

Bulgarians and the shadow economy: Psychological attitudes and actual inclusion

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Abstract. The subject of this article is an analysis of the latest data on the psychological willingness of Bulgarians to take part in shadow economy practices, and their actual participation in such practices. The data are drawn from a nationally representative survey conducted in 2021 among the Bulgarian population aged 15+ years. The analysis shows a relatively high psychological willingness to take part in the “shadow economy”. Two types of violations of labour and social insurance law are found to be most frequent: working without an employment contract and work under a fictitious contract, whereby the employee is socially insured on a lesser remuneration but is paid the difference in untaxed cash - “money in envelope”. Around one third of Bulgarians are found to be economic deviants (they violate laws and regulations), while the behaviour of the other two thirds is characterized by economic conformism (they obey the laws and rules). In this context, the question of mastering the shadow economy looms large and requires deeper public debate, in which the emphasis should be on designing effective policies and measures for reducing shadow practices in the Bulgarian economy.

Keywords: shadow economy, shadow economy practices, labour-law relationships, public opinion

Introduction

Research in the last twenty years has shown that the **shadow economy is the most widespread type of informal economy** (Frey, Weck-Hannemann 1984; Castells, Portes 1989; De Soto 2000; Granovetter 2002; Williams, Renooy 2009; Schneider 2015). Shadow economy practices in Bulgaria, albeit being a sort of heir to the “second economy” in the time of state Socialism, are an objectively determined product of the radical transformation of society and, simultaneously, of the changes going on in all basic areas of socio-political life¹. This type of

¹ Researchers of the Bulgarian transition have highlighted that a specific feature of the transformation of Bulgarian society is the simultaneous implementation of radi-

violations of current regulations was a distinguishing characteristic of the early years of the Bulgarian transition (Beck 2013; Chavdarova 2001); over the years, instead of getting restricted, these violations acquired even wider dimensions and in 2010 attained a share of 42%². According to assessments by various research groups in Europe and Bulgaria, during the period 2013-2014, the share of the shadow economy in Bulgaria tended to decrease down to levels of 31-32% (McNeill 2004; Schneider 2011; KIIS 2014; Chengelova 2014³). Comparative European studies, however, indicate that, as of 2010, Bulgaria has held the first place among EU member states by the share of shadow economy practices in the country's national economy; in the latest European survey, dating to 2022, the share in question was 33.05% for Bulgaria, followed closely by Romania, where the share of the shadow economy was 29.03%.

The shadow economy is a multi-component, heterogeneous and extremely dynamic system of socio-economic relationships and practices, emerging on the basis of gaps, oversights and "loopholes" in legislation - a system that exists in parallel with the official economy. The shadow economy draws resources from society's still high tolerance for this type of violations of law - the latter are publicly condemned but in some cases are met with a high degree of toleration (Chengelova 2019a).

The essential feature of shadow economy practices is the purposeful and fully intentional violation of legal provisions and regulations related to economic activity. Studies on the nature, causal and factor determination, and typical manifestations of the shadow economy have shown that, although they are united by some common features, shadow economy practices differ significantly in their nature, origin, implementation mechanisms, consequences for the economy and the social tissue, as well as in the causes that engender the various kinds of practices, and the motivation of individuals using such practices to achieve their goals and life strategies (Latov 2000; Granovetter 2002; Chengelova 2019b).

In this connection, it is important to emphasize that the term 'shadow economy' comprises only specific practices and actions related to the performance of legally permissible economic activities (Castells, Portes 1989; North 2010; Schneider 2011; Chengelova 2019c; Enste 2015). This distinction is very import-

cal changes in all main areas of social-economic life (Chavdarova 2001). The transition consisted basically in a change of property relationships that led to a change in the type of social connections and structures as well as a change in the type of solidarity (in Durkheim's sense). Organic solidarity was replaced by mechanical solidarity based on a new type of relationships and on weaker social cohesion, while the economic experience of individuals (acquired in the time of state capitalism) served as a basis for the growth of networks of the second and third type (including the development of informal practices) in the economy.

² According to data from a nationally representative survey of employers in Bulgaria (2010), conducted under the project "Restriction and Prevention of the Informal Economy", implemented by the Bulgarian Industrial Capital Association (BICA) in partnership with the Confederation of Independent Trade Unions in Bulgaria (CITUB).

³ This refers to a series of surveys conducted under the BICA project "Restriction and Prevention of the Informal Economy" (2009-2014).

ant and should be stressed, for often enough even researchers may confuse practices related to permissible and prohibited activities. The shadow economy does not include criminal activities; this is the chief feature distinguishing it from the black economy, which comprises all incriminated activities, i.e., those that may be prosecuted and punished by law. Still, some shadow economy practices may also lead to results that are subject to prosecution⁴. That is why, at the end of the year 2014, when the Law for the Budget of the State Social Insurance for 2015 was passed, its transitional and final provisions led to changes in the Criminal Code that incriminate evasion in large or particularly large amounts, of the mandatory social insurance contributions to state social insurance and health insurance⁵.

