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Shadow Economy, Informal Economy, and Social Economy as elements of real-life economics - Summary of the Workshop and Tasks for an European Research Strategy

Preface

Why should we lump together the various lines of debate and research (which have taken largely separate paths to date) regarding the areas of undeclared work, informal economy, do-it-yourself work, household economics, voluntary social involvement, the third sector and the like for the purposes of examination? Won't the Babylonian-scale terminological chaos that already prevails today in these individual research fields simply increase as a result? For any observer, it is immediately clear that all these areas are of scientific interest and are highly relevant to society, the economy and the political sector. In light of the fact that the discussions in the individual fields make so little reference to one another, won't we undermine the research efforts being made in them if we attempt to bring them together under one roof? After all, the public debate unhesitatingly views some of these activities right from the start as something bad, as something to be combated, while considering other activities to be wholly good, as something to be fostered? How can we want to consider such things grouped together when (to illustrate with an example) the use of surveys – one of many conceivable empirical instruments – can involve widely different biases, as in the case of undeclared work, an area in which interviews reap denials or at least understated responses – in contrast to the area of voluntary social involvement, where respondents tend to exaggerate?

Clearly, there are still many questions to be answered. A BMBF-sponsored workshop was held in Königswinter, just outside Bonn, in June 1999 for the purpose of heightening awareness of this and of preparing a corresponding research agenda. Most of all however, the workshop was aimed at developing the European research agenda for this subject. The discussions held during the Königswinter workshop provided a number of important arguments for nonetheless attempting to integrate these research fields. During the workshop, participants communicated using the shorthand jargon that is typical of such meetings between experts. Enormous sets of problems – from the economic or empirical social research fields, for example – were simply assigned with labels. Despite the terminological jumble, there was a considerable amount of shared understanding and consensus regarding many of the details behind these labels. Such an understanding cannot however be expected from a broader public.

We therefore decided against publishing a verbatim account of the discussions. Instead, our documentation of the results of this workshop covers the most important content, anchors it in a somewhat broader presentation of existing research work on pertinent topics and outlines approaches for integrating them. Statements made during the workshop are identified as such by the use of brackets around the respective participant's name. Although this choice of form means that some of the details of the discussions at the workshop could not be included in this report, we believe that this approach will be of greater use to our common purpose.

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We would like to take this opportunity to thank all the workshop participants for their input. In light of the format chosen for this report, we naturally assume responsibility not only for our own errors, but also for any 'errors' possibly expressed by the participants in Königswinter.

Despite every effort to use European or international examples, we frequently had to draw upon data, literature and problems from the Federal Republic of Germany even though other countries may have more striking findings to offer. In this respect, this situation serves as proof that any efforts to bring together various research topics "under one roof" in the future will also have to be more firmly rooted in greater collaboration and networking between relevant colleagues at European and international level.

1. Why the political sector and the public should know more about issues such as undeclared work, do-it-yourself work and volunteer work

The shadow economy (which ranges from undeclared work to unreported business transactions), the informal economy (in all its various forms, from do-it-yourself work to housework) and the areas covered by volunteer work (which range from volunteering to unremunerated work in charitable organisations all the way to various types of civic involvement) enjoy substantial public attention. The political sector is particularly interested in certain forms of transactions that skirt the market or the state – not least of all when they lead to enormous tax losses or when an at least furtive hope exists that services will be provided via voluntary participation or even by "enlisting" the individual citizen – services which would otherwise have to be publicly financed or simply not be rendered at all.

The political sector's statements regarding those activities that are of interest to it (housework and the like are of little interest to the political sector) are quite clear, as the following shows:

- "Undeclared work is an important element in the disfunctioning of product, service and labour markets and it risks undermining the foundations of financing and delivery of social protection and public services as the curtailment of receipts entails a reduction in the level of services the State can offer," writes the European Commission (1998, p. 15) about undeclared work being an important part of the informal economy. Following this line, Directorate-General V recently issued an open call for tenders for a research project to identify the most effective measures for combating undeclared work and to develop a corresponding policy mix (cf. European Commission, 1999). The German chancellor's policy statement of 1998 is similarly unequivocal: "No one should minimise the problem or stop combating it with the

full force of the law. Moonlighting is and remains a form of cheating, those who do it cheat their fellow-citizens" (Schröder, 1998, p. 17).

