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WHO PARTICIPATES IN THE UNDECLARED ECONOMY  
IN SOUTH-EASTERN EUROPE?  
AN EVALUATION OF THE MARGINALIZATION THESIS

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**Abstract**

To evaluate the “marginalization thesis” which posits that marginalized populations are more likely to engage in the undeclared economy, a 2013 Eurobarometer survey of six South-East European countries is analysed. Finding that some marginalized populations (e.g., those having difficulties paying household bills, the unemployed, younger people) are significantly more likely to participate in undeclared work, but others are not (e.g., poorer nations, women, those with fewer years in formal education, those living in rural areas), the outcome is a call for a more variegated and nuanced understanding of the marginalization thesis. The paper then discusses the theoretical and policy implications.

**JEL Classification:** H26, J46, K42, O17

**Keywords:** Informal Economy, Underground Sector, Shadow Economy, Marginalized, Baltic region.

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## Introduction

Since the turn of the millennium, a burgeoning literature has drawn attention to the growth of the undeclared economy and its important role in helping people secure a livelihood in South-East Europe and well beyond (Baric and Williams, 2013; Dzhekova and Williams, 2014; Dzhekova et al., 2014; Franic and Williams, 2014; Gaspareniene et al., 2014; Hudson et al., 2012; Kapelyushnikov et al., 2012; Morris and Polese, 2013; Remeikiene et al., 2014; Rodgers and Williams, 2009; Schneider, 2013; Wallace and Haerpfer, 2002; Wallace and Latcheva, 2006; Williams et al., 2012, 2013b). The consequent dominant view when considering who participates in the undeclared economy has been that those marginalized from the declared economy are more likely to engage in such work (Arnstberg and Boren, 2003; Castree *et al.*, 2004; Rubić, 2013; Sasunkevich, 2014; Surdej and Ślęzak, 2009). Known as the “marginalization thesis”, this argues not only that people living in marginalized areas, such as less affluent countries and peripheral rural areas, are more likely to participate in the undeclared economy (ILO, 2012, 2013), but also marginalized socio-economic groups, including unemployed people and those in financial difficulty (Morris and Polese, 2014b; Round and Williams, 2008; Slavnic, 2010; Taiwo, 2013). Until now however, this thesis has been founded upon a weak evidence base of either small-scale surveys of particular localities or population groups (e.g., Christofides, 2007; Danopoulos and Znidaric, 2007; Liaropoulos et al., 2008; Loukanova and Bezlov, 2007; Lyberaki and Maroukis, 2005), or out-of-date surveys conducted in South-East Europe (Williams, 2010a,b; Williams et al., 2013b). Consequently, the aim of this paper is to explore who participates in the undeclared economy and in doing so, the validity of the marginalization thesis, using a contemporary extensive data set, namely a cross-national survey conducted in 2013 in six South-East European countries involving 5,567 face-to-face interviews.

To do this, the first section reviews the competing views on the participation of marginalized populations in undeclared work. This reveals that although the ‘marginalisation thesis’, which holds that marginalised populations are more likely to participate in undeclared work, is dominant, the emergence of a recognition that such endeavour is conducted out of choice rather than necessity and identification of a wider range of determinants of participation, have led to questions being raised about the validity of the marginalization thesis. Revealing that the only evidence supporting the marginalisation thesis are small-scale surveys of specific localities or populations, the second section begins to fill this gap by introducing the methodology section which describes the extensive Eurobarometer survey of participation in undeclared work conducted in 2013 in six South-East European countries (Bulgaria, Croatia, Cyprus, Greece, Romania and Slovenia). The third section reports the results. This displays that whether marginalization populations are more likely to participate in undeclared work depends on how one defines the marginalised. Al-

though some marginalised populations are more likely to participate in undeclared work, others are not, and yet others are significantly less likely. The fourth and final section then concludes by discussing the wider theoretical and policy implications of these findings.

Reflecting the widespread consensus in the literature and also the definition used in the Eurobarometer survey reported in this paper, undeclared work is defined here as paid activities not declared to the authorities for tax, social security and/or labour law purposes (European Commission, 2007; OECD, 2012; Schneider, 2013; Schneider and Williams, 2013; Vanderseyen et al., 2013; Williams, 2014; Williams and Windebank, 1998). If a paid activity possesses other absences or shortcomings therefore beyond not being declared, then this activity is not defined here as undeclared work. For example, if the paid activity involves trading goods and/or services that are illegal (e.g., illegal drugs), then this is not here deemed to be part of the undeclared economy but rather part of the broader “criminal” economy, and if there is no payment involved, then this activity is not undeclared work but part of the separate unpaid economy. However, and as with all definitions, there are blurred edges. One such question is whether paid activities reimbursed in the form of gifts or in-kind favours should be included. Here, such “paid” activity is excluded. So too are declared employees in declared jobs for their legitimate employer who sometimes receive part of their wage as a declared salary and an additional undeclared (“envelope”) wage (Williams, 2009, 2010a,b). Instead, only paid activities that are wholly undeclared for tax, social security and/or labour law purposes are defined as undeclared work.

