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# Evaluating the participation of an ethnic minority group in informal employment: a product of exit or exclusion?

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## ABSTRACT

This paper critically evaluates competing explanations for the participation of ethnic minority groups in informal employment. These interpret their participation either through a structuralist lens arising out of 'exclusion' from formal employment or through a neo-liberal and/or post-structuralist lens driven by voluntary 'exit' from formal institutions. To evaluate critically these competing explanations, this paper reports a survey of the experiences of Pakistani immigrants in informal employment in Sheffield, including fifty face-to-face interviews and two focus groups. The findings highlight informal employment amongst this Pakistani ethnic minority group is neither universally driven by exclusion nor exit. Instead, some participate mostly due to exclusion, others mostly for exit rationales and some for a combination of the two, with different mixtures across different groups and types of informal employment. The outcome is a call for greater appreciation of the multifarious character of undeclared work and a move beyond simplistic explanations and policy responses.

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## 1. Introduction

For many decades, the informal economy was seen as a 'leftover' from a pre-capitalist era, which would disappear with the advent of 'modernisation' (Williams 2010). From this perspective, the persistence of informal employment was a manifestation of 'backwardness' and 'underdevelopment' (e.g. Geertz 1963). Recently, however, it has been recognised that the informal economy remains a persistent and even growing feature of the global economy (e.g. Williams

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2004, 2006; Rodgers and Williams 2009). How, therefore, is this continuing and growing participation of populations in informal employment to be explained? The aim of this paper is to evaluate critically the various competing explanations.

Immigrant and migrant communities within the so-called 'ethnic economy' (Batnitzky and McDowell 2013), now contribute greatly to economy practices within urban centres in the UK (Edwards *et al.* 2016). Migrants arriving in a new country are often characterised by having a strong sense of self-sufficiency, which often leads to such individuals moving into forms of self-employment in order to develop a means of 'getting by and getting on' in the new environment (Sepulveda *et al.* 2006). There have been several theoretical approaches developed, seeking to explain why immigrants become entrepreneurs in the new, host country. It has been argued that whilst some differences can be explained by age, levels of education and the time spent in the new country, nevertheless, an individual's ethnic background plays a significant role in determining practices of entrepreneurship (Fairlie and Meyer 1996). As such, ethnic characteristics act as drivers for some immigrant groups to be more entrepreneurial than others including the ability to develop entrepreneurial strategies effectively (Chaganti and Greene 2002), or use their ethnic resources (access to social capital and an embedded network) in the new country (Koning and Verver 2013). Such individuals are keen and ready to take risks and often take opportunities, which members of the indigenous population in the new, host country fail to see or seize. Moreover, it is argued these individuals quickly exploit the underdeveloped markets which have emerged within 'ethnic enclaves' (Koning and Verver 2013) within the host country, using their access to ethnic and migrant networks and access to informal sources of finance and labour through ethnic ties and/or shared cultural values and language use (Vershina *et al.* 2011). In contrast, more 'structuralist' readings explain how immigrants, faced with a series of labour market obstacles are pushed into self-employment and entrepreneurial activities (Gilad and Levine 1986). Such individuals often face discrimination from the indigenous population, lack relevant cultural knowledge and skills in the host country (language skills) and also to access to host-country relevant social capital (social and business networks) (Neville *et al.* 2014). As such, for these individuals, developing forms of entrepreneurial activities is thus viewed as a survival strategy, which involves relying on the social capital of their ethnic group (Drori *et al.* 2009) in the absence of any other relevant economic options.

Sassen (2009) argues that globalisation has led to an increase in informal work existing not only in the global south or in the margins of urban areas. Observing informal work practices within the creative sector, Sassen (2009) argues that informal work has become an integral part of the functioning of urban areas all across the globe. Within urban areas, informal work is often characterised as pursued by migrant communities with low wages or poor working conditions (Routh 2011). In a recent study of immigrant work experiences in Toronto, Gottfried *et al.* (2016) highlight how the increase in precarious, insecure work

lacking employment protection requires migrant communities to rely on informal work practices. However, other commentators have outlined alternative rationales for individuals engaging in informal work practices. Phillips (2011) argues that working within informal spaces can enable individuals to undertake their formal work as well as improving levels of work autonomy. Moreover, Edwards *et al.* (2016) in a study of new migrant businesses in the West Midlands, UK, highlight how in addition to the monetary aspects, informal work practices act as important mechanisms in maintaining positive community and social relations in often ethnically mixed, low income urban areas. This paper contributes to this nascent literature by providing empirical insights from the experiences of the Pakistani community in Sheffield, UK. Hence this paper sheds light on the everyday experiences of individuals within the UK's 'ethnic economy' (Batnitzky and McDowell 2013).

The paper is structured as follows. To commence, various rival explanations for participation in informal employment are introduced which is followed by an outline of the research study, which involved a survey conducted amongst the Pakistani community in the UK city of Sheffield during 2012 based on 50 face-to-face interviews and two focus groups. The third section reports the findings, which highlights not only the normality of informal employment amongst this ethnic minority population but also how participation is not the result of either exit or exclusion but instead, how some is conducted due to exit, some due to exclusion and some for both reasons. The paper concludes by calling for a move beyond either/or explanations and instead a greater appreciation of the heterogeneous nature of undeclared work and the required policy solutions.

