



This is a repository copy of *Tackling enterprise in the informal economy: an introductory overview*.

White Rose Research Online URL for this paper:  
<http://eprints.whiterose.ac.uk/88091/>

Version: Accepted Version

---

**Article:**

Williams, C.C. (2016) Tackling enterprise in the informal economy: an introductory overview. *International Journal of Entrepreneurship and Small Business*, 28 (2-3). pp. 139-153. ISSN 1741-8054

<https://doi.org/10.1504/IJESB.2016.076637>

---

**Reuse**

Unless indicated otherwise, fulltext items are protected by copyright with all rights reserved. The copyright exception in section 29 of the Copyright, Designs and Patents Act 1988 allows the making of a single copy solely for the purpose of non-commercial research or private study within the limits of fair dealing. The publisher or other rights-holder may allow further reproduction and re-use of this version - refer to the White Rose Research Online record for this item. Where records identify the publisher as the copyright holder, users can verify any specific terms of use on the publisher's website.

**Takedown**

If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing [eprints@whiterose.ac.uk](mailto:eprints@whiterose.ac.uk) including the URL of the record and the reason for the withdrawal request.



[eprints@whiterose.ac.uk](mailto:eprints@whiterose.ac.uk)  
<https://eprints.whiterose.ac.uk/>

# **TACKLING ENTERPRISE IN THE INFORMAL ECONOMY: AN INTRODUCTORY OVERVIEW**

**Colin C Williams**  
University of Sheffield

Colin C Williams  
Professor of Public Policy  
Management School  
University of Sheffield  
Sheffield S10 1FL  
United Kingdom  
Tel: +44 114 2223476  
E-mail: C.C.Williams@sheffield.ac.uk

Colin C Williams is Professor of Public Policy in Sheffield University Management School (SUMS) at the University of Sheffield in the United Kingdom. His research interests include the informal economy, entrepreneurship and economic development, subjects on which he has published some 20 monographs and over 300 journal articles over the past 25 years. His recent books include *Confronting the Shadow Economy* (2014, Edward Elgar), *The Shadow Economy* (2013, Institute of Economic Affairs) and *Informal Work in Developed Nations* (2010, Routledge).

## **Abstract**

This paper introduces this special issue by providing an overview of the various policy options and approaches available for tackling enterprise in the informal economy. It firstly reviews four possible hypothetical policy options, namely doing nothing, eradicating informal sector enterprise, moving formal enterprises into the informal economy, or formalizing enterprise in the informal economy. Displaying that formalizing informal sector enterprise is the most viable and most commonly adopted approach, it then reviews the two approaches of using either direct

controls, which increase the costs of operating informally and/or the benefits of operating formally, or indirect controls that seek greater self-regulation. Following this, the ways in which these approaches can be combined is then reviewed. The outcome is a comprehensive introductory overview and conceptual framework for contextualizing the arguments of the papers in this special issue.

Keywords: Entrepreneurship; enterprise development; enterprise culture; informal sector; shadow economy; small business; public policy.

## **Introduction**

Since the turn of the millennium, a burgeoning literature has emerged on enterprise in the informal economy (Achua and Lussier, 2014; Aidis et al., 2006; Bruton et al., 2012; Bureau and Fendt, 2011; Kus, 2014; Mróz, 2012; Welter and Smallbone, 2011; Williams, 2006; Williams and Nadin, 2010a). This scholarship has analysed not only its magnitude, including the prevalence of enterprise in the informal economy (Autio and Fu, 2015; Williams, 2013) and the determinants of its variable prevalence (Dau and Cuervo-Cazurra, 2014; Siqueira et al., 2014; Thai and Turkina, 2014), but also its characteristics, including who participates (Thai and Turkina, 2014; Williams, 2007; Williams and Martinez-Perez, 2014; Williams and Nadin, 2010b; Williams and Round, 2007, 2008; Williams and Youssef, 2014) and their motivations for doing so, such as whether they are necessity- and/or

opportunity-driven (Adom, 2014; Adom and Williams, 2012; Maloney, 2004; Perry et al., 2007; Williams and Gurtoo, 2011). Until now however, and despite the growing understanding of the magnitude, characteristics and rationales underpinning informal entrepreneurship, relatively little attention has been paid to tackling enterprise in the informal economy. This introductory overview begins to redress this gap in scholarship.

To achieve this, Section 2 reviews the hypothetical policy options available for tackling enterprise in the informal economy. Identifying that the overwhelming consensus is that there should be a formalisation of enterprise in the informal economy, Section 3 then provides a heuristic framework for comprehending the potential policy approaches for doing so, followed by a review of the “hard” direct controls in Section 4 and the “soft” indirect controls in Section 5. Section 6 then demonstrates the various ways of combining these direct and indirect controls when tackling enterprise in the informal economy, namely the responsive regulation and slippery slope approaches, whilst Section 7 draws some conclusions. The outcome will be a comprehensive introductory overview and conceptual framework for understanding the arguments of the papers in this special issue.

At the outset nevertheless, enterprise in the informal economy needs to be defined. Here, and reflecting the strong consensus, the informal economy is defined as monetary transactions not declared to the state for tax, benefit and/or labour law purposes when they should be declared but which are legal in all other respects (Williams and Nadin, 2010a). Enterprise in the informal economy therefore refers to business ventures that engage in transactions not declared to the state for tax, benefit and/or labour law purposes when they should be declared but which are legal in all other

respects. The only illicit aspect of such enterprise in consequence, is that when trading licit goods and/or services, some or all of their monetary transactions are not declared. Enterprises trading illicit goods and services (e.g., drug trafficking, gun-running) are not deemed informal enterprises, but part of the separate criminal economy (Smith and McElwee, 2013).