Methodology

The aim of this article is to present up-to-date empirical data about the attitudes of Bulgarians to the shadow economy and the actual inclusion of the Bulgarian population in shadow economy practices. The empirical data were collected in the framework of the project “Factor Determination of the Shadow Economy and Approaches to Restricting It in Bulgarian Society”⁶. For the purpose, a nationally representative survey was conducted in 2021 among the population aged 15+, with a sample of $N = 1,800$ persons; the information was collected using the standardized interview method. An impressive amount of empirical assessments was collected, including assessments about the shadow economy as a social-economic phenomenon and opinions about the factors determining the emergence and sustained reproduction of shadow practices in the Bulgarian economy.

A significant part of the collected data consists of assessments regarding people’s willingness to take part in shadow economy practices, as well as their

⁴ Thus, for instance, tax evasion is a result of two shadow practices: 1) the avoidance of declaring the full amount of realized sales, and 2) the avoidance of declaring the full amount of realized turnover. By applying these two practices, economic entities pay lesser taxes than are actually due, which represents tax evasion and is subject to legal prosecution.

⁵ According to adopted provisions, “large amounts” are those that exceed 3,000 BGN, and “particularly large amounts” are those exceeding 12,000 BGN. Evading the payment of social security contributions in large amounts is punishable by prison terms of up to five years and fines of up to 2,000 BGN, while evasion of payment in particularly large amounts is punishable by prison terms of two to eight years and confiscation of part or all of the sentenced person’s property. The law states that the worker or employee subject to mandatory social insurance carries no criminal responsibility, including for incitement or aiding. This has provoked the discontent of certain employers’ and branch organizations, who insist that the responsibility be “shared” by the employer and employee.

⁶ The project, financed by the National Science Fund, was implemented in the period 2019-2023 by a team of researchers from the Institute of Philosophy and Sociology at the Bulgarian Academy of Sciences (BAS), under the scientific leadership of Prof. Emilia Chengelova, DSc.

self-assessments and assessments regarding the actual participation of people in such practices. The data refer to the year 2021; it is thus possible to reconstruct the picture of the shadow economy at that time. Here we will present precisely that part of the empirical data, for they are of particular interest for the study of the economic behaviour of Bulgarians and their inclination to participate in the shadow economy.

In studying the shadow economy, special methodological steps were taken to identify the psychological willingness to take part in shadow practices as well as the actual participation in such practices. It should be taken into strict account that the two groups of indicators measure essentially different characteristics. The first group of indicators measures **imaginary psychological willingness**, i.e., the existence of psychological inclinations, attitudes and stereotypes that are felt to justify a certain behaviour. As we know, the existence of a given psychological attitude does not automatically imply that the respective action will be performed. Hence, if such an attitude is found present, it is further necessary to measure and identify the **actual behaviour in question by using relevant indicators to reach the facts and identify which categories of the Bulgarian population take part in shadow economy practices.**

In the course of our research on shadow economy practices, we have adopted the methodological approach indicated above, measuring, in parallel, both the imaginary psychological willingness for participation in activities related to the shadow economy and actual involvement in shadow economy practices.

An important particularity of the adopted methodological approach is the use of projective techniques for collecting self-assessments regarding psychological attitudes and orientations. The projective approach allows respondents to place themselves in a hypothetical situation and judge how they would feel and react in that situation (Chengelova 2019d).

In the present study, the respondents were asked to share their attitudes and feelings with regard to two hypothetical situations: from the position of an employer and from that of an employee. The questions were whether, being an employer and, respectively, an employee, the respondents are inclined to perform certain actions or let themselves be drawn into certain schemes. The questions concerned two hypothetical situations - that of an employer and that of an employee. The respondents were asked whether they would participate in ten shadow economy practices, deduced by research as the ones occurring most often in the Bulgarian economy. These practices are related to four specific areas of legislation:

1. The first group of practices concerns observance of labour and social insurance laws. Previous studies⁷ have found that the most frequent forms of violation in this area are the employment of people without an employment

⁷ This refers to studies like that of the BICA for the period 2010-2019 and a study conducted by a team of sociologists from the Institute of Philosophy and Sociology, BAS, which established the specificity of the shadow economy as a deviant practice and outlined typical manifestation of deviant economic behaviour, which is considered by a growing number of young people to be the new “normal”.

contract or the hiring of a person under a contract with false clauses, and the failure to pay the due social and medical insurance contributions.

2. The second group of practices refers to working conditions and working overtime without payment. Although at first glance these may not be recognizable as shadow practices, the nature and content of these two practices justify their being classified as such.

3. A third group of practices are typical violations of tax discipline and tax legislation. They consist primarily of failing to pay the full amount of taxes, refusing to issue receipts that verify a deal/sale/purchase, or disregarding them, and preferring cash payments instead.

