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EXPLAINING DIFFERENT TYPES OF UNDECLARED WORK: LESSONS FROM A 2019 EUROBAROMETER SURVEY

Employee Relations (forthcoming. Accepted 23 April 2021)

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Abstract

Purpose

Until now, most scholars have used one of four competing theories to explain undeclared work. Political economy theories explain undeclared work as resulting from the exclusion of workers from formal work and welfare, neo-liberal theories explain such work as a voluntarily chosen rational economic decision and neo-institutionalist and post-structuralist theories explain those engaging as social actors who disagree with the formal rules or seek to help others out respectively. Recognising that each theory focuses upon different employment relationships, this paper evaluates the proposition that these different theories are more explanations of different types of undeclared work.

Methodology

To evaluate this, data is reported collected in 2019 across 28 European countries (the 27 member states of the European Union and the United Kingdom) in special Eurobarometer survey 92.1 involving 27,565 interviews.

Findings

Of the 3.6% of citizens participating in undeclared work, 10% engage in undeclared waged employment, 42% in undeclared self-employment and 48% in undeclared paid favours. Reporting their rationales, 7% state purely political economy exclusion-driven reasons, 19% solely neo-liberal rational economic actor reasons, 20% purely social actor reasons and 54% mixed motives. A logistic regression analysis finds those engaging in undeclared waged employment significantly more likely to state purely exclusion-driven rationales, those engaging in undeclared self-employment significantly more likely to state neo-liberal rational

economic actor and neo-institutionalist social actor rationales and those engaging in undeclared paid favours post-structuralist social actor motives.

Practical Implications

This finding suggests that the policy initiatives required to tackle undeclared work will vary according to the type of undeclared work addressed. These are outlined.

Originality/value

Evidence is provided that a different weighting needs to be given to different theories when explaining each type of undeclared work.

Keywords: informal economy; labour markets; self-employment; institutional theory; public policy; Europe.

Introduction

The majority (61.2%) of the world's employed population have their main employment in the undeclared economy, with 39.7% of all employees worldwide in undeclared waged employment and 86.1% of all own-account workers operating in the undeclared economy (ILO, 2018). Indeed, of those working undeclared globally, 36.2% are in waged employment, 2.7% are employers with employees, 45% own-account workers and 16% family workers (ILO, 2018). Despite these contrasting employment relations, most scholarship has conventionally explained participation in undeclared work in terms of single universal logics. Political economy scholars have explained participation to result from these workers exclusion from formal work and welfare (Castells and Portes, 1989; Davis, 2006; Gallin, 2001), neo-liberals explain participation as a voluntarily chosen rational economic decision (De Soto, 1989, 2001; Perry and Maloney, 2007), neo-institutional scholars view them more as social actors who disagree with the rules (Godfrey, 2011; Webb et al., 2009) and post-structuralist scholars view them as social actors seeking to help others out (Williams and Horodnic, 2018). The starting point of this paper is recognition that each of these theories focuses upon different employment relationships, with political economy explanations focusing upon undeclared waged employment, neo-liberal and neo-institutionalist explanations on undeclared self-employment and post-structuralist explanations on undeclared paid favours conducted for close social relations. Based on this recognition, the aim of this paper is to evaluate the proposition that these different theories are more explanations of different types of undeclared work. This has not before been evaluated.

To evaluate this, the next section reviews the competing theories resulting in some propositions about how each of these theories might be considered more explanations of different types of undeclared work. In the third section, and to evaluate this, the data and methodology used is set out, namely a logistic regression analysis of 27,565 face-to-face interviews in 28 European countries. The fourth section then reports the results on the validity of conceptualising these theories more as explanations of different types of undeclared work, followed in the fifth and final section by a discussion of the implications for theory and policy, the limitations of this study and future research required to further advance understanding.

Throughout this paper, the consensus view among practitioners and academics across Europe is used which defines undeclared work as paid activities not declared to the authorities for tax, social security and/or labour law purposes but which are legal in all other respects (European Commission, 2007; OECD, 2017; Williams, 2019). If other absences exist, then the paid activity is not undeclared work. For instance, if the goods and/or services produced or sold are illegal (e.g., trafficking drugs, firearms), then these are "criminal" activities, which together

with undeclared work constitute the wider “shadow economy” (Williams and Windebank, 1998).

