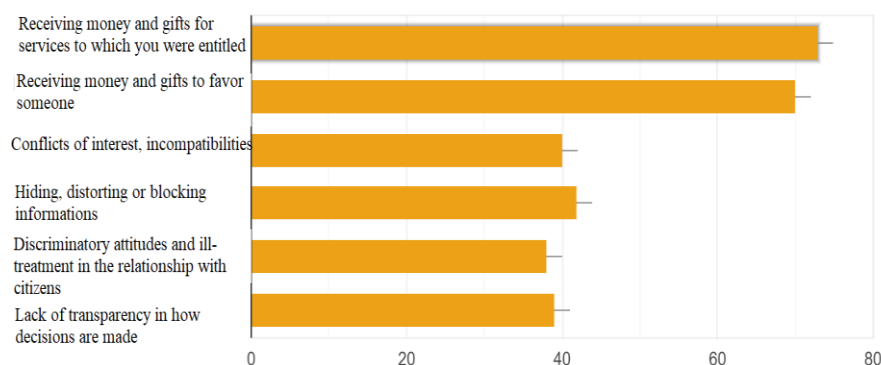


Figure 11. Corruption practices.

Source: own processing.

Another aspect covered by the questionnaire is related to acts of corruption and the public's perception of them. Specifically, respondents had to choose which of the items from the list are considered acts of corruption. We must mention that all these practices are essentially acts of corruption, but according to the figure 12 the respondents evaluated them according to their own beliefs.

Thus, the results are as follows: the first place is occupied by frauds and giving or taking bribes (about 97%); the second place goes to influence peddling and blackmail (both with 88%) and on the 3rd place is nepotism / favoritism (87%).

What we may note from our findings is the fact that 73 responses denied tip as an act of corruption, which would be expected, given that it is a fairly common practice everywhere and people don't generally perceive it as something negative. Also, in the graph we see that undeclared work is controversial, so it receives almost equal values for both "yes" and "no". As we can see, opinions are divided, so that half of the respondents see it as a fact that does not have a negative impact on society.

The sixth aspect of the questionnaire is related to the relationship between the shadow economy and corruption, but more than that, about the perception of the population on this subject. According to the results presented in Figure 13, the opinions are divided.

5. Which of the following would you categorize as acts of corruption?

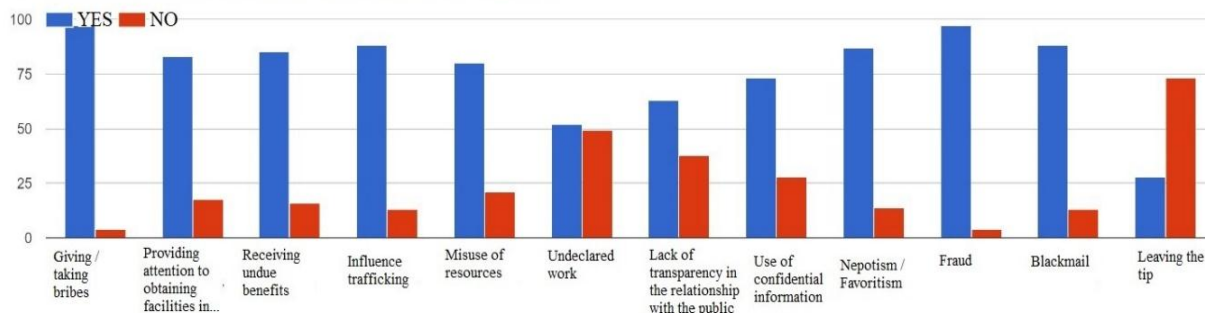


Figure 12. Respondents' perception on acts of corruption.
Source: own processing.

Thus, 36.6% of respondents believe that these two crimes go hand in hand, 32.7% believe that corruption influences the shadow economy, 19.8% believe that the shadow economy generates corruption, and the remaining 10.9% go on the premise that the two concepts are totally distinct. In this case, there is no right or wrong answer but it goes on what people think about the relationship between the two concepts. In this case, as we can see, people are of the opinion, to a large extent, that these two concepts go hand in hand. Thus, we can say that the two components of crime depend on each other and influence each other, causing this flawed relationship.

