

## A HOLISTIC APPROACH TO SOCIAL SURVEY RESEARCH ON THE “SHADOW ECONOMY”

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**Abstract:** The measurement of economic activities performed in violation or disregard of formal regulations has been the object of increased research interest in the last twenty years. This field of study is many-sided and has been illuminated to various degrees, but scholarly efforts have ultimately been aimed at establishing the relative share of shady activities within the official economy.

This article offers a brief overview of the methods that have so far been applied within the frameworks of various paradigmatic approaches for the study and explanation of shady economic practices in Europe and the world. The author traces the epistemological and instrumental particularities of applying the sociological approach to the study of this category of economic activities. The article presents and grounds an original **methodology for research on the “shadow economy”** in referring to the experience of a Bulgarian research team working on measuring non-legitimate economic activities. The article argues that, due to the complex and internally contradictory nature of informal economic activities, their study requires the application of a **holistic methodological approach**. After applying this research strategy, the general conclusion is that **the study of the shadow economy using sociological methods is expedient and constructive from a methodological point of view, both in epistemological terms and as regards the possibility it affords to construct and correct the national policies.**

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### 1. Notes on methodology

#### *1.1. Approaches to conducting survey research on informal economic activities*

In the context of the globalizing world and the interconnectedness of national economies as highly interdependent systems, informal economic activities are considered to be a parallel economic reality affecting both the dynamism and development trends of those national economies and whole regions of the world, as well as economic growth on a worldwide scale.

An analytical overview of the emergence and establishment of the topic of informal economy as a research field shows that in the last two decades shady economic activities have permanently become a focus of research interest. This is evidenced by the growing number of theoretical and empirically oriented

studies on the different aspects of informal economic activities. The International Labour Organization (ILO), the World Bank, the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) have made it one of their constant priorities to conduct research on the informal economy.

Initially, work on this topic was done by anthropologists and economist of world repute [**Koch, 1980; Tanzi, 1982; Frey, 1983; Feige, 1990; Welfens, 1992; Schneider, 2002, 2005; 2007; 2011**]; at a later stage, experts on transitology, political scientist; later, sociologists joined in the discussions [**Grossman, 1989; Koryagina, 1990; Manusov, 1996; Glinkina, 1996; Shanin, 1999; Glinkina, 2001; Latov, 2000; 2001; Granovetter, 2002; Chavdarova, 2001; Yalamov, 2002, Chengelova, 2012, 2013**]. **In an epistemological aspect, each of the approaches and methods used has its advantages but also its obvious instrumental shortcomings; hence the knowledge obtained through them may be adequate to different degrees, i.e., it may deviate to some degree from the true picture.** These differences in methods are largely due to the fact that they lean on different basic definitions of shadow economic activity – here the greatest variation of definitions pertains to the inclusion or non-inclusion of the “black economy” within the scope of researched shadow economic activities. Understandably, different choices on this issue would lead to different values of the estimates. These differences of assessments are additionally enhanced by the differing methodological approaches in constructing the research tools used for seeking information by specific traits. Thus, **even when one and the same objective economic reality is being studied, the different methods used yield different estimates as to the levels of the shadow sector.**

An overview of the basic methodological approaches indicates that the different approaches, methods and concepts used correspond to different cognitive goals. Only in a rather small share of the studies do researchers look for knowledge about the society as a whole that might explain the nature of the informal economic activities. **Most of the studies conducted within the EU are emphatically oriented to the perspective of administrative management** and they are pursued in view of the needs to optimize the national statistical accounts and to specify the relative share of the shadow economy within the national economies of the EU (deductions from tax revenues and payment of national contributions to the EU budget).

**This is one of the important paradoxes of research on informal economic activities.** Despite the great variety of aspects and forms of the informal economy, astoundingly, the efforts of most econometric measurements are intent on obtaining a single number: the range of the shadow sector in proportion to the GDP. The search for this single number creates many difficulties, both at the stage of designing the research tools and when interpreting the obtained empirical data.