Participation in undeclared work: theoretical explanations

Until the 1970s, a modernisation thesis dominated scholarship which depicted an immutable and natural universal formalisation of economies and the undeclared economy as a remnant of pre-modern economies waning with modernisation and economic development (Boeke, 1942; Geertz, 1963; Lewis, 1959). However, for some five decades, there has been recognition that undeclared work is a persistent and widespread facet of economies across the globe (ILO, 2018; OECD, 2017; World Bank, 2019). The result is that other explanations have emerged. Here, each is reviewed.

Political economy exclusion-driven explanation

From the 1970s, scholars writing from a political economy standpoint refuted the dual economy depiction in the modernisation thesis of a “traditional” undeclared economy and “modern” declared economy and instead conceptualised the undeclared economy as an integral component of an emerging neoliberal deregulated open global economy (Castells and Portes, 1989; Moser, 1977). This view of the undeclared economy as a feature of the emergent outsourcing, subcontracting and downsizing practices of deregulated global capitalism has subsequently been widely adopted (Aliyev, 2015; Davis, 2006; Fernandez-Kelly, 2006; Hammer, 2019; Slavnic, 2010).

Within this perspective, undeclared work is largely conceptualised as low-paid “sweatshop-like” waged employment conducted under poor working conditions and existing at the bottom of a hierarchy of types of employment (Portes and Haller, 2004; Meagher, 2010; Rakowski, 1994). Such undeclared waged employment takes place not only for employers operating unregistered but also registered enterprises (Davis, 2006; Small Business Council, 2004). Indeed, employers are recognised to adopt ever more innovative but illegal practices, including re-employing previously dependent employees as independent contractors in order to evade paying tax and social security contributions, and other worker rights such as holiday and sick pay (Williams and Horodnic, 2019).

Workers are predominantly viewed as participating in undeclared work due to their exclusion from not only declared work but also adequate social protection which is in demise under de-regulated global capitalism (Davis, 2006; Gallin, 2001; Portes and Roberts, 2005). Undeclared work is therefore a survival tactic pursued as a last resort by those excluded from the declared labour market and social protection who have no alternative means of livelihood (Chen, 2012; Meagher, 2010; Tokman, 2001).

Evaluating this explanation, it is known from a 2013 Eurobarometer survey that only 14% of undeclared work in Europe is waged employment (Williams, 2014) and that just 24% of all undeclared workers cite solely exclusion-driven rationales (Williams et al., 2017). There is therefore no need to again test its validity as a universal explanation. What is not known, however, is whether this theorisation is a valid explanation for participation in undeclared waged employment even if it is not for undeclared work in general. Therefore, the following can be evaluated:

Political economy exclusion-driven explanation (H1): those engaged in undeclared waged employment are significantly more likely to state purely exclusion-driven rationales than those engaged in other types of undeclared work.

Neo-liberal exit-driven rational economic actor explanation

Recognising that undeclared work is often conducted on an own-account basis, alternative agency-oriented explanations have emerged viewing participation as a matter of choice rather than because of a lack of choice (Neuwirth, 2011; Small Business Council, 2004).

For neo-liberal scholars, participation in undeclared work is a rational economic decision pursued when confronted by complex regulatory systems and registration procedures, high taxes, a corrupt state system and over-regulation (e.g. De Soto, 1989, 2001; Maloney, 2004; Nwabuzor, 2005; Perry and Maloney, 2007). Therefore, undeclared workers are heralded as heroes casting off the constraints of state intervention and voluntarily choosing to operate in the undeclared economy (e.g. De Soto, 1989; Sauvy, 1984). They enter the undeclared economy to evade the financial costs of formal registration along with the associated time and effort required (De Soto 1989, 2001; Perry and Maloney 2007). Here, therefore, undeclared workers are primarily viewed as own-account workers.

Again, there is no need to test the validity of this neo-liberal explanation as a universal explanation. This has been refuted. For example, a 2013 Eurobarometer survey reveals that only 30% of undeclared work is conducted as undeclared self-employment (Williams, 2014) and that just 45% of all undeclared work is purely exit-driven (Williams et al., 2017). What is not known, however, is whether this theorisation is a valid explanation for participation in undeclared self-employment even if not valid for undeclared work in general. Therefore, the following can be evaluated:

Neo-liberal exit-driven rational economic actors (H2): those participating in undeclared self-employment are significantly more likely to state purely neo-liberal rational economic actor exit-driven motives than those engaged in other types of undeclared work.

