Explaining the persistence of the informal economy in Central and Eastern Europe: some lessons from Moscow

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Biography

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Key words: household economies; informal sector; livelihoods; Russia, Eastern Europe

Abstract
To evaluate critically the competing explanations for the persistence of the informal economy that variously represent this sphere as a residue, by-product, alternative and/or complement to the formal economy, this paper reports a survey of livelihood practices in 313 Moscow households. The finding is that the majority of households primarily depend on informal work to secure their livelihood and that although each and every theorisation is wholly valid with regard to particular types of informal work and/or specific population groups, no one
articulation fully captures the diverse nature and multiple meanings of the informal economy in contemporary Moscow. The paper concludes by calling for informal work to move more centre-stage in studies of post-socialist economic transition and for a wider re-evaluation of its multi-layered and multifarious relationship to formal work in other contexts.

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Introduction

A widely-held belief across the social sciences is that over the long run of history, work has shifted from the informal into the formal economy. Whereas in the past people toiled in their fields and homes on a subsistence basis and bartered, the production and distribution of goods and services is asserted to largely occur today through the formal economy. Recently, however, this representation of informal work as a residue or leftover has been challenged by an array of rival discourses that recognise the persistence of informal work and variously portray such work as a by-product, alternative or complement to the formal economy. The aim of this paper is to start to evaluate critically these competing theorisations of the informal economy. To do so, some case study evidence of the informal economy in contemporary Moscow will be used.

In the first section, therefore, the various alternative theorisations of the informal economy and its relationship with the formal economy will be analyzed. The second section will then introduce a study of the livelihood practices of 313 households conducted in Moscow during 2005/2006 and the third section will use the results of this survey to evaluate the validity of these competing theories. Finding that the majority of households primarily depend on the informal economy to secure their livelihood and that the relationship between the formal and informal economy varies across different population groups and different kinds of informal work, resulting in complex and multi-layered relationships between the formal and informal economy, the final section of the paper calls for the informal economy to move more centre-
stage in studies of economic transition and for a wider re-evaluation of its relationship to formal
work in other contexts.

Before commencing, however, it is necessary to define the informal economy. Here, the
‘informal economy’ is defined as all work that is not ‘formal employment’, that is, paid work
registered with the state for tax, social security and labour law purposes. This defining of the
informal economy in terms of what it is not reflects the centrality of formal employment in
contemporary society and how all work that is leftover is cast into this residual catchall
umbrella category. The outcome is that diverse activities are grouped under this heading. To
more adequately define its nature and scope, therefore, analysts have differentiated three types
of informal work: ‘self-provisioning’ which is the unpaid household work undertaken by
household members for themselves or for other members of their household; ‘unpaid
community work’, which is unpaid work conducted by household members by and for the
extended family, social or neighbourhood networks and more formal voluntary and community
groups; and ‘paid informal work’ which is monetized exchange unregistered by or hidden from
the state for tax, social security and/or labour law purposes but which is legal in all other
respects (Leonard, 1998; Pahl, 1984; Renooy, 1990; Williams and Windebank, 1998). In
addition and sometimes included under paid informal work, there is gift exchange where people
conduct work for each other for gifts (rather than money). Here, therefore, it is not tasks (e.g.
cleaning, cooking) that differentiate each form of work but rather the social relations within
which work is conducted (Morris, 1994; Pahl, 1984; Williams and Windebank, 1998).
Competing theorisations of the informal economy

To introduce the rival depictions of the informal economy and the nature of its relationship with the formal economy, firstly, the long-standing formalisation thesis is reviewed followed by three prominent schools of thought that have sought to variously re-theorise the nature of the relationship between formal and informal work.

The formalisation thesis

A long-standing belief is that goods and services are increasingly being produced and delivered via the formal economy and that ‘traditional’ informal work is disappearing as a natural and inevitable shift towards the formal economy takes place. In this formalisation thesis, therefore, the informal economy is portrayed as a residue or leftover from an earlier mode of production and consumption and its continuing presence in a society a sign of its ‘under-development’, ‘traditionalism’ and ‘backwardness’, while the formal economy is seen to represent ‘progress’, ‘development’, ‘modernity’ and ‘advancement’ (Geertz, 1963; Lewis, 1959). In this view, therefore, the formal/informal economy dualism is portrayed as a ‘binary hierarchy’ (Derrida, 1967) in that it firstly, conceptualises the formal and informal economies as stable, bounded and constituted via negation and secondly, portrays the resultant binary in a hierarchical manner where the superordinate (the formal economy) is endowed with positive attributes and the subordinate ‘other’ (the informal economy) with negativity.

In the formalisation thesis, in consequence, formal work and informal work are both temporally and normatively sequenced. They are temporally sequenced in that the formal economy is read as in the ascendancy and replacing the informal economy which is portrayed as
'the mere vestige of a disappearing past [or as] transitory or provisional’ (Latouche, 1993: 49). Never is the informal economy portrayed in this formalisation thesis as resilient, ubiquitous, capable of generative growth, or as driving economic change. Nor is it even represented as part of a multitude of different forms of work co-existing in the contemporary world but instead, is always positioned in a historic sequence characterized as a residue or remnant of the past. Formal and informal work is normatively sequenced, meanwhile, in that the informal economy is deemed ‘regressive’ and the formal economy as ‘progressive’. This is perhaps most clearly depicted in ‘modernization’ theory which normatively (and temporally) convenes differences between countries by hierarchically positioning first world nations at the front of the historical queue while those nations in the second and third worlds are positioned behind them due to their slower progression towards formalization (Massey, 2005).