### **Policy Options**

Considering the full range of possible options towards enterprises in the informal economy, policy makers might either: do nothing; eradicate enterprise in the informal economy; move formal enterprises into the informal economy, or formalize enterprises in the informal economy. Here, each is reviewed in turn.

#### **Laissez faire**

A first option is for governments to adopt a laissez-faire approach. Rationales for taking no action include that it is a breeding ground for the micro-enterprise system, a seed-bed for new venture creation and test-bed for fledgling enterprises. Indeed, a 2012 survey of 595 small business owners in the UK reveals that 20 per cent traded in the informal economy when starting up their enterprise, with 64 per cent stating that the main reason for doing so was to test the viability of their venture (Williams and Martinez, 2014a,b). However, the problem with this approach is that it has significant deleterious implications for formal enterprises (e.g., unfair competition), informal enterprises (e.g., pressure to enter exploitative relationships with the formal economy), customers (e.g., lack of legal

recourse if a poor job is done) and governments (e.g., reduced public revenue) (for a review, see OECD, 2015; Williams, 2014a, 2015a). Until now however, no rigorous evaluations have been conducted. This is a significant gap to be filled in future studies. Despite this lack of an evidence-base however, the strong consensus is that on balance, the deleterious impacts outweigh any beneficial impacts. As such, taking no action is not seen as a feasible option. Interventions are instead viewed as required. What form of intervention is therefore required?

### **Move formal enterprise into the informal economy**

A second possibility is to shift formal enterprise into the informal economy. Although not explicitly argued by any commentators, some advocate a deregulation of the formal economy to tackle informal enterprise based on the belief that informal enterprise result from over-regulation of the market (Sauvy, 1984; De Soto, 1989, 2001). The intention is therefore to de-regulate the formal economy so that all activities take place in a manner akin to what is currently the informal economy, although they would not be engaged in informal enterprise since they would be conforming to the regulations that remain. This is based on the view that deregulation reduces the informal enterprise. However, there is growing evidence that decreasing the level of state intervention results not in formalization but quite the opposite, greater levels of informal enterprise (Kus, 2010, 2014; Williams, 2013b, 2014a,b). In consequence, this way forward is not perhaps viable. Indeed, few currently advocate such an option.

### **Eradicate informal enterprise**

Another option is to eradicate informal enterprise. However, there is a major issue of whether eradication is desirable. If informal enterprises are a breeding ground for the micro-enterprise system and a seedbed for enterprise culture, this realm is a potential asset that needs to be harnessed (e.g., Williams, 2006). Pursuing its eradication would therefore eliminate precisely the entrepreneurship and enterprise culture governments are seeking to foster. The resultant challenge for governments is thus to “join-up” their policy approach toward informal enterprise with their agendas to foster enterprise culture and entrepreneurship. Unless this is achieved, each new initiative to eradicate informal enterprise will result in governments destroying precisely the entrepreneurship and enterprise culture they wish to nurture.

### **Formalize informal enterprise**

Rather than take no action, transfer formal enterprise into the informal economy or eradicate informal enterprise, a fourth and final possibility is to formalize informal enterprise (Aliyev, 2015; Dekker et al., 2010; European Commission, 2007, Renooy et al., 2004; Small Business Council, 2004, Williams, 2006; Williams and Nadin, 2012a,b, 2013, 2014; Williams and Renooy, 2013).

So far as formal enterprises are concerned, this would stop the unfair competitive advantage of informal enterprises over those playing by the rules (Khan and Quaddus, 2015; Evans et al., 2006; Renooy et al., 2004). It would also enable a “high road” rather than “low road” approach by shifting toward greater regulatory standards on working conditions such as health and safety and labour standards (Grabiner, 2000; Renooy et al., 2004; Williams and Windebank, 1998). Meanwhile, for

informal enterprises, the key benefits are that they escape the pressure to enter exploitative relationships with the formal economy (Gallin, 2001; Williams and Windebank, 1998) and achieve the same levels of legal protection as formal enterprises (Boels, 2014; Bruns et al., 2011; ILO, 2014; Morris and Polese, 2014). They are also able to secure formal intellectual property rights for their products and processes (De Beer et al., 2013) and overcome the structural impediments that prevent them growing, such as their lack of access to advice and support as well as capital (ILO, 2014). For customers, the advantages are that they benefit from legal recourse if a poor job is done, have access to insurance cover, enjoy guarantees regarding the work conducted, and have more certainty that health and safety regulations are being followed (Williams and Martinez, 2014c). Finally, for governments, the benefits are that it improves the level of public revenue (Williams and Windebank, 1998) and joins up the policy approach toward informal enterprise with the more general policy approach toward harnessing entrepreneurship and enterprise culture (Dekker et al., 2010; European Commission, 2007; Small Business Council, 2004).

Therefore, formalizing informal enterprise has been widely adopted by governments as the most viable policy choice. How, therefore, can this be achieved?

### **Policy approaches: hard direct versus soft indirect measures**

Table 1 provides a summary of the different approaches towards tackling enterprise in the informal economy. This distinguishes two contrasting approaches. On the one hand, there is a “hard” direct controls approach. This treats enterprise owners as rational economic actors and seeks compliance by



ensuring that the costs of operating in the informal economy are outweighed by the benefits of operating in the formal economy. This is accomplished either by increasing the costs of non-compliance ('sticks') and/or by making the conduct of work in the formal economy more beneficial and easier ('carrots'). On the other hand, the soft indirect controls approach shifts away from using 'sticks' and 'carrots' to elicit behaviour change and instead focuses upon developing the social contract between the state and enterprise owners by nurturing a high trust high commitment culture. Here therefore, we review each approach in turn.