Exit-driven social actor explanations: neo-institutionalist and post-structuralist perspectives

Another agency-oriented group of scholars view own-account workers exiting the declared economy not as rational economic actors but as social actors (Gerxhani, 2004; Godfrey, 2011). For neo-institutionalists, institutions are “the rules of the game” prescribing what is socially acceptable (Baumol and Blinder, 2008; North, 1990), with all societies having both formal institutions (i.e., laws and regulations) and informal institutions which are the “socially shared rules, usually unwritten, that are created, communicated and enforced outside of officially sanctioned channels” (Helmke and Levitsky, 2004: 727). Undeclared work is seen as illegal but socially legitimate activity taking place outside of formal institutional prescriptions but within the norms of informal institutions (Godfrey, 2011; Horodnic, 2018; Siqueira *et al.*, 2016; Webb *et al.*, 2009). When formal institutional failings lead to informal and formal institutions not being aligned (Webb *et al.*, 2009), the result is greater participation in undeclared work. The greater the non-alignment, the more likely is engagement in undeclared work (Williams, 2019; Williams et al., 2015). This neo-institutionalist approach has been widely used to explain undeclared self-employment.

Until now, it has not been applied to explaining undeclared paid favours conducted for close social relations. Instead, a small tributary of post-structuralist, critical and post-capitalist thought has transcended the “thin” portrayal of undeclared workers as rational economic actors and adopted “thicker” portrayals recognising the social logics often involved (Zelizer, 2011). This views own-account undeclared work as voluntary activity often conducted for closer social relations such as kin, neighbours, friends and acquaintances for social and redistributive reasons to help others out (Williams and Horodnic, 2018).

Again, there is no need to test the validity of this social actor explanation as a universal explanation. Analysis of a 2013 Eurobarometer survey reveals that 30% of undeclared work is

conducted as undeclared self-employment and 56% as undeclared paid favours for close social relations (Williams, 2014) and that just 45% of all undeclared work is purely exit-driven (Williams et al., 2017), although it does not differentiate between rational economic actor and social actor rationales. What is not known, however, is whether these social actor theorisations are valid explanations for participation in the different types of undeclared own-account work even if not generally valid. Therefore, the following can be evaluated:

Social actor explanations (H3): those participating in own-account work are significantly more likely to state purely social actor exit-driven motives than those engaged in engaged in other types of undeclared work.

H3a: those participating in undeclared self-employment are significantly more likely to state purely social actor exit-driven motives than those engaged in engaged in other types of undeclared work.

H3b: those participating in undeclared paid favours are significantly more likely to state purely social actor exit-driven motives than those engaged in engaged in other types of undeclared work.

Beyond universal explanations

Most scholars have viewed one or other of the above as universally valid theories. However, a small tributary of thought has contested this. Perry and Maloney (2007: 2), for example, focusing upon the political economy and neo-liberal explanations, assert, “These two lenses, focusing, respectively, on informality driven by exclusion from state benefits and on voluntary exit decisions resulting from private cost-benefit calculations, are complementary rather than competing analytical frameworks”.

Until now, the evidence-base to support this more integrative theoretical approach has pursued several avenues. For example, it has revealed that exclusion-driven explanations are more applicable in the global South and exit-driven explanations in the global North (ILO, 2018; Williams and Lansky, 2014), and that exclusion-driven explanations are more applicable to marginalised socio-demographic, socio-economic and spatial populations and exit-driven explanations to less marginalised populations (Williams and Horodnic, 2015). Evidence has also revealed that the undeclared economy is a dual labour market composed of “core” exit-driven and “peripheral” exclusion-driven workers (Williams and Windebank, 1998) or what Fields (1990, 2005) terms an “upper tier” of exit-driven and “lower tier” of exclusion-driven workers (Lozano, 1989; Williams and Bezeredi, 2018b; Williams et al., 2017).

However, there has been so far no evaluation of whether these different theories are more explanations of different types of undeclared work. The aim here is to evaluate whether this is the case.