The thesis of formalisation is therefore not just a theory seeking to reflect reality but is what Butler (1990) calls a ‘performative discourse’. As Carrier (1998: 8) explains, there is a ‘conscious attempt to make the real world conform to the virtual image, justified by the claim that the failure of the real to conform to the idea is a consequence not merely of imperfections, but is a failure that itself has undesirable consequences’. This is fluently displayed in the work of Escobar (1995) who reveals how so-called third world economies became viewed as a problem due to their lack of ‘development’ (i.e. formalization) and charts how a whole range of institutions and practices have been constructed to help them conform more to the desired image.

Yet despite the widespread acceptance of this formalisation thesis, recent years have seen a burgeoning literature contesting this discourse. The major reason is a widespread recognition that the informal economy is not some weak and disappearing realm but strong, persistent and even growing in the contemporary global economy (Gershuny, 2000; ILO,
2002a,b; Schneider and Enste, 2000; Williams, 2004, 2005). The outcome is the emergence of various theories which transcend the depiction of informal work as a remnant or residue of the past.

The informal economy as an alternative to the formal economy

A first school of thought recasts the informal economy as a site of resistance to the formal economy that is growing. The relationship between informal and formal work is thus read as substitutive with one seen as a replacement for the other, and the difference between this school and others considered below is that participation in the informal economy is usually depicted as a choice rather than a necessity.

This portrayal of the informal economy as an alternative to the formal economy is composed of at least three contrasting sub-perspectives. Firstly, there are the neo-liberals for whom over-regulation of the market is to blame for many of the economic ills befalling society (Minc, 1982; Sauvy, 1984; De Soto, 1989) and the growing informal economy viewed as the people’s ‘spontaneous and creative response to the state's incapacity to satisfy the basic needs of the impoverished masses’ (De Soto, 1989, pp. xiv-xv). Secondly, there are radical green perspectives that again view the informal economy as an alternative to the formal economy and chosen space but for them it is blossoming not amongst those seeking to throw off the shackles over an over-burdensome state but amongst those seeking localization and self-reliance in order to achieve sustainable development (e.g. Dobson, 1993; Henderson, 1999; Robertson, 1991). Third and finally, there is a group of critical, post-colonial, post-development, post-structuralist or post-capitalist theorists who extol the alterity of the informal economy (e.g. Chakrabarty, 2000; Escobar, 1995; Gibson-Graham, 1996; Leyshon et al., 2003). For them, the persistence
and growth of this sphere displays the possibility of alternative futures beyond formalization (e.g. Escobar, 1995; Community Economies Collective, 2001; Gibson-Graham, 1996, 2006; Williams, 2005).

*The informal economy as a by-product of the formal economy*

Akin to the portrayal of the informal economy as an alternative to the formal economy, the next school of thought again views informal work as a substitute for formal work but reads engagement in this sphere as a necessity rather than a choice. The informal economy is depicted as a new form of work emerging in late capitalism as a direct by-product of the advent of a deregulated open world economy. On the one hand, therefore, it has arisen as a direct outcome of the decline of the full-employment/comprehensive formal welfare state regime characteristic of the Fordist era (Amin et al., 2002; Hudson, 2005). In the new post-Fordist era, those of little use to capitalism are no longer maintained as a reserve army of labour and socially reproduced by the formal welfare state but, instead, are off-loaded, witnessed in reductions in social protection spending, resulting in their increasing reliance on the informal sphere as a survival strategy. On the other hand, its growth is seen to directly result from employers adopting informal work arrangements to reduce costs, such as devolving stages of production to those employing off-the-books workers under degrading, low-paid and exploitative ‘sweatshop-like’ conditions, exemplified in the garment manufacturing sector (e.g. Bender, 2004; Espenshade, 2004; Ross, 2004), which is encouraging a race-to-the-bottom in terms of labor standards (Amin et al., 2002; Castells and Portes, 1989; Gallin, 2001; Hudson, 2005; Portes, 1994; Sassen, 1997).

In this by-product reading, therefore, the informal sphere is extensive in marginalised populations where the formal economy is weak since it acts as a substitute for the formal
economy in its absence (Amin et al., 2002; Castells and Portes, 1989; Sassen, 1997). Put another way, this school of thought adheres to a ‘marginality thesis’ that reads informal work as concentrated in marginalised populations who engage in such work out of economic necessity and as a last resort due to their off-loading from the formal economy (e.g. Sassen, 1997).

The informal economy as a complement to the formal economy

Rather than depicting informal work as an alternative to formal work and space of hope, or a by-product of unregulated capitalism and space of despair, a final theorisation reads the relationship between formal and informal work not as substitutive but as complementary in that both spheres reinforce each other. In this ‘complementary thesis’, informal work is seen to reinforce, rather than reduce, disparities produced by the formal economy. The major beneficiaries of the formal economy are viewed as the major beneficiaries of the informal economy, meaning that relatively affluent households and populations are asserted to conduct more self-provisioning, unpaid community exchange and paid informal work than households excluded from the formal economy (e.g. Pahl, 1984; Williams and Windebank, 2003).

