HEALTH AND SAFETY REGULATIONS FOR INFORMAL AND FORMAL SECTORS

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Abstract— In this paper a model in which equilibrium labor cost is exogenous and firms have an option to decide to work in the high efficiency formal or low cost informal sector, where there is a risk of detection and zero profit if they choose to work informally has been tested econometrically. Considering lack of empirical work which is supported by solid theoretical models, the paper gains even greater importance.

Index Terms— Developing countries, Economic value of life, Informal sector, Occupational health and safety.