## 2. Explaining participation in informal employment

In this paper, we refer to informal work as the remunerated production of legal goods and services that is not fully declared to the state for tax, social security and labour law purposes when it should be declared (e.g. Jones *et al.* 2006; OECD 2002; Ram *et al.* 2007; Williams 2004, 2006; Williams and Windebank 1998). We exclude any economic activity, which possesses other absences or insufficiencies, such as that the good and/or service traded is illegal, or that no money changes hands.

During much of the twentieth century, informal employment was commonly depicted as a residue from a previous era. Its continuing presence was seen to be a sign of 'backwardness' whilst the formal economy represented 'progress' and 'advancement' (Geertz 1963). In recent decades, however, numerous studies have revealed not only that informal employment is extensive and persistent but also that it is growing relative to formal employment in many populations (OECD 2002), highlights how two-thirds (1.8 billion) of the globe's working population work in the informal economy (Jütting and Laiglesia 2009). This finding outlining the extensive nature of the informal economy is further reinforced by

many other smaller-scale studies in both advanced economies, post-socialist societies and the developing world that measure its scale using either indirect proxy indicators (Schneider and Bajada 2005) or direct survey methods (Guha-Khasnobis and Kanbur 2006). Whilst in the developing world, the informal economy is often found to be the mainstream economy (Jütting and Laiglesia 2009), nevertheless, in the developed world too, informality is currently still estimated to account for average GDP shares of 18.4% in the EU27 and 8.6% in Australia, Canada, Japan, New Zealand and the United States (Schneider and Enste 2013). Extant research on the nature of informal employment has led to a more contextualised appreciation of informal employment, as widespread and growing in some populations, but smaller and declining in others (Sepulveda and Syrett 2007). The outcome is that various attempts have been made to explain the persistence and growth of informal employment, involving and unpacking of the different varieties of forms of informal employment. Until now, commentators have largely adopted one of two broad perspectives. Either they have adopted a structuralist perspective which reads its persistence and growth as driven by labourers 'exclusion' from state benefits and the circuits of the modern economy, or adopted one of several schools that explain its continuation and expansion as driven more by a voluntary decision to 'exit' the formal economy. Here, each is critically briefly reviewed in turn.

### ***2.1. Participation in informal employment: a result of exclusion***

For structuralists, the contemporary growth of informal employment is the outcome of the advent of a de-regulated open world economy with unregulated work conducted under 'sweatshop-like' conditions by marginalised populations excluded from the formal labour market who conduct such work out of necessity (Sassen 1997). Informal employment is therefore depicted to be at the bottom of a hierarchy of types of employment and akin to 'downgraded labour' with its participants receiving few benefits, low wages and with poor working conditions (Sassen 1997).

### ***2.2. Participation in informal employment: an exit tactic***

For others, informal employment is the result of a decision to voluntarily exit from the legitimate realm, rather than a product of involuntary exclusion (Gerxhani 2004; Maloney 2004). Conventionally, this has been usually advocated by neo-liberals who have depicted informal workers as heroes who are casting off the shackles of a burdensome state (De Soto 1989). For them, over-regulation of the market is to blame for its existence (De Soto 1989). As De Soto (1989: 255) asserts, 'the real problem is not so much informality as formality'. Informal employment is the last bastion of untrammelled enterprise culture

in an over-regulated economic system, and its recent growth evidence of the resurgence of the free market against state regulation.

More recently, however, an alternative 'exit' perspective has emerged taking inspiration from a wider collection of critical, post-colonial, post-structuralist, post-development and post-capitalist thought that transcends the conventional 'thin' depiction of monetary exchange as universally market-like and profit-motivated by adopting 'thicker' representations that unpack the complex and messy characters and logics of monetised transactions (Gibson-Graham 1996, 2006). The outcome is a post-structuralist explanation for the growth of informal employment that moves beyond its 'thin' depiction as market-like profit-motivated work, and participants as everywhere rational economic actors swayed by the cost/benefit ratios confronting them. Instead, it draws attention to informal employment conducted for and by kin, neighbours, friends and acquaintances and for reasons other than purely financial gain (Williams 2004, 2006). For these post-structuralists, in consequence, informal employment is again the result of exit rather than exclusion, but instead of depicting the rationale for exit to be the problems associated with working legitimately (like neoliberals), this post-structuralist school explains participation more in terms of social or redistributive rationales than pure market logics, viewing participants more as social actors rather than rational economic actors.