**The present article intentionally disregards the specifics of researches by economists, transitologists and statisticians<sup>1</sup>. The object of analysis here**

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<sup>1</sup> In the study of informal economic activities, **four basis approaches** are used: **anthropological, sociological, statistical, and macro-economic**. Within these approaches researchers

**is the epistemological, cognitive and instrumental potential of Social Survey Research on informal economic activities, research based on a sociological system approach** and that, through a scientifically grounded methodology and research techniques, uses direct (qualitative and quantitative) methods to collect empirical information and thereby reconstruct the reality under study.

*1.2. The sociological approach as a Social Survey Research technology for the study of informal economic activities*

The sociological approach is essentially different from other ones mentioned. By its very **nature, the sociological approach** must go beyond the seeming obviousness of the facts and try to take the interweaving, empirically verifiable “grains” of truth in order to reconstruct the regularities, the essential characteristics and the persistent models of interaction between the subsystems of society. When applied specifically to the study of informal economic practices, this approach demonstrates its vast cognitive potential. The quantitative parameters of phenomena are indeed important, but they are interpreted here with a view to disclosing the nature, the causal determination of the informal economic activities, the specific functions of these activities in the framework of the social economic system as a whole, the incentives that drive social actors to take part in shadow activities, and the social economic consequences of the use of shadow practices. Thus, the **sociological approach both captures the picture of the phenomenon (quantitative parameters) and interprets and enriches the ontological elements of the object of study.**

While other approaches mainly use quantitative data gathered through the national statistical offices, the **sociological approach leans on the opinions and assessments of the concrete participants in economic processes.** One might object that here lies the chief shortcoming of this approach: since it deals with opinions and value judgments, there is a risk that the information might be purposely distorted from the start, before we use it to reconstruct the processes under study. Such fears are not groundless, but only when violations have occurred respecting the methodological requirements for the theoretical design of the survey, respecting the field work and the subsequent statistical-mathematical processing of the aggregate empirical data. Unfortunately, the current practice of surveying is full of negative examples in this respect:

1) The social research on informal economic activities is **fragmentary and narrow in scope, so that separate aspects of the problem are overstressed while other no less important elements remain outside the scope of research interest.** This produces a distorted picture of the informal economy, which

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elaborate relevant methods for measuring, studying and explaining shady economic reality. Across the wide variety of methods used, three large groups of methods for measuring and studying the shadow economy emerge: **mediated, non-mediated and model methods.** The fact that the different approaches and methods result in different assessments provokes serious thought (and partially mistrust) as to their epistemological and instrumental potential, as to their limitations, and the risk that they might produce distorted knowledge (thus becoming part of the global production of meta-ignorance, to use Mineev’s term [Mineev, 2011]).

afterwards has serious consequences in respect to the formulation of national priorities and the construction of institutional environment.

2) Despite the experience in carrying out this type of research, there is still a serious lack of clarity with respect to the **expediency of the methods used to gather empirical data**. One or several quantitative methods are generally applied for obtaining primary data (mostly the face-to-face interview or the direct fill-in questionnaire survey). But the informal economy is a complex phenomenon ridden with inner contradictions and can neither be comprehended as a whole nor be explained through qualitative or quantitative methods alone. The solution would be to make a methodologically expedient combination of the two broad categories of methods, but unfortunately, examples of such a combined approach are rather an exception, while methodological treatments of these approaches are entirely missing.

3) Not rarely, **the methods for collecting primary information are applied without the necessary grounding as to the epistemological relevance of the choice of methods**. The use of various methods does not take into account the particularities and limitations of the potential sources of information, and there are many problems arising in the operationalization of concepts and their transformation into empirical indicators; the design of relevant research tools is problematic, as is likewise the subsequent gathering of primary information.