4. The fourth type of practices refers to giving and accepting bribes as a means for achieving personal goals, receiving greater benefits or achieving personal or corporative advantages.

The other particularity of the methodology we have applied is that, to identify actual participation in shadow economy practices, we have also used a **projective approach** whereby we distinguish two aspects in the behaviour of economic actors: **1) the respondents' participation in shadow practices; 2) the participation of the respondents' relatives and close acquaintances in such practices.** Several prior studies on the shadow economy have repeatedly convinced us that this is the correct methodological approach for designing questions about participation in shadow practices. The assessments of respondents regarding their personal participation tend to yield lower shares as to the actual participation in shadow practices than their assessments of the behaviour of their relatives and close acquaintances.

To make these methodological notes complete, we should point out that the empirical data were digitalized and analyzed using SPSS, a set of programs that afford ample possibilities for conducting statistical-mathematical analysis, including for identifying the statistically significant dependencies and influences, an advantage that is particularly important for our study.

Results

A. Imaginary willingness to take part in the shadow economy: assessments from the standpoint of a company manager

In this section, we present the respondents' assessments, collected through a projective technique "from the standpoint of the employer", regarding the **ten most frequent shadow economy practices** (Fig. 1). The assessments are as follows:

- **Winning public procurements or tenders in prohibited ways:** When asked whether they are inclined to use certain prohibited ways to win public procurements or tenders, 6.0% of respondents said they were entirely inclined to perform such acts; another 30.9% somewhat inclined; 25.1% somewhat not inclined; and 38.0% not at all inclined. While only 6.0% of the respondents said they were entirely inclined, nearly one third declared they were inclined under certain conditions. Thus, a total of 36.9% declared their imaginary willingness to use unfair means to win public procurements or tenders;

- **Entirely inclined to use prohibited market techniques to outsmart competitors** were only 4.8%, but another 32.2% admitted they would do so under certain conditions. Somewhat not inclined to act this way were 26.3%, while 36.7% would never do so. Thus, a total of 37.0% of respondents admitted attitudes that indicate imaginary psychological willingness to use prohibited market techniques aimed at outsmarting competitors. We should note that this refers to practices of unfair competition;

- **4.3% were entirely inclined and 22.9% were somewhat inclined to apply illegitimate means to win new market positions.** Thus, a total of 27.2% of respondents expressed psychological willingness to use unlawful means to win new market niches. This indicator is a variant of the previous one but with a certain nuance. While the previous indicator refers to a total set of behaviours, here we are considering the kind of unlawful tactics that would enable a person to win new market niches;

- The next indicator is more interesting for our analysis. It measures **psychological willingness to hire people without an employment contract.** This inclination was declared by 5.7% (entirely inclined), while another 20.3% were somewhat inclined. In all, this amounts to a share 26.0% - people who are psychologically willing to hire workers without an employment contract. The positive aspect in this case is that half of the respondents (53.1%) declared they would definitely not hire people without a contract;

- **To pay social insurance contributions for workers on less than the pay they actually receive while hand-paying them additional, untaxed sums:** 6.0% of the respondents were entirely inclined and 32.2% were somewhat inclined to do so. One third (34.7%) would definitely not do such a thing and 27.1% declared they were somewhat inclined;

- **To perform commercial activities, including sales or purchases, without invoicing them:** 5.7% were entirely inclined and 18.8% were somewhat inclined to do so. In all, this amounts to 24.5% of the respondents. At the other end of the scale are the 42.3% of respondents who were definitely not inclined and 33.2% who were somewhat not inclined to perform such acts;

- **To buy undocumented raw materials:** 4.4% were entirely inclined and 18.0% were somewhat inclined to do so. Thus, a total of 22.4% of the respondents indicated willingness to purchase raw materials without issuing an invoice, which is a specific kind of shadow practice;

- **5.2% were entirely inclined and 18.8% were somewhat inclined to find ways to avoid paying taxes;** 43.4% of respondents were not at all willing to do this, and 32.6% somewhat inclined.

- **Entirely inclined to avoid paying custom duties or excise taxes were 4.4%; and somewhat inclined, 14.7%.** In all, this amounts to 19.1% of the respondents. Still, 53.1% indicated no such inclination at all and another 27.7% declared they were willing but under certain conditions, i.e., were somewhat not inclined to such behaviour;

- **To give bribes to or do favours for persons on whom winning a deal depends is a thing that 5.1% were entirely inclined to do, and 18.7% were somewhat inclined.** In all, these are 23.8% of the respondents. On the opposite end of the scale are 41.7% of the respondents that were definitely not willing to