### **The participation of marginalized populations in undeclared work: competing perspectives**

Competing views exist on the participation of marginalized populations in undeclared work. The dominant “marginalization thesis” holds that marginalised populations, which are usually loosely defined, are more likely to participate in undeclared work (Ahmad, 2008; Arnstberg and Boren, 2003; Castree *et al*, 2004; Rubić, 2013; Sasunkevich, 2014; Surdej and Ślęzak, 2009). A long-standing view at all spatial scales is that participation in undeclared work is greater in less affluent areas. This applies whether discussing global regions (ILO, 2012; Williams, 2014), cross-national variations (Roberts, 2013; Rodgers and Williams, 2009; Schneider, 2013; Schneider and Williams, 2013), local and regional variations (Williams and Round, 2008, 2010) or urban-rural variations (Button, 1984; Williams, 2014). It is similarly the case when discussing population groups. Groups marginalized from the declared economy are commonly viewed as more likely to participate in undeclared work. Unemployed people are claimed to be more likely to participate in undeclared work than those in declared employment (Castells and Portes, 1989; Slavnic, 2010;

Taiwo, 2013), women more likely to do undeclared work than men (ILO, 2013; Stănculescu, 2005) and those with financial difficulties more likely than affluent population groups (Barbour and Llanes, 2013; Smith and Stenning, 2006). Such a view is premised on the assumption that participation in undeclared work is a necessity-driven endeavor conducted as a last resort by those populations excluded from the formal labour market and social protection systems (Castells and Portes 1989; Gallin 2001).

However, this dominant marginalization thesis has been regularly contested over the past few decades. Based on the view that necessity is not the only factor driving populations to engage in undeclared work, it has been argued that it is not always marginalized populations who engage in cash-in-hand work. Indeed, several studies reveal that populations living in more affluent places are more likely to engage in undeclared work than populations in less affluent places (van Geuns et al., 1987; Williams et al., 2013), the unemployed less likely to participate than people in declared jobs (Balabanova and McKee, 2002; Kaitedlidou et al., 2013; MacDonald, 1994; Moldovan and Van de Walle, 2013; Pahl, 1984; Renooy, 1990; Williams, 2001), women less likely to participate than men (McInnis-Dittrich, 1995; Williams, 2011) and those with financial difficulties less likely to conduct such work than more affluent population groups (Neef, 2002; Williams, 2004; Williams et al., 2013).

Analysing the evidence base underpinning these marginalization and/or reinforcement theses, it becomes quickly apparent that the supporting evidence is derived largely from small-scale studies of particular nations and of particular population groups and/or places, such as the small-scale studies conducted in Bulgaria (Centre for the Study of Democracy, 2008; Chavdarova, 2002; Loukanova and Bezlov, 2007), Cyprus (Christofides, 2007), Greece (Danopoulos and Znidaric, 2007; Karantinos, 2007; Lazaridis and Koumandraki, 2003; Liaropoulos et al, 2008; Lyberaki and Maroukis, 2005; Tatsos, 2001), Romania (Ghinararu, 2007; Kim, 2005; Neef, 2002; Stănculescu, 2002), Serbia and Montenegro (Benovska-Sabkova, 2002) and Slovenia (Ignjatović, 2007). Indeed, the only extensive survey in South East Europe is a 2007 Eurobarometer survey (Williams, 2010a,b, 2012; Williams, Fethi and Kedir, 2011; Williams et al., 2013). Given this paucity and out-of-date nature of the evidence-base on who participates in undeclared work and the relevance of the marginalization thesis therefore, this paper begins to fill a major gap by reporting the results of a more extensive up-to-date survey.

