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EVALUATING 'VARIETIES OF CAPITALISM' BY THE EXTENT AND NATURE OF THE INFORMAL ECONOMY: THE CASE OF SOUTH-EASTERN EUROPE

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Abstract
'Varieties of capitalism' have been conventionally delineated by the varying types of formal economy that exist. Given that the vast majority of employment globally is in the informal economy, this paper offers a new analytical framework which delineates varieties of capitalism by their degree of informalization and the character of the informal economy. Examining South East Europe through this lens using evidence from a 2007 Eurobarometer survey, the finding is that this region is a 'quasi-formal market economy' and its informal economy composed largely of quasi-formal employment relations, albeit with significant variations in the degree and nature of the informal economy across different countries, sectors and population groups.

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Introduction

Until now, varieties of capitalism (VoC) have been largely delineated by the type of formal economy that exists, such as the Liberal Market Economies (LMEs) model often typified by the United Kingdom and the United States, the Coordinated Market Economies (CMEs) model typified by Scandinavian countries and Japan (Hall and Soskice, 2001) as well as other variants such as Mediterranean capitalism (Whitley, 1999) or South European capitalism (Amable, 2003). The starting point of this paper is that such analyses of the varieties of capitalism fail to recognise that on a global level the vast majority of employment continues to be in the informal economy. Indeed, the OECD reports that of a global work force of three billion, some 1.8 billion (nearly two-thirds) work in the informal economy (Jütting and Laiglesia, 2009). Given this, the argument of this paper is that varieties of capitalism can no longer be classified purely by the type of formal economy that exists, since only a minority of global employment is in this realm. The aim of this paper, therefore, is to propose an analytical framework for understanding varieties of capitalism that focuses more upon the informal economy and delineates economies by the degree of informalization and type of informal economy that prevails. This will then be applied to understanding the varieties of capitalism in South East Europe.

To commence, therefore, this paper will first briefly review the literature on varieties of capitalism followed by the literature on the informal economy and then propose an analytical framework for understanding varieties of capitalism based on the extent of informalization and type of informal economy that exists. In the second section of the paper, we then apply this to South East Europe so as to begin to map the variety of capitalism in this region as well as how it differs across countries, sectors and socio-demographic groups. The outcome in the concluding section will be to summarise the variety of capitalism in South-East Europe as a 'quasi-formal market economy' and the type of informality as characterised by 'quasi-formal employment', and to call for the broader application of this analytical framework to a wider range of countries and regions so as to begin mapping the different varieties of capitalism in other spaces of the global economy.

Before commencing however, the informal economy needs to be clearly defined. Reviewing the voluminous literature on what is variously called the 'underground', 'cash-in-hand', 'undeclared', 'black', 'hidden' or 'shadow' economy/sector/work, it is common to define the informal economy in terms of what is absent from or insufficient about it relative to the formal economy, and there exists a strong consensus over what is absent or missing. The informal economy is widely defined as paid work that is not declared to the state for tax, social security and labour force purposes when it should be declared, but which is legal in all other respects (European Commission, 1998, 2007; Renooy *et al.*, 2004; Sepulveda and Syrett, 2007; Williams 2006; Williams and Windebank, 1998). If additional absences (i.e., differences) exist, then the activity is

not defined as the informal economy. For example, if the good and/or service is also illegal (e.g., drug-trafficking), it is 'criminal' activity, while if it is unpaid, it is part of the unpaid informal sphere.

Varieties of capitalism and the informal sector

It is now widely assumed that capitalism is hegemonic. A process of commodification, whereby 'goods and services ... are produced by capitalist firms for a profit under conditions of market exchange' (Scott, 2001: 12), is widely assumed to have occurred across all spheres of everyday life and to be inevitable and irreversible (Comelieau, 2002; Castree *et al*., 2004; De Soto, 2001; Fulcher, 2004; Gudeman, 2001; Harvey, 2000; Rifkin, 2000; Ruskola, 2005). On the one hand, this is argued by those of a neoliberal persuasion such as De Soto (2001: 1) who asserts that 'Capitalism stands alone as the only feasible way rationally to organize a modern economy'. On the other hand, it is also argued by those opposed to capitalism's continuing encroachment, owing to its negative impacts, but who nevertheless believe that its on-going permeation is irreversible. As Fulcher (2004: 127) asserts, 'The search for an alternative to capitalism is fruitless in a world where capitalism has become utterly dominant'. Similarly, Castree *et al.* (2004: 16-17) contend, 'that this is a predominantly capitalist world seems to us indisputable... this system of production arguably now has few, if any, serious economic rivals'.