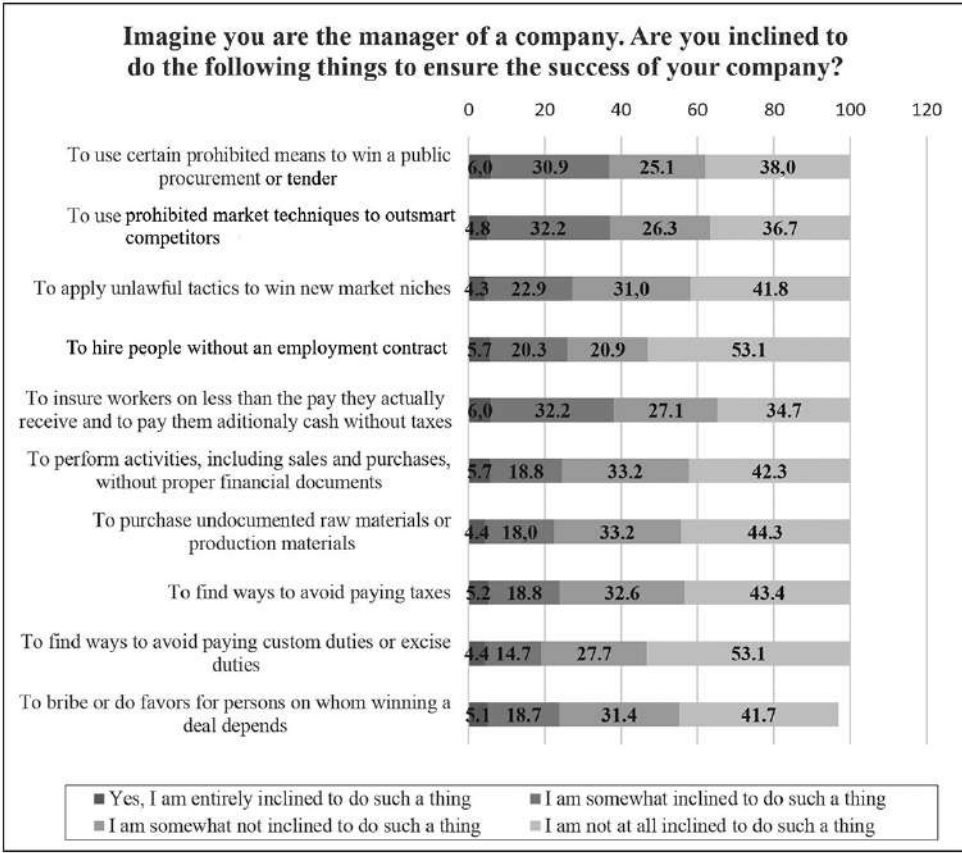


Fig. 1. Imaginary psychological willingness to initiate or perform shadow economy practices: projective technique from the standpoint of an “employer”

give bribes and 31.4% that were somewhat not inclined (hesitant but nevertheless preferring not to do so).

Our analysis of the collected survey assessments indicates that **slightly more than one third of the Bulgarian population has attitudes and psychological willingness to perform various kinds of shadow practices if they were in the position of an employer.** We found such willingness expressed also with regard to using prohibited means to win public procurements and tenders (a typical shadow practice closely connected with corruption) and giving bribes or doing favours to win a tender.

Another indicative fact is that likewise one third of the population looks favourably on prohibited practices for winning competitive advantages over other players on the market. The existence of such attitudes is part of the Bulgarian neo-capitalist ethos and the new entrepreneurial culture. In the context of the present analysis, we see the existence of a clearly articulated mindset supporting

the permissibility of illegitimate practices aimed at outsmarting other market actors and winning market advantages through illegitimate practices.

The empirical data definitely point to the existence, in public space, of inclinations to violate labour and insurance laws. Such violation occurs when persons are hired without any employment contract or under fictitious contracts, whereby the hired person has a formal contract with the employer but one that indicates a smaller remuneration than the real one, while he/she is additionally paid in untaxed cash - "money in envelope". The disturbing thing is that this scheme has been prospering in the Bulgarian economic practice for more than 20 years and tends to become stable and expand. The present survey shows an increase of the practice of work under a fictitious employment contract, and that this practice occurs in practically all branches.

Another cause of concern is the established attitudes towards non-payment of taxes in full and non-payment of customs duties and excise taxes. This other aspect of the shadow economy refers to violation of tax law and tax discipline. The data clearly show that every fifth respondent is prepared to resort to such violations if the success of his/her company depends on it.

Tellingly, a fourth of the economically active Bulgarians plainly admit they are inclined to give a bribe in order to win a deal. This reveals a negative element of entrepreneurial culture that is a direct precondition for the emergence and existence of the shadow economy.

We should also note that the surveyed persons were well aware of the consequences and damages resulting from participation in shadow practices; yet, when asked whether they would perform such acts, between one fifth and one third of them responded positively.

These assessments entirely match the data obtained by our study regarding the frequency of shadow economic behaviour in the Bulgarian economy. **According to the assessments, the share of shadow practices in the economy in 2021 was approximately 30%.** This estimate is quite understandable in view of the fact that one third of the population has internalized patterns and stereotypes that permit and justify participation in shadow practices.