## **Methodology**

To evaluate who participates in undeclared work in South East Europe and thus the validity of the marginalization thesis in this European region, we here report Special Eurobarometer No. 402. This survey on participation in undeclared work was conducted in April and May 2013 and involves 27,563 face-to-face interviews

in all 28 European Union member states, of which 5,567 were undertaken in the six South East European countries that are member states of the European Union, namely Bulgaria, Cyprus, Croatia, Greece, Slovenia and Romania. In each country, the interviews were conducted in the national language and a multi-stage random (probability) sampling method was used (the number of interviews varying from 500 in Cyprus to 1000 in the other countries), which ensured that on the issues of gender, age, region and locality size, a representative sample was collected. For the univariate analysis therefore, we employ the sampling weighting scheme as the literature suggests (Sharon and Liu, 1994; Solon, Haider and Wooldridge, 2013; Winship and Radbill, 1994). For the multivariate analysis however, there is a debate over whether such a weighting scheme should be used (Pfeffermann, 1993; Sharon and Liu, 1994; Solon et al., 2013; Winship and Radbill, 1994). Reflecting the dominant viewpoint, the decision was taken not to do so.

Given how undeclared work is a sensitive topic since it is income not declared to the authorities, the interview schedule followed best practice (see Ram and Williams, 2008) by building rapport with the participants before turning to more sensitive questions regarding their engagement in undeclared work. The interview schedule thus commenced with questions about their attitudes towards undeclared work, followed by questions on whether they had purchased goods and services on an undeclared basis. Only following this were questions asked regarding their own engagement in undeclared work. After the interview was completed, the interviewer rated the cooperation of the respondent. Analysing the responses of the interviewees regarding the perceived reliability of the interviews, the finding is that cooperation was deemed bad in only 0.6% of the interviews. Cooperation was deemed excellent in 49.3%, fair in 41.2% and average in 8.9%.

Given this, attention can turn to an analysis of the results. The hypothesis is that participation in undeclared work varies according to socio-demographic variables (gender, age, marital status, age when stopped full time education, people 15+ years in own household, number of children, tax morality), socio-economic variables (employment status, household financial circumstances) and spatial characteristics (urban-rural character of the area in which the respondent lives). To analyse this, we here use logistic regression analysis. The dependent variable measures whether respondents participated in undeclared work and is based on the question "Apart from regular employment, have you yourself carried out any undeclared paid activities in the last 12 months?". The independent variables used to analyse whether marginalized populations are more likely to participate in undeclared work are divided into socio-demographic, socio-economic and spatial variables as Table 1 displays.

**Table 1. Variables used in the analysis: definitions and descriptive statistics (N = 4,727<sup>1</sup>)**

Variables <sup>2</sup>	Definition	Mode or mean (Standard deviation)	Min / Max
Undeclared activities (dependent variable)	Dummy variable with recorded value 1 for persons who answered "yes" to the question "QE14 Apart from a regular employment, have you yourself carried out any undeclared paid activities in the last 12 months?" and with recorded value 0 otherwise.	No undeclared activities (95.86%)	0 / 1
<i>Socio-demographic independent variables:</i>			
Gender	Dummy variable with value 1 for males and 0 for females.	Female (50.98%)	0 / 1
Age	Categorical variable for the age of the respondent with value 1 for those aged 15 to 24 years old, value 2 for those aged 25 to 34, value 3 for those aged 35 to 44, value 4 for those aged 45 to 54, value 5 for those aged 55 to 64, and value 6 for those over 65 years old.	35-44 years (19.14%)	1 / 6
Marital status	Categorical variable for the marital status of the respondent with value 1 for married/ remarried individuals, value 2 for cohabiters, value 3 for singles, separated or divorced, and value 4 for widowed and for other form of marital status.	Married/ Remarried (56.55%)	1 / 4
Social class	Categorical variable for the respondent perception regarding social class of society to which it belongs with value 1 for working class of society, value 2 for middle class of society, value 3 for higher, other or none class of society.	Working class of society (48.80%)	1 / 3
Age when stopped full time education	Categorical variable for age of the respondent when stopped full time education with value 1 for 15 years old and under, value 2 for 16-19 years old, value 3 for 20 years old or over, and value 4 for "still studying".	16-19 years old (45.81%)	1 / 4
People 15+ years in own household	Categorical variable for people 15+ years in respondent's household (including the respondent) with value 1 for one person, value 2 for two persons, and value 3 for 3 persons or more.	Two people (47.08%)	1 / 3
Children	Categorical variable for number of children with value 1 for individuals with no children, value 2 for the presence of children less than 10 years old live in respondent's household, value 3 for the presence of children aged 10 to 14 years old live in respondent's household and value 4 for the presence of children less than 10 years old and children aged 10 to 14 years old live in respondent's household.	No children (73.40%)	1 / 4
Tax morality index	Constructed index of self-reported tolerance towards tax non-compliance. To identify the level of their tax morale, participants' responses to six attitudinal questions were analysed regarding how they rate the acceptability of various types of undeclared work on a 10-point Likert scale (where 1 means absolutely unacceptable and 10 means absolutely acceptable). Questions used <sup>3</sup> : (1) an individual is hired by a household for work and s/he does not declare the payment received to the tax or social security authorities even though it should be declared; (2) a firm is hired by a household for work and it does not declare the payment received to the tax or social security authorities; (3) a firm is hired by another firm for work and it does not declare its activities to the tax or social security authorities; (4) a firm hires an individual and all or a part of the wages paid to him\ her are not officially declared (5) someone receives welfare payments without entitlement; (6) someone evades taxes by not declaring or only partially declaring their income. Collating responses to these six questions by examining the mean score across these six behaviours, an aggregate 'tax morale index' is constructed for each individual.	2.22 (1.43)	1 / 10