Until now, these competing explanations have been largely treated as mutually exclusive. Commentators have either advocated one as universally valid and not even mentioned the others, or have paid lip service to the others but contended that one is correct (De Soto 2001). However, in recent years, some commentators have begun to call for greater integration of these explanations by arguing either that 'exclusion' is more applicable to waged informal employment and 'exit' to own-account informal workers or that exclusion is relevant to relatively deprived populations and exit to relatively affluent groups (Williams and Windebank 1998). Until now, nevertheless, few studies have sought to evaluate the validity of these more integrative explanations and such an explanatory conceptual framework has not been applied to understanding the participation of ethnic minority groups in undeclared work. In consequence, and to evaluate critically not only the persistence and growth of informal employment but also the competing explanations, attention now turns to a survey conducted during 2008 amongst the Pakistani ethnic minority community in Sheffield.

### **3. The research study**

We generated data from Pakistani households in Sheffield. During the industrial age Sheffield gained an international reputation as a centre for metallurgy. However, deindustrialisation led to the stagnation of the region's economy in the 1980s (Sheffield City Region 2010). Since then, as a result of diversification of the economic base, Sheffield's economy has begun to grow once more. However,

the Sheffield City Region remains one of the least competitive city region economies in the UK (Huggins and Thompson 2010). Following a pilot survey in November 2011, 50 face-to-face interviews were conducted with Pakistani households in Sheffield during January–March 2012. In Sheffield, according to the Census UK (2001), people of Pakistani national origins are the largest ethnic minority group. The size of the Pakistani community amounts to more than 15,000 residents, of which 9,799 people are aged above sixteen and economically active, and hence defines the target population for this study.

Given the sensitivity of the research topic, face-to-face interviews were conducted. To tackle the issue of trust, a ‘snowball sampling’ technique was used. Snowball sampling is a method particularly useful for accessing ‘hidden’ populations, and for small sample sizes and has been widely used to undertake survey studies of the informal economy, especially in the context of ethnic minority and immigrant populations (e.g. Ram *et al.* 2007; Ram *et al.* 2008; Vershinina *et al.* 2009). To gain a diversified sample, the Pakistani community in Sheffield was divided into three major clusters (see Table 1). The emergence of these clusters, as investigated by the Sheffield City Council,<sup>1</sup> are explained by a tendency of Pakistani residents in Sheffield to reside in ‘segregated’ and ‘concentrated’ neighbourhoods. To further improve the diversity of the sample, multiple snowballs were triggered simultaneously in more than one locality of each cluster by seeking new contacts within the Pakistani community. The researchers identified initial contacts in each locality with the aid of approaching some influential institutions within community mosques, Pakistan Muslim Community<sup>2</sup> Centre (PMC) and Pakistani Community Advise Centre. As such, the survey comprised of individuals representing a heterogeneous mix of Pakistani households in terms of age, income, occupation, nationality and qualification (see Table 2).

A semi-structured interview schedule was used using a mix of open-ended and closed-ended questions (see Appendix A). Every interview started with a conversation including questions about Pakistani culture with the Pakistani background of one of the researchers proving very helpful in building rapport. Second, demographic data was gathered on the household. Third, closed-ended questions were asked related to their general perception about the magnitude of informal work within Sheffield’s Pakistani community. Fourthly, a set of closed-ended questions was used to directly ask the respondents about their personal engagement in informal employment. Finally, the respondents were asked about the reasons for their engagement in informal work. Here, initially a closed-ended question with a list of possible reasons was posed to the respondents who were asked to choose the ‘first’ and ‘second’ most important reasons for their involvement in informal work from the given list of options. Subsequently, the respondents were asked in an open-ended manner to explain the rationale

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<sup>1</sup>Community Profile, Pakistani, 2006 by Sheffield City Council.

<sup>2</sup>[www.pmcuk.org](http://www.pmcuk.org).

**Table 1.** Geographical break-up of the sample survey.

Cluster	Localities	Number of interviews
A	<ul style="list-style-type: none"> <li>• Firth Park</li> <li>• Burngreave</li> <li>• Abbeyfield</li> <li>• Fir Vale</li> </ul>	25
B	<ul style="list-style-type: none"> <li>• Darnall</li> <li>• Tinsley</li> </ul>	20
C	<ul style="list-style-type: none"> <li>• Nether Edge</li> <li>• Sharrow</li> <li>• Highfield</li> </ul>	10

**Table 2.** Characteristics of Pakistani households surveyed.

Characteristics	% age of survey respondents*	% age of overall Pakistani households in Sheffield**
<i>Current occupation</i>		
Catering and restaurants	18	N/A
Transport	20	N/A
Retailing	15	N/A
Repair services	5.0	N/A
Personal services	5.0	N/A
Construction	5.0	N/A
Teaching	7.0	N/A
Doctor	10	N/A
Government employee	10	N/A
<i>Employment status</i>		
Self-employed	45	10.8
Full-time employees	37	15.3
Part-time employees	10	7.0
Unemployed	0.0	9.2
Retired	3.0	5.2
Full-time student	5.0	11.9
<i>Age</i>		
0–15 years	10	19.1
16–35 years	30	27.8
36–64 years	45	36.7
65+ years	15	16.4
<i>Current nationality</i>		
British	60	85
Pakistani	35	15
Right to indefinite stay	5.0	N/A
<i>Country of birth</i>		
The UK	35	61
Pakistan	60	35
Other	5.0	4.0
<i>Qualification</i>		
No qualification	20	39.6
Level 1 (primary)	25	13.2
Level 2 (secondary)	35	12.3
Level 3 (diploma)	5.0	7.3
Level 4/5 (university)	15	12.0

\*Authors' survey of Pakistani households in Sheffield, 2012.