Based on this assumption about capitalist hegemony, which is itself open to question (Gibson-Graham, 2006; Williams, 2003; Williams and Windebank, 2003), there has emerged a 'varieties of capitalism' (VoC) approach that demonstrates how it takes on different forms in different places. To delineate the varieties of capitalism that exist, the focus has been upon delineating the different varieties of formal economy. The outcome has been the emergence of different varieties of capitalism, such as the Liberal Market Economies (LMEs) model often typified by the United Kingdom and the United States, the Coordinated Market Economies (CMEs) model typified by Scandinavian countries and Japan (Hall and Soskice, 2001) and other variants such as Mediterranean capitalism (Whitley, 1999) or South European capitalism (Amable, 2003). Little, if any, attention has been paid to the informal economy, not least because the assumption is that it represents a minor residue which is steadily disappearing from view. There are, however, a few notable exceptions (Amable, 2003; Dibben and Williams, 2012; Frynas and Wood, 2006; Whitley, 1999). Whitley (1999) examines 'emergent capitalisms' from the perspective of economic transition within Eastern Europe, and Frynas and Wood (2006) refer to 'segmented systems' within East Africa, explaining how institutional relationships can be characterised by two systems: one that is capitalized and export orientated, and a diverse non-export orientated sector comprised of smaller enterprises and the informal sector. Dibben and Williams (2012) in a case study of Mozambique, meanwhile, introduce the idea of a new variety of capitalism,

which they term 'Informally Dominated Market Economies' that more fully takes into account that in some markets the informal economy is dominant.

Until now, however, little thought has been given to how to more fully take into account the informal sector in market economies where it is not the dominant work arrangement but is nevertheless a prominent aspect. Nor has much thought been given to how one can capture the diverse array of types of informal economic activity. To understand how this might be achieved, it is necessary to turn to the burgeoning literature on the informal economy.

For much of the previous century, the widespread belief was that the formal market economy was stretching out its tentacles to colonise every nook and cranny of the modern world. In this modernisation perspective, or what has been variously termed a "dual economies" or "formalization" view (Chen 2006; Fernandez-Kelly 2006; Williams 2006, 2010), the formal and informal markets are viewed as separate discrete realms, with the informal sphere viewed as a residue that is steadily disappearing from view (Boeke 1942; Geertz 1963; Lewis 1959); as 'the mere vestige of a disappearing past [or as] transitory or provisional' (Latouche, 1993: 49). Seen in this manner, therefore, there is little reason to take into account the informal economy when discussing varieties of capitalism. It is merely a residue or remnant of the past that is disappearing. Never is the informal economy portrayed as resilient, ubiquitous, capable of generative growth, or as driving economic change. Nor is it even represented as a component part of a multitude of employment relations existing in the contemporary world.

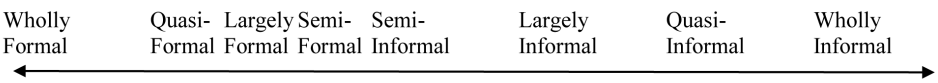
Over the past few decades, however, it has been recognised that the informal economy is not only relatively widespread but also growing relative to the formal economy in many global regions (OECD, 2002; ILO, 2002 a,b; Schneider and Enste, 2002; Schneider, 2008; Jütting and Laiglesia, 2009; Rodgers and Williams, 2009). Indeed, given that a recent OECD report estimates that out of a global working population of some 3 billion, around two-thirds (1.8 billion) work in the informal sector (Jütting and Laiglesia, 2009), the informal sector is far from being a small residual realm. It is the informal economy which is the dominant employment relations system in the contemporary global economy and the formal economy which is a minority practice that is 'small, dispersed and fragmented' (Chowdhury, 2007: 49).