For this school of thought, in consequence, socio-spatial disparities in the contemporary era are not characterized by a divide between those embedded in the formal economy and those cast into the informal economy to survive, with the level of formalisation representing a measure of ‘progress’ and ‘advancement’. Instead, socio-spatial polarisation is characterised by a growing divide between ‘work busy’ populations with high levels of participation in not only formal employment but also self-provisioning, unpaid community exchange and paid informal work, and ‘work deprived’ populations excluded from not only the formal economy but also the
informal economy due to their lack of resources, skills, networks and so forth (Williams and Windebank, 2003).

**Examining the informal economy in Moscow**

To evaluate these contrasting theories of the informal economy and its relationship to the formal economy, we now report a study conducted in 2005/06 in the Moscow city region involving face-to-face interviews with 313 households about their economic practices. Given that previous studies both in Moscow itself (Pavolvskaya, 2004), Russia (Kim, 2002), East-Central Europe (Wallace and Haerpfer, 2002; Wallace and Latcheva, 2006; Williams, 2005) and western nations (van Geuns et al, 1987; Leonard, 1998; Renooy, 1990) identify significant differences in economic practices between affluent and deprived populations, maximum variation sampling was used to select three localities. First, an affluent district in the west of Moscow, namely Krylatskoe, was chosen, secondly, one of the most deprived districts located in the South-East of Moscow and third and finally, a mixed area located to the west of the Moscow region, about 25 km out from the Moscow ring road (which is the Moscow city border), namely Leshkovo, where ‘new Russians’ live in large expensive houses alongside benefit-dependent pensioners and the ‘working poor’. In each district, a spatially stratified sampling methodology was employed to select households for interview (Kitchen and Tate, 2001). If there were some 1,000 households in the district and 100 interviews were sought, that is, the researcher called at every 10th household. If there was no response and/or an interview was refused, then the 11th household was visited, then the 9th, 12th, 8th and so on. This provided a spatially stratified sample of each district. In total, 313 face-to-face interviews were conducted in the three districts. Although this is not nationally representative, nor even representative of Moscow as a
whole, it nevertheless provides one of the first insights into the nature of the informal economy and its relationship with the formal economy in this global city in the contemporary period.

Previous studies indicate that when open-ended relatively unstructured interviews have been used, respondents have found it difficult to recall when such work was used or supplied and the resultant data is often not comparable (e.g., Leonard, 1994; Williams, 2004). At the outset, therefore, a decision was taken to use structured interviews. Besides gathering background data on gross household income, the employment status of household members, their employment histories, ages and gender, firstly, respondents were asked about the principal and second most important practices they rely on to secure their livelihood, secondly, the sources of labour that the household last used to complete 25 common domestic services, third, whether they had undertaken any of these 25 tasks for others (either on a paid or unpaid informal basis) during the past year, fourthly, open-ended questions about other work conducted and its relative importance to their household income and fifth and finally, and using five-point likert scaling, attitudinal questions concerning their ability to draw upon help from others and their views of the economy, politics, everyday life and their future prospects. Below, the results are reported.

Evaluating the theorisations of the informal economy in Moscow

What is the nature of the informal economy in Moscow? Is it a residue or leftover existing only in the margins of Muscovite society? Are large swathes of this city’s population being off-loaded onto the informal economy as a survival practice? Are we witnessing a turn to the informal economy as a site of resistance and alternative to the formal economy? Or is the
informal economy operating more in a manner that reinforces, rather than reduces, the disparities produced by the formal economy?

To start to answer these questions, Table 1 analyzes how the surveyed population secures their livelihoods. Asking respondents to name what is most important to them for securing their livelihood, along with what is second most important, the finding is that just one in five households (21 per cent) chiefly depends on the formal economy and a further 26 per cent rely chiefly on state benefits. Some 53 per cent of households, therefore, primarily depends on informal economic practices to secure their livelihood, namely self-provisioning, unpaid community exchange and paid informal work. The formalisation thesis that informal work is a minor residue or remnant of the past is far from the lived practice in Moscow.

Indeed, even when the secondary sphere used by households to secure their livelihood is included, the finding is that only a third (33 per cent) of households primarily or secondarily depends on the formal economy and just 4 per cent on the formal economy alone. Formal employment, therefore, is not a central and ubiquitous means of livelihood. It is just one amongst a variety of practices that households use. In this city, households pursue a plurality of economic practices combining informal and formal economic practices in a multitude of different ways, as has been identified in other East-Central European areas (Arnstberg and Boron, 2003; Piirainen, 1997; Wallace and Haerpfer, 2002; Wallace and Latcheva, 2006; Williams, 2005). As Table 1 reveals, some one in 25 (4 percent) chiefly depend on self-provisioning, some one in six (17 percent) on unpaid community exchange and nearly one-third (32 percent) on paid informal work.
Yet more evidence of the relatively shallow permeation of formalization is provided by Table 2. This reports the sources of labour last used by households to undertake 25 common domestic tasks. The finding is that overall, 67.6 per cent of tasks were last completed using subsistence work, 6.7 per cent using unpaid community exchange, 18.2 per cent paid informal work, 0.6 per cent gift exchange and just 6.9 per cent formal labour. Although the focus here is upon the domestic services sector, which is perhaps somewhat less formalised than other spheres, this nevertheless further reveals the very shallow penetration of the formal economy in Moscow.