4) But the most serious misapplications and problems occur when **interpreting the gathered information**: the chaotic terminology resulting from the use of different concepts of informal economic activity recurs with new intensity at this stage. The data are interpreted arbitrarily, the direct conclusions drawn from these data are faulty, the final conclusions drawn are extreme and scientifically unfounded, and groundless comparisons are made.

**Given the existence of such serious methodological oversights, at least two questions logically arise:**

1) **Considering that the science of sociology and Social Survey Research has such a rich tradition of methodology, why are such numerous and serious mistakes being made in the study of informal economic activities?** The problem lies first of all in the specific nature of the subject of research: it is heterogeneous, contradictory, dynamically developing and ambiguous. Secondly, while at the theoretical level the informal economy has been quite widely dealt with, so far only rare methodological studies have been made on the complex and multiple-component procedure of constructing methodologies and methods for empirical research on informal economic activities. The OECD handbooks for measuring informal labour, including informal employment, and some of the separate theoretical models of European researchers, can serve as a good foundation for developing methodologies, but they are not enough. Most researchers improvise, so that in conducting their surveys they “*learn by doing*”. This shows that empirical researches on informal economic behaviour are still at the stage of experimentation and verification through practice. This field has still been poorly elaborated with respect to methodology, and there is a lack of methodologically grounded approaches that might substitute systematic and grounded research strategies in place of the fragmentariness and guess-work as to the right approach to use.

2) The second serious question in this situation is whether **it is possible, using the methods and research procedures of the sociological approach**, to collect reliable empirical information that should enable us to describe the quantitative and qualitative parameters of the informal economic activities.

## **2. Efficiency and expediency of the sociological approach in the study of informal economic practices**

The analysis of previous measurements of and studies on informal economic activities demonstrates that in order for an experimental social survey research in this field to be successful, it is necessary to precisely define the researcher's standpoint on several key issues:

**i. What exactly is being studied:** what is the object of the study; what concept or concepts of shadow activities will be used, what are the contents of these concepts, what are the basic manifestations and measures of informal activities.

**ii. What approaches and methods will be applied:** a well-grounded choice of approaches must be made, together with a detailed description of the methods to be used for gathering primary empirical data and the methods for statistical-mathematical processing of these data.

**iii. What kind of information will be obtained:** objective, concrete, measurable indicators of economic and financial activity of economic agents *or* information about the structure of social attitudes and assessments.

**iv. How will the obtained information be interpreted:** the relative share of the informal economy as a percentage of the GDP will be calculated *or* the relative shares of shadow economic activities and of employers violating the regulations will be ascertained.

This article is based on the findings of one of the Bulgarian research teams measuring and studying informal economic activities; we propose a methodological solution that has proven its efficacy. The approach has been developed and applied in the framework of the project<sup>2</sup> Restriction and Prevention of the Informal Economy, conducted by the Bulgarian Industrial Capital Association (BICA), in partnership with the CITUB (this abbreviation stands for the name of one of the biggest syndicate organisation: *Confederation of Independent Trade Unions of Bulgaria* – editor's note) and with the financial support of Operational Programme Human Resource Development 2007-2013, co-funded by the EU Social Fund and the Republic of Bulgaria.

The project's research strategy is based on a holistically oriented methodology for survey research on informal economic activities.

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<sup>2</sup> The author of this article holds the position of a "key expert sociologist" in the framework of the cited project and in this capacity has developed the methodological approaches, described in this article, for measuring the attitudes, assessments and representations regarding informal economic activities in Bulgaria.

## *2.1. Basic methodological assumptions*

**In the search for an optimal methodological solution, the following significant methodological assumptions have been made:**

**Firstly, it is assumed that informal economic activities are universal in nature.** Since such activities are an objectively intrinsic characteristic of all modern societies, their existence in the economic life of changing Bulgarian society should be viewed as an objectively occurring feature. Informal practices are not sporadic, temporary conditions of societies in transformation – the practice of violating the official rules is the result of a new economic rationality that is a distinctive feature of the globalizing society today.