*Socio-economic independent variables:*

Employment	Dummy variable with value 1 for employed respondents and 0 for unemployed respondents.	Unemployed (53.03%)	0 / 1
Difficulties paying bills	Categorical variable for the respondent difficulties in paying bills with value 1 for having difficulties most of the time, value 2 for occasionally, and value 3 for almost never never.	Almost never/never (37.81)	1 / 3

*Spatial independent variables:*

Area respondent lives	Categorical variable for the area where the respondent lives with value 1 for rural area or village, value 2 for small or middle-sized town, and value 3 for large town.	Large town (39.25%)	1 / 3
Country	Categorical variable for the country where the respondent lives with value 1 for Greece, value 2 for Cyprus, value 3 for Slovenia, value 4 for Bulgaria, value 5 for Romania, and value 6 for Croatia.	Romania (42.88%)	1 / 6

<sup>1</sup> Individuals for which data on each and every independent variable is available.

<sup>2</sup> For the categorical variables we used their dummy correspondences.

<sup>3</sup> These six questions in the Eurobarometer survey are in fact standard questions taken directly from previous surveys such as the International Social Survey (Torgler, 2005a), the World Values Survey (Alm and Torgler, 2006; Torgler, 2006), the European Values Surveys (Hug and Spörri, 2011; Lago Peñas and Lago Peñas, 2010), the British Social Attitudes Survey (Orviska and Hudson, 2002), the Latinbarometro (Torgler, 2005b) and the Afrobarometer (Cummings et al., 2009).

Below, we report the findings.

## Findings

### *Descriptive statistics*

From the 5,567 face-to-face interviews, we kept in the analysis 4,727, representing the individuals for which data on each and every independent variable is available. Examining their answers, and as Table 2 displays, 4.14% of participants report undertaking undeclared work during the prior 12 months. A further 5.81% of the respondents refused to answer or said that they did not know. Even if participation in undeclared work is a sensitive topic and the differences between the reported situation and lived practice might be significant, this survey nevertheless finds that 1 in 24 citizens of the South East European nations self-reported that they had participated in undeclared work in the past year. Investigating how much they earned from their undeclared work, the mean earnings are €734, with 10% earning in the range of €1-100, 10% €101-200 and 13% between €201-500. Therefore, 33% of South East European people working in the undeclared economy earn €500 or less. A further 8% earn €501-1000 and 8% earned more than €1000. Some 51% nevertheless, either do not remember how much they earned, do not know or refused to answer.

**Table 2. Participation in undeclared work in South East European nations in the prior 12 months**

	Sample size	% engaged in undeclared work	Chi-square test <sup>1</sup>	Earnings from undeclared work:					Don't remember / know; refusal (%)	Mean (€)	GDP in PPS (EU28=100), 2013
				€1-100 (%)	€101-200 (%)	€201-500 (%)	€501-1000 (%)	€1000 + (%)			
<i>All SEE</i>	4,727 <sup>2</sup>	4.14		10	10	13	8	8	51	734	-
Slovenia	859	8		20	12	13	9	15	31	1092	82
Croatia	868	7		8	11	14	9	21	37	945	61
Bulgaria	810	5	$\chi^2(5) = 38.61, p < 0.001$	19	12	19	5	0	45	249	45
Romania	787	4		3	7	12	9	0	69	364	54
Greece	934	3		13	12	11	4	15	45	1253	73
Cyprus	469	2		10	30	0	10	0	50	314	89

<sup>1</sup> Chi-square test of independence between participation in undeclared work and country.

<sup>2</sup> Individuals for which data on each and every independent variable is available.