Table 1 Policy approaches for tackling the shadow economy and shadow labour

Approach	Tools	Policy measures
Hard approach: deterrents	Improved detection	Data matching and sharing Joined up strategy Joint operations
	Increased penalties Increase perception of risk	Increased penalties Advertise penalties Advertise effectiveness of detection procedures
Hard approach: 'bribes'	For start-ups	Simplification of compliance Direct and indirect tax incentives Support and advice
	For existing informal enterprises	Supply-side incentives (e.g. society-wide amnesties; voluntary disclosure; smoothing transition to formalization) Demand-side incentives (e.g., targeted direct and indirect taxes)
Soft approach: reduce asymmetry between state and citizens	Change citizens (informal institutions)	Tax education Normative appeals Awareness raising of benefits of declaring full salaries
	Change state (formal institutions)	Procedural and redistributive fairness and justice Wider economic and social developments

## **“Hard” direct controls approach**

To tackle enterprise in the informal economy, a first way of doing so views entrepreneurs as rational economic actors and seeks to change the costs of operating in the informal economy and benefits of operating formally. To outline this approach, firstly, the direct control measures it uses to detect and punish non-compliant (“bad”) behaviour is reviewed followed secondly, by its use of “bribes” or incentives to reward compliant (“good”) behaviour.

### **Deterrents: detecting and punishing non-compliance**

During the early 1970s, Allingham and Sandmo (1972) argued that the non-compliant, such as owners of enterprises in the informal economy, are rational economic actors who evade tax when the pay-off is greater than the expected cost. Therefore, the objective is to change the cost/benefit ratio facing those participating or considering participation (e.g., Grabiner, 2000; Hasseldine and Li, 1999; Job et al., 2007; Richardson and Sawyer, 2001). When using deterrents, this is to be achieved by focusing on the cost side and increasing the actual and perceived risks and costs associated with participation firstly, by raising the perceived or actual likelihood of detection and/or secondly, increasing the penalties and sanctions. This “negative reinforcement” approach thus uses “sticks” to punish non-compliant (“bad”) behaviour.

However, the effectiveness of this approach can be questioned. Although some reveal that improving detection and/or penalties reduces informality (De Juan et al., 1994; Slemerod et al.,

2001), others identify that informality increases (Bergman and Nevarez, 2006; Murphy, 2005) and thus that “it is not sensible to penalize illicit work with intensified controls and higher fines” (Schneider and Enste, 2002). This is because penalizing such endeavour alienates owners of informal enterprises, reducing their willingness to comply and reduces their belief in the fairness of the system (Murphy, 2005). Another reason for adopting a cautionary approach to the use of deterrence measures is that they have a range of unintended and unwanted broader impacts. As already mentioned, they lead to one hand of government deterring precisely the entrepreneurial endeavour and enterprise culture that other hands of government wish to foster. When this is combined with the recognition that punishing non-compliant (“bad”) actions is not necessarily the most effective means of changing behaviour, the result has been that many have begun to question the value of such measures. New measures have thus emerged.

## **Incentives**

With the growing recognition across governments that the goal is to formalize informal enterprise, rather than simply eradicate it, a shift has begun to take place away from deterrence measures and towards providing incentives to encourage owners of informal enterprises to formalize (Small Business Council, 2004; Williams, 2006). In other words, rather than punish non-compliant (“bad”) behaviour, measures have been sought that reward compliant (“good”) behaviour, rather than taking it as given. When tackling enterprise in the informal economy, and as displayed in Table 1, these measures take two forms.

On the one hand, incentives can be provided to entrepreneurs at the business start-up stage to establish their ventures on a formal basis. These can include the simplification of compliance so as to make it easy to start-up formally, the use of direct and indirect tax incentives to make it beneficial to do so, and the provision of support and advice to entrepreneurs about how to start-up formally. On the other hand, incentives can be provided to help enterprises in the informal economy to make the transition to formality. Firstly, supply-side measures can be used to “bribe” owners of informal enterprises to make the transition to formality such as the use of society-wide amnesties, voluntary disclosure schemes and the introduction of schemes that facilitate them to undergo a smooth transition to legitimacy. Secondly, demand-side measures can be used to “bribe” customers to use formal rather than informal enterprises when sourcing goods and services, such as service vouchers and targeted direct and indirect tax incentives (see Williams, 2015a).

### **“Soft” indirect controls approach**

The problem with using “hard” direct controls to alter the cost/benefit ratio confronting informal enterprises is that they are expensive and also often ineffective (Alm, 2011). Rather than “bribe” somebody to be compliant for example, a more effective approach is to encourage self-regulation by engendering a willing or voluntary commitment to compliant behaviour (Kirchler, 2007; Torgler, 2007, 2011). To understand this approach, it is first necessary to recognize that there exists an institutional incongruity between the laws, codes and regulations of formal institutions and the norms, beliefs and values of informal institutions (North, 1990; Webb et al., 2009, 2013). Enterprises

operate in the informal economy when the norms, values and beliefs (informal institutions) differ to the laws and regulations (formal institutions), resulting in what formal institutions deem to be illegal activities being seen as socially legitimate in terms of the norms, values and beliefs of entrepreneurs (Williams and Shahid, 2015). Therefore, to tackle enterprises in the informal economy, there is a need to reduce this asymmetry between the formal and informal institutions. This can be achieved either by changing the informal institutions and/or the formal institutions.

### **Changing informal institutions**

To change this institutional asymmetry, one approach is to change the norms, values and beliefs of potential and existing entrepreneurs regarding the acceptability of operating in the informal economy so that these are in symmetry with the laws, regulations and codes of formal institutions. This can be achieved by improving tax knowledge using awareness raising campaigns about the costs of operating enterprises in the informal economy and benefits of operating formal enterprises.