B. Imaginary willingness to take part in the shadow economy: assessments from the standpoint of a hired person

Another significant part of the collected assessments reveals the respondents' attitudes from the position of a hired worker (Fig. 2). Here are the quantitative measures registered for these questions.

- **8.6% of the respondents were entirely inclined and 20.2% somewhat inclined to be hired and to work without a contract.** Nevertheless, the prevalent attitude in public opinion is that of complete rejection of work without an official contract (55.5%), which is a favourable indication of the state of public morals on this specific indicator;

- **10.2% are entirely inclined and 30.6% are somewhat inclined to get social security insurance on smaller sums less than the remuneration they actually receive.** In all, these are 40.8%, which is a considerable share, indicating that, in the mass consciousness of two fifths of Bulgarians, the established

stereotype is to have labour relations in which the full amount of the due social and health insurance contributions is not paid. It is also true that 35.0% of the respondents strongly reject and another 24.2% reject to some degree the option of being insured for lesser sums than they actually receive;

- **An even more widespread stereotype is payment in cash of untaxed sums under an official employment contract that refers to a smaller sum.** 15.3% of respondents were entirely inclined and 36.1% somewhat inclined to work in this way. This forms a **total share of 51.4% of persons** who expressed psychological willingness to be hired under a contract with fictitious clauses, in which a remuneration is fixed but the employed person is paid an additional untaxed sum in cash. Notably, this option is definitely rejected by a twice smaller share of people (28.4%) than those who reject working without an employment contract;

- When asked whether they would be willing **to work overtime without payment for this extra work**, only 1.7% of respondents expressed definite willingness and 4.1% some degree of willingness. An impressive 79.7% share of respondents would not at all be willing to work overtime without payment; this categorically shows that this particular shadow practice cannot thrive in the context of the Bulgarian mentality;

- **Only 2.0% were entirely inclined and 10.2% somewhat inclined to work under harmful and dangerous working conditions.** 53.7% of the respondents categorically rejected this option and 34.1% indicated they were somewhat not inclined to accept it. Surprisingly, a total of 12.2% of respondents were generally willing to work under such conditions, which endanger their health and safety;

- **It may be assumed that the failure to demand invoices and receipts amounts to tacit support for the shadow economy.** That is why this indicator was included in the assessment of shadow practices. The findings show that **6.9% were entirely inclined and 23.6% somewhat inclined** not to demand financial documents when shopping or paying bills. In all, they amount to 30.5%. Again, we find that one third of the population has internalized patterns that permit participation in, or in this case complicity with shadow practices;

- **7.1% were entirely inclined and 22.7% somewhat inclined** to make payments in cash instead of through bank transfers. Thus, a total of 29.8% had the psychological inclination to make cash payments instead of bank transfers;

- **The failure to pay the full amount of taxes is another indicator of an internalized shadow economy culture.** According to our data, 4.1% were entirely inclined and 24.6% somewhat inclined not to pay due taxes to the full amount. It should be noted, however, that half of the respondents (49.8%) strongly rejected the idea of evading part of the due taxes. All this justifies the conclusion that, although half of the population of our country fully rejects the option of not paying their taxes in full, one third (28.7%) of the taxpayers are willing to conceal part of their taxable income;

- **Quite inclined to participate in a rigged public procurement or tender were 3.3% of the population and 11.9% were inclined to some degree.** It is worth noting that 66.5% were strongly opposed to rigged competitions and would not participate in such;