- The European Commission's White Book "Growth, Competition, Employment" expects the quality of life to improve as a result of "fostering individual responsibility and social participation" through the "optimal utilisation of human capital in local networks" (European Commission, 1994, p. 177). In the introduction to its report "For a Europe of Civil and Social Rights" the Committee of Independent Experts states, "L'Europe sera L'Europe de tous, de tous ses citoyens, ou ne sera pas" (Carley, 1999, p. 25), meaning that the avoidance of exclusion on the one hand and the individual's integration through civic participation, volunteering and the like on the other hand are two sides of the same coin.
- With regard to charitable organisations, voluntary organisations and foundations – in other words, the area which is frequently subsumed under "third sector" or "social economy" in national accounts – the European Union writes, "In Germany the sector accounts for 3.7% of total employment and 10% of total service employment. That is no less than a million people ... The figures demonstrate clearly that the sector has shown itself capable of opening up new opportunities contributing not just to improving the quality of life but also employment and economic growth. It is for this reason that the sector should be encouraged to play a bigger part in the quest for job creation as stated in the 'Employment Pact', for example in the context of Local Employment Initiatives" (European Commission, 1998, p. 4 f.).

It is evident that the political sector at all levels – from municipalities to the European Commission – is very interested in these topics. As will be shown in greater detail below, these activities undeniably involve real phenomena that are of great importance (not only) in less developed countries where subsistence economy, undeclared work (*Schwarzarbeit*), direct barter and the like account for a large portion of the population's economic activities¹. These phenomena are also very significant in developed countries. It must be added that in less developed countries, they are important not only in terms of the producer's role but also for private consumption and the individual's prosperity and standard of living.

However, it is also true in these parts "that we have to ascertain the significance of informal work for the formal sector" [Scherhorn]. The realisation that "unrecorded economic activities" are of relevance not only to developing countries

¹ "One set of data needed to understand the employment and unemployment situation in many developing countries requires information on the size and characteristics of the informal sector" (International Labour Office, 1995, p. 21).

has grown in recent years². "Part of the goods and services consumed by the population are produced and consumed without undergoing monetary transactions; this non-monetised consumption and the corresponding productive activities go unrecorded in labour statistics and in the national accounts" (Goldschmidt-Clermont, Pagnossin-Aligisakis, 1995, p. 2). Indeed, the hypothesis that "this is of particular importance given the process of de-industrialisation and the decline of full employment that has occurred under advanced capitalism" (Wheelock, 1992, p. 124) was formulated³ particularly with the modern service economy in mind. This touches upon a further aspect which provides a platform for discussing the areas "informal economy" and "voluntary sector" today, areas which are moving into the political sector's line of vision. Drawing a clear (and urgently needed) line between new models and earlier forms of the "Voluntary Labor Service", the "Civil Conservation Corps" and other similar organised services which were deployed during the Great Depression, various countries are now giving thought to also using models of civic work (cf. Beck, 1999, p. 7 ff.), "New Work" or perhaps even a "European Volunteer Service Year" (cf. Mutz, 1999) to alleviate the problem of mass unemployment. Volunteer work and Germany's *Ehrenamt* (unpaid work that is done on an honorary basis) in particular also draw on visions of such work generating or expanding the "social capital" that holds society together like a kind of "social mortar" (for an overview, see for example Kistler, Noll, Priller, 1999) and makes a fundamental contribution to the respective region's efficiency and productivity and to the development and preservation of democracy (cf. Putnam, 1993, 1999).