6. How do you think the relationship between corruption and the underground economy works?

101 Answers

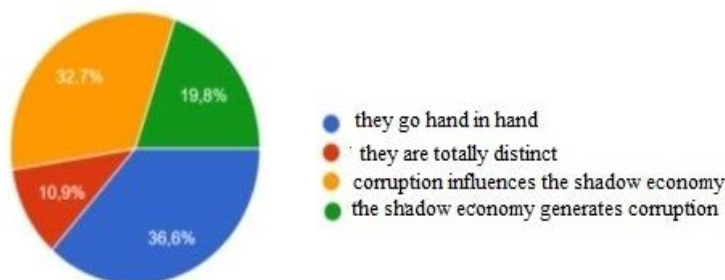


Figure 13. The relationship between corruption and the shadow economy.
Source: own processing.

The next aspect found in the questionnaire is the level of happiness of the respondents, in relation to the society in which they live. Figure 14 shows that most people (a majority of 33.7%) perceives this level of happiness around 4 (which means that they are neither unhappy nor happy).

7. On a scale of 1 to 7, what is your level of happiness, given the environment in which you live

101 Answers

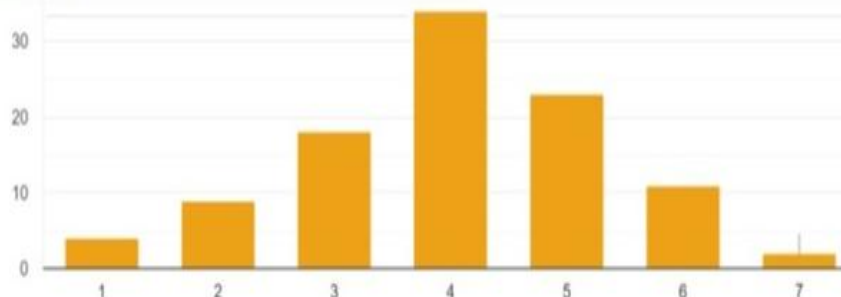


Figure 14. The level of happiness of the respondents.
Source: own processing.

If we calculate an average of all the levels of happiness, we obtain an average value of 4.04 which reflects that the level of happiness of the respondents is an average one. As we can see in the figure 7, few people are considered to be very unhappy (4%) but even fewer are considered to be very happy (2%). The eighth aspect of the questionnaire concerns the extent to which respondents faced at least one situation regarding corruption / tax evasion / undeclared work. According to the figure 15, the vast majority has faced such practices, namely 60.4% of respondents, a percentage of 30% from the respondents claims that they have not encountered any of the phenomena presented, and the remaining 9.9% does not know or does not want to answer this question. We may see that the phenomena of corruption, tax evasion or undeclared work are present in our society, a fact confirmed by the high percentage of respondents who came into contact with these facts in one way or another.

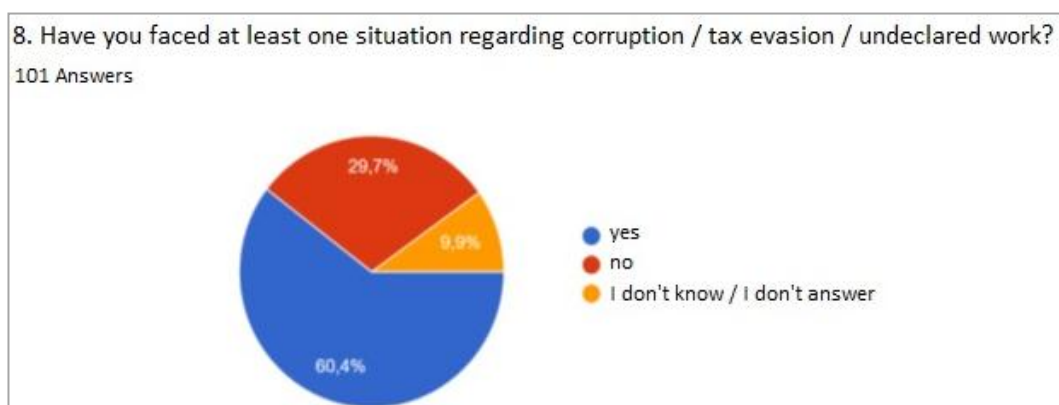


Figure 15. Distribution of respondents in relation to contact with economic and financial crime.

Source: own processing.