Given this, it seems no longer feasible to classify the varieties of capitalism by the type of formal economy since only a minority of global employment is in this sphere. Instead, what is perhaps required is an analytical framework for understanding varieties of capitalism that focuses upon the informal economy, where the vast majority of work in the global economy is located, and delineates economies by their degree of informalization and the character of the informal economy that exists.

To begin moving in this direction, Figure 1 provides an analytical framework for depicting varieties of capitalism by their degree of informalization. This recognises a spectrum of economies from wholly formalized to wholly informalized, with many

varieties in-between. By constructing this as a continuum, the implicit recognition is that one cannot simply temporally sequence economies in some historical queue in which some countries are positioned behind others according to their degree of formalization, as if there is a singular one-dimensional trajectory of economic development throughout the world (Massey, 2005). Instead, there is recognition of difference in trajectories and that countries might move in either direction along this spectrum.

Figure 1. Typology of Economies by their Level of Informalization

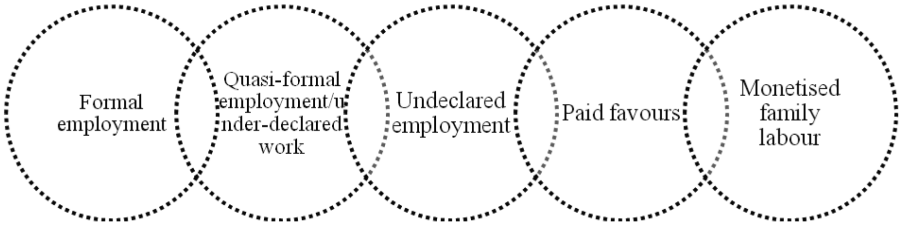


It is not just the degree of informalization, however, that needs to be analysed if the varieties of capitalism are to be more fully understood. It is also the character of the informal sector that needs to be unpacked, just as the conventional models of varieties of capitalism unpack the character of the formal economy in different places.

The problem confronted when seeking to analyse the character of the informal economy, however, is that the informal and formal economies are not always separate and discrete. On the one hand, employment cannot be always neatly allocated to either the formal or informal economy and on the other hand, the formal and informal economies are not always grounded in wholly different economic relations, values and motives (Chowdhury 2007; Escobar 2001; Gibson-Graham 2006; Gupta 1998; Pollard *et al.* 2009; Samers, 2005; Williams and Zelizer 2005; Zelizer, 2011). The result is that the informal economy cannot be analysed in a vacuum as a separate and discrete entity from the formal economy. Instead, the boundaries between the formal and informal economies are often blurred. Indeed, the informal economy is often so inextricably interwoven and entwined with the formal economy that their distinctiveness is hardly sustainable (Williams *et al*., 2007).

It is therefore insufficient and mistaken to adopt a 'dual' economies approach which treats the formal economy as separate from the informal economy. Instead, there is a need to recognise a spectrum of employment relations ranging from purely formal employment relations at one end to purely informal relations at the other with a range of varieties in-between (Williams, 2010). Figure 2 provides a graphic portrayal of such a spectrum from wholly formal to wholly informal employment relations with many hybrid varieties in-between. Overlapping circles with hatched lines are deliberately used to represent each type in order to display how there is a borderless continuum of, rather than separate sets of, employment relationships which overlap and merge into one another. The outcome is a vivid representation of the seamless fluidity of a diverse repertoire of employment relations that exist in economies and of how they are not discrete but seamlessly entwined together (Williams, 2010a; Williams *et al*., 2011).

Figure 2. A Typology of the Repertoire of Employment Relations in Contemporary Societies



These five broad overlapping sets of employment relations each possess within them a multiplicity of varieties and merge at their borders with other sets of employment relations. Firstly, there is 'formal employment', which is paid work that is registered by the state for tax, social security and labour law purposes. This has conventionally been seen as separate from the informal sector. However, it has recently been recognised that 'quasi-formal employment' (or what is sometimes called 'under-declared' employment) exists whereby formal employees employed by formal employers are often paid two wages, an official declared wage and an additional unofficial undeclared ('envelope') wage, thus demonstrating that jobs are not either formal or informal, but can be concurrently both (Karpuskiene, 2007; Sedlenieks, 2003; Williams, 2007; Woolfson, 2007; Žabko and Rajevska, 2007). Indeed, one in 20 formal employees in the EU-27 receive both a declared and undeclared (envelope) wage (Williams, 2009). Different varieties of 'quasi-formal employment' exist, ranging from instances where envelope wages are paid as part of the employee's salary for their regular employment through to envelope wages paid for extra work or overtime (Williams, 2007, 2010b).