In some realms, however, formalisation is more prevalent. These are the installation of double-glazing (which in 51.9 per cent of cases was last completed using formal labor), tutoring (37.5 per cent), hairdressing (34.1 per cent), kitchen refurbishment (32.2 per cent), bathroom improvements (13.5 per cent), laying floor coverings (12.1 per cent) and appliance maintenance (10.5 per cent). Even in these tasks, however, besides installing double-glazing, in only around a third to a tenth of instances was the formal economy used to complete these tasks. The degree to which formal employment has permeated the household services sector, therefore, is shallow.

In Moscow, in sum, these data clearly portray the relatively limited importance of the formal sector. To view the formal economy as strong and extensive and the informal economy as some minor residue or remnant is a misnomer. The formal economy is at best one of a plurality of economic practices used by households to secure their livelihoods. Although this snapshot survey cannot decipher the changes over time so as to understand whether the proportion of households primarily reliant on the informal economy is growing or declining, it
is certain that informal work cannot be characterised as a minor remnant from some previous era existing only in the peripheries or margins of this city, as depicted in the formalization thesis. In Moscow, a portfolio of work practices is the norm rather than the exception with 96 per cent of households relying on sources other than formal employment as either their most important or second most important source of livelihood.

If the formalisation thesis that represents the informal economy as a minor residue of some earlier era is incorrect, then how can one articulate the relationship between formal and informal work? Has a large segment of Moscow’s population been involuntarily decanted into the informal economy to eke out their livelihood as intimated in the by-product thesis? Are they pursuing such work as a chosen alternative? Or is the informal economy operating in manner that complements the formal economy? To answer this, the various types of informal work are here unravelled in turn.

*Self-provisioning*

Given that every household in Moscow conducts self-provisioning and that one in 25 households chiefly rely on such work to secure their livelihood, it is important to differentiate the multifarious types of self-provisioning. To do this, we here firstly analyze subsistence-oriented households that depend on self-provisioning to secure their livelihood and then differentiate self-provisioning in the wider surveyed population into its routine and non-routine varieties.

Of the one in 25 (4 per cent) households relying chiefly on subsistence work for their livelihood, half of them secondarily depend on other types of informal work (see Table 1). Analyzing solely these households, therefore, formal work plays little role in their livelihood
practices. To analyze why they pursued a subsistence lifestyle, each time a particular type of work was reported as being used to undertake each of the 25 household services, they were asked why they had used this source of labour and their responses were subsequently categorized according to whether it was used primarily out of choice or necessity. The finding is that these subsistence-oriented households display a low choice/necessity ratio; they stated more frequently than other household types that the labour used had been due to a lack of choice rather than a matter of choice. These subsistence households who use self-provisioning out of necessity as a means of livelihood, therefore, provide some support for the by-product depiction of informal work as conducted out of necessity by excluded populations. However, not all subsistence households conduct such work out of necessity and as a last resort. One-third of households primarily reliant on self-provisioning for their livelihood continuously stated that they used self-provisioning out of choice. For some, therefore, such a practice is more accurately depicted as a chosen alternative.

Moving away from subsistence households and examining self-provisioning more generally, it is again the case that evidence can be found in various types of self-provisioning to support contrasting depictions of informal work. Near enough all households conduct some of their routine tasks (e.g., domestic cleaning, washing up) on a self-provisioning basis, even if higher-income populations more regularly outsource a portion of these routine tasks (see Table 3). Lower-income populations, however, are more likely to state that they used self-provisioning out of necessity. In the deprived neighbourhood, for example, 93 per cent of routine tasks were state to be conducted using self-provisioning out of necessity compared with just 66 per cent in the affluent suburb. Examining routine types of self-provisioning especially in lower-income populations, therefore, one finds support for the by-product thesis.

TAKE IN TABLE 3 ABOUT HERE
Analyzing non-routine self-provisioning such as do-it-yourself activity in the home maintenance and improvement sector, however, the finding is that a greater portion (59 per cent) is conducted out of choice, either because it was felt to be easier to do the task on a self-servicing basis, the end-product could be individualized to suit their tastes or would be of a higher quality, or due to the pleasure they got from doing the work themselves. This is particularly the case in affluent populations. In the affluent suburb, for example, some 80 per cent of non-routine domestic tasks employed self-provisioning out of choice compared with 40 per cent in the deprived neighbourhood. Examining non-routine self-provisioning, especially amongst relatively affluent populations, one therefore finds support for the depiction of informal work as a chosen alternative.