Methodology

To evaluate this, data is reported from 27,565 interviews conducted in September 2019 for Eurobarometer special survey 92.1 in 28 European countries (the 27 European Union member states and the UK). The interviews were undertaken in the national language in every country with adults aged 15 years and older. A multi-stage random (probability) sampling methodology was used which ensures representativeness on the variables of gender, age, region and locality size in every nation. For the univariate analysis, the sample weighting scheme is used as recommended in both the wider literature (Sharon and Liu, 1994; Solon et al., 2013; Winship and Radbill, 1994) and the Eurobarometer methodology, to obtain meaningful descriptive results. For the multivariate analysis however, debate exists over whether to use a weighting

scheme (Pfeffermann, 1993; Sharon and Liu, 1994; Solon et al., 2013; Winship and Radbill, 1994). Reflecting the majoritarian view, the decision has been taken here not to do so.

The dependent variables are undeclared waged employment, undeclared self-employment and undeclared paid favours, identified as follows:

- *Undeclared waged employment* – a categorical variable with value 1 for persons who answered “yes” to the question Would you describe your undeclared paid activities “as undertaken as waged work for an employer”, and with recorded value 0 otherwise.
- *Undeclared self-employment* – a categorical variable with value 1 for persons who answered “yes” to the question Would you describe your undeclared paid activities “as undertaken on your own account”, and with recorded value 0 otherwise.
- *Undeclared paid favours* – a categorical variable with value 1 for persons who answered “friends, colleagues, acquaintances, relatives or neighbours” to the question “please could you tell me for whom you carried out these undeclared paid activities?”, and with recorded value 0 otherwise.

To understand their reasons for engaging in undeclared work, participants were asked “What were the reasons for doing these activities undeclared?” followed by a list of 16 reasons (derived from the above three theoretical perspectives) with participants informed that they could agree with all that applied to their situation. The explanatory variables derive from grouping participants’ responses as follows:

- *Purely political economy exclusion-driven rationales*: a dichotomous variable recorded value 1 for those stating one or more of the following exclusion-driven rationales (i.e., the person acquiring the work insisted on non-declaration; you could not find a regular job; it is difficult to live on social welfare benefits; you would lose your social welfare benefits if you declared it; you have no other means of income) and no exit-driven rationales, and recorded value 0 otherwise.
- *Purely neo-liberal exit-driven rationales*: a dichotomous variable recorded value 1 for those stating one or more of the following exit-driven rationales (i.e., bureaucracy or red tape for a regular economic activity is too complicated; bureaucracy or red tape for minor or occasional activities is too complicated; you were able to ask for a higher fee for your work; both parties benefited from it; taxes and/or social security contributions are too high; it was not clear whether the work needed to be declared) and no exclusion-driven rationales or the other neo-institutionalist exit-driven rationales, and recorded value 0 otherwise.
- *Purely social actor exit-driven rationales*: a dichotomous variable recorded value 1 for those stating one or more of the following exit-driven rationales (i.e., believe that intentionally not declaring small secondary income is perfectly acceptable; this is common practice in my region or sector; this is a common practice among friends, neighbours or relatives; the state does not do anything for me, so why should I pay taxes) and no exclusion-driven or neo-liberal exit-driven rationales, and recorded value 0 otherwise.
- *“Mixed” rationales*: a dichotomous variable recorded value 1 for persons who reported both exclusion- and/or exit-driven rationales, and recorded value 0 otherwise.

Similar to previous studies analysing the 2007 and 2013 Eurobarometer surveys (Williams and Horodnic, 2015, 2017, 2020; Williams et al., 2015), the control variables selected cover a range of socio-demographic, socio-economic and spatial variables included as standard practice in Eurobarometer surveys:

- Gender: A dummy variable with value 0 for women and 1 for men.
- Age: A categorical variable indicating the age of a respondent with value 1 for fifteen to twenty-four years, value 2 for twenty-five to thirty-nine years, value 3 for forty to fifty-four years, and value 4 for fifty-five years and older.

- Marital status: A categorical variable grouping respondent by their marital status with value 1 for (re)married, value 2 for single living with a partner, value 3 for single, value 4 for divorced/separated, value 5 for widow.
- Adults in household: A categorical variable for number of adults aged 15+ in respondent's household (including the respondent) with value 1 for one person, value 2 for two persons, value 3 for 3 persons or more.
- Children: A dummy variable for the presence of children up to 14 years old in the household with value 0 for those living in households with no children and value 1 for those having children.
- Employment status: A categorical variable grouping respondents by their employment status with value 1 for self-employed, value 2 employed and value 3 for not working persons.
- Difficulties paying bills: A categorical variable for the respondent's 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.
- Urban/rural area: A 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.
- European region: A categorical variable for the region where the respondent lives with value 1 for East-Central Europe (Bulgaria, Croatia, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovenia, Slovakia), value 2 for Western Europe (UK, Northern Ireland, Belgium, Germany, France, Ireland, Luxembourg, Netherlands, Austria), value 3 for Southern Europe (Cyprus, Greece, Spain, Italy, Malta, Portugal) and value 4 for Nordic nations (Denmark, Finland, Sweden).