Similar diversity exists when one examines undeclared employment, which is defined as paid work that is unregistered by or hidden from, the state for tax, social security and labour law purposes (Williams, 2009). There is firstly a spectrum from wholly undeclared waged employment to undeclared own-account work and within the latter, a further continuum ranging from profit-motivated self-employment conducted either by wholly off-the books enterprises or formal businesses conducting a portion of their trade off-the-books (thus calling into question the notion that formal and informal enterprises are discrete and further blurring the formal/informal divide), through to own-account work conducted for and by kin living outside the household, friends, neighbours and acquaintances for redistributive and social rationales (here termed 'paid favours'), with many combinations and overlaps in-between. Finally, there is monetised family labour where paid work takes place within the household that is not declared to the state for tax, social security and labour law purposes when it should be declared. Again, this often blurs into paid favours and other forms of undeclared and under-declared work (e.g., in family businesses).

To differentiate the character of the informal sector in different places, however, it is insufficient to simply analyse the different types of employment relations. It is also necessary to understand the contrasting motives of those engaged in such work. In some contexts, the participation in the informal sector will be due to 'exclusion' from the formal economy. Viewing the informal economy as a direct by-product of a de-regulated open world economy (Castells and Portes 1989; Davis 2006), informal employment relations can be seen to have emerged as part of the shift toward flexible production, used by capital to reduce costs and increase profits in the context of international competition, high levels of state regulation, and organised labour. As such, informal workers are unwilling and unfortunate pawns who engage in such work out of economic necessity as a last resort, owing to their exclusion from the formal sector and in the absence of other opportunities (Castells and Portes, 1989; Gallin, 2001; Portes, 1994; Portes and Roberts, 2005; Sassen, 1997). Often, such work is highly insecure and unstable, involving long hours, poor conditions, no legal or social protection, limited access to credit and very limited bargaining power (ILO, 2002a; Kapoor, 2007).

In other contexts, however, informal workers might be working in the informal economy more out of choice as an 'exit' strategy from the formal economy because of the greater autonomy, flexibility and freedom found in the informal economy (Cross, 2000; Hart, 1973; de Soto, 1989, 2001; Gerxhani 2004, Maloney, 2004; Snyder, 2004). Some of these voluntary informal workers, therefore, can be seen to make a rational economic decision to voluntarily exit the formal economy to avoid the costs, time and effort of formal registration (Cross and Morales, 2007; de Soto, 1989, 2001; Perry and Maloney, 2007; Small Business Council, 2004). Others do so more as social actors and as a lifestyle choice, as portrayed in studies which reveal informality to be a chosen activity which is: conducted largely for closer social relations such as kin, neighbours, friends and acquaintances (Williams, 2006); undertaken more for social and redistributive reasons rather than purely financial gain (Persson and Malmer, 2006; Round and Williams, 2008; Williams, 2004); a resistance practice pursued in response to the corruption and bribes that can be part and parcel of operating in the formal economy (Kudva, 2009; Whitson, 2007), or an alternative realm in which people transform their work identity and/or display their authentic identities such as by establishing 'lifestyle' business ventures (Snyder, 2004). For the character of the informal sector to be understood, therefore, it is not just the different types of informal work that exist in any place that need to be understood but also the reasons for participating in such work.

In sum, the literature on varieties of capitalism has so far largely adopted a narrow focus that distinguishes the different kinds of formal economy found across countries. Here, however, it has been recognised that the vast majority of global employment is in the informal sector. As such, a call has been made to understand the varieties of capitalism more in terms of the level and nature of informalization. To show how this can be achieved, attention now turns towards a case study of South East Europe.