Indeed, when relatively affluent households outsource routine domestic tasks, they often stated that it was a choice made so that they could have more time to engage in non-routine, creative and rewarding self-servicing activity, such as do-it-yourself activity in the home improvement and maintenance realm and spending time on their dacha growing their own food. The outcome is that the nature of self-provisioning is often qualitatively different across populations, comprised more of routine self-provisioning conducted out of necessity in deprived populations but non-routine work of a creative and rewarding variety undertaken more out of choice in affluent populations. Even when deprived populations engage in non-routine self-provisioning, furthermore, this is more likely to be an emergency repair (e.g., when an appliance breaks down) while in affluent populations, it is more likely to be a home improvement project (e.g., building a garage, fitting a new bathroom). Analysing do-it-yourself activity across affluent and deprived populations, therefore, provides support for the complementary thesis that depicts informal work as reinforcing, rather than reducing, the disparities produced by the formal economy. Relatively affluent populations engage in more rewarding and creative forms
of do-it-yourself activity often out of choice and deprived populations engage more in emergency repair work usually out of necessity.

Unpaid community exchange

It is not only in the realm of self-provisioning that the nature of informal work and its relationship to formal work varies across both different populations and different kinds of work. The same is apparent in the realm of unpaid community exchange.

This study reveals the existence of different types of unpaid community exchange, ranging from kinship exchange (45 per cent of all unpaid community exchange), neighbourly exchange (30 per cent) and unpaid exchanges with acquaintances (25 per cent), all of which are conducted on a one-to-one basis. Besides these, there is also unpaid work conducted by and for voluntary and community organizations. In this survey, and supporting the previous study of McGlone et al (1998), the finding is that the provision of material support by voluntary and community organizations hardly figure in people’s coping practices. Just 5 per cent of unpaid support was provided by voluntary or community groups. Although they barely register as sources of material or instrumental support in people’s everyday lives, however, this does not mean that they are unimportant. Evidence elsewhere suggests that their importance lies in the provision of social or emotional support (Williams, 2004).

Although the overall prevalence and intensity of unpaid community exchange, akin to self-provisioning, is greater in lower-income populations (see Table 4), it is used by nearly all households as a coping practice. Again, however, it is mostly households in lower-income populations who are more likely to use this work out of necessity and in the absence of alternatives whilst affluent populations are more likely to engage in such endeavour out of
choice. Indeed, comparing people living in the affluent and deprived districts of Moscow, the former were nearly twice as likely to assert that receiving work on this basis was a choice compared with those living in the deprived district. While unpaid community exchange in deprived populations therefore provides support for the by-product thesis, in relatively affluent populations it provides more support for the discourse that depicts informal work as a chosen alternative.

Unpacking unpaid community exchange into its different varieties and analyzing its variable configuration across populations, moreover, support is provided for the complementary thesis. Comparing relatively affluent and deprived populations, some 80 per cent of unpaid community exchange in deprived areas was kinship-based, while in more affluent areas there was less reliance on kinship networks (20 per cent of all unpaid community exchange) and more on wider non-kinship networks of neighbours and acquaintances. Given that kinship exchanges were some two times more likely than non-kinship exchanges to be conducted out of necessity, the result is that while in deprived populations unpaid community exchange is more a means of ‘getting-by’, in affluent populations it is more about ‘getting ahead’ and used out of choice, thus supporting the depiction of informal work as operating in tandem with the formal economy. Not all favours conducted for and by kin, friends and neighbours, however, are provided on an unpaid basis.

*Paid informal work*
Analyzing paid informal work as a whole, it is the complementary thesis that appears appropriate. The relationship between formal work and paid informal work is that they reinforce, rather than reduce, socio-spatial disparities. Paid informal work is heavily concentrated in both higher-income groups as well as affluent districts (see Table 4).

However, there are diverse types of paid informal work ranging from endeavour conducted on a one-to-one basis for friends, neighbours and kin as paid favours (displaying the monetization of reciprocity), through various forms of self-employment to an array of types of informal waged employment. Breaking down paid informal work in this manner, the finding is that some 57 per cent of all paid informal work identified in this survey is composed of paid favours for friends, neighbours and kin, 18 per cent is informal self-employment and 25 per cent is informal waged employment.

Examining waged informal employment, one finds considerable support for the by-product representation of the informal economy. Not only were many undeclared employees identified who were working under ‘sweatshop-like’ conditions, such as in clothing manufacturers, but akin to studies in Latvia (Sedlenieks, 2003; Žabko and Rajevska, 2007), Lithuania (Karpusiene, 2007; Woolfson, 2007), Romania (Neef, 2002) and Ukraine (Williams, 2007), a widespread practice of ‘envelope wages’ was also uncovered with 70 per cent of formal employees receiving a portion of their core wage on a cash-in-hand basis (ranging from 20-80% of their total wage). Very few were happy with this arrangement since it affected their social security and pension entitlements as well as their ability to get credit, and the widespread presence of such work reinforces the by-product depiction of informal work becoming an inherent part of employment practices in late capitalism, as possessing largely negative attributes and impacts, and as conducted out of necessity rather than choice.
Turning to informal self-employment, meanwhile, one finds considerable support for the representation of informal work as an alternative to the formal economy and resistance practice conducted out of choice. This Moscow survey reveals that of all 81 respondents who had started-up a self-employed enterprise in the last three years, just 3 (3.7 per cent) had registered their business. The remaining 78 (96.3 per cent) did not have a license to practice their trade, were not registered and conducted all their trade on an off-the-books basis. For these entrepreneurs, the formal economy was seen as possessing largely negative attributes and impacts due to the existence of corrupt state officials and their lack of belief that taxes would be used for the social good, while the informal economy was perceived as a positive alternative that gave them free reign and was largely entered out of choice rather than necessity. Looking at this group of informal workers and type of work, there is thus strong support for the representation of the informal economy as an alternative economy and sphere of resistance, as has been previously identified elsewhere (de Soto, 1989; Williams, 2006).