In this connection, notice should also be taken of the area of family work, housework and do-it-yourself activities which, as is well known, is completely ignored in labour market statistics and largely disregarded in national accounts. "... for the goods and services provided to the household by unpaid household members, S. Kuznets already pointed out in the 1930s, that 'housewives' services (as they were called at that time) constituted the largest single item left out

² However, the ILO also wrote in 1995 that "Some kind of informal sector also exists in developed countries, of course, but the scale of the phenomenon and the context in which it exists are quite different. Development of informal sector statistics is generally given lesser priority in developed countries and may require different measurement methods" (International Labour Office, 1995, p. 22).

³ Apart from commonly discussed conditions such as tax burden and regulation, three trends contribute to the increase in undeclared work. In the words of the European Commission, these are "a) the emergence of a highly disparate demand for 'personalised services'... b) the reorganisation of industry and firms into long lines of vertical disintegration and chains of subcontracting, ... c) the impact of the spread of light technology" (European Commission, 1998, p. 5).

of the national accounts" (Goldschmidt-Clermont, Pagnossin-Aligisakis, 1995, p. 2). For years, the women's movement has rightly found fault with the fact that since women traditionally perform such activities, the non-inclusion of these activities in social accounts goes hand-in-hand with a structural undervaluation of women's work, a condition which can no longer be tolerated. However, particularly in light of the growing number of women entering the work force and society's transition to a service society, housework and do-it-yourself work also offer (in terms of their welfare relevance and their essential nature, and in terms of their being a necessary prerequisite for formal gainful employment) strategic market and employment potential, and opportunities for the market sector in particular.

Therefore, looking beyond the informal economy's relevance for growth and the labour market

- in terms of its substitution of formal work through informal work and vice versa and
 - in terms of "demand effects" which – reciprocally – arise from the complementary of formal and informal economies,
- there are at least three other aspects that make it (and the other areas of activity considered here) interesting to the political sector and the public. "It is viewed firstly as a possible alternative to heteronomous work in the employment sector, secondly, as a reservoir in which labour that is not in demand can be 'stored' ... and, thirdly, as a strategy for reducing government social expenditure through reciprocal neighbourly help and self-help" (Teichert, 1993, p. 57).

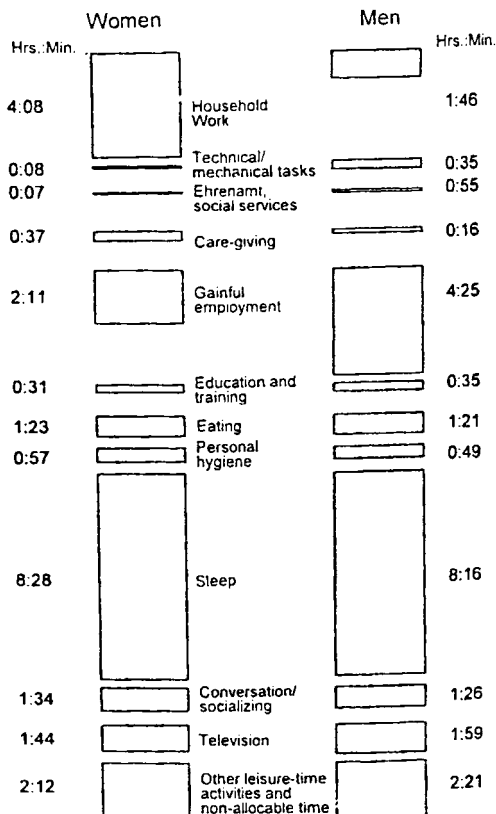
1.1 A look at time budgets, using Germany as an example

Based on available time-budget studies, we know that in all developed countries "official" gainful employment takes up a large part of the population's time during an average day – but only a part of it (cf. Garhammer, 1999 for current data from various European countries). The time-budget survey conducted by the Federal Statistical Office (see Illustration 1), reveals that women 12 years of age and older spent an average of two hours and 11 minutes a day on gainful employment in 1991/1992. For men 12 years of age and older, gainful employment took up considerably more time, namely, an average of four hours and 25 minutes a day.