Evaluating varieties of capitalism in South East Europe

Methodology

Until now, most studies of the level and nature of informalization in South East Europe have been small-scale studies of particular nations, particular population groups and/or places, such as studies in Bulgaria (Centre for the Study of Democracy, 2008; Chavdarova, 2002; Loukanova and Bezlov, 2007), Cyprus (Christofides, 2007), Greece (Danopoulos and Znidaric, 2007; Karanitos, 2007; OECD, 2005; Lazaridis and Koumandraki, 2003; Liaropoulos *et al.*, 2008; Lyberaki and Maroukis, 2005; Tatsos, 2001), Romania (Ghinararu, 2007; Kim, 2005; Neef, 2002; Stanculescu, 2002), Serbia and Montenegro (Benovska-Sabkova, 2002) and Slovenia (Ignjatović, 2007).

To evaluate the varieties of capitalism in South-East Europe by the degree of informalization and character of the informal sector, therefore, we here report evidence from one of the few extensive cross-national surveys currently available, namely the 2007 Eurobarometer survey of undeclared work. Here, the focus will be upon its findings in relation to South-East Europe where 4,544 face-to-face interviews were conducted in five South-East European nations, namely Bulgaria, Cyprus, Greece, Romania and Slovenia.

Using the same basic sampling method as Eurobarometer surveys in general, in all countries, a multi-stage random (probability) sampling method was applied. Within each, a number of sampling points were drawn with probability proportional to population size (for total coverage of the country) and to population density according to the Eurostats NUTS II (or equivalent) and the distribution of the resident population in terms of metropolitan, urban and rural areas. In each of the selected sampling units, a starting address was then drawn at random. Further addresses (every nth address) were subsequently selected by standard 'random route' procedures from the initial address. In each household, meanwhile, the respondent was drawn at random (following the 'closest birthday rule'). All interviews were conducted face-to-face in people's homes and in the appropriate national language with adults aged 15 years and over. So far as the data collation is concerned, CAPI (Computer assisted personal interview) was used in those countries where this was available.

In all countries, furthermore, a national weighting procedure was employed for data analysis purposes that used marginal and intercellular weighting by comparing the sample with the universe description taken from Eurostat population data and national statistical offices. All results in this paper are based on this weighting procedure. In each country, this weighting process ensures that the gender, age, region and size of locality of the sample were proportionate to the universe.

The face-to-face interview schedule covered a wide array of questions on the extent and nature of the informal sector. Its structure, adopting a gradual approach to discussing more sensitive issues, firstly asked respondents for their opinions and attitudes

regarding the informal sector, and, having established some rapport, then moved in the second section onto questions regarding their purchase of goods and services on an undeclared basis in the last 12 months along with their reasons for doing so, thirdly, their engagement in quasi-formal employment (under-declared work) and fourth and finally, questions regarding their supply of undeclared work, including the type of work they conducted, for whom and why they had undertaken this undeclared work. The results are reported below.

Results and Discussion

Across these five South East European countries as a whole, 20 per cent of the participants reported that they had engaged in the informal economy over the past 12 months, of which 3 per cent had received envelope wages and had also conducted other forms of undeclared work, 3 per cent had conducted solely undeclared work and 14 per cent had solely engaged in 'quasi-formal' employment (received envelope wages). Some 80 per cent claimed not to have engaged in the informal economy. South East Europe is therefore far from being a wholly formal market economy. Rather, it is what Figure 1 refers to as a 'quasi-formal market economy'; it is almost but not quite a wholly formal market economy. It resembles a wholly formal market economy but owing to the presence of mainly quasi-formal employment (envelope wage payments), it is not exactly the same as a wholly formal market economy because of the prevalence of this type of employment relationship.

However, there are variations across these five South-East European nations. Table 1 provides an analysis of the prevalence and nature of 'quasi-formal' employment in each country. This reveals that of those employed in formal employment, 17 per cent receive an envelope wage and this additional envelope wage amounts on average to 50 per cent of their gross salary. For 43 per cent of those receiving such a wage, it is paid as part of their salary for their regular work, 18 per cent for overtime and//or extra work conducted and for 37 per cent a combination of both their regular work and overtime/extra work undertaken. Breaking this down by country, furthermore, it is revealed that quasi-formal employment is most prevalent in Romania where nearly one quarter (23 per cent) of formal employees receive envelope wages, mostly for their regular work, and it amounts to an average 70 per cent of their gross salary paid by their formal employer. This is in stark contrast to Greece where just 3 per cent of formal employees receive an additional envelope wage from their formal employer, mostly for overtime or extra work, and it amounts on average to just 31 per cent of their gross salary.