Turning to the realm of paid favours, however, one finds support for yet another discourse. For suppliers, paid favours are conducted to make a little money ‘on the side’ but at the same time to provide some service to people they know who would otherwise be unable to get the job undertaken. For consumers, meanwhile, people they know are often paid for undertaking some task in order to redistribute money to them in a way that does not appear to be ‘charity’ and also to develop or cement social ties. Indeed, examining all instances where people provide favours to kin, friends and neighbours, this survey reveals that some 46 per cent involved payment. To seek to eradicate such paid favours, in consequence, would eliminate nearly half of all acts of one-to-one reciprocity in Moscow and lead to a diminution of community self-help and thus social cohesion. Indeed, some 30 per cent of kin exchanges are monetized, 65 per cent of exchanges between neighbours and 62 per cent of exchanges between
friends. This informal work therefore provides some support for the complementary perspective. This is because higher-income households give and receive some five times more paid favours than the average household, whilst the lowest-income households receive and provide just one-fifth of the paid favours as the average household, displaying how this informal work reinforces the socio-spatial disparities of the formal economy.

Conclusions

To evaluate critically the different theorisations of the informal economy, this paper has introduced a range of alternative representations of the relationship between formal and informal work and evaluated their validity using survey data from contemporary Moscow. Given how this snapshot survey reveals that only a small minority of households secure their livelihood primarily through formal work and that the majority depend on informal work, privileging the formal economy as a central and ubiquitous means of livelihood exaggerates its relative importance and underplays the key role played by the informal economy. Informal work is not some residue or remnant. Indeed, it would not be a distortion to conclude from this survey that the informal economy is the ‘mainstream’ economy in this post-socialist city and the formal economy a minority practice scattered across the economic landscape.

If informal work is not a residue, then what is the nature of informal work and its relationship with formal work? Is it being conducted by those who have been involuntarily decanted into the informal sphere to eke out their livelihood? Is it being conducted by those seeking alternatives to the formal sphere and pursuing acts of resistance to its encroachment? Or are the informal and formal spheres more operating in a mutually reinforcing manner with each other? Treating the informal economy as a whole and examining its relationship with the formal
economy, it might be concluded that the formal and informal spheres are complementary realms. Indeed, there seem to be relatively ‘fully engaged’ populations participating in both formal and informal work and relatively ‘disengaged’ populations excluded not only from the formal but also the informal economy.

However, the relationship between formal and informal work identified depends on where one looks. There are variations in the nature of informal work and its relationship to formal work across both different populations and different kinds of work. Firstly, different relationships apply to different population groups. Examining solely deprived populations the by-product thesis that depicts informal work as conducted out of necessity and as a last resort appears appropriate. For affluent populations, meanwhile, it is more the chosen alternative thesis that seems relevant, while the representation of formal and informal work as complements seems applicable when examining the population as whole. Secondly, different relationships apply to different kinds of informal work. Whilst the by-product thesis seems to accurately portray the nature of informal waged employment, subsistence-oriented households, routine self-provisioning and unpaid community exchange, and the alternative thesis to portray the nature of informal self-employment and non-routine self-provisioning, it is the complementary thesis that is more valid when discussing paid favours as well as for portraying the differences in each kind of informal work between affluent and deprived populations.

In sum, given that the informal economy in Moscow is not some traditional, stagnant, declining, backward, marginal sphere as depicted by the residue thesis, but is a large, ubiquitous and extensively used sphere, this paper has further revealed the need to move the informal economy out of the margins more centre-stage in economic studies. Indeed, what is now required are further studies elsewhere to determine the reach of the formal economy and whether the same complex and multi-layered relationships exist between formal and informal
work as in Moscow, and if so, whether they are similar to those identified in this city. If this paper encourages such studies to be conducted and consequently a wider re-thinking of the nature of the informal economy and its relationship to formal work, then it will have achieved its objective.

References


Table 1 Primary and second most important form of work for living standard: % of households

<table>
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<tr>
<th>Primary strategy</th>
<th>Secondary strategy</th>
<th>Self-provisioning</th>
<th>Unpaid community work</th>
<th>Paid informal work</th>
<th>Employment</th>
<th>Benefits</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-provisioning</td>
<td>&lt;1</td>
<td>1</td>
<td>1</td>
<td>&lt;1</td>
<td>2</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Unpaid community exchange</td>
<td>&lt;1</td>
<td>&lt;1</td>
<td>&lt;1</td>
<td>1</td>
<td>16</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Paid informal work</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>8</td>
<td>13</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Employment</td>
<td>0</td>
<td>3</td>
<td>6</td>
<td>4</td>
<td>8</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Pension/Benefit</td>
<td>2</td>
<td>17</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>