Educating entrepreneurs about the benefits of formality is important if the norms, values and beliefs are to be in symmetry with the codified laws and regulations of formal institutions. To do this, two types of education are required. First, there is the need to educate entrepreneurs about what the current system requires of them, providing information regarding their responsibilities. A significant portion of tax evasion is unintentional, resulting from a lack of knowledge, misunderstandings and a false interpretation of their responsibilities (Hasseldine and Li, 1999; Natrah, 2013). A solution is to provide greater information to entrepreneurs (Internal Revenue

Service, 2007). Secondly, and more broadly, entrepreneurs also need educating about the value and benefits of paying taxes to prevent intentional evasion by developing their intrinsic motivation to comply. Consequently, a solution to reduce intentional evasion is to educate entrepreneurs about where their taxes are spent. This can be done by informing them of the current and potential public goods and services they receive (Bird et al., 2006; Saeed and Shah, 2011), such as by using signs such as “your taxes are paying for this” in hospitals, schools and medical centres.

A further way of changing attitudes toward compliance is to raise awareness by informing either: entrepreneurs of the costs and risks of operating in the informal economy; potential customers of the risks and costs; entrepreneurs of the benefits of formality, or potential customers of the benefits of using the formal economy.

### **Changing formal institutions**

Besides changing the norms, values and beliefs of entrepreneurs, formal institutions can also be altered to align with informal institutions. This is particularly important in societies in which there is a lack of trust in government, such as because of public sector corruption (European Commission, 2014) or in societies where entrepreneurs do not believe they receive back from government what they expect. Two types of change are necessary.

On the one hand, there is a need to change internal processes in the formal institutions to improve the perception among entrepreneurs that there is procedural justice and fairness, and redistributive justice. Firstly, procedural justice refers to the extent to which entrepreneurs perceive

the government to treat them in a respectful, impartial and responsible manner (Braithwaite and Reinhart, 2000, Murphy, 2005; Taylor, 2005; Tyler, 1997, Wenzel, 2002). As Wenzel (2006) finds, compliance was significantly higher among taxpayers perceiving there to be interactional fairness. Being treated politely, with dignity and respect, being given a say and having genuine respect shown for one's rights and social status all enhance compliance (Alm et al., 1993; Feld and Frey, 2002; Gangl et al., 2013; Hartner et al., 2008; Murphy, 2005; Tyler, 1997, 2006; Wenzel, 2002).

Secondly, procedural fairness refers to the extent to which entrepreneurs believe they are paying their fair share compared with others (Kinsey and Gramsick, 1993; Wenzel, 2004a,b). Entrepreneurs receiving procedurally fair treatment are more likely to trust the authorities, accept its decisions and follow its directions (Murphy, 2005). Conversely, where there are grievances among entrepreneurs that they are not receiving fair treatment, non-compliance increases (Bird et al., 2006). Thirdly, redistributive justice refers to whether entrepreneurs believe they receive the goods and services they deserve given the taxes they pay (Kinsey and Gramsick, 1993; Kinsey et al., 1991; Richardson and Sawyer, 2001; Thurman et al., 1984). Taxes are the prices paid for the goods and services provided by government. If entrepreneurs do not receive the goods and services they believe they deserve given the taxes they pay, then non-compliance increases (McGee, 2005). Therefore, there is a need for government to explain how taxes are spent and to elicit agreement regarding the public goods and services provided by government.

On the other hand, there is often a need to change the products of formal institutions by pursuing wider economic and social developments. Recent studies have revealed that fewer enterprises operate in the informal economy in wealthier economies with stable high quality

government bureaucracies and those with lower poverty levels, more equality, greater levels of social protection, more effective redistribution through social transfers and greater state intervention in the labour market to protect vulnerable groups (Vanderseyphen et al., 2013; Williams, 2013a, 2014a,b,c,d, 2015b,c).

### **Combining the hard direct and soft indirect control approaches**

To tackle enterprise in the informal economy, it is not an either/or choice between these two approaches. Although the focus of most national governments until now has been upon the use of the hard direct controls, especially punitive measures that increase the costs of operating informally by raising the risks of detection and levels of punishment (see OECD, 2015; Williams, 2015a), the solution is not to shift toward either “bribes” or indirect controls.

These approaches and measures are not mutually exclusive. Indeed, even if indirect controls are useful to formalize informal enterprise (Williams, 2014a; Williams and Renooy, 2013), they are insufficient on their own. Direct controls are also required. For example, governments may seek to change the culture of government departments, such as tax offices, toward a more customer-oriented approach and introduce public campaigns to elicit greater self-regulation, while simplifying regulatory compliance for business start-ups and introducing incentives for established informal enterprises to formalise (e.g., amnesties, tax deductions). However, and at the same time, and in relation to those who fail to comply, they may also need to pursue improvements in the probability of detection and tougher sanctions for those subsequently caught.



Therefore, the discussion is not about whether to use direct or indirect controls. The emergent consensus is that both are required. Rather, the major issue is determining the most effective way of combining and sequencing these approaches to engender effective compliance. For example, measures to improve detection through inspections are currently often combined with campaigns to raise awareness. Furthermore, tougher sanctions often follow amnesties and voluntary disclosure schemes. However, whether these are the most effective combinations and sequences are not known. Despite this, two particular approaches have come to the fore in recent years in the literature that provide ways of combining these policy approaches in particular sequences.