Table 1. % of Employees Paid Envelope Wages in the Past 12 months, by Country

Country	% who receive envelope wages	% of gross salary paid as an envelope wage	% paid as remuneration for:			
			Regular work	Overtime/ extra work	Both regular & overtime work	Refusal + don't know
Romania	23	70	48	9	41	2
Bulgaria	14	44	46	15	37	2
Slovenia	5	23	13	40	28	19
Cyprus	4	11	9	54	37	0
Greece	3	31	29	54	17	0
All	17	50	43	18	37	2

Table 2, meanwhile, examines the other forms of informal employment relations further along the spectrum of repertoires of informality. This reveals again some significant variations across nations. In Bulgaria, for instance, this reveals that some one in 20 of the population participate in types of undeclared work beyond receiving envelope wage payments from their formal employer. The vast majority of this is waged informal employment or informal self-employment. Only a small amount is in the form of paid favours for family, friends, neighbours and acquaintances and monetised family labour. This is not the case in Slovenia, however, where some two-thirds of all undeclared work beyond envelope wage payments is for closer social relations and at the more informal end of the spectrum of types of undeclared work. As such, the nature of undeclared work displays some marked differences between nations.

Table 2. Nature of Undeclared Work Practices Beyond Envelope Wages in South East Europe

Country	% engaged in undeclared work in last 12 months	Average total hours of undeclared work in last 12 months	Mean annual undeclared income/ capita (€)	Mean annual undeclared income/ undeclared worker (€)	% of undeclared work that is:			
					Undeclared waged work	Paid favours and monetised family labour	Informal self-employment	Other/ don't know/ refusal
Bulgaria	5	649	240	4802	50	22	28	-
Slovenia	5	97	45	752	15	66	13	6
Romania	4	266	449	11234	12	57	19	12
Greece	4	376	34	1140	27	41	32	-
Cyprus	1	218	226	3764	-	55	45	-

Who, therefore, engages in informal employment and why do they do so in these five South East European nations? Table 3 provides multivariate probit analysis model estimates for participation in undeclared and under-declared work in columns 2 and 3 respectively. Note that in the reported results, the reference categories are as follows: Slovenia, firms with more than 501 employees, students, aged over 55 years old and sectors such as agriculture, repairs and others. The estimates give important insights with regard to who participates in the informal economy in South East Europe.

Starting with who engages in quasi-formal employment (under-declared work), the finding is that gender, age and the age at which one's education ended are not significant determinants of whether an employee receives an envelope wage from their formal employer. However, there are significant cross-national variations; formal employees living in Bulgaria and Romania are significantly more likely to be engaged in quasi-formal employment, receiving an envelope wage from their formal employer. There are also significant variations across economic sectors. Formal employees working in the construction, hotel and restaurants sector are significantly more likely to receive 'envelope' wages than are those who are employed by small businesses and those who live in relatively lower income households. This does not mean, however, that envelope wage payments are confined to lower-wage workers. Examining the occupational groups significantly more likely to receive envelope wages, the finding was that it is professionals, managers and manual workers who are significantly more likely to do so in South East Europe (Table 3).

Turning to the various types of undeclared work further along the continuum towards informality, column 2 indicates that men are significantly more likely than women to work without declaring their income or part of it to authorities. Younger workers are also significantly more likely to participate in undeclared work relative to those who are over the age of 55. If an individuals' schooling ended at the age of 15, s/he is significantly less likely to participate in undeclared work, thus demonstrating that undeclared work is not concentrated amongst those with lower levels of education. Workers in Romania are more likely to undertake undeclared work while the opposite is true for workers in Cyprus. If an individual personally knows someone who participates in undeclared work, moreover, this knowledge increases their likelihood of participating in the same type of work. With regard to sectors, those who are working in industry, personal services, retail and the hotel and restaurant sectors are significantly less likely to engage in undeclared work but we see a different propensity when we examine the likelihood of participating in quasi-formal employment, which makes the distinction between undeclared and under-declared work important. Smaller firms have workers who are more likely to participate in undeclared work. Those in managerial occupations are also significantly more likely to engage in undeclared work while those living in relatively low-income households are less likely to work on an undeclared basis.