To analyse the data, logistic regression analysis is used. This is used for testing hypotheses about relationships between a categorical dependent variable and one or more categorical or continuous independent variables. The dependent variable in logistic regression is binary.

Logistic regression predicts the logit of Y to X. Since the logit is the natural logarithm (ln) of odds of Y, and the odds are the ratios of probabilities (p) of Y happening to probabilities (1 – p) of Y not happening. In analysis, logit command is used to run logistic regression instead of logistic command. This is because logit displays the coefficients instead of odds ratios. We fit the following model;

$$\Pr(y_j \neq 0|x_j) = \frac{\exp(x_j\beta)}{1 + \exp(x_j\beta)}$$

The maximum likelihood method is used for estimating the least squares function (Greene, 2018). The log-likelihood function for logit is

$$\ln L = \sum_{j \in S} \omega_j \ln F(x_j\beta) + \sum_{j \notin S} \omega_j \ln \{1 - F(x_j\beta)\}$$

where S is the set of all observations, j, such that $y_j \neq 0$, $F(z) = \frac{e^z}{1+e^z}$ ω_j denotes the optional weights. lnL is maximized.

Findings

Of the 3.6% of citizens interviewed in these 28 European countries reporting participation in undeclared work in the previous 12 months, 10% engaged in undeclared waged employment, 42% in undeclared self-employment and 48% in undeclared paid favours (see Table 1). Of those explaining their participation solely using exclusion-driven rationales, 35% engaged in undeclared waged employment, 30% in undeclared self-employment and 35% in undeclared

paid favours. Therefore, those reporting purely exclusion-driven rationales more commonly engage in undeclared waged employment. Those reporting solely neo-liberal exit-driven rational economic actor motives, meanwhile, are slightly more likely to engage in undeclared self-employment, whilst those reporting solely exit-driven social actor rationales are more likely to engage in own-account undeclared work, especially paid favours.

INSERT TABLE 1 ABOUT HERE

Analysing participants' rationales for participating in undeclared work, Table 2 reveals that 7% explain their participation purely in terms of political economy exclusion-driven reasons, 19% cite solely neo-liberal rational economic actor exit-driven reasons, 20% purely neo-institutionalist social actor exit-driven reasons and 54% mixed motives. This displays that there is no one single universal logic and that all explanations are required to fully explain undeclared work.

Table 2 also displays that each explanation is more relevant to some types of undeclared work than others. For example, the exclusion-driven explanation is more applicable to explaining undeclared waged employment (with 23% in undeclared waged employment using purely exclusion-driven rationales) than it is to explaining own-account undeclared work (where just 5% explain their participation using purely exclusion-driven rationales). Similarly, the purely social actor explanation is more applicable to explaining own-account forms of undeclared work such as undeclared self-employment and undeclared paid favours (with 23% and 21% respectively explaining their participation using purely social actor exit-driven rationales) than waged undeclared employment (with just 8% of waged workers explaining their participation in terms of purely social actor motives).

INSERT TABLE 2 ABOUT HERE

These descriptive statistics, therefore, suggest that certain theoretical explanations are more relevant when explaining some forms of undeclared work than others. For example, the political economy theory seems more commonly applicable to capturing participants' rationales for undeclared waged employment, and the more agency-oriented theorisations more commonly applicable for own-account undeclared work.