**Secondly, the existence of an informal part in the economy can be considered a function of intensified state intervention and excessive regulation by the state. But even when the state's economic policy involves only moderate regulation and provides a favourable business environment, the informal sector still exists:** it is typical for self-employed persons, it is prevalent among employed immigrants, and it often occurs among housewives and other vulnerable groups on the labour market. Hence, informal economy must be seen from a different angle: simply calling it a social “sore” and something “undesirable” would lead the debate in the wrong direction<sup>3</sup>. **Evidently the informal sector is present in the social-economic tissue in a complex and imperative way.** To use Polanyi and Granovetter's terms, economic relations are inevitably built into the social structure. But informality is an inherent property, an inner characteristic of human societies: it is a principle in the construction of social groups; and in the course of institutionalization of norms and rules, set as written laws and regulations, it tends to become “socialized” by adopting conventional forms, becoming codified and becoming part of the official code of socially desirable behaviour (in all aspects: economic, political, social, moral, cultural, familial, etc.). But informality continues to be latent beneath the surface of socially acceptable behaviour.

**Thirdly, interpreting informal economic activities as a social-economic “ulcer” is correct yet one-sided.** It is believed that when informal practices attain 40 or 50 % of the GDP, serious risks arise for the stability of the social-economic system, and the policies relevant to the pillars of social solidity are infringed upon. Together with this, informal economic activities perform important social functions (as compensations, as social buffers and shock absorbers). Thus, from an instrumental aspect, it would be more reasonable to view informal activities in their functional complexity; we should see the obvious: **informality is a universal and inevitable characteristic of modern economies.**

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<sup>3</sup> Researches in the last thirty years have convincingly shown that the informal economy is something unavoidable. **But there are different models for interpreting the contents of the concept of informal economy, and differing assessments have been made as to the proportion of shady activities within the total national economies and in the world [Koch & Grupp, 1980; Tanzi, 1982; Frey & Weck, 1983; Feige, 1990; Welfens, 1992; Schneider, 2002, 2007].** These issues raise yet another challenge to economic science.

**Fourthly, the beginning of the new century marks a sort of turning point in the research on informal economy in Bulgaria, and particularly in present-day Bulgarian society in course of transformation.** This increased interest has greatly been influenced by international research on transformation processes in Southeast Europe, particularly in Bulgaria. The theoretical work of transitologists, their attempts at finding a conceptual key to explaining the trends, has certainly contributed to the construction of schemas for interpretation [Grossman, 1982; Burawoy, 1985, 1992; Brenner, 1989; Mingione, 1991; Sik, 1992; Stark, 1992; Frydman & Rapaczinsky, 1994]. The explanatory models are situated in the continuum between neo-liberal, neo-classical and neo-institutional paradigmatic approaches. The formation of the shadow sector as an implicit in-built element of social and economic life in the economies of countries is directly correlated to the nature and contents of the preceding path of development of those countries [North, 1990; Stark, 1992], which explains the differences in the scope and range of the concrete informal practices in the post-socialist economies [Grossman, 1982; Koryagina, 1990; Manusov, 1996; Glinkina, 1996, 2001; Latov, 2000; Radaev, 2000, 2001; Chavdarova, 2001; Stoeva, 2009].

**Fifth, an additional difficulty in defining informal economic activities stems from the fact that in the specialized literature on the topic there is no agreement as to defining the structural purpose of informal economic activities.** At first, studies on informal practices referred to an informal sector – which implied informal labour, i.e., occupations lying outside the official state forms. Assuming that informal practices in their totality constitute a certain sector of the economy of a given country, this sector would have to be viewed as separate from and contrary to the officially existing economic sectors. Viewing informal economic activities as a separate sector of economic life would entail bunching together activities that cannot be put under the same category (for instance, different kinds of services, small craft activities, domestic production, etc.). Such an interpretation would mean putting all informal activities in one common sector and seeing them as opposed to all the other sectors of a national economy. The unifying feature of this kind of activities could be that they are all carried out in violation of the official rules. But even this trait does not justify putting them all into a common sector: for they are present in all the different economic spheres and appear under multiple and varying aspects.