Firstly, a responsive regulation approach starts out by openly engaging entrepreneurs to consider their obligations and take responsibility for regulating themselves in a manner consistent with the law rather than to be regulated by external rules. This facilitating of self-regulated compliance is then followed by persuasion through incentives and only as a last resort for the small minority refusing to be compliant does it use punitive measures (Braithwaite, 2009; Job et al., 2007). A second approach is the “slippery slope framework” (Kirchler et al., 2008) which pursues both voluntary and enforced compliance concurrently by developing both greater trust in authorities and the greater power of authorities (Kogler et al., 2015; Muehlbacher et al., 2011; Wahl et al., 2010). Until now however, there has been little comparative evaluation of which sequencing and/or combination is the most appropriate and/or effective means of harnessing this sphere.

## **Conclusions**

This introductory overview has discussed what might be done to tackle enterprise in the informal economy. This has reviewed four possible policy options, namely laissez-faire, eradicating informal enterprise, informalizing formal enterprise and formalizing informal enterprise, showing that formalizing informal enterprise is the widely viewed as the most viable option.

To review how this might be achieved, a conceptual framework has been provided showing how either hard direct controls or soft indirect controls can be employed. This has revealed that the currently dominant approach of using direct controls that seek to improve detection and increase punishment is a rather limited approach and that the toolbox available to policy-makers has a much wider range of tools in it which might also be more effective than the narrow range of blunt instruments currently used. Furthermore, it has revealed that the use of these diverse tools is not mutually exclusive and can be combined, as exemplified by the responsive regulation approach and slippery slope framework. The outcome is that a comprehensive review has been provided of the various policy options and approaches available to policy makers along with some suggestions regarding how they can be combined.

If this introductory overview helps readers contextualize the papers in this special issue, it will have achieved its main objective. However and perhaps more importantly, if it encourages governments to explore a wider array of measures for tackling enterprise in the informal economy, then it will have achieved its intention.

## **References**

- Achua, C.F. and Lussier, R.N. (2014) 'Entrepreneurial drive and the informal economy in Cameroon', *Journal of Developmental Entrepreneurship*, Vol. 19 No. 4, pp. 1-18
- Adom, K. (2014) 'Beyond the marginalization thesis: An examination of the motivations of informal entrepreneurs in sub-Saharan Africa: Insights from Ghana', *International Journal of Entrepreneurship and Innovation*, Vol. 15 No. 2, pp. 113-25.
- Adom, K. and Williams, C.C. (2012) 'Evaluating the motives of informal entrepreneurs in Koforidua, Ghana', *Journal of Developmental Entrepreneurship*, Vol. 17 No. 1, pp. 1-20.
- Aidis, R., Welter, F., Smallbone, D. and Isakova, N. (2006) 'Female entrepreneurship in transition economies: The case of Lithuania and Ukraine', *Feminist Economics*, Vol. 13 No. 2, pp. 157-83.
- Allingham, M. and Sandmo, A. (1972) 'Income tax evasion: a theoretical analysis', *Journal of Public Economics*, Vol. 1 No. 2, pp. 323-38.
- Aliyev, H. (2015) 'Post-Soviet informality: towards theory-building', *International Journal of Sociology and Social Policy*, Vol. 35 No. 3-4, pp. 182-198.
- Alm, J. (2011) 'Designing alternative strategies to reduce tax evasion', in Pickhardt, M. and Prinz, A. (Eds.), *Tax Evasion and the Shadow Economy*, Edward Elgar, Cheltenham, pp. 13-32.
- Alm, J., Jackson, B. and McKee, M. (1993) 'Fiscal exchange, collective decision institutions and tax compliance', *Journal of Economic Behavior and Organization*, Vol. 22 No. 2, pp. 285-303.
- Autio, E. and Fu, K. (2015) 'Economic and political institutions and entry into formal and informal entrepreneurship', *Asia Pacific Journal of Management*, Vol. 32 No. 1, pp. 67-94.

- Bergman, M. and Nevarez, A. (2006) 'Do audits enhance compliance? An empirical assessment of VAT enforcement', *National Tax Journal*, Vol. 59 No. 4, pp. 817-32.
- Bird, R., Martinez-Vazquez, J. and Torgler, B. (2006) 'Societal institutions and tax effort in developing countries', in Alm, J., Martinez-Vazquez, J. and Rider, M. (Eds.), *The Challenges of Tax Reform in the Global Economy*, Springer, New York, pp. 283-338.
- Boels, D. (2014) 'It's better than stealing: informal street selling in Brussels', *International Journal of Sociology and Social Policy*, Vol. 34 No. 9/10, pp. 670–693.
- Braithwaite V. (2009) *Defiance in Taxation and Governance: Resisting and Dismissing Authority in a Democracy*, Edward Elgar, Cheltenham.
- Braithwaite, V. and Reinhart, M. (2000) *The Taxpayers' Charter: Does the Australian Tax Office Comply and Who Benefits*, Centre for Tax System Integrity Working Paper no.1, Australian National University, Canberra.
- Bruns, B., Miggelbrink, J. and Müller, K. (2011) 'Smuggling and small-scale trade as part of informal economic practices: Empirical findings from the Eastern external EU border', *International Journal of Sociology and Social Policy*, Vol. 31 No. 11/12, pp. 664–680.
- Bruton, G., Ireland, D. and Ketchen, D. (2012) 'Toward a research agenda on the informal economy', *Academy of Management Perspectives*, Vol. 26 No. 3, pp. 1-11.
- Bureau, S. and Fendt, J. (2011) 'Entrepreneurship in the informal economy: Why it matters', *International Journal of Entrepreneurship and Innovation*, Vol. 12 No. 2, pp. 85-94.
- Dau, L.A. and Cuervo-Cazurra, A. (2014) 'To formalize or not to formalize: entrepreneurship and pro-market institutions', *Journal of Business Venturing*, Vol. 29 No. 4, pp. 668-86.