Table 2 also displays that undeclared work is not evenly distributed across the population. Some population groups are over-represented. Those more likely to participate in undeclared work as a whole are men, younger age groups, single people and the divorced/separated, multiple adult households, the self-employed, those more frequently having difficulties paying the bills, those living in a rural area or village and in Western European and Nordic nations. The population groups over-represented for every type of undeclared work are generally the same as for undeclared work in general. Nevertheless, there are some notable differences. Undeclared waged employment is markedly more likely than undeclared work in general to be undertaken by young people aged 15-24 years old, single people, living in households with 3 or more adults, who are in declared employment, more frequently have difficulties paying the bills, and live in large urban areas and in East-Central and Southern Europe. Undeclared self-employment, meanwhile, is more likely than undeclared work in general to be undertaken by slightly older people, single person households, the formally self-employed, and to be more likely to live in rural areas or a village rather than urban areas. Paid favours, moreover, are more likely than undeclared work in general to be conducted by men, those who less frequently have difficulties paying the bills, who live in small or middle-size urban areas and in Western Europe and the Nordic nations.

To analyse whether these descriptive findings persist when other variables are

introduced and held constant, Table 3 reports a logistic regression analysis. The finding is that those engaged in undeclared waged employment are significantly more likely to state purely exclusion-driven rationales than those engaged in all types of undeclared work (confirming H1) and mixed motives. Those participating in undeclared self-employment are significantly more likely to state neo-liberal rational economic actor exit-driven motives (confirming H2) and neo-institutionalist social actor exit-driven motives (confirming H3a). Finally, those engaged in undeclared paid favours are significantly more likely to state social actor exit-driven motives (confirming H3b) and mixed motives.

INSERT TABLE 3 ABOUT HERE

Turning to who engages in each type of undeclared work, meanwhile, those who engage in undeclared waged employment are significantly more likely than those engaged in undeclared work in general to be divorced, separated or widowed (perhaps reflecting that undeclared waged employment helps evade maintenance payments), live in multiple adult households, less likely to be self-employed than not working, and to have financial difficulties from time to time, live in large urban areas and in Southern Europe and East-Central Europe. Those in undeclared self-employment, meanwhile, are significantly more likely to be (re-)married rather than divorced, separated or widowed, not working rather than employed, live in single person households, and live in a rural area or village. Those undertaking undeclared paid favours, finally, display no significant variations except that they are more likely to live in Western Europe and the Nordic nations than in East-Central Europe, and those in Southern Europe are less likely than those in East-Central Europe to conduct paid favours.

Discussion and Conclusions

Analysing the rationales for engaging in each type of undeclared work, those engaged in undeclared waged employment are significantly more likely to state purely exclusion-driven rationales than those engaged in all types of undeclared work (confirming H1) and mixed motives. Those participating in undeclared self-employment are significantly more likely to state neo-liberal rational economic actor exit-driven motives (confirming H2) and neo-institutionalist social actor exit-driven motives (confirming H3a), and those engaged in undeclared paid favours significantly more likely to state neo-institutionalist social actor exit-driven motives (confirming H3b) and mixed motives.

Theoretically, three advances are therefore made. Firstly, no single theory fully explains all participants' reasons for participation. Therefore, there is a need to integrate them if undeclared work is to be fully explained. Secondly, the finding is that undeclared waged workers are significantly more likely to state purely exclusion-driven rationales and own-account workers significantly more likely to state purely agency-oriented exit-driven rationales. However, no singular logic fully explains either undeclared waged employment, undeclared self-employment or undeclared paid favours. All approaches are required. Third and finally, the finding that 54% state mixed motives reveal the need for a continuum of explanations for each form of undeclared work to be envisaged ranging from solely exclusion-driven undeclared workers at one end to solely agency-oriented undeclared workers at the other end.

This recognition that different weightings are required on different theories for each type of undeclared work has important policy implications since the policy measures used will vary according to the type of undeclared work being addressed. For undeclared waged employment, where exclusion-driven explanations are more relevant, firstly, active formal labour market policy interventions and greater levels of social protection targeted at vulnerable groups is a way forward and secondly, increasing the sanctions and risks of detection for

employers. Empirical studies reveal lower participation in undeclared work when there is greater expenditure on active labour market policies and social protection to support vulnerable groups (Horodnic, 2018; Williams, 2014, Williams and Horodnic, 2020). This study reveals that in Europe such initiatives should particularly target those living in large urban areas and in Southern Europe and East-Central Europe. There is also evidence that although raising sanctions and detection risks has no significant impact on workers participation in the undeclared economy (Williams and Horodnic, 2020), employers' participation is significantly impacted by the expected penalties and risk of detection (Williams and Bezeredi, 2018a).