The last aspect of the questionnaire aims at the influence that the practices of corruption / tax evasion / undeclared work have on the level of happiness of the population. The Figure 16 shows the situation of the 101 respondents and how much their happiness was influenced by this practice. As we may see, most votes are given to values of 5 and 4, which means that 26% of respondents say that their happiness has been affected by level 5, according to a scale from 1 to 7. Another 23.3% say that their happiness was affected by level 4, a value related to the same scale. What we also notice is the fact that few respondents claim that their happiness has been affected very little or little, as evidenced by the low percentages of 4.1% and 6.8% attributed to these levels (1 and 2).

9. If Yes, on a scale of 1 to 7, to what extent did these facts affect your well-being (happiness)?
73 Answers

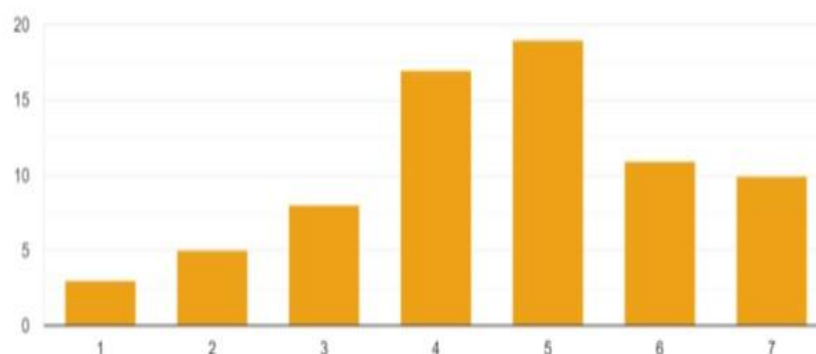


Figure 16. The level of happiness resulting from the interaction with corruption / shadow economy.

Source: own processing.

The average of all values offered by the respondents to the extent that their happiness was affected by crime is 4.62. This value is medium but it tilts the balance slightly towards higher values.

According to this result, respondents' happiness is influenced by crime, but not to a very large extent, but to an average, which makes us say that respondents are not so bothered by acts of corruption / shadow economy in society, in which they live but nevertheless there is some influence of these facts on general happiness. These findings are in line with those of Arvin and Lew (2014) and Achim et al. (2020) who also find a weak influence of the level of corruption on the level of happiness for the low-income countries.

4. Conclusions

In this paper we analyze how the acts of corruption and shadow economy affect happiness (well-being) of the Romanian people.

For this purpose, we sent questionnaires to 101 people, who voluntarily chose to participate and complete the questionnaire anonymously, on March 2020. Our study reveals that Romanian people does not link happiness to material issues in particular, but rather see it as a consequence of having a families, professional and spiritual fulfilment, while money and property are last in this ranking. The average income that would make the respondents happy is on average 5,223 lei (about 1,100 Euro) per month, an amount that they consider necessary to cover the needs of basis and activities that influence their development. Our findings reveal that the most corruption practices encountered in the public institutions are receiving money and gifts for services to which people are entitled followed by receiving money and gifts to favour someone.

A majority of respondents (about 1/3) perceives this level of happiness around 4 (which means that they are neither unhappy nor happy). About 60% of respondents face at least one situation of corruption, tax evasion or undeclared work. Also, the participants in the study were aware of existing corruption and shadow economy in Romania, most of them having the opportunity to meet with such acts. However, corruption and shadow economy are not perceived as very relevant in fully influencing the level of happiness they perceive.

Regarding the level of awareness of people in relation to acts of corruption and shadow economy, we found that the most respondents easily recognized the acts of economic and financial crime, they even identified the institutions most likely to use the illicit methods and they are aware of the relationship between corruption and shadow economy. Based on this, we may conclude that most of them have met at least once in their lives with such aspect regarding the two illegal acts or have been affected by them.

Even if the Romanian people is aware of what is happening, our study highlights that people do not perceive these aspects as seriously as we would expect. In other words, they are indifferent to the illicit practices that happen in Romania and do not let these aspects to affect their happiness (well-being). Another important factor may be the ignorance of the population regarding the daily reality, so that although some aspects displease them, they refuse to get involved based on the remaining mentality of the communist current.

These findings are important for the Romanian policymakers to understand the way in which people understand how the institutional quality is affected by corruption, and the extend in which the people's happiness could be impacted. Under this basis, policymakers will understand the way in which adopted anticorruption and tax policies function.

Our research has some general limitations among these the size of the sample may be invoked. Therefore, in order to reduce this limit and substantiate our findings, in future studies we intend to extend this sample.

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