Why, therefore, do they engage in the informal sector? Is it a result of their exclusion from the formal labour market or is it more a product of their decision to voluntarily exit the formal economy? Overall, in these South-East European nations, some 52 per cent of those engaged in undeclared work do so out of choice, 18 per cent out of necessity due to their exclusion from the formal economy and 30 per cent cite a combination of both necessity and choice in their reasons for working undeclared. Are some groups, however, more likely to do so out of necessity than others?

Table 3. Probit model of likelihood of participating in undeclared and under-declared work in South-East Europe

Variable	Coefficient (Robust s.e.) Undeclared	Coefficient (Robust s.e.) Under-declared
Constant	-2.968(0.22)***	-3.973(0.52)***
Individual characteristics:		
Male	0.454(0.09)***	0.016(0.10)
Aged 15 to 24	0.579(0.21)***	-0.157(0.27)
Aged 25 to 39	0.549(0.14)***	0.152(0.16)
Aged 40 to 54	0.535(0.15)***	0.044(0.16)
Age education ended:		
15	-0.299(0.16)**	0.275(0.51)
20 plus	-0.085(0.11)	0.487(0.48)
Still studying	-0.043(0.23)	0.675(0.47)
Country:		
Bulgaria	0.131(0.14)	0.589(0.19)***
Cyprus	-0.971(0.27)***	0.019(0.22)
Greece	-0.158(0.13)	-0.357(0.23)
Romania	0.164(0.13)***	1.287(0.15)***
Perception variables:		
Ranked perception of evasion	0.014(0.01)	0.010(0.03)
Know others who evade	0.841(0.12)***	0.531(0.11)***
Sector of Employment:		
Construction	0.013(0.18)	0.599(0.19)***
Industry	-0.284(0.17)*	0.128(0.17)
Personal services	-0.445(0.21)**	0.219(0.17)
Retail	-0.647(0.20)***	-0.137(0.19)
Hotel and Restaurants	-0.612(0.37)*	0.598(0.24)**
Size of Firm:		
1 to 20 employees	*0.405(0.13)***	0.597(0.14)***
21 to 50 employees	*0.050(0.22)*	0.682(0.17)***
51 to 100 employees	*0.576(0.24)***	0.614(0.24)**
101 to 500 employees	*-0.209(0.23)*	-0.123(0.21)
Occupation:		
Professional	0.139(0.19)	0.629(0.19)***
Management	0.309(0.18)*	0.549(0.18)***
Manual	0.184(0.15)	0.484(0.15)***
Household Income:		
Income less than 500 Euros	0.128(0.16)	0.584(0.16)***
Income between 500 and 1000.99	-0.254(0.15)*	0.273(0.15)*
Income between 1001 and 2000.99	0.097(0.17)	0.604(0.18)***
Income between 2001 and 3000.99	0.07(0.38)	0.204(0.55)
Log pseudo likelihood	-444.01	-369.16
Wald Chi2 (p_value)	185.6(0.0000)	296.4(0.0000)
Number of Observations	3029	3130

*N.B. *, **, *** = significant at 10, 5 and 1 percent respectively.*

Table 4 below reports the multinomial logit model results. The model is based on classifying individuals into three categories based on their rationales for participating in undeclared work. These categories are participation by choice (i.e. base outcome), participation by necessity and participation both by choice and necessity. We interpret our significant findings relative to the base outcome. Workers in Bulgaria are more likely to participate in undeclared work out of necessity, that is, due to their exclusion from the formal economy. Surprisingly, individuals in lower-income households are less likely to work undeclared out of necessity. Workers in the 15-54 age group are more likely to do so for reasons that combine choice and necessity than those workers over the age of 55. Finally, workers living in households with an income between 500 and 1000.99 Euros are less likely to engage in undeclared work by choice and do so more out of necessity.