\*\*Pakistani Community Profile (2006), Sheffield City Council.

**Table 3.** Main reasons of Pakistani households for participation in informal employment in Sheffield, UK.

Reasons for engagement in informal employment	Type of rationale	Theoretical explanation	% of all Pakistani workers
<ul style="list-style-type: none"> <li>• Discrimination in the formal sector</li> <li>• Economic necessity due to pressures from family and relatives</li> <li>• Lack of qualification/skills</li> </ul>	Marginalisation	Exclusion perspective/ structuralism	14
<ul style="list-style-type: none"> <li>• High tax rates</li> <li>• Procedural complications</li> <li>• Low risk of detection</li> </ul>	Rational economic decision	Exit perspective/ neo-liberalism	52
<ul style="list-style-type: none"> <li>• Cultural norm</li> <li>• Community integration</li> <li>• Resentment against the state</li> <li>• Lack of redistributive justice</li> </ul>	Social/redistributive rationale	Exit perspective/ post-structuralism	34

Source: Sheffield survey of Pakistani Households in the UK, 2012.

for their responses. Different probing questions were asked during the conversation to guide the discussion and gain insights about the underlying rationales explained by each respondent (see Appendix A). Each interview, on average, lasted for 75 min.

#### 4. Results and discussion

The participants of the survey were asked in a closed-ended manner to choose from a given list 'the first and second most important reason(s) for them to keep total or a part of their income hidden from tax and social security authorities', followed by lengthy open-ended discussions to allow them to dwell on their chosen reasons. Their responses were then classified (Table 3), according to whether they conform largely to the 'exit' explanations as proposed in the neo-liberal or post-structuralist accounts or the 'exclusion' explanations as suggested by the structuralist account. The results highlight a diverse spectrum of rationales, reflecting the co-existence of both the exit and exclusion factors behind the participation of Pakistani households in informal employment. The following section discusses these reasons in the framework of contesting the-orientations in the light of the qualitative evidence gathered during the survey.

#### **4.1. Exit rationales the neo-liberal reasons**

Respondents participated in informal economic activities predominantly as a response to the over-regulated realm of the formal economy. As discussed below, there is an element of ‘voluntary exit’ from formal employment with respondents asserting that engage in informal activities either: because they believe taxes are too high; or the procedures of tax authorities are very complicated/poorly controlled, leading to a low perceived risk of detection. Added together, these rationales account for the main reason of participation in informal employment for more than half (52%) of the Pakistani households. Each of these neo-liberal motives is now sequentially discussed.

##### **4.1.1. High tax rates**

The survey outlines the ‘exorbitance of taxes’ as the most instrumental factor driving voluntary participation in informal practices. Forty per cent of respondents mentioned ‘taxes are too high’ as one of the major reasons for their participation in informal employment. The following statements given by the respondents are quite suggestive of the taxes as the primary reason for the Pakistani immigrants in Sheffield to keep their income hidden from relevant authorities.

It is only because of taxes. If I declare my income honestly, 30% of my income would not come to me. (Male, 26–40 yrs, Taxi driver)

Taxes are too high. Small businesses like us cannot afford to pay all of them. (Male, 40–55 yrs, Takeaway owner)

##### **4.1.2. Procedural complications**

Pakistani workers also found the process of formalisation to be very complicated. 10% of interviewees viewed complicated tax procedures as one of the biggest obstructions for Pakistani informal workers to declare fully their incomes. As stated by some participants,

Pakistanis are looking for easy-to-manage employment. They want hassle free businesses ... many of them would prefer to work in the black economy. (Male, 26–40 yrs, Self-employed lawyer)

Some of the Pakistani workers were quite forthcoming in expressing their desire to formalise their businesses and employment contingent upon state’s willingness to reduce the complications of the registration procedure by introducing a one-window system and offer special support services for immigrants to seek guidance on such affairs. As asserted by some respondents,

I once started the process of registration for my business but got frustrated with the time and cost involved. If there was only one office that I could go to, I would get my business on papers. (Male, 40–55 yrs, Grocery store owner)

### **4.1.3. Low risk of detection**

Whilst the UK is seen as an institutional environment where the 'rule of law' prevails, surprisingly, however, when asked about the risk of detection involved in operating informally, a significant percentage (40%) of the Pakistani respondents thought that it was either easy or very easy for anyone to remain undetected by state authorities in the UK. Nevertheless, only a small fraction of these workers (2%), mentioned it as a major reason for their own informality. As expressed by a few respondents,

I don't think the government officials can catch me and that is why I don't get registered? (Male, 26–40 yrs, Sweet Shop Owner)

There are penalties in the law for hiring undeclared labour, but the chances of being caught are very weak. (Male, 55+ yrs, Garment Shop Owner)

For these Pakistani workers, it is their low perceived risk of detection that has led them to work informally. They are clearly acting as rational economic actors, continuously evaluating the economic benefits of operating on an informal basis vs. the monetary and legal penalties that they may have to face in the event of being caught.