**That is why, from the perspective of Social Survey Research on informal economic activities, it would be more rational to perceive these as a parallel economic reality that penetrates all spheres and sectors of social and economic life and performs specific social and economic functions (depending on the nature of a specific production, the particularities of the kinds of work done in these spheres, and the types of production and exchange that informal activities duplicate).**

**Sixth, there is the issue of grounding the correct use of the term “shadow economy”<sup>4</sup>.** The theoretical construct “shadow economy” has been elaborated

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<sup>4</sup> In world and European research practice at least 25 different terms are used, all of which claim to designate the same informal economic activities. These terms include: **informal**

and affirmed among researchers by the Austrian macro-economist F. Schneider [Schneider, 2002]. The construct is taken to be synonymous with the terms “grey economy” and “hidden economy”.

To put it quite briefly, the **theoretical construct “shadow economy” should be understood as referring to the part of the economy that is carried out in the shadow of the law** – such are the economic activities that are legally permissible and for which a legislative basis has been created (laws, sub-laws, statutes and other normative regulations) but in the course of whose performance various kinds of violations are committed. **The effects of these violations are social-economic but in most cases the violations are liable to administrative penalties alone; only in occasional cases are they liable to criminal prosecution.** The process of carrying out shadow activities primarily involves performing activities that are legally permissible, but some of them involve activities that can be prosecuted under criminal law. What is essential about these economic activities is that they are parasitic and are made possible by the deficits of the laws (omissions, logical inconsistencies, the possibility of ambiguous interpretation, or simply “loopholes” left in the laws on purpose). That is why it would be more precise to say these activities lie in the shadow of the law.

Judging by the origin, nature, functions and mechanisms of these activities, **the shadow economy is an alternative economic reality that is socially legitimate and functions as a reflection and “shadow” of the official, formal economy.** The core of the shadow economy consists in the economy that is under the protection of political umbrellas provided at the highest level. This core may conventionally be called an **economy of “trusted people”**<sup>5</sup>. Unlike other more widely used terms, the construct “shadow economy” is most comprehensive with respect to the measurable indicators by which we may estimate the scope of the activities that violate the formal rules and remain unregistered by the state statistics. This quality of the term makes it optimal for use in survey study of economic activities pursued parallel to the official economy.

**„Shadow economy” can be defined as a set of economic activities allowed by the law and which a) are conducted by economic entities that are either legal or exist unofficially, b) are carried out in committing some or**

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**economy, shadow economy, grey, hidden, black, coloured, underground, secret, shady, invisible, unofficial, unregistered, unregulated, marginal, double, dual, parallel, irregular, non-market, alternative, domestic, social, communal, ex-polar.**

<sup>5</sup> Only some Russian scholars refer to this type of informal activities [Latov, 2000; Radaev, 2000], calling it **rosy economy**; they use the term to designate that specific segment of economic activities that, in the course and as a result of the large-scale transformation of the post-socialist regulations, have been entrusted to a small group of privileged people. In addition to acquiring exceptional rights/privileges of access to the national resources and production, these people are exempt from the laws, and the risk of penalties is reduced to nil for them; their activities are enshrouded in comfortable political and governmental protection. It is a debated issue whether these economic entities conduct **only** legally permissible activities (informal but legal) or whether they carry out criminal activities as well (trading in arms, in strategic raw materials, production and traffic of drugs, human trafficking, etc.).

**systematic violations of the formal rules of economic activity (rules relative to taxation, social insurance and healthcare laws) – only in some cases are the violations punishable under criminal law.**

This definition posits two delimiting criteria.