For undeclared self-employment, however, where neo-liberal and neo-institutionalist perspectives prevail, firstly, policy initiatives are required to make it easier and beneficial for the self-employed to operate legitimately (for those participating as a rational economic decision) and secondly, initiatives to reduce the non-alignment of formal and informal institutions by either changing informal institutions (i.e., education and awareness raising) or modernising formal institutions (for those doing so as social actors). The former can include simplifying compliance (Alstadsæter and Jacob 2013), such as tax authorities more fully implementing pre-filled tax returns (Jensen and Wöhlbier 2012) or using call centres to provide advice and support on the transition to legitimacy, and regularisation schemes enabling employers and workers to move into the declared realm without penalisation (Williams and Yalaman, 2021). Meanwhile, to tackle the asymmetry between formal and informal institutions, on the one hand, changes in norms, values and beliefs can be sought using awareness raising campaigns about the benefits of operating on a declared basis (European Commission, 2020) and on the other hand, formal institutions can be modernised by enhancing procedural and redistributive justice and fairness (Molero and Pujol, 2012; Murphy, 2005). The finding of the current study is that all these initiatives could particularly target (re)married people, those not officially working, living in single person households, and in a rural areas or villages.

For undeclared paid favours, a laissez-faire approach cannot be adopted since enforcement authorities are unable to differentiate between whether undeclared own-account work is for financial gain or mutual aid to help others. Instead, there is a need to move this endeavour into the declared economy either using schemes to enable this activity to be conducted legitimately or changing the rules. The former might include developing Local Exchange and Trading Schemes (LETS) or time banks which legitimise such endeavour and are an effective substitute for undeclared work (Williams et al., 2001). An example of the latter is to allow citizens to undertake own-account activity tax free up to a fixed amount, exemplified by the UK where up to £1000 per annum can be earned (see Davidson, 2016).

Even if this paper has made theoretical and policy advances, there nevertheless exist various limitations and pathways for future research. First, these findings are relevant only for Europe. Whether they are valid in individual nations and other regions of the world requires further research. Second, future research could begin to disaggregate the group of participants displaying mixed motives to better understand their position on the continuum of motives. Third, and relatedly, qualitative research is required of participants' rationales. For example, a reason for the low level of purely exclusion-driven participants might be because when excluded, they also view engagement as a rational economic decision and disagree with the formal rules, thus ending up in the "mixed" motives category. This requires fuller exploration.

In sum, if this paper stimulates the further integration of the singular logics and a movement away from explaining undeclared work in general and towards explaining the different types of undeclared work in other global regions and individual countries, then one of its intentions will have been achieved. If it also results in government authorities recognising the need for variegated policy approaches for each type of undeclared work and adopting an

approach appropriate to its configuration in their country, then its fuller intention will have been achieved.

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Table 1. Descriptive statistics on explanations for participation: by type of undeclared work

	N	% in undeclared waged employment	% in undeclared self-employment	% in undeclared paid favours
All	997	10	42	48
Purely exclusion-driven	69	35	30	35
Purely exit-driven rational economic actors	190	10	44	46
Purely exit-driven social actors	200	0	44	56
Mixed rationales	538	10	42	48

Source: author's calculations from Eurobarometer special survey 92.1, 2019

Table 2. Descriptive statistics on rationales and characteristics of participants in each type of undeclared work

	<i>All citizens</i>	<i>All undeclared work</i>	<i>Undeclared waged employment</i>	<i>Undeclared self-employment</i>	<i>Undeclared paid favours</i>
No. respondents	20,821	997	103	415	486
% of all undeclared work	-	100	10	42	48
Gender (%):					
Women	53	42	47	43	40
Men	47	58	53	57	60
Age:					
15-24	8	18	31	14	19
25-39	20	30	29	32	29
40-54	25	27	23	28	27
55+	47	25	17	26	25
Marital Status (%):					
(Re)married	53	38	31	40	37
Single living with partner	12	20	18	20	20
Single	17	28	35	25	28
Divorced/Separated	8	10	9	10	9
Widow	9	4	4	4	4
Other	1	1	3	1	2
Adults 15+ years in own household (%):					
One	24	25	13	28	26
Two	51	45	44	46	44
Three and More	25	30	43	26	30
Children (%):					
No children	76	73	77	71	72
Having children	24	27	23	29	28
Employment status (%):					
Self employed	8	11	1	15	11
Employed	44	44	56	40	44
Not working	48	45	43	45	45
Difficulties paying bills (%):					
Most of the time	7	16	18	17	15
From time to time	23	28	32	27	27
Almost never/never	70	56	50	56	58
Area (%):					
Rural area or village	33	35	26	38	33
Small or middle-sized town	38	38	32	39	40
Large town	29	27	42	23	27
Region (%):					
East-Central Europe	37	35	43	35	33
Western	32	35	21	35	39
Southern	18	13	29	12	10
Nordic	13	17	7	17	18
Rationales (%):					
Purely exclusion	-	7	23	5	5
Purely rational economic actor exit	-	19	19	20	18
Purely social actor exit	-	20	8	21	23
Mixed motives	-	54	50	54	54