- De Beer, J., Fu, K. and Wunsch-Vincent, S. (2013) *The Informal Economy, Innovation and Intellectual Property: Concepts, Metrics and Policy Considerations*, Economic Research Working Paper no. 10, World Intellectual Property Organization, Geneva.
- De Juan, A., Lasheras, M.A. and Mayo, R. (1994) 'Voluntary tax compliant behaviour of Spanish income taxpayers', *Public Finance*, Vol. 49 No.1, pp. 90-105.
- De Soto, H. (1989) *The Other Path: The Economic Answer to Terrorism*, Harper and Row, London.
- De Soto, H. (2001) *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, Black Swan, London.
- Dekker, H., Oranje, E., Renooy, P., Rosing, F. and Williams, C.C. (2010) *Joining up the Fight against Undeclared Work in the European Union*, DG Employment, Social Affairs and Equal Opportunities, Brussels.
- European Commission (2007) *Stepping up the fight against undeclared work*, European Commission, Brussels.
- European Commission (2014) *Special Eurobarometer 397: Corruption*, European Commission< Brussels.
- Feld, L.P. and Frey, B. (2002) 'Trust breeds trust: how taxpayers are treated', *Economics of Government*, Vol. 3 No. 2, pp. 87-99.
- Gallin, D. (2001) 'Propositions on trade unions and informal employment in time of globalization', *Antipode*, Vol. 19 No. 4, pp. 531-49.

- Gangl, K., Muehlbacher, S., de Groot, M., Goslinga, S., Hofmann, E., Kogler, C., Antonides, G. and Kirchler, E. (2013) 'How can I help you? Perceived service orientation of tax authorities and tax compliance', *Public Finance Analysis*, Vol. 69 No. 4, pp. 487-510.
- Grabiner, L. (2000) *The Informal Economy*, HM Treasury, London.
- Hartner, M., Rechberger, S., Kirchler, E. and Schabmann, A. (2008) 'Procedural justice and tax compliance', *Economic Analysis and Policy*, Vol. 38 No. 1, pp. 137-52.
- Hasseldine, J. and Li, Z. (1999) 'More tax evasion research required in new millennium', *Crime, Law and Social Change*, Vol. 31 No. 1, pp. 91-104.
- ILO (2014) *Transitioning from the Informal to the Formal Economy. Report V (1)*, International Labor Conference, 103rd Session (2014), ILO, Geneva.
- Internal Revenue Service (2007) 'Understanding taxes' <http://www.irs.gov/app/understandingTaxes/jsp/> (Accessed 6 May 2015).
- Job, J., Stout, A. and Smith, R. (2007) 'Culture change in three taxation administrations: From command and control to responsive regulation', *Law and Policy*, Vol. 29 No. 1, pp. 84-101.
- Khan, E.A. and Quaddus, M. (2015) 'Examining the influence of business environment on socio-economic performance of informal microenterprises: content analysis and partial least square approach', *International Journal of Sociology and Social Policy*, Vol. 35 No. 3/4, pp. 273-88.
- Kinsey, K. and Gramsick, H. (1993) 'Did the tax reform act of 1986 improve compliance? Three studies of pre- and post-TRA compliance attitudes', *Law and Policy*, Vol. 15 No. 2, pp. 239-325.

- Kinsey, K., Gramsick, H. and Smith, K. (1991) 'Framing justice: Taxpayer evaluations of personal tax burdens', *Law and Society Review*, Vol. 25 No. 4, pp. 845-73.
- Kirchler, E (2007) *The Economic Psychology of Tax Behavior*, Cambridge University Press, Cambridge.
- Kirchler, E., Hoelzl, E. and Wahl, I. (2008) 'Enforced versus voluntary tax compliance: The 'slippery slope' framework', *Journal of Economic Psychology*, Vol. 29 No. 2, pp. 210-25.
- Kogler, C., Muelbacher, S. and Kirchler, E. (2015) 'Testing the "slippery slope framework" among self-employed taxpayers', *Economics of Government*, DOI: 10.1007/s10101-015-0158-9.
- Kus, B. (2014) 'The informal road to markets: neoliberal reforms, private entrepreneurship and the informal economy in Turkey', *International Journal of Social Economics*, Vol. 41 No. 4, pp. 278-93.
- Maloney, W.F. (2004) 'Informality revisited', *World Development*, Vol 32 No. 7, pp. 1159-78.
- McGee, R.W. (2008) *Taxation and Public Finance in Transition and Developing Countries*, Springer, New York.
- Morris, J. and Polese, A. (2014) 'Introduction: informality – enduring practices, entwined livelihoods', in Morris, J. and Polese, A. (Eds.), *The Informal Post-Socialist Economy: Embedded Practices and Livelihoods*, Routledge, London, pp. 1-18.
- Mróz, B. (2012) 'Entrepreneurship in the shadow: Faces and variations of Poland's informal economy', *International Journal of Economic Policy in Emerging Economies*, Vol. 5 No. 3, pp. 197-211.