Table 2 starts to evaluate who engages in undeclared work and the relevance of the marginalization thesis by examining whether the poor South East European countries have higher participation rates than the more affluent South East European countries. The finding is that the phenomenon is not evenly spread across the South East European countries. Participation rates are highest in Slovenia (8%), Croatia and (7%) and Bulgaria (5%) and lowest in Romania (4%), Greece (3%) and Cyprus (2%). A chi-square test is reported to see if there is relationship between participation in undeclared work and the country where respondent lives. The results shows that the relation between these variables is significant,  $(5, N = 4,727) = 38.61, p < .001$ . However, a correlation test shows that there is no statistically significant relationship between cross-national variations in the level of participation in undeclared work and cross-national variations in the wealth of countries, as measured in purchasing power standards ( $\rho = -0.046, p > 0.05$ ). The result is that no support is found for the marginalization thesis when analyzing cross-national variations in participation rates in South East Europe. It is similarly the case when average earnings are examined. Those living in Greece, Slovenia and Croatia earn more money from undeclared work than the South East European countries average of €734 (€1253, €1092 and €945 respectively) whilst those living in Romania, Cyprus and Bulgaria earn from undeclared work less than the South East European countries average (€364, €314 and €249 respectively). However, there is again no statistically significant relationship between average earnings and the level of affluence of the country, measured in terms of personal purchasing power ( $\rho = 0.188, p > 0.05$ ). As such, the marginalization thesis is not valid in relation to cross-national variations in undeclared work.

Turning to socio-demographic, socio-economic and other spatial variations in who engages in undeclared work, Table 3 displays that contrary to the marginalization thesis, participation in undeclared work is higher amongst men than women (6%

of men participated in undeclared work over the prior 12 months but only 3% of women). The chi-square test shows that the relation between gender and participation in undeclared work is statistically significant,  $X^2(1, N = 4,727) = 40.72, p < .001$ . Also, women earn less than men from such work (i.e., their earnings from undeclared work are 76% the amount earned by men). Furthermore, the unemployed are no more likely to participate in undeclared work than the employed (the relation between employment status and participation in undeclared work is not statistically significant,  $X^2(1, N = 4,727) = 0.09, p > .1$ ) and even when they do, their earnings are 83% the amount earned by the employed. Neither do those living in rural areas participate to a greater extent than respondents living in towns (the relation between area respondent lives and participation in undeclared work is not statistically significant,  $X^2(2, N = 4,727) = 3.29, p > .1$ ). The tentative suggestion from these descriptive statistics therefore is that the marginalization thesis does not apply when discussing women compared with men, the unemployed compared with the employed and those living in rural areas compared with urban areas. Instead, when examining gender, employment status and the urban-rural divide, it appears to be the opposite which is the case: marginalized populations (i.e., women, the unemployed and rural populations) are significantly less likely to participate in undeclared work.

However, when examining other population groups, the marginalization thesis tentatively appears to be applicable. Not only are younger age groups more likely to participate in undeclared work than older age groups (the relation between respondent age and participation in undeclared work is statistically significant,  $X^2(5, N = 4,727) = 44.39, p < .001$ ), reinforcing previous studies (Williams, 2004), but so too those who are not married or divorced compared with married/remarried participants (the relation between respondent marital status and participation in undeclared work is statistically significant,  $X^2(3, N = 4,727) = 11.91, p < .05$ ), those with more than one child (the relation between respondent number of children and participation in undeclared work is statistically significant,  $(3, N = 4,727) = 11.84, p < .05$ ), and those who have difficulty paying bills compared with those who seldom have difficulties (the relation between the respondent financial situation and participation in undeclared work is statistically significant,  $X^2(2, N = 4,727) = 10.81, p < .05$ ). For all these population groups, the marginalization thesis appears to be valid. The relationship between engaging in undeclared work and the class, number of adults in households and level of education is not statistically significant.

Analysing these descriptive statistics therefore, the tentative conclusion is that it is not possible to assert that the marginalization thesis is universally applicable at all spatial scales and across all socio-demographic and socio-economic groups. Instead, the marginalization thesis appears to be applicable when analysing some marginalized population groups but not others.