Source: author's calculations from Eurobarometer special survey 92.1, 2019

Table 3. Logistic regressions and reasons for conducting undeclared wage employment, undeclared self-employment and undeclared paid favours in Europe, 2019

	Undeclared waged employment	Undeclared self-employment	Undeclared paid favours
Gender (RC: women)			
Men	-0.2276 (0.2357)	-0.2490 (0.1596)	0.0416 (0.1724)
Age (RC: 15-24)			
25-39	-0.1349 (0.4199)	0.3574 (0.2680)	-0.3999 (0.2982)
40-54	-0.3374 (0.4625)	0.3981 (0.2918)	-0.3053 (0.3163)
55+	-0.5821 (0.4788)	0.1771 (0.3136)	-0.2558 (0.3407)
Marital status (RC: (re-)married)			
Single living with a partner & Single Divorced or separated & widow	-0.2560 (0.2943)	-0.0724 (0.2012)	-0.0679 (0.2128)
	0.6001* (0.3245)	-0.4214** (0.2120)	-0.3412 (0.2282)
Employment status (RC: not working)			
Self employed	-2.6469** (1.0591)	0.2558 (0.2757)	-0.3300 (0.2819)
Employed	0.4752 (0.2914)	-0.4113** (0.1805)	-0.0527(0.1987)
Adults in household (RC: one)			
Two	1.2223*** (0.3893)	-0.5271** (0.2399)	-0.3380 (0.2440)
Three and more	1.2392*** (0.4125)	-0.6773*** (0.2538)	-0.1046 (0.2692)
Children (RC: children)			
No children	-0.3240 (0.2722)	0.1225 (0.1889)	0.2043 (0.2009)
Financial difficulties (RC: most of time)			
From time to time	0.7206* (0.3934)	-0.1967 (0.2520)	0.0012 (0.2574)
Almost never/ never	0.4818 (0.4037)	-0.0889 (0.2492)	0.1204 (0.2492)
Area (RC: Rural area or village)			
Small or middle-sized town	-0.0787 (0.2974)	-0.3988** (0.1864)	-0.0192 (0.1966)
Large town	0.7317** (0.2980)	-0.7839*** (0.2032)	-0.0398 (0.2128)
Region (RC: East-Central Europe)			
Western	-0.7071** (0.3082)	0.1891 (0.1895)	0.7410*** (0.1999)
Southern	0.7975** (0.3253)	-0.2291 (0.2531)	-0.4751* (0.2507)
Nordic	-0.6190 (0.4418)	0.1266 (0.2441)	0.7467*** (0.2616)
Rationale (RC: all undeclared work)			
Solely exclusion	1.7043*** (0.6377)	0.0585 (0.4842)	-0.0319 (0.4331)
Solely rational economic actor exit	0.4127 (0.5954)	0.8232** (0.4182)	0.3584 (0.3732)
Solely social actor exit	-0.6492 (0.6645)	1.3270*** (0.4325)	1.5202*** (0.3920)
Mixed motives	0.2489 (0.5729)	1.1388*** (0.4031)	0.9784*** (0.3566)
Constant	-3.4975*** (0.8797)	0.3544 (0.6134)	0.1416 (0.5966)
Observations	764	764	764
Pseudo R2	0.1914	0.0763	0.0811
Log pseudolikelihood	-247.2659	-484.6893	-453.7558
χ^2	87.47	66.91	70.98
p>	0.0000	0.0000	0.0000

*** p<0.01, ** p<0.05, * p<0.1 Robust standard errors in parentheses.

All coefficients are compared to the benchmark category, shown in brackets.

Source: author's calculations from Eurobarometer special survey 92.1, 2019