- Muehlbacher, S., Kirchler, E. and Schwarzenberger, E. (2011) 'Voluntary versus enforced tax compliance: Empirical evidence for the "slippery slope" framework', *European Journal of Law and Economics*, Vol. 32 No.1, pp. 89-97.
- Murphy, K. (2005) 'Regulating more effectively: The relationship between procedural justice, legitimacy and tax non-compliance', *Journal of Law and Society*, Vol. 32 No. 4, pp. 562-89.
- Natrah, S. (2013) 'Tax knowledge, tax complexity and tax compliance: taxpayers' view', *Procedia: Social and Behavioral Sciences*, Vol. 109, pp. 1069-76.
- North, D.C. (1990) *Institutions, Institutional Change and Economic Performance*, Cambridge University Press, Cambridge.
- OECD (2015) *Informal Entrepreneurship*, OECD, Paris.
- Perry, G.E., Maloney, W.F., Arias, O.S., Fajnsylber, P., Mason, A.D. and Saavedra-Chanduvi, J. (2007) *Informality: Exit or Exclusion*, World Bank, Washington DC.
- Renooy, P., Ivarsson, S., van der Wusten-Gritsai, O. and Meijer, R. (2004) *Undeclared Work in an Enlarged Union: An Analysis of Shadow Work - an In-depth Study of Specific Items*, European Commission, Brussels.
- Richardson, M. and Sawyer, A. (2001) 'A taxonomy of the tax compliance literature: Further findings, problems and prospects', *Australian Tax Forum*, Vol. 16 No. 2, pp. 137-320.
- Saeed, A. and Shah, A. (2011) 'Enhancing tax morale with marketing tactics: A review of the literature', *African Journal of Business Management*, Vol. 5 No. 35, pp. 13659-65.
- Sauvy, A. (1984) *Le Travail Noir et l'Economie de Demain*, Calmann-Levy, Paris.



- Siqueira, A.C.O., Webb, J. and Bruton, G.D. (2014) 'Informal entrepreneurship and industry conditions', *Entrepreneurship Theory and Practice*, DOI: 10.1111/etap.12115
- Slemrod, J., Blumenthal, M. and Christian, C.W. (2001) 'Taxpayer response to an increased probability of audit: Evidence from a controlled experiment in Minnesota', *Journal of Public Economics*, Vol. 79 No. 3, pp. 455-83.
- Small Business Council (2004) *Small Business in the Informal Economy: Making the Transition to the Formal Economy*, Small Business Council, London.
- Smith, R. and McElwee, G. (2013) 'Confronting social constructions of rural criminality: A case story on "illegal pluriactivity" in the farming community', *Sociologia Ruralis*, Vol. 53 No. 1, pp. 112-34.
- Taylor, N. (2005) 'Explaining taxpayer noncompliance through reference to taxpayer identities: A social identity perspective', in Bajada, C. and Schneider, F. (Eds.), *Size, Causes and Consequences of the Underground Economy: An International Perspective*, Ashgate, Aldershot, pp. 39-54.
- Thai, M.T.T. and Turkina, E. (2014) 'Macro-level determinants of formal entrepreneurship versus informal entrepreneurship', *Journal of Business Venturing*, Vol. 29 No. 4, pp. 490-510.
- Thurman, Q.C., St. John, C. and Riggs, L. (1984) 'Neutralization and tax evasion: How effective would a moral appeal be in improving compliance to tax laws?', *Law and Policy*, Vol. 6 No. 3, pp. 309-27.

- Torgler, B. (2007) 'Tax morale in Central and Eastern European countries', in Hayoz, N. and Hug, S. (Eds.), *Tax Evasion, Trust and State Capacities: How Good is Tax Morale in Central and Eastern Europe?*, Peter Lang, Bern, pp. 155-86.
- Torgler, B. (2011) *Tax Morale and Compliance: Review of Evidence and Case Studies for Europe*, World Bank Policy Research Working Paper 5922, World Bank, Washington DC.
- Tyler, T. (1997) 'The psychology of legitimacy: A relational perspective in voluntary deference to authorities', *Personality and Social Psychology Review*, Vol. 1 No. 4, pp. 323-45.
- Tyler, T.R. (2006) *Why People Obey the Law*, Princeton University Press, Princeton.
- Vanderseypen, G., Tchipeva, T., Peschner, J., Rennoy, P. and Williams, C.C. (2013) 'Undeclared work: Recent developments', in European Commission (ed.), *Employment and Social Developments in Europe 2013*, European Commission, Brussels, pp. 231-74.
- Wahl, I., Kastlunger, B. and Kirchler, E. (2010) 'Trust in authorities and power to enforce tax compliance: An empirical analysis of the 'slippery slope framework.' *Law and Policy*, Vol. 32 No. 2, pp. 383-406.
- Webb, J.W., Bruton, G.D., Tihanyi, L. & Ireland, R.D. (2013) 'Research on entrepreneurship in the informal economy: framing a research agenda', *Journal of Business Venturing*, Vol. 28 No.4, pp. 598-614.
- Webb, J.W., Tihanyi, L., Ireland, R.D. & Sirmon, D.G. (2009) 'You say illegal, I say legitimate: entrepreneurship in the informal economy', *Academy of Management Review*, Vol. 34 No. 3, pp. 492-510.

- Welter, F. and Smallbone, D. (2011) 'Institutional perspectives on entrepreneurial behaviour in challenging environments', *Journal of Small Business Management*, Vol. 49 No. 1, pp. 107-25.
- Wenzel, M. (2002) 'The impact of outcome orientation and justice concerns on tax compliance: The role of taxpayers' identity', *Journal of Applied Psychology*, Vol. 87 No. 3, pp. 639-45.
- Wenzel, M. (2004a) 'An analysis of norm processes in tax compliance', *Journal of Economic Psychology*, Vol. 25 No. 2, pp. 213-28.
- Wenzel, M. (2004b) 'The social side of sanction: Personal and social norms as moderators of deterrence', *Law and Human Behavior*, Vol. 28 No. 3, pp. 547-67.
- Wenzel, M. (2006) 'A letter from the tax office: Compliance effects of informational and interpersonal fairness', *Social Fairness Research*, Vol. 19 No. 2, pp. 345-64.
- Williams, C.C. (2006) *The Hidden Enterprise Culture: Entrepreneurship in the Underground Economy*, Edward Elgar, Cheltenham.
- Williams, C.C. (2007) 'The nature of entrepreneurship in the informal sector: Evidence from England', *Journal of Developmental Entrepreneurship*, Vol. 12 No. 2, pp. 239-54.
- Williams, C.C. (2013a) 'Evaluating cross-national variations in the extent and nature of informal employment in the European Union', *Industrial Relations Journal*, Vol. 44 No. 5-6, pp. 479-94.
- Williams, C.C. (2013b) 'Tackling Europe's informal economy: A critical evaluation of the neo-liberal de-regulatory perspective', *Journal of Contemporary European Research*, Vol. 9 No. 3, pp. 261-79.