**Table 3. Participation in undeclared work in South East European nations: socio-demographic, socio-economic and spatial variations**

N = 4,727 <sup>1</sup>		% engaged in undeclared work	Chi-square test <sup>2</sup>	Earnings from undeclared work:					Don't remember / know; Refusal (%)	Mean (€)
				€1-100 (%)	€101-200 (%)	€201-500 (%)	€501-1000 (%)	€1000+ (%)		
<i>Gender</i>	Male	6	$\chi^2(1) = 40.72, p < 0.001$	11	9	16	7	8	49	792
	Female	3		8	12	9	8	6	57	602
<i>Age</i>	15-24	6	$\chi^2(5) = 44.39, p < 0.001$	11	9	13	3	9	55	723
	25-34	6		7	13	20	10	5	45	708
	35-44	4		14	5	14	12	9	46	883
	45-54	4		12	13	10	4	7	54	528
	55-64	4		4	13	7	9	9	58	958
65+	1	14	5	10	11	0	60	362		
<i>Marital status</i>	Married/ remarried	3	$\chi^2(3) = 11.91, p < 0.05$	7	13	12	5	8	55	750
	Unmarried/ cohabitating	5		25	6	31	5	7	26	458
	Single/divorced/ separated	6		12	9	12	13	8	46	731
	Widowed/ other	3		4	2	7	2	6	79	1598
<i>Social class</i>	Working class	5	$\chi^2(2) = 1.03, p > 0.1$	8	11	8	5	6	62	716
	Middle class	4		13	9	19	8	9	42	752
	Higher class/ other/ none	4		12	3	27	41	13	4	716
<i>Age education ended</i>	<15	4	$\chi^2(3) = 6.09, p > 0.1$	7	15	15	4	0	59	298
	16-19	4		13	11	12	9	6	49	610
	20+	4		2	8	19	9	12	50	1126
	Still studying	5		22	1	6	4	12	55	807
<i>Adults in household</i>	One	5	$\chi^2(2) = 0.75, p > 0.1$	9	3	6	20	10	52	835
	Two	4		8	15	20	5	7	45	608
	Three and more	4		13	9	9	3	7	59	869
<i>Children</i>	<10 years old	5	$\chi^2(3) = 11.84, p < 0.05$	6	6	5	17	9	57	1065
	10-14 years old	3		8	7	8	2	13	62	1025
	<10 and 10-14	7		8	31	23	0	2	36	445
	No children	4		12	9	15	7	7	50	682
<i>Employment</i>	Unemployed	4	$\chi^2(1) = 0.09, p > 0.1$	12	12	12	10	8	46	674
	Employed	4		8	8	15	5	7	57	814
<i>Difficulties paying bills</i>	Most of the time	5	$\chi^2(2) = 10.81, p < 0.05$	11	18	13	6	14	38	965
	From time to time	4		11	7	21	7	3	51	438
	Almost never/never	3		8	5	4	10	6	67	819
<i>Area</i>	Rural area or village	4	$\chi^2(2) = 3.29, p > 0.1$	5	16	7	9	8	55	858
	Small or middle sized town	5		9	10	14	6	5	56	632
	Large town	4		16	4	19	8	9	44	686

<sup>1</sup> Individuals for which data on each and every independent variable is available.

<sup>2</sup> Chi-square test of independence between participation in undeclared work and socio-demographic, socio-economic and spatial characteristics.

*Analysis: are marginalized populations more likely to participate in the informal economy?*

We analyse the hypothesis that participation in undeclared work varies according to socio-demographic variables (gender, age, marital status, age when stopped full time education, people 15+ years in own household, number of children, tax morality index), socio-economic variables (employment status, difficulty in paying bills) and spatial characteristics (area respondent lives) when other variables are held constant. As the dependent variable is dichotomous, we use a logistic regression. The binary response variable is whether or not a respondent carried out any undeclared paid activities in the last 12 months.

To analyse the effect of the various independent variables on participation in undeclared work when other variables are held constant, an additive model is used. The first specification (S1) includes solely the socio-demographic factors to examine their effects while the second specification (S2) adds socio-economic factors alongside the socio-demographic factors, and the third specification (S3) adds spatial factors to the socio-demographic and socio-economic factors to examine their association with the participation in undeclared work. Table 4 reports the results.

The first specification of the model (S1) in Table 4 shows that the marginalization thesis is valid when analysing various socio-demographic disparities in participation rates. Younger age groups are significantly more likely to participate in the undeclared economy, reinforcing previous studies (Williams, 2004), doubtless due to their greater exclusion from the formal labor market (European Commission, 2014a). Households with more than three persons are less likely to participate in undeclared work than single living persons and so are parents with teenagers compared with people without children. In addition, those more tolerant of undeclared work and holding non-conformist attitudes towards tax compliance are more likely to participate in such endeavour, reinforcing previous studies (Torgler, 2006). This is important because it shows that those marginalized in the sense that their norms, values and beliefs regarding undeclared work do not conform to the formal institutions (i.e., the codes, regulations and legislation) are more likely to engage in such work (Williams and Martinez, 2014a,b).