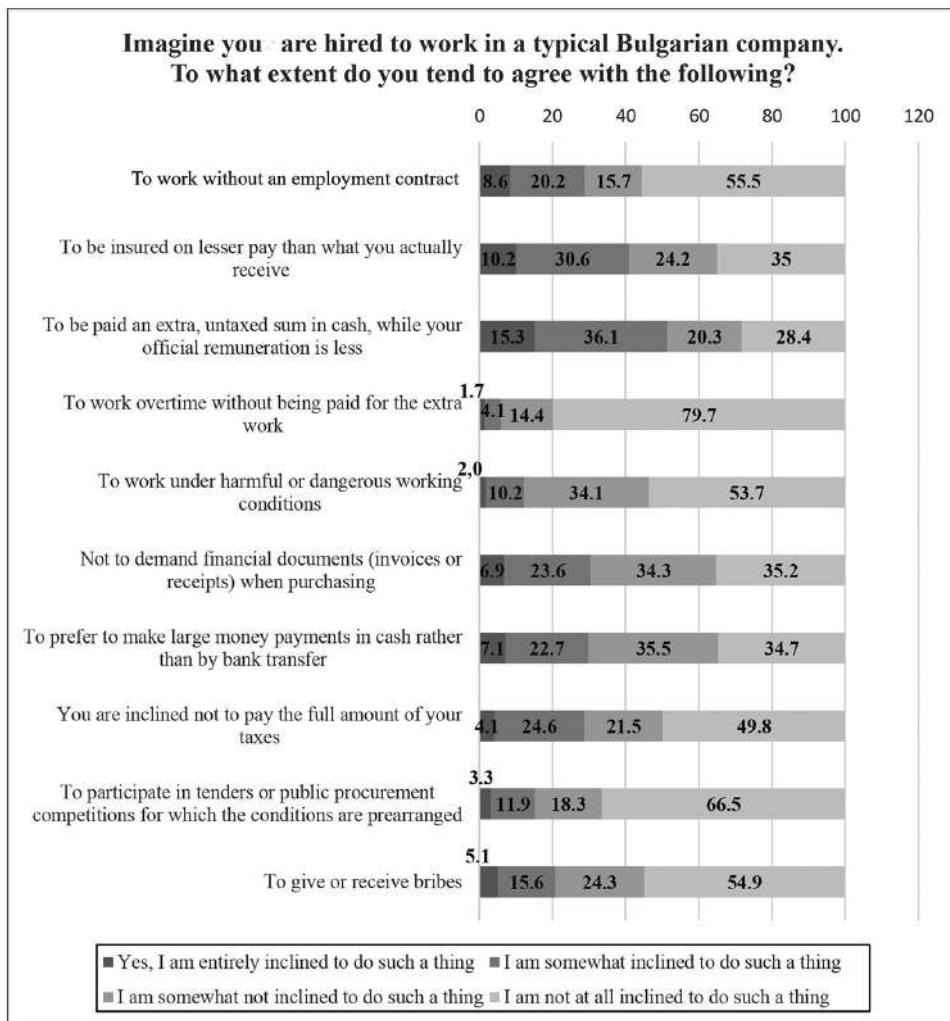


Fig. 2. Imaginary psychological willingness to initiate or perform shadow practices: projective technique from the standpoint of a “hired person”

• **5.1% were strongly inclined and 15.6% somewhat inclined to give or receive bribes.** In all, they amount to a 20.7% share of persons accepting entirely or under certain conditions the idea of participating in corrupt action. Entirely unwilling to give or receive bribes were 54.9% of the respondents.

The analysis of the empirical data presented above, regarding behaviour from the standpoint of a hired employee, shows a relatively high level of psychological willingness to take part in shadow economy practices. What does this general conclusion suggest?

First, we see that a total of 28.8% of the population are psychologically prepared to be hired without an employment contract. The presence of such

attitudes is a significant precondition for the emergence of shadow practices in working relationships.

The data also justify the observation that, as regards the payment of social security contributions, the population holds two very distinct stereotypes: one of the stereotypes is to definitely reject the idea of “economizing” on part of the due insurance contributions, while the other is to consider it admissible to pay insurance contributions on sums less than the remuneration a worker actually receives. The existence of the second stereotype explains why people willingly become part of the shadow practices in labour relationships.

Actual participation in shadow economy practices

In this section we present the assessments as to the **actual participation in shadow practices** in the year 2021. The assessments give the following picture:

- **In 2021, 24.8% of the respondents worked without an employment contract.** Along with this, **according to the assessment of 28.3% of the respondents, some of their close relatives and acquaintances worked without a formal contract.** The analysis shows that approximately one third of the men (28.6%) and approximately one fifth of the women (21.2%) worked without a contract. Nearly one fifth (19.3%) of the persons aged 36-55 years as well as around one fifth (19.8%) of the persons aged 56 or more worked without a contract. We also find differences by educational level, and drastic ones at that, among people who worked without a contract: such were 78.3% of persons with primary education, 38.0% of persons with basic education, 29.3% of persons with secondary education, 19.6% of persons with secondary vocational education, and 16.3% of persons with a higher or college education. Labour status is another characteristic that strongly impacts on the probability of working without a contract: in 2021, this included 62.5% of the unemployed, 49.2% of the self-employed, 43.8% of students, 35.7% of housewives, 29.5% of pupils, 17.8% of pensioners, 14.8% of hired persons, 9.1% of employers, and 7.2% of state civil servants. It is worth noting that 59.8% of the persons who had additional work (a second job) in 2021 did not have a contract for that work;

- **28.4% of the respondents shared that, in 2021, they had been insured on sums less than what they actually received.** The same was true for **38.5% of the close relatives and acquaintances of the surveyed persons.** A closer analysis clearly shows that 31.0% of the men and 25.9% of the women were insured on sums less than what they actually received. The differences by age are as follows: insured on sums less than the actual remuneration received were 40.4% of persons aged 15-35 years, 25.2% of those aged 36-55 years, and 20.2% of persons aged 56 or over. The impact of education status is as follows: insured on sums less than actually received were 39.1% of persons with primary education, 32.1% of those with basic education, 37.0% of those with secondary general education, 29.9% of those with secondary vocational education, and 15.5% of those with higher or college education. By work status, we see the following proportions: insured on sums less than actually received were 55.0% of the self-employed, 46.9% of students, 44.4% of the unemployed, 25.4% of hired persons, 23.8% of housewives, 19.3% of employers, 16.4% of pupils, 12.6% of pensioners. It is worth noting that none of the civil servants happened to fall under this category. In