## **4.2. Exit rationales: post-structuralist reasons**

Aligned with assumptions within post-structuralist theorisations, the second most important theme that emerges from rationales to engage in informal employment is that of 'social' and 'redistributive' reasons. More than one-third (34%) of the respondents described either of these reasons as a major rationale for them to work informally. Such respondents whilst viewing their informal employment as an 'exit' from the formal economy, adopted a post-structuralist perspective asserting that they engage in informal activities either: because it was a common form of work in their community; or it helped them improve their social integration and/or they believed that the government do not fairly use taxes and other contributions for the welfare of their community.

### **4.2.1. Informal employment as a cultural norm**

The most common of these post-structuralist reasons relates to the prevailing work culture of the Pakistani community in Sheffield. Eighteen per cent of respondents mentioned it as the primary reason for the informal employment. Informal work of these households can be seen as a product of community culture that is comprised of certain norms and values propagating informal economic activities. In the case of the Pakistani community, the transfer of low tax morality from the home country caused first wave immigrants to participate actively in informal employment, which has been replicated as a kind of career path for subsequent generations.

The concept of ‘cultural alienation,’ seems to find an ideal illustration here. Dense social/community networks, which are often a major contributory factor in explaining high levels of informal work (Morris 1994), together with segregation from regional labour markets and other ethnic populations has not enabled the subsequent generations of Pakistani immigrants to shift practices enacted by initial compatriots. As such, informal work is still widely perceived as a ‘community practice’ instead of explained by socio-economic factors (see also, Community profile, Pakistani, 2006). A considerable fraction of Pakistani households, including both formal and informal workers, viewed engagement in informal work as a form of social construct. As shared by some respondents,

I think it is something that comes inherently to the Pakistanis living in Sheffield. Doing cash-in-hand work has become a strong part of our Pakistani culture. (Male, 26–40 yrs, Takeaway employee)

It is such a strong tradition now ... the practice of informal work is nothing new for Pakistani immigrants, we have been doing it for generations. (Male, 55 yrs+, Self-employed estate agent)

The prevalence of informal work as a powerful cultural norm amongst respondents is a consequence of historical concentration in specific sectors including taxi-driving, low-order retailing and catering. Around 80% of all the Pakistani workers who had ever carried out informal work, either as an employee or on a self-employed basis, did so in one of these three sectors. As such, the engagement in these sectors, which are prone to cash-in-hand work is now so deeply entrenched into their community culture in Sheffield that it has led to the development of a self-recruiting labour market, where an unemployed or a newly arrived Pakistani worker becomes more likely to be recruited by his co-ethnic employer into informal work. As expressed by one Pakistani doctor who had worked in various cities of the UK for almost 10 years:

It is like a continuous process in which the older employees are replaced by their younger generations or the new immigrants arriving from Pakistan. No diversification in the portfolio of these informal Pakistani businesses could be possible when even the replacement is being done in the same trades. (Male, 40–55 yrs, Doctor)

Moreover, the promotion of chain migration and the introduction of new passport entitlements by the UK government have made migration heavily localised since the early 1960s. Under these new immigration rules, it is easier for people from specific localities/families in Pakistan to make it through stringent immigration laws. The job choice for many Pakistani workers, especially for the ones arriving through family reunification, marriage or illegal routes, therefore, is restricted to the forms of employment already prevalent in the Pakistani community. As a result, one can witness a strong ‘cultural tendency’ for the Pakistani households surveyed in Sheffield towards certain forms of economic activities that are more vulnerable for informal work.

#### **4.2.2. *Informal employment as a source of community integration***

Whilst there appears to be a strong role for cultural traditions influencing Pakistani households to undertake informal economic activities, what is it that makes them comply with these pervasive cultural norms within their ethnic community? The respondents of the survey recorded a clear connotation of certain social incentives expressed in their responses.

Doing what most of the Pakistanis are doing helps you build better relationships in the community, and these relationships are of course very important for me as an immigrant. (Male, 26–40 yrs, Taxi driver)

Twelve per cent of the Pakistani households viewed their informal employment as a basic means of community integration, and hence mentioned it as a main reason for their participation in such activities. Engagement in informal employment is obviously a means of building social and ethnic capital, which in the long term also becomes a decisive factor for their economic success or failure in the UK. Evidently, a considerable fraction of the Pakistani households surveyed in this study draws their prime motivation from certain socially driven factors existing within their ethnic community. So strong are these social regulators that they tend to subdue the workers' economic motivations on many occasions. One can certainly see an element of volunteerism for these Pakistani workers to choose an informal mode of employment, instead of formal, either to show compliance with the prevailing ethnic norms or to seek better cohesion with their co-ethnic members.