The **first criterion is related to identifying economic entities in legal terms.** According to this criterion, economic entities are divided into officially functioning ones (formally registered economic units, visible to the law and to statistics) and informal ones (not registered and invisible to the trade registers but in fact existent and active).

The **second criterion refers to the legitimacy of the economic activities under law and considers whether the regulations and rules of business are abided by.** Under this criterion economic entities differ in a specific feature of the economic activity they conduct – whether it is permissible or not permissible under law - but also by the extent to which they abide by taxation rules, by the laws of taxation, social insurance and healthcare insurance. In this context informal entities can be divided into two basic types: legal informal ones (entities that carry out activities permissible under law) and illegal informal ones (entities that deal in criminal activities).

As concerns research, an important epistemological consequence of adopting this definition of shadow economy is that **in studies based on it the collected opinions and assessments concern legal activities.** Also falling under the category of “shadow economy” are those activities that are permissible under law but are conducted by entities without official registration. **Falling outside the topic of research are the opinions and assessments concerning activities that are criminal according to Bulgarian law – these are considered to be “black economy”.** Also falling outside the scope of research are the economic activities that are traditionally considered to be part of the subsistence economy (domestic or social economy).

The analysis of the nature and functions of informal economic activities indicates that it would be expedient to add three more distinguishing criteria to the two above-mentioned ones – this would make the first two more concrete and make it possible to distinguish the structural elements of the “shadow economy” construct.

**i. The first of these additional criteria** takes into account types of violations of law and distinguishes between entities according to the types of violations they commit (labour law, social insurance law, financial law);

**ii. The second criterion** refers to the frequency of violations: it distinguishes occasional violations and systematic ones.

**iii. The third criterion** takes into account the consequences and effects of the violations – whether they impact on society as a whole, on the process of redistribution, on the social systems, on the individuals at present or on the individuals in the future.

As a result of the assumptions we have made, the system of distinguishing criteria finally appears thus:

- 1) The status of economic entities under law;
- 2) The legitimacy of economic activities;
- 3) Types of violations;

- 4) Frequency of violations;
- 5) Consequences and effects of violations.

According to these five criteria, the structure of the “shadow economy” construct may have five sets of divisions:

1) According to the first criterion **shadow economy is divided into grey and hidden economy;**

2) According to the second criterion **shadow economy is divided into legal and semi-legal;**

3) The third criterion distinguishes between **grey capital, grey production, grey labour relations, grey turnover, grey profit, grey market for end products and commodities;**

4) According to the fourth criterion employers committing violations of the formal rules may be divided into **occasional offenders** or **systematic offenders;**

5) The fifth criterion classifies the shadow economy according to its effects: these may be **entirely negative, somewhat positive and mixed (in cases when effects that are positive for part of society necessarily entail negative effects for other elements of the social system).**

In themselves, the five criteria are a theoretical tool for conducting systematic analyses of the construct “shadow economy”. But as regards building a methodology for survey research on the “shadow economy”, it is necessary **further on to operationalize the construct and present it in a form that can be subjected to survey research. The first degree of concreteness** would require a clear **distinction between grey economic entities and hidden ones. The second degree of concreteness** involves operationalizing the two concepts – grey or hidden – from the perspective of their actual, empirically identifiable economic behaviour.

## *2.2. The nature of the holistic approach to constructing a methodology of Social Survey Research on the “shadow economy”*

A starting point in designing a methodology for this research is considered to be the grounding, elaboration and application of a **holistic research approach** aimed at identifying 1) the main features of the shadow economy (its nature, forms, models, and mechanisms of functioning); 2) the sensitivity and tolerance of society to it and the willingness of different categories of the Bulgarian population to take part in shady economic activities; and 3) the actual economic behaviour of the population, including the involvement of people in shady practices.