Contrary to the marginalization thesis however (ILO, 2013; Stănculescu, 2005), men are found to be significantly more likely to participate in the undeclared economy than women in these south-east European countries, reflecting how the exclusion of women from the declared labour market is reinforced when examining the undeclared labour market. No significant relationship between participation in undeclared work and marginal populations nevertheless, when analysing the marital status, the social class self-assessment and the age they stopped full time education. As such, when considering the socio-demographic variables, the finding is that a variegated understanding of the validity of the marginalization thesis is required.

**Table 4. Logistic regression of participation in undeclared work in South East European nations**

Variables	S1	S2	S3
Gender (CG: Female)			
Male	0.957*** (0.155)	1.033*** (0.159)	1.080*** (0.160)
Age (CG: 15-24)			
25-34	0.025 (0.300)	0.084 (0.302)	-0.045 (0.300)
35-44	-0.519 (0.335)	-0.409 (0.338)	-0.515 (0.340)
45-54	-0.112 (0.321)	-0.055 (0.331)	-0.214 (0.330)
55-64	-0.440 (0.344)	-0.558 (0.351)	-0.768** (0.358)
65+	-1.760*** (0.451)	-1.997*** (0.455)	-2.121*** (0.451)
Marital status (CG: Married/ Remarried)			
Cohabiting	0.096 (0.259)	0.090 (0.268)	-0.059 (0.269)
Single/ divorced/ separated	-0.198 (0.232)	-0.279 (0.234)	-0.280 (0.235)
Widowed/ other	0.346 (0.295)	0.287 (0.293)	0.083 (0.290)
Social class, self-assessment (CG: The working class of society)			
The middle class of society	-0.100 (0.162)	0.062 (0.168)	0.066 (0.173)
The higher/ other/ none class of society	-0.066 (0.369)	-0.054 (0.370)	-0.115 (0.366)
Aged stopped full time education (CG: 15- years)			
16-19	0.236 (0.250)	0.404 (0.253)	0.235 (0.254)
20+	0.212 (0.280)	0.455 (0.284)	0.441 (0.290)
Still studying	0.062 (0.418)	0.013 (0.428)	-0.133 (0.430)
Number 15+ years in household (CG: 1 person)			
2 persons	-0.450* (0.261)	-0.453* (0.259)	-0.457* (0.260)
3+ persons	-0.512** (0.243)	-0.517** (0.242)	-0.548** (0.249)
Number of children (CG: No children)			
Children < 10	0.150 (0.211)	0.107 (0.215)	0.003 (0.214)
Children 10-14	-0.625* (0.349)	-0.688* (0.360)	-0.806** (0.368)
At least one child < 10 and at least one 10-14	0.562* (0.312)	0.485 (0.313)	0.356 (0.304)
Tax morality	0.405*** (0.037)	0.405*** (0.0374)	0.378*** (0.040)
Employment (CG: Unemployed)			
Employed		-0.541*** (0.182)	-0.434*** (0.183)
Difficulties paying bills last year (CG: Most of the time)			
From time to time		-0.387** (0.177)	-0.561*** (0.182)
Almost never/ never		-0.529*** (0.200)	-0.858*** (0.223)
Area respondent lives (CG: Rural area or village)			
Small or middle sized town			-0.066 (0.180)
Large town			-0.196 (0.186)
Country (CG: Greece)			
Cyprus			0.159 (0.391)
Slovenia			1.275*** (0.290)
Bulgaria			0.731** (0.287)
Romania			0.440 (0.319)
Croatia			1.243*** (0.271)
Constant	-3.977*** (0.509)	-3.628*** (0.519)	-3.842*** (0.545)
N	4,727	4,727	4,727
Pseudo R <sup>2</sup>	0.1251	0.1365	0.1602
Log likelihood	-778.34148	-768.23098	-747.11993
Wald $\chi^2$	209.15	220.91	250.76
p>	0.0000	0.0000	0.0000

Notes: significant at \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$  (robust standard errors in parentheses). When using the weighting scheme, there is no other variable which became significantly associated with engagement in undeclared work. Also, the other variables keep their significance, except for number of people 15+ years in household, number of children, the employment status and difficulties paying bills.

The marginalization thesis is here found to be valid in relation to some marginalized population groups (e.g., younger people, single people, parents with teenagers and those with non-conformist attitudes), but not others (e.g., women).