#### **4.2.3. *Informal employment as an expression of resentment against the state***

Interestingly, some 6% of the Pakistani households adopted a different post-structuralist explanation, citing redistributive and resistance rationales as one of the most important reasons for participation in informal employment. Informal employment here can be seen as a direct repercussion of their 'anti-state' sentiment in that they believe that the British government does not fairly use its taxes to assist ethnic minority communities. Some of the bold expressions are:

We pay so many taxes here and there, but the economic situation of ethnic minority groups in this country does not seem to change a bit. (Male, 40–55 yrs, Self-employed Butcher)

Even the Pakistanis working as formal employees seemed to confirm the existence of an anti-state sentiment as a rationale for their co-ethnic workers to operate in the informal economy. As stated by one respondent:

The main reason for the Pakistanis to hide taxes is not because they cannot survive without it, it rather happens because they think that the government is not fair in investing it back on them. (Male, 40–55 yrs, Middle Manager)

Furthermore, it was discovered that due to this perceived lack of redistributive justice on the part of certain Pakistani households, there seems to be a sense of 'rightfulness' prevailing amongst the respondents of this study, where some Pakistani workers were found to believe that 'it is our right to evade some taxes', 'we already give too much to the government', 'I deserve to save on taxes'. When asked if they consider it acceptable to evade taxes in the UK, 44% thought it either 'totally acceptable' (4%) or 'somewhat acceptable' (40%) to do so, hinting at the existing sense of resentment against the state within a limited section of the Pakistani community. The prevalence of such negative attitudes has led to the development of a self-fulfilling prophecy, in which the tendency of the Pakistanis to view themselves as victims of state negligence is what is causing their voluntary engagement in informal economic activities as supported by the post-structuralist perspective (Williams 2010).

### **4.3. Exclusion rationales: the structuralist perspective**

Nevertheless, the participation of the Pakistani community, as supported by structuralist theorisations cannot be perfectly explained along the lines of voluntarism. There is a section of Pakistani households for whom the participation in informal economic activities is not a matter of choice, but rather a result of some exclusionary pressures and marginalisation. The exclusion rationale refers to those Pakistani workers who asserted that they engage in informal employment either: because they believe that ethnic minorities are not given equal opportunities in the formal job market; or they lack the human capital required for a formal job and/or that they do so under the financial pressures of their family. Overall, (16%) of the respondents mentioned one of these factors as a major reason for their involvement in informal economic activities.

#### **4.3.1. Discrimination against ethnic minorities**

Almost (5%) of the respondents mentioned the lack of equal opportunities in the formal sector as the first most important reason to seek employment in the informal economy. The qualitative discussions recorded much more emphasis on the point of 'discrimination against ethnic minorities'. Majority of them, however, described it as 'hidden discrimination', something that they believe does not always exist in very discernible forms, but rather in certain implicit ways, creating barriers for ethnic minority workers to enter the formal labour market.

If we do not work in the informal restaurants, drive taxis or do something else on our own, we can not possibly earn a sufficient living ... when we go to find jobs in big companies, they prefer white people. (Male, 40–55 yrs, Taxi driver)

The survey also records a slight expression of resentment against job discrimination amongst those Pakistani households who themselves were otherwise employed in the formal sector.

**Table 4.** Fuller rationales of Pakistani households for participation in informal employment.

Motive	%
Solely structuralist rationales	2
Mainly structuralist but also neo-liberal rationales	10
Mainly structuralist but also post-structuralist rationales	2
Solely neo-liberal explanation	30
Mainly neo-liberal but also structuralist rationales	7
Mainly neo-liberal but also post-structuralist rationales	15
Solely post-structuralist explanations	18
Mainly post-structuralist but also structuralist rationales	6
Mainly post-structuralist but also neo-liberal rationales	10

Source: Sheffield survey of Pakistani Households in the UK, 2012.

It was not easy to find a job in the formal private sector. I was disappointed and eventually applied for a job in the City Council. (Male, 26–40 yrs, Sheffield City Council employee).

#### 4.3.2. *Lack of human capital*

The exclusion of Pakistani workers from the formal labour cannot be a fully attributed to the logics of discrimination as expressed by some respondents above. Our findings also revealed the existence of certain institutional barriers, such as the lack of qualifications and skills impeding gaining formal employment. Only 5% attributed their involvement in informal employment to their personal lack of qualification and/or skill. Expressing the marginalisation of Pakistani workers due to insufficient human capital, one of the interviewees said:

A skilled worker from Pakistan also ends up doing one of the three (restaurant, taxi driver and retail) jobs due to the exorbitant price of attaining local vocational training certificates. (Male, 55 yrs+, Self-employed butcher)

Another respondent also shared his personal experience as of how he ended being an informal taxi driver in the UK despite the fact that he was a professional plumber in his home country.

I came to the UK as a plumber with a lot of experience. Unfortunately, I could not continue as a plumber here since I did not have the money to gain a certificate here. I started working as a taxi driver as a result. (Male, 40–55 yrs, Taxi driver)

It can be suggested from the above narrative that deficiency of these Pakistani workers in terms of human capital (skills and qualification) has not only excluded them from the formal economy and forced them to eke out their living in the informal sector, but has also restricted to their informal employment majorly to a handful of trades.