Source: 2005/6 Moscow livelihoods survey
Table 2  % using different sources of labour to conduct household service tasks in Moscow

<table>
<thead>
<tr>
<th>Task</th>
<th>Self-provisioning</th>
<th>Unpaid community exchange</th>
<th>Informal monetary exchange</th>
<th>Non-monetized gift</th>
<th>Formal Employment</th>
</tr>
</thead>
</table>

**Home maintenance & improvement**

<table>
<thead>
<tr>
<th>Task</th>
<th>Self-provisioning</th>
<th>Unpaid community exchange</th>
<th>Informal monetary exchange</th>
<th>Non-monetized gift</th>
<th>Formal Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indoor painting</td>
<td>34.2</td>
<td>14.5</td>
<td>45.6</td>
<td>1.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Wallpapering</td>
<td>37.6</td>
<td>16.4</td>
<td>40.2</td>
<td>0.5</td>
<td>5.3</td>
</tr>
<tr>
<td>Replace broken window</td>
<td>17.3</td>
<td>13.6</td>
<td>56.8</td>
<td>4.9</td>
<td>7.4</td>
</tr>
<tr>
<td>Maintain appliances</td>
<td>9.0</td>
<td>9.0</td>
<td>66.2</td>
<td>5.3</td>
<td>10.5</td>
</tr>
<tr>
<td>Double glazing</td>
<td>10.1</td>
<td>6.3</td>
<td>31.6</td>
<td>0</td>
<td>51.9</td>
</tr>
<tr>
<td>Plumbing</td>
<td>15.2</td>
<td>2.4</td>
<td>75.2</td>
<td>0.8</td>
<td>6.4</td>
</tr>
<tr>
<td>Improve kitchen</td>
<td>1.1</td>
<td>9.2</td>
<td>56.3</td>
<td>1.1</td>
<td>32.2</td>
</tr>
<tr>
<td>Improve bathroom</td>
<td>4.5</td>
<td>7.7</td>
<td>72.9</td>
<td>1.3</td>
<td>13.5</td>
</tr>
<tr>
<td>Improve flooring</td>
<td>16.8</td>
<td>11.2</td>
<td>57.0</td>
<td>2.8</td>
<td>12.1</td>
</tr>
</tbody>
</table>

**Domestic work**

<table>
<thead>
<tr>
<th>Task</th>
<th>Self-provisioning</th>
<th>Unpaid community exchange</th>
<th>Informal monetary exchange</th>
<th>Non-monetized gift</th>
<th>Formal Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Routine housework</td>
<td>97.1</td>
<td>1.3</td>
<td>1.3</td>
<td>0</td>
<td>0.3</td>
</tr>
<tr>
<td>Clean inside windows</td>
<td>92.9</td>
<td>2.9</td>
<td>3.5</td>
<td>0</td>
<td>0.6</td>
</tr>
<tr>
<td>Shopping</td>
<td>94.8</td>
<td>2.9</td>
<td>1.9</td>
<td>0</td>
<td>0.3</td>
</tr>
<tr>
<td>Wash/iron clothes</td>
<td>94.8</td>
<td>1.3</td>
<td>2.6</td>
<td>0</td>
<td>1.3</td>
</tr>
<tr>
<td>Cooking</td>
<td>97.4</td>
<td>1.3</td>
<td>0.6</td>
<td>0</td>
<td>0.6</td>
</tr>
<tr>
<td>Wash dishes</td>
<td>97.7</td>
<td>1.0</td>
<td>1.3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Hairdressing</td>
<td>8.5</td>
<td>34.1</td>
<td>22.2</td>
<td>1.0</td>
<td>34.1</td>
</tr>
<tr>
<td>Book-keeping</td>
<td>99.0</td>
<td>0.6</td>
<td>0</td>
<td>0</td>
<td>0.4</td>
</tr>
</tbody>
</table>

**Making/repairing goods**

<table>
<thead>
<tr>
<th>Task</th>
<th>Self-provisioning</th>
<th>Unpaid community exchange</th>
<th>Informal monetary exchange</th>
<th>Non-monetized gift</th>
<th>Formal Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make/Repair clothes</td>
<td>91.3</td>
<td>0.8</td>
<td>2.7</td>
<td>0</td>
<td>5.1</td>
</tr>
<tr>
<td>Make/repair curtains</td>
<td>83.7</td>
<td>8.1</td>
<td>3.5</td>
<td>0</td>
<td>4.6</td>
</tr>
<tr>
<td>Make/repair tools</td>
<td>77.1</td>
<td>11.4</td>
<td>11.4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Make/repair furniture</td>
<td>71.1</td>
<td>17.3</td>
<td>9.6</td>
<td>0</td>
<td>1.9</td>
</tr>
</tbody>
</table>