2021, 59.6% of those working on an additional job were insured on lesser sums than actually received;

- **In 2021, 28.6% of the respondents worked under contracts with fictitious provisions⁸.** Another **40.4% of respondents indicated that some close relatives and acquaintances had worked under such a contract.** In 2021, working under contracts with fictitious provision were 30.1% of the men and 26.3% of the women. The differences by age are as follows: 40.7% of the persons aged 15-35 years, 26.5% of the persons aged 36 to 55, and 18.5% of those aged 56 or more worked under such contracts. By educational status we found clear differences: 39.1% of such persons had primary education, 31.2% had basic education, 36.8% had secondary general education, 29.9% had secondary vocational education, and 16.5% had higher or college education. By work employment status, such people in 2021 were 46.9% of the students, 48.1% of the self-employed, 43.1% of the unemployed, 31.0% of housewives, 27.4% of hired workers, 18.0% of pupils, 17.0% of employers, 12.6% of pensioners, 4.3% of state civil servants. Working under contracts with fictitious clauses were 56.8% of the persons who in 2021 had a second job;

- **Work overtime in 2021 was personally done by 20.1% of the respondents; 23.8% of the respondents shared that relatives, friends or acquaintances had done so.** Extra work without pay had been done by 22.2% of the men and 17.9% of the women. This violation occurred among 24.3% of the persons aged between 15 and 35 years, 21.0% of those aged 36-55 years, and 14.8% of persons aged 56 or more years. Differences by educational level were as follows: work overtime without pay had been done by 34.8% of persons with primary education, 21.9% of persons with basic education, 20.1% of persons with secondary general education, 20.3% of persons with secondary vocational education, and 18.3% of persons with higher or college education. By employment status, we found the following differences in the shares of people doing extra work without pay: 36.4% of employers, 28.6% of housewives, 27.1% of the unemployed, 23.3% of the self-employed, 21.9% of students, 19.7% of pupils, and also 19.7% of the employed, 8.9% of pensioners, and 5.3% of state civil servants. 25.9% of the persons who worked on a second job in 2021 worked overtime without payment;

- **Work under dangerous or harmful working conditions in 2021 was done by 12.0% of the respondents.** Furthermore, **21.9% of the respondents indicated that relatives, close friends and acquaintances had risked their health and safety due to working conditions.** 17.6% of the men and 6.6% of the women in 2021 worked under harmful or dangerous conditions. By age, the situation is as follows: the shares of those who had worked under harmful

⁸ We define a contact with fictitious clauses as a shadow practice in which the hired person signs a contract with the employer for a certain amount of remuneration while additionally receives untaxed cash. In this way, there is a mix of the legitimate and the unlawful: there is a concluded contract but it covers only part of the remuneration received by the hired person. This practice is widely applied as it is equally profitable for both the employer and the employee. That is why working under a contract with fictitious clauses is very difficult to prove and escapes the radar of controlling organs.