Looking at unpaid housework, the situation is reversed, with women spending nearly two and a half times as much time performing such work as men do. The average amount of time women spend on technical/mechanical activities falls short of the average reported by men. The same applies to the "Ehrenamt, social services" category. In this case however, the difference between women's seven minutes a day and men's 11 minutes a day appears to be relatively small at first glance.

Irrespective of the difficulties involved in determining the value⁴ of household production, the range and economic value of these activities are enormous (see Illustration 2; cf. Schmid, Sousa-Posa, Widmer, 1999, for current valuations from other countries). With regard to *Ehrenamt* (unsalaried work that is done on a

Illustration 1: Average amount of time used for various activities each day by men and women 12 years of age or older in Germany – 1991/92



Source: Ehling, Schwarz, 1996, p. 13

⁴ The scientific community commonly uses various methods for valuating "unpaid" work – and obtains a correspondingly wide range of results. For example, the time spent doing household work can be valued according to the so-called general method using hourly rates paid to professional housekeepers (problem: calculated with or without time off, social security contributions, etc.?) or the individual types of work done can be valued using the much higher wage rates paid corresponding specialists (problem: counting or not counting the time needed to travel from home to one's place of work?) or alternatively valued on the basis of the income that the persons doing this work would hypothetically have earned in gainful employment (opportunity cost approach).

honorary basis) however, the figures from the time-budget study are based on a very narrow definition (i.e., tasks and functions carried out within the framework of organisations or public agencies; in the case of social assistance, the definition covers only care-giving that is provided through institutions). Undeclared work is either not contained in the surveyed categories or is – at best – (literally) hidden in them.

Illustration 2: The economic importance of unpaid work rendered by private households, as illustrated by western Germany – 1992

“Using a macro-economically suitable valuation, unpaid work performed in the former federal territory in 1992 was valued at DM 1,125 billion. This is only nine percent less than aggregate total of gross wages and salaries paid in the west German economy (DM 1,238 billion) that year. Other methods for valuating unpaid work would also be conceivable. Using such methods, the value of unpaid work rendered by private households could even be more than double this amount. Together, the gross domestic product and gross value added of private households in the former federal territory totaled DM 3,955 billion in 1992. Based on this calculation, total economic output is 42 percent greater than the gross domestic product. Accordingly, unpaid work by private households is of great importance for the provision of goods and services.”

Source: Ehling, Schwarz, 1996, p. 6 f.

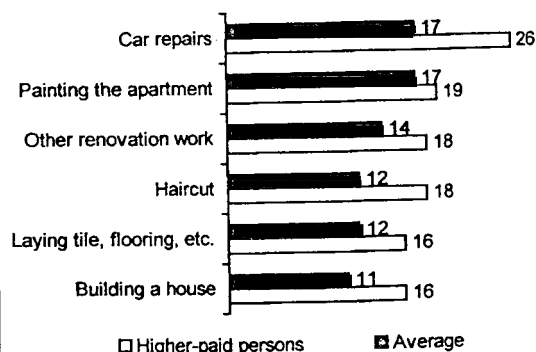
1.2 All in all, enormous difficulties in gathering and evaluating data

By contrast, it is considerably more difficult to measure the extent and economic importance of undeclared employment using surveys or even time-budget surveys that employ journals. Despite this, representative surveys can provide information regarding structures. Even under anonymous conditions, respondents admit only in some cases to hiring persons to do undeclared work for them. This would indicate, among other things, that the corresponding percentages arrived at using direct questions are markedly lower than they would be were

the less direct, projective question of whether the respondent personally knows someone who commissions undeclared work to be used. In a survey conducted for *Focus* magazine in early 1998, 42 percent of the people questioned in Germany said that they had “taken advantage of undeclared work at some time or other” (see Illustration 3). When asked using the projective question however, nearly two thirds of the respondents said yes, they at least knew people who did this. Responses regarding the type of undeclared work that the individual respondents had done for them reveal that car repairs and building work are arguably the most prevalent type of undeclared activity. Interestingly, considerably more people who were financially better off indicated they hired persons to perform undeclared work.