#### 4.3.3. *Pressure from family members and relatives*

Almost 4% of respondents explained their participation in informal employment as mainly a result of certain pressures from family/relatives. This reason, however, was only limited to immigrants who had recently arrived in the UK and yet had their families based in Pakistan. It is revealed that extreme pressures from family

and relatives play a phenomenal role in persuading new immigrants to work on a cash-in-hand basis. A couple of newly arrived Pakistani households were quite regretful in sharing their views on how pressures from their families in Pakistan were so intimidating in the beginning as to make them conduct informal work.

If I do not send money immediately, my parents are likely to receive disgraceful taunts from my relatives, who expect you to send a lot of money as soon as you come to the UK. (Male, 26–40 yrs, Taxi driver)

Such incidents of involuntary participation motivated by economic necessity represents a kind of self-created impulse, which brings Pakistani workers to the UK irrespective of the available employment opportunities. Such motives of migration for the Pakistanis, as discovered in the survey, are seldom based on the actual demand of labour in the British labour market. Excessive influx of Pakistani workers leaves many of them redundant on their arrival in the UK, instigating sheer disappointment and frustration. Many respondents were forthcoming in expressing the collapse of their economic expectations on their arrival in the UK, which they now believe were structured around false motivations.

In Pakistan it is a very popular perception that people earn lavishly in England. All such fantasies break the moment you start finding a job here. (Male, 26–40 yrs, Takeaway employee)

In these responses, there are strong connotations of both 'disappointment' and 'intimidation' – the disappointment of losing false expectations and the intimidation of families and relatives to earn money. Prolonged period of unemployment often lead to immense pressures from families in the case of households who still have their families based in Pakistan. Coupled with this is the element of internal de-motivation and frustration arising from being unable to find a decent job on arrival. Furthermore, as discussed earlier, most of these Pakistani households tend to perceive or have actually experienced, what they term 'strong racism' in the formal sector of the UK. Resultantly, for these Pakistani households, as argued by the proponents of the structuralist theory, their engagement in informal work seems to be a direct result of their involuntary exclusion from the mainstream British economy. Informal work functions as a survival strategy for these Pakistani workers in order to denounce the repercussions of their economic marginalisation in the UK.

Based on these results, one can suggest that it is mainly the exit rationale as proposed by the neo-liberal theorisations that explains the majority participation of Pakistani households in informal employment. Nonetheless, the profound existence of post-structuralist and structuralist expressions alongside shows that no single theorisation, either exit or exclusion, can solely capture the complexity of the Pakistani households' motives to participate in such economic endeavours. In fact, the in-depth qualitative inquiry has also revealed that a considerable number of the Pakistani households in Sheffield tend to cite rationales from two or more explanations at a time. Also, when the respondents were asked to choose their first and second most important reasons to hide

their income from tax and social security authorities, a considerable number of them chose reasons from two different explanations, as depicted in Table 4. Almost 50% of the respondents cite reasons from two different explanations, combining assertions about how it is an economic necessity with issues of high tax rates and over-regulation in the formal economy or the social, redistributive and resistance rationales of post-structuralism.

## 5. Conclusions

This paper has critically engaged with the relevance of various theorisations of the informal economy – structuralist, neo-liberal and post-structuralist theories in explaining the nature of informal employment within an ethnic minority population in Sheffield, UK. The results highlight that no single theory has been found to fully explain the reasons behind the participation of Pakistani households in informal economic activities. It is a cocktail of many interlinking factors causing these Pakistani immigrants to participate in paid informal work.

Nevertheless, the neo-liberal theorisation tends to dominate the explanation for the participation of Pakistani households in paid informal work, explained as a direct implication of either an over-regulated market or excessive institutional obligations; or the total failure of the formal sector to meet their certain requirements. The majority of informal work under these factors is seen as taking place on a 'voluntary' basis either to unshackle the restrictive controls of the state or to replete for the shortcomings of the formal sector. For most of the respondents, their decision to transcend the parameters of business legalities is basically driven to gain the 'flexibility' and 'freedom' deemed essential for the sustenance and growth of their economic activities in the UK. However, this voluntary exit on the part of Pakistani households is primarily structured around their urge to maximise economic gains.

However, it would be erroneous for one to totally undermine the significance of rationales grounded in the conventional narratives of the structuralist theory. On many occasions, the participation of Pakistani workers in the informal sector is found to be an implication of their involuntary exclusion from the formal market, often undertaken as a survival strategy. Discrimination against ethnic minority workers in formal employment coupled with prevailing familial pressures from relatives back home, which in turn are the outcome of certain economic liabilities, are also the major reason for certain Pakistani workers to undertake informal work. Economic activities undertaken as a result of such factors are often informal in nature and characterised by low-paid exploitative work. The role of social pressures emanating from their respective families in Pakistan, as asserted by this research, cannot be understated as an important reason for the involuntary participation of Pakistani immigrants in paid informal work.