Table 4. Multinomial Logit Estimates Investigating the Rationale for Participating in Undeclared Work (base outcome = by choice)

Variable	Coefficient (By Necessity)	Coefficient (Both)
Constant	-1.273(1.15)	-4.383(1.46)***
Individual characteristics:		
Male	-0.729(0.56)	0.798(0.57)
Aged 15 to 24	0.182(0.98)	2.505(1.29)**
Aged 25 to 39	0.183(0.80)	2.225(1.16)**
Aged 40 to 54	-0.992(0.91)	1.978(1.18)*
Age education ended:		
15	-0.009(1.14)	0.511(1.10)
16-19	0.072(0.91)	1.058(0.91)
20 plus	-0.494(1.12)	1.473(1.02)
Country:		
Bulgaria	1.709(0.90)**	-0.380(0.87)
Cyprus	-14.628(9.79)	-5.84(3.86)
Greece	0.950(0.87)	0.635(0.74)
Romania	0.778(0.96)	0.860(0.77)
Occupation:		
Professional	0.720(1.41)	0.182(1.01)
Management	0.215(1.08)	-6.109(7.21)
Manual	0.994(0.84)	-0.107(0.67)
Household Income:		
Income less than 500 Euros	-1.401(0.82)*	0.555(0.73)
Income between 500 and 1000.99	-1.616(1.23)	-2.348(1.18)**
Income between 1001 and 2000.99	-0.872(1.27)	-0.769(0.83)
Income between 2001 and 3000.99	-0.632(0.57)	-0.784(0.59)
Log likelihood	-109.9	
Pseudo R-squared	0.17	
Number of Observations	140	

*N.B. *, **, *** = significant at 10, 5 and 1 percent respectively.*

Conclusions

The starting point of this paper has been that much of the literature on varieties of capitalism (VoC) largely delineates economies by the type of formal economy that exists. Recognising that the vast majority of employment on a global scale is in the informal economy, however, this paper has sought to develop an analytical framework for understanding varieties of capitalism that focuses more upon the informal sector and delineates economies by the degree of informalization and the character of informal work. This has characterised economies as existing on a continuum from wholly formalized to wholly informalized economies with many varieties in-between and a spectrum of types of employment, again from wholly formal to wholly informal, with an array of types in-between which might be conducted for reasons of either necessity or choice. This analytical framework has then been used to explore the variety of capitalism in South-East Europe.

Reporting evidence from the 2007 Eurobarometer survey of undeclared work, this has revealed that South-East Europe as a whole can be seen as a 'quasi-formal market economy'; it is almost but not quite a wholly formal market economy. It resembles a formal market economy but is not exactly the same because one in five formal employees are in 'quasi-formal employment' whereby their formal employer pays them an additional undeclared 'envelope wage'. There are, however, significant variations both across countries, sectors and populations within South-East Europe in terms of the variety of capitalism that predominates. In Romania, for example, it is more akin to what might be termed a 'semi-formal market economy' in that not only is quasi-formal employment rife in the formal labour market but also other varieties of undeclared work are more prevalent than elsewhere in South-East Europe and a greater proportion of this work is conducted out of economic necessity than elsewhere. It is important, therefore, when depicting the varieties of capitalism in South-East Europe, to be attentive to the significant differences which exist across countries, sectors and population groups. Examining why these differences exist between countries, it can only be judged that this is a legacy of the past. Previous economic conditions, such as socialism, appear to have left a legacy in the post-socialist societies which result in a rather different configuration of the informal economy than in those without this legacy. The reason for such differences, however, requires further investigation in future papers.

In sum, an analytical framework has here been sketched out for understanding varieties of capitalism from a perspective that recognises how the vast majority of global employment is in the informal sector and therefore focuses on delineating the extent and character of the informal economy, rather than the character of the formal economy, by exploring the degree of informalization and differing character of the informal economy by both the types of informal work and motives for engaging in such endeavour. Here, this has been applied to understanding South-East Europe,

revealing that this European region can be termed a 'quasi-formal market economy' composed of mostly quasi-formal employment, much of which is conducted out of choice rather than necessity, although there are significant cross-national, sector and socio-demographic variations in both the informal work conducted and the reasons for doing so. What is now required is for this to be applied to other countries and regions in order to start to map the differing varieties of capitalism across the varying spaces of the global economy. If this paper encourages such further research to be undertaken, so as to start to develop a rather different representation of the varieties of capitalism across the globe, then it will have achieved its objective.

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