The question of whether such surveys (are able to) actually cover all corresponding activities remains open however – both in general as well as when differentiations are made between activities and social groups. This is due not only to their scope but also to systematic biases arising from cultural conventions and from the respondents' individual understanding. Paid babysitting, tutoring and other such activities can be cited as examples here. Such biases are also indicated by the fact that 22 percent of the persons interviewed in this 1998 survey answered the question, "Do you yourself perform undeclared work?" with yes.

Illustration 3: "What type of undeclared work have you hired someone to do for you?"



Source: Focus, 1998, p. 249

It is therefore with good reason that the general public and the political sector are interested in activities and economic processes which labour market statistics and national accounts either entirely ignore or systematically record only in part – or, to be more precise, only rudimentarily in the emerging, supplementary "satellite systems." However, the participants at the Königswinter workshop all agreed that both the public and the political sector should show greater interest in this information than they have done in the past and should be more tenacious in insisting on better data and explanations regarding these phenomena. "The huge lack of data concerning these issues is unacceptable; we must collect data on all these activities, be they formal or informal" [van Donick]. As the official statistics field stressed years ago (cf. Schäfer, Wittmann, 1985, p. 623), the scientific community has an obligation to "answer the question of which instruments can measure this wide range of activities" [Ziegler].

Moreover, the shortcomings in the public discussion on these subjects are rooted in the scientific community's own shortcomings in defining research tasks. "There is a lack of networking among social scientists in Europe. Given that they work in the same fields, they should intensify their dialogue with one another and help prepare the important research tasks mentioned in the Fifth Framework Program. Although their vantage points may differ – in their comparisons of the countries of eastern and western Europe, for example – they

should make efforts to define the basic features and content of research that is to be conducted on a joint basis in the future" [Ziegler]. "The fact that Europe is undergoing a massive transition is one of the reasons why we need a research agenda with strong policy relevance. Indeed, there is a lot of conceptual work to be done in the field of volunteering, for instance. However, the main task will be to define the research issues in which social scientists are interested" [Anheier].

Illustration 4: Undeclared work – A research task from the EU point of view

In a recently issued open call for tender, Directorate-General V of the European Commission outlined targeted activities with the comments "It would be interesting to compare the effects of similar policies between Member States. It is also important to identify what might have been a particularly successful or unsuccessful measure of the past, even though it was discontinued, and the reasons for that. Attention should also be given to the interaction of different policies, and to the effect of policies not intended to combat undeclared work."

Source: European Commission, DG V, 1999, p. 1

Strictly speaking, given the current level of research it is not possible to carry out with any precision important tasks such as those listed in Directorate-General V's above mentioned call to tender (see Illustration 4). How is the impact of certain measures on undeclared work to be encompassed in any meaningful way when what undeclared work

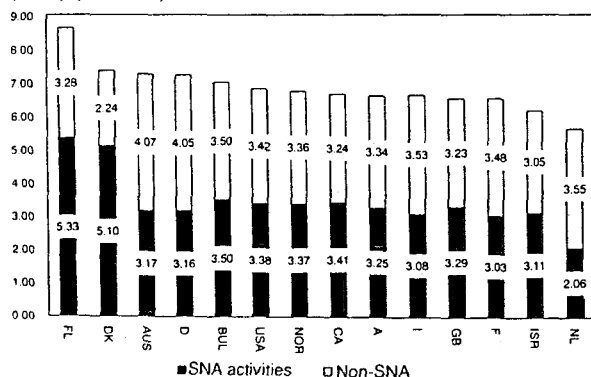
encompasses or should be understood as is unclear and varies from country to country (as will be shown) and when research findings on the extent of undeclared work continue to exhibit substantial differences even within individual countries because, for example, different methods are used to measure it (see below)? And then, to top this off, researchers are expected to assess the effects of measures that were not taken or continued and then assess them over time and across national borders – this is what is known as putting the cart before the horse!