When in the second specification (S2) the socio-economic factors of employment status and financial circumstances people face are added to the socio-demographic variables, there are no major changes to the influence of the socio-demographic variables on participation in the undeclared economy. However, the additional finding is that the unemployed are significantly more likely to participate in the undeclared economy than those who have declared jobs, reflecting previous studies (Castells and Portes, 1989; Slavnic, 2010; Taiwo, 2013). It is also the case that those who have difficulties paying the household bills most of the time are more likely to participate in the undeclared economy than those more seldom having such difficulties, again reinforcing previous studies (Barbour and Llanes, 2013; Smith and Stenning, 2006). Both these socio-economic characteristics, namely employment status and financial circumstances, thus provide support for the marginalization thesis.

When spatial factors are added in the third specification (S3), the findings show that there are no major changes to the significance of the socio-demographic and socio-economic characteristics discussed above in relation to who is more likely to participate in the undeclared economy and the directions of the associations remain the same. However, there is no evidence to support the marginalization when those living in rural areas are compared with those living in more urban areas, refuting previous studies (Button, 1984; Williams, 2014). Moreover, those living in Slovenia, Bulgaria and Croatia are more likely to participate in undeclared work compared with those living in Greece.

## **Discussion and Conclusions**

To evaluate who participates in the undeclared economy and the relevance of the marginalization thesis, this paper has reported the findings of a 2013 Eurobarometer survey of participation in undeclared work in six South East European countries which are member states of the European Union. Using logistic regression analysis, this reveals support for the marginalization thesis in relation to some marginalized population groups. Younger age groups are significantly more likely to participate in undeclared work, as are single people, single-person households, parents with teenagers, those more tolerant of undeclared work (who are marginalized in the sense that their values and attitudes do not conform to those of the codes, regulations and laws of the formal institutions), the unemployed and those who have difficulties most of the time paying the household bills. Contrary to the marginalization thesis meanwhile, men are found to be significantly more likely to engage in undeclared work than women. No significant correlation is found between participation in undeclared work and marginalization however, so far as educational level, marital status, social class or the urban-rural divide are concerned.

This has implications for theorizing participation in undeclared work. It reveals the need to transcend the notion that the marginalization thesis is valid across all marginalized populations. This survey displays that although the marginalization thesis applies so far as the age, household size, tax morality, employment status and household financial circumstances are concerned, when gender is analysed, the opposite is the case. When other characteristics are analysed moreover, such as education level, the urban-rural divide and social class, no evidence of a significant correlation between marginalization and participation in undeclared work is found. The result is the need for a more nuanced understanding of the relevance of the marginalization thesis. Whether the same findings prevail when analysing who engages in the undeclared economy on other spatial scales, such as in particular South East European nations, regions and localities, now requires evaluation. In particular, this future research will need to introduce how culture influences which marginal populations participate and which do not, since this seems tentatively likely to be an important determinant of who does so in different contexts.

Examining the policy implications of these findings, moreover, the first important consequence is that this study reveals the specific populations that need to be targeted when tackling the undeclared economy. In recent years for example, there has been an emphasis in the European Union on targeting poorer EU nations when allocating resources through European structural funds to tackle undeclared work (Dekker et al., 2010, European Commission, 2014b). However, the findings of this survey reveal that the populations of poorer South East European countries are not more likely to participate in undeclared work. The result is a need to reconsider the spatial allocation of European funds for tackling the undeclared economy. However, this survey reveals that the present targeting of the unemployed by many governments in South-East European countries when tackling undeclared work is not a mistake. The unemployed are significantly more likely to participate. Popular policy initiatives such as seeking to smooth the transition from unemployment to self-employment therefore, appear worthwhile. Furthermore, this survey reveals that targeting other marginalized populations when tackling undeclared work might also be beneficial, such as younger people, men and single-person households. The outcome, in other words, is that this analysis provides a useful risk assessment of different populations which enables not only the relevance of the currently targeted groups to be evaluated but also the identification of possible groups to be targeted by future policy measures.

In conclusion, this paper has revealed for the first the need for a more nuanced understanding of the relevance of the marginalization thesis when discussing who engages in undeclared work in South Eastern Europe. Although this thesis is relevant for some marginalized populations who are more likely to participate in the undeclared economy, it is not valid in relation to other marginalized populations. If these results thus stimulate the development of a more variegated understanding of the validity of

the marginalization thesis, then it will have fulfilled its major intention. If this then encourages a policy shift as a result of this more variegated understanding, not least in terms of how resources are allocated and the populations being targeted by the authorities, then it will have fulfilled its broader objective.

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