**Caring**

<table>
<thead>
<tr>
<th>Task</th>
<th>Self-provisioning</th>
<th>Unpaid community exchange</th>
<th>Informal monetary exchange</th>
<th>Non-monetized gift</th>
<th>Formal Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daytime childcare</td>
<td>91.5</td>
<td>0</td>
<td>5.1</td>
<td>0</td>
<td>3.4</td>
</tr>
<tr>
<td>Evening childcare</td>
<td>91.4</td>
<td>1.7</td>
<td>5.2</td>
<td>0</td>
<td>1.7</td>
</tr>
<tr>
<td>Tutoring</td>
<td>31.3</td>
<td>0</td>
<td>31.3</td>
<td>0</td>
<td>37.5</td>
</tr>
<tr>
<td>Tend sick</td>
<td>47.6</td>
<td>23.8</td>
<td>19.0</td>
<td>4.7</td>
<td>4.7</td>
</tr>
</tbody>
</table>

*Source: 2005/6 Moscow livelihoods survey*
## Table 3: Sources of labour last used to conduct domestic tasks in Moscow: by household type

<table>
<thead>
<tr>
<th>% of all 25 tasks done</th>
<th>Self-provisioning</th>
<th>Unpaid community work</th>
<th>Informal monetized exchange</th>
<th>Gift exchange</th>
<th>Formal employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of tasks done</td>
<td>%</td>
<td>No. of tasks done</td>
<td>%</td>
<td>No. of tasks done</td>
</tr>
<tr>
<td>All</td>
<td>50.5</td>
<td>9.03</td>
<td>67.6</td>
<td>0.9</td>
<td>6.7</td>
</tr>
<tr>
<td>District</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affluent</td>
<td>57.9</td>
<td>8.99</td>
<td>61.6</td>
<td>0.87</td>
<td>5.9</td>
</tr>
<tr>
<td>Deprived</td>
<td>51.3</td>
<td>8.80</td>
<td>66.7</td>
<td>1.13</td>
<td>8.6</td>
</tr>
<tr>
<td>Mixed</td>
<td>48.6</td>
<td>9.52</td>
<td>77.5</td>
<td>0.86</td>
<td>7.0</td>
</tr>
<tr>
<td>Gross household income/month (rubles)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;3000</td>
<td>40.8</td>
<td>7.8</td>
<td>77.0</td>
<td>1.5</td>
<td>14.7</td>
</tr>
<tr>
<td>3 – 6,999</td>
<td>33.7</td>
<td>8.3</td>
<td>71.7</td>
<td>1.4</td>
<td>12.1</td>
</tr>
<tr>
<td>7 - 10,999</td>
<td>52.1</td>
<td>9.3</td>
<td>71.9</td>
<td>1.0</td>
<td>7.9</td>
</tr>
<tr>
<td>11-14,999</td>
<td>55.6</td>
<td>8.7</td>
<td>63.7</td>
<td>0.8</td>
<td>5.6</td>
</tr>
<tr>
<td>15-18,999</td>
<td>55.7</td>
<td>8.8</td>
<td>63.6</td>
<td>0.8</td>
<td>5.9</td>
</tr>
<tr>
<td>&gt;19,000</td>
<td>74.0</td>
<td>10.0</td>
<td>63.3</td>
<td>0.4</td>
<td>2.7</td>
</tr>
</tbody>
</table>

*Source: 2005/6 Moscow livelihoods survey*
Table 4  Number of tasks conducted on a paid and unpaid informal basis for others: by location and household income

<table>
<thead>
<tr>
<th>% of sample</th>
<th>% of unpaid community exchange</th>
<th>% of paid informal exchanges</th>
<th>Relative level of activity [whole sample = 100]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unpaid community exchanges</td>
<td>Paid informal exchanges</td>
<td>Both</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Location</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affluent district</td>
<td>39.5</td>
<td>31.0</td>
<td>66.7</td>
<td>79</td>
<td>170</td>
<td>137</td>
</tr>
<tr>
<td>Deprived district</td>
<td>32.4</td>
<td>13.8</td>
<td>5.9</td>
<td>42</td>
<td>18</td>
<td>27</td>
</tr>
<tr>
<td>Mixed district</td>
<td>28.1</td>
<td>55.2</td>
<td>27.4</td>
<td>197</td>
<td>98</td>
<td>134</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross Household Income/month (rubles)</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;3000</td>
<td>8.3</td>
<td>3.4</td>
<td>2.0</td>
<td>41</td>
<td>23</td>
<td>30</td>
</tr>
<tr>
<td>3 – 6,999</td>
<td>27.3</td>
<td>58.6</td>
<td>11.8</td>
<td>214</td>
<td>43</td>
<td>105</td>
</tr>
<tr>
<td>7 – 10,999</td>
<td>13.8</td>
<td>17.2</td>
<td>19.6</td>
<td>125</td>
<td>142</td>
<td>136</td>
</tr>
<tr>
<td>11 – 14,999</td>
<td>8.3</td>
<td>10.3</td>
<td>19.6</td>
<td>123</td>
<td>234</td>
<td>194</td>
</tr>
<tr>
<td>15 – 18,999</td>
<td>10.9</td>
<td>0</td>
<td>35.3</td>
<td>0</td>
<td>323</td>
<td>206</td>
</tr>
<tr>
<td>&gt;19,000</td>
<td>31.2</td>
<td>10.3</td>
<td>11.8</td>
<td>33</td>
<td>38</td>
<td>36</td>
</tr>
</tbody>
</table>

*Source*: 2005/06 Moscow livelihoods survey