Is this participation in informal work – voluntary and involuntary – universally driven by structural forces as a pursuit of economic gains? It seems not.

The findings provide evidence in support of the newly emerging discourse of post-structuralism. A reasonable fraction of Pakistani households tend to draw their primary motivation from what can fairly be said a socially-driven rationale, i.e. informal work is the most common form of economic activity in the culture of the Pakistani community. This participation of Pakistani households under the influence of certain socio-cultural determinants is undoubtedly a case of voluntary exit, yet unlike the neo-liberal thesis, not primarily a pursuit of economic gains. The findings also provide evidence to question the conventional perspective of informal economic activities as always conducted under solely market-like and profit-motivated work relations. A good deal of informal activities undertaken by Pakistani households, and as argued by post-structuralism, is grounded in rationales far exceeding the conventional modes of market trading.

Overall this study concludes that no single approach is able to wholly theorise the reasons for the Pakistani community to undertake informal economic activities. Neither can we describe them as purely voluntary actions nor always a ramification of their involuntary exclusion from the formal sector. Similarly, one can find in this study the evidence for both social as well as economic determinants of the informal economy. In consequence, and as also argued by Williams and Round (2010) and Williams (2010), the mutually exclusive character of the structuralist, neo-liberal and post-structuralist theories is strongly contested, with of course the neo-liberal theory explaining the bulk of the Pakistani informal economy. On the whole, all these theorisations are found to be coexisting within the given context, each describing a different percentage of informal work conducted by Pakistani immigrants. This finding has doubtless contributed to the desperate gap of empirical evidence on the rationales causing an alarming engagement of ethnic minority and immigrant populations in informal economic activities in the UK. At the same time, it has brought into question the mono-causal explanations of the informal economy in the wider literature. As such, this study calls for the need to conduct more qualitative studies on various ethnic minority populations in order to examine the emerging framework of structuralist, neo-liberal and post-structuralist theories in the context of the wider immigrant informal economy.

Our conclusions however have to be seen in light of the limitations of this study. The study is localised geographically within the Sheffield City Region in the North of England and involved a relatively small number of Pakistanis during our interviews. Further research needs to look at other geographically areas and other ethnic groups in the same geographical area. Whilst the views of the interviewees cannot be considered to be representative of all members of the Pakistani community, which limits the generalisability of the findings, the value of this research lies in the rich contextual insights it provides relating to the nature of informal work practices within an urban ethnic minority community in the UK. However, more research amongst other large ethnic minority communities living in different urban and rural centres in the UK is required. In

this way, we can seek to capture the rationales of ethnic minority workers for their participation in informal work practices in the changing dynamics of the current socio-economic environment in the UK.

## Disclosure statement

No potential conflict of interest was reported by the authors.

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## Appendix A. Survey instrument

### *Section 1: Demographics*

1. What is your age?
2. What is your current occupation?
3. Are you self-employed?
4. Do you work on a full-time or part-time basis?
5. What is your average income from your current occupation(s)?
6. What is your country of origin?
7. Are you a British nationality holder?
8. Which area of Sheffield do you live in?

### *Section 2: Perceived Magnitude of Informal Employment*

1. In your view, what percentage of Pakistani households in Sheffield work without declaring total or a part of their income to tax and social security authorities?
2. Do you personally know any Pakistani in Sheffield who works without declaring total or a part of their income to tax and social security authorities?
3. What type of Pakistani households is most likely to conduct informal work: paid employees, self-employed, students, unemployed?

### *Section 3: Extent of Personal Participation in Informal Employment*

1. Have you ever carried out any work for yourself or any other person in which total or a part of your income was kept hidden from tax and social security authorities?
2. Would you please mention three different types of work, starting with the most important one in terms of hours spent, that you carried out by keeping total or a part of your income hidden from tax and social security authorities?
3. Did you carry out this work on a part-time or full-time basis? In what form was this work paid, cash or in-kind?

### *Section 4: Reasons for Participation Informal Employment*

1. Amongst the given options, what are the reasons for you to keep total or a part of your income undeclared to tax and social security authorities?
2. If you have never been engaged in informal work yourself, what do you think are the reasons for other Pakistani households in Sheffield to keep total or a part of your income undeclared to tax and social security authorities amongst the given options?

### *Section 5: Open-ended Questions about the Rationale for Participation in Informal Employment*

1. Would you please elaborate on the reasons you just mentioned about why you would keep total or a part of your income undeclared to tax and social security authorities?
2. What is the perception of the Pakistani households in Sheffield about the fairness of the tax and social security system in the UK, why is it so?
3. Do you think it is more likely for a newly arrived Pakistani immigrant in Sheffield to get involved in informal employment, why or why not?
4. How do you see the involvement of Pakistani households in formal sector jobs with respect to other ethnic minority communities in the UK?
5. Why didn't you ever apply for a formal sector job?
6. Are there any social or cultural benefits to work on an informal basis for the Pakistanis in Sheffield?