The main question to be asked in connection with all these activities is, "How can we estimate the bigger picture on a comprehensive and reliable basis?" (Gershuny, 1999, p. 18). It is however apparent from the theoretical considerations offered to date and from various international comparative empirical findings (see Illustration 5) that the economic activities recorded in systems of national accounts – primarily in countries with an above-average (women's) activity rate or with a small portion of so-called simple services – do not even account for half of all actual economic activities.

2. A few examples of how little we really know about real-life economics

How little we really know in contrast about the actual phenomena of undeclared work, the informal economy and volunteer work or about mingled areas such as the “third sector” where professional, non-profit activities and unsalaried work that is done on a honorary basis blend together can be best demonstrated by a comparison of research findings from several serious, more or less state-of-the-art studies. Although these studies supposedly attempt to measure the same

Illustration 5: International comparison of economic activities that are covered/not covered by systems of national accounts (SNA) (in hours)



Source: Based on Goldschmidt-Clermont, Pagnossin-Aligisakis, 1995, Table C

thing, their findings vary greatly and, in some cases, even sharply contradict one another. The list of such examples and (especially) the list of the sometimes entirely contradictory conclusions these examples lead to (with some of these conclusions having been developed with political practice in mind) – could be extended

indefinitely. However, a few references and observations should suffice for the purposes of this report and simultaneously provide an initial partial overview of the empirical methods used for measuring these activities.

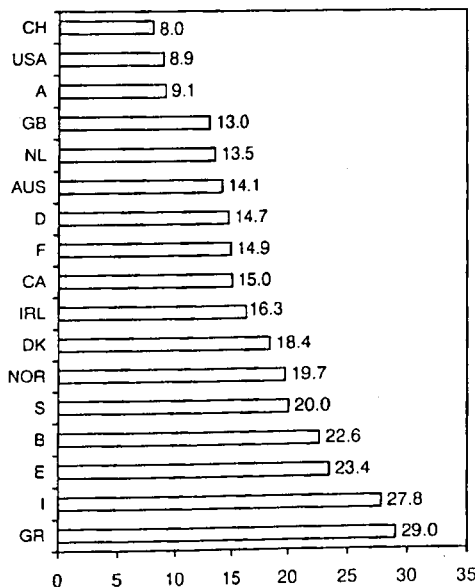
2.1 Example – Undeclared work/Shadow economy

“On average, the size of the undeclared economy in the EU can be estimated at between 7% and 16% of EU’s GDP, which would correspond to anywhere between 10 and 28 million labour units, or between 7% and 19% of the volume of total declared employment” (European Commission, 1998, p. 5). This Communication traces the enormous breadth of existing estimates on the macro-economic importance of undeclared work. In it, the Commission cites three different groups of countries, based on the portion of GDP that the shadow economy represents. They consist of:

- One group of countries where the shadow economy is small and accounts for some five percent of GDP (the Scandinavian countries, Ireland, Austria and the Netherlands);
- A middle group consisting of the United Kingdom, Germany, France, Belgium and Spain (with the latter two reporting somewhat larger percentages of GDP);
- And finally the “leaders” Italy and Greece where the shadow economy is estimated to account for more than 20 percent of GDP (cf. *ibid.*).

A comparison of this information (which is based on experts' estimates and on an amalgamation of individual studies) with Schneider's findings (see Illustration 6) reveals several interesting initial differences. Using the so called “cash method”, Schneider also comes to the conclusion for 1998 that of the countries under consideration, Greece and Italy had the largest shadow economies measured as a percentage of GDP, followed by Spain and Belgium. However, Schneider goes on to rank the Scandinavian countries Sweden, Norway and Denmark ahead of Ireland whose percentage of GDP – according to his calculations – is larger than Germany's.

Illustration 6: Size of the respective shadow economy as a percentage of GDP – 1998



Source: Schneider, in this publication

In light of such results, it is necessary to question at least the notion (which is frequently heard in public debates) that the extent of undeclared work is directly related to the size of the respective public sector share or to heavier tax burdens – with respect to the Scandinavian countries, for example (cf. Schneider's observations in this publication). Further, the differences in these