**The holistic approach to the methodology of Social Survey Research is elaborated through a conscious effort to overcome the fragmentary nature, subjectivism, and initially posited limitations of scientific research in certain areas of knowledge.**

**Applying a holistic approach to methodology of Social Survey Research signifies:**

- i. Encompassing all components that have structure-defining functions with regard to the object of study and are absolutely necessary for the existence and functioning of the object as an integral whole and as a developing system;

ii. Identifying the mutual connections between these structure-defining elements, describing the areas of interaction between elements and the consequences of this interaction for the functioning of the object as a system on one hand and, on the other hand, for the functioning of the society at large as a system (of which this object of study is a component);

iii. Identifying the optimal methodological approaches and solutions to be used for creating conditions and ensuring guarantees for obtaining reliable and representative information about the object under study.

By applying the holistic approach in this particular case, it is possible:

1) To ascertain the real facts about the economic behaviour of Bulgarians and to measure the degree of the population's involvement in shady economic practices;

2) To study those representations, attitudes and assessments of various categories of the population that, as a whole, shape the image of the shadow economy as perceived by Bulgarians;

3) To study the structure of public opinion about the informal economy (stereotypes and models of thinking about the economy) and to identify people's preferred models of doing business (observing the regulations *or* doing business outside the law);

4) To ascertain the extent of shady economic practices; this study is tested for the basic paradigms of the "rational economic man" and the "social man", including motives for working in the grey sector, ratio of rationality and irrationality in deciding to work in the shady sector;

5) In this perspective, we seek to explain why the shady economic sector is attractive to people and why Bulgarian employers and the population in general are willing to use shady economic practices (motives for taking part in shady practices);

6) To study the sensitivity of society to shady practices and to test the possible approaches (measures) for reducing the grey sector of the economy;

In deciding on the scope of the research, the basic differentiating criterion is taken to be the place of individuals within the structure of production activities and relationships. According to this logic, the basic carriers of empirical data on the shadow economy are: 1) the **population**, which holds and expresses the widespread stereotypes about the shadow economy and the models of how it is assessed and experienced; 2) the **employers**, who in their quality of economic agents carry out economic activity on the territory of the country and play a potentially active role in starting and maintaining shadow economic practices; and 3) the **economically active persons**, who, as employed, tend to become (consciously or not) part of the grey economic practices, which makes them a reliable source of information about the grey sector of the economy in the country.

**The designed set of sociological Social Surveys based on the holistic approach described above was implemented in the period 2010-2013.** This yielded an impressive amount of empirical databases drawn from three basic sources: the adult population of Bulgaria, the employers, and the hired employees in Bulgaria. The analysis of the data is the topic of other publications. The

empirical data from the surveys<sup>6</sup> demonstrate that the informal economic practices and in particular the “shadow economy” are a complexly organized subsystem of social-economic relations that is tightly interwoven with the structure of transforming Bulgarian society. Regardless of the differences of assessments as to the relative share of shady economic practices, what is predominant in public opinion is the assessment model according to which in the period 2010-2013 about one third of economic activities in Bulgaria were carried out in violation of the formal (official) rules. In a comparative European perspective, this places Bulgaria in one of the top positions by relative share of its shadow economy as a proportion of the GDP. Survey research has shown that not only is the size of shady practices very large in our country, but so also is the *range* of these practices. As a result the annual losses for society are calculated to attain about 13 billion BGN. **The research conducted using the devised research strategy has confirmed that the “shadow economy” is perceived as a socially legitimated and economically expedient parallel economic reality, which consists in a set of well-thought-out life strategies for not complying with, neutralizing, or adapting, the formal rules. In the context of the transformation processes taking place in Bulgarian society, shady economic practices are assessed to be a necessary social-economic “compromise”, which covers the costs of the transition to a market economy and of the neo-liberal models of management.**

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<sup>6</sup> This refers to studies conducted in the framework of the project Restriction and Prevention of the Informal Economy, conducted in the period 2010-2013.

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