- Williams, C.C. (2014a) *Confronting the Shadow Economy: Evaluating Tax Compliance Behavior and Policies*, Edward Elgar, Cheltenham.
- Williams, C.C. (2014b) 'Tackling enterprises operating in the informal sector in developing and transition economies: A critical evaluation of the neo-liberal policy approach', *Journal of Global Entrepreneurship Research*, Vol. 2 No. 9, [[www.journal-jger.com/content/2/1/9](http://www.journal-jger.com/content/2/1/9)].
- Williams, C.C. (2014c) 'Out of the shadows: A classification of economies by the size and character of their informal sector', *Work, Employment and Society*, Vol. 28 No. 5, pp. 735-53.
- Williams, C.C. (2014d) 'Explaining cross-national variations in the prevalence and character of undeclared employment in the European Union', *European Spatial Research and Policy*, Vol. 21 No.2, pp. 115-132
- Williams, C.C. (2015a). *Informal Entrepreneurship: Policy Briefing*, OECD, Paris.
- Williams, C.C. (2015b) 'Tackling informal employment in developing and transition economies: a critical evaluation of the neo-liberal approach', *International Journal of Business and Globalisation*, Vol. 14 No. 3, pp.251–270.
- Williams, C.C. (2015c) 'Explaining cross-national variations in the scale of informal employment: an exploratory analysis of 41 less developed economies', *International Journal of Manpower*, Vol. 36 No. 2, pp. 118-135.
- Williams, C.C. and Gurtoo, A. (2011) 'Evaluating women entrepreneurs in the informal sector: Some evidence from India', *Journal of Developmental Entrepreneurship*, Vol. 16 No. 3, pp. 351-69.

- Williams, C.C. and Martinez, A. (2014a) 'Do small business start-ups test-trade in the informal economy? Evidence from a UK small business survey', *International Journal of Entrepreneurship and Small Business*, Vol. 22 No. 1, pp. 1-16.
- Williams, C.C. and Martinez, A. (2014b) 'Is the informal economy an incubator for new enterprise creation? a gender perspective', *International Journal of Entrepreneurial Behavior and Research*, Vol. 20 No. 1, pp. 4-19.
- Williams, C.C. and Martinez, A. (2014c) 'Why do consumers purchase goods and services in the informal economy?', *Journal of Business Research*, Vol. 67 No. 5, pp. 802-6.
- Williams, C.C. and Nadin, S. (2010a) 'Entrepreneurship and the informal economy: An overview', *Journal of Developmental Entrepreneurship*, Vol. 15 No. 4, pp. 361-78.
- Williams, C.C. and Nadin, S. (2010b) 'The commonality and character of off-the-books entrepreneurship: A comparison of deprived and affluent urban neighborhoods', *Journal of Developmental Entrepreneurship*, Vol. 15 No. 3, pp. 1-14.
- Williams, C.C. and Nadin, S. (2012a) 'Tackling entrepreneurship in the informal economy: Evaluating the policy options', *Journal of Entrepreneurship and Public Policy*, Vol. 1 No. 2, pp. 111-24.
- Williams, C.C. and Nadin, S. (2012b) 'Tackling the hidden enterprise culture: Government policies to support the formalization of informal entrepreneurship', *Entrepreneurship and Regional Development*, Vol. 24 No. 9-10, pp. 895-915.

- Williams, C.C. and Nadin, S. (2013) 'Harnessing the hidden enterprise culture: Supporting the formalization of off-the-books business start-ups', *Journal of Small Business and Enterprise Development*, Vol. 20 No. 2, pp. 434-47.
- Williams, C.C. and Nadin, S. (2014) 'Facilitating the formalization of entrepreneurs in the informal economy: Toward a variegated policy approach', *Journal of Entrepreneurship and Public Policy*, Vol. 3 No. 1, pp. 33-48.
- Williams, C.C. and Round, J. (2007) 'Entrepreneurship and the informal economy: A study of Ukraine's hidden enterprise culture', *Journal of Developmental Entrepreneurship*, Vol. 12 No. 1, pp. 119-36.
- Williams, C.C. and Round, J. (2008) 'The hidden enterprise culture of Moscow: entrepreneurship and off-the-books working practices', *Journal of Developmental Entrepreneurship*, Vol. 13 No. 4, pp. 445-62.
- Williams, C.C. and Renooy, P. (2013) *Tackling Undeclared Work in 27 European Union Member States and Norway: Approaches and Measures since 2008*, European Foundation for the Improvement of Living and Working Conditions, Dublin.
- Williams, C.C. and Shahid, M.S. (2015) 'Informal entrepreneurship and institutional theory: Explaining the varying degrees of (in)formalization of entrepreneurs in Pakistan', *Entrepreneurship and Regional Development*, [[dx.doi.org/10.1080/08985626.2014.963889](https://doi.org/10.1080/08985626.2014.963889)].
- Williams, C.C. and Windebank, J. (1998) *Informal Employment in the Advanced Economies: Implications for Work and Welfare*, Routledge, London.

Williams, C.C. and Youssef, Y. (2014) 'Classifying Latin American economies: a degrees of informalisation approach', *International Journal of Business Administration*, Vol. 5 No. 3, pp. 73–85.