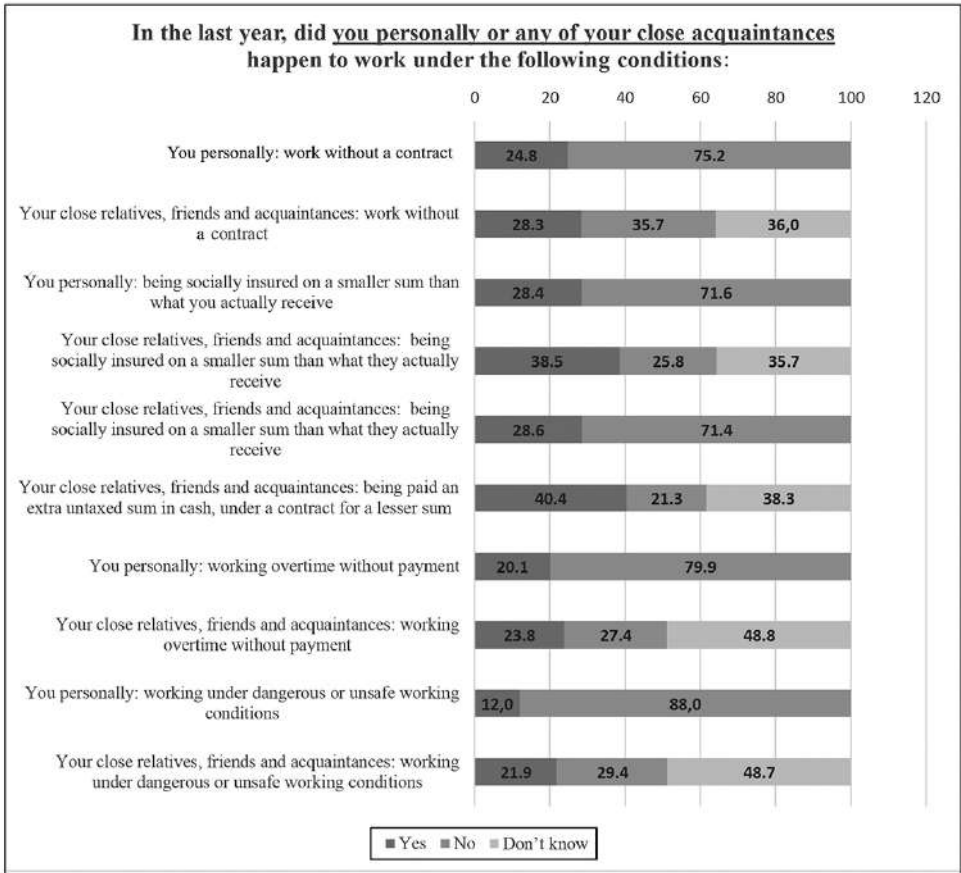


Fig. 3. Participation in shadow economy practices in 2021: self-assessments and assessments regarding close relatives, friends, and acquaintances

or dangerous working conditions were 16.5% of the persons aged 15-35 years, 11.2% of those aged 36-55 years and 8.3% of persons aged 56 or more years. By educational status we found the following differences: those who had worked under harmful or dangerous conditions were 39.1% of the persons with primary education, 20.3% of those with basic education, 12.4% of those with secondary education, 12.5% of the persons with secondary vocational education, and 6.0% of those with higher or college education. By employment status, the differences are as follows: those who had worked under such conditions were 22.9% of the unemployed, 15.1% of the self-employed, 14.3% of housewives, 13.1% of pupils, 10.8% of the employed, 9.8% of pensioners, 8.7% of civil servants, 6.8% of employers, and 3.1% of students. These assessments are presented in Fig. 3.

Conclusion

It may ultimately be summarized that **at least one third of the Bulgarians declare their imaginary psychological willingness to take part in various shadow economy practices, including those related to social insurance relations and tax-payment discipline.**

The highest degree of psychological willingness is evidently expressed with regard to **working under an employment contract in which a partial remuneration is officially set and an untaxed sum is paid in cash.** This is still the most widespread practice in the Bulgarian shadow economy. According to our judgment, the explanation to it lies in the hybrid nature of work under a contract containing fictitious clauses: on the one hand, there is a proper employment contract, which may be shown to the competent controlling organs. This is the legitimate side of the practice. However, there is a non-legitimate element insofar as an untaxed sum is paid in cash. Thus, the legitimate and non-legitimate elements of the contract (the fictitious clauses) are closely intertwined, which explains why a considerable share of hired persons accept such a practice. They imagine they are not committing a violation because, in the formal sense, the contract exists and the extra payment in cash is hard to prove; moreover, it is considered a negligible violation. In fact, payment in cash is not subject to direct legal penalty⁹, except if proven to be part of corrupt activities.

Another interesting finding yielded by the study is the **respondents' preference for large payments in cash rather than through bank transfers.** It is generally assumed that the shadow economy prefers cash payments to bank transfers because the latter, unlike the former, leave a clear documentary trace. Having these features in mind, we can easily estimate why one third of the people hold a stereotype and preference for cash payments: this is essentially a stereotype that accompanies the inclination to activities that leave no documentary traces.

As the study has shown, **a little more than one third of Bulgarians in active working age were involved in the shadow economy in 2021.** The question arises as to why people risk taking part in such unlawful economic behaviour. Our study revealed that people were well aware of the potential risks involved in shadow practices (the possible non-payment of tacitly agreed-upon remuneration, work under dangerous or unhealthy conditions, doing extra work without payment). Despite everything, around one third of the population takes all these risks and becomes part of the shadow economy. Explanation should be sought in basic attitudes towards economic behaviour. Based on the data presented above, we find that around **one third of the economically active Bulgarians are economic deviants: not only have they internalized attitudes and mindsets that support the violation of laws and rules, but they actually commit such violations in their daily lives.** The good news, however, is that the other two thirds of Bulgarians have a law-abiding behaviour and can be qualified as **economic conformists.** Even at the cost of personal loss, these people do not violate the laws and the rules defined in legal texts regulating economic activities.

⁹ No clauses of the laws directly refer to a person who receives money in cash.

The data presented here are valuable in two aspects. First, their value lies in the sociological perspective, for they serve as a basis for constructing sociological interpretative models of shadow economy behaviour. The data and their analysis are also important from a governance perspective, as they indicate which categories of persons the policies and measures aimed at restricting the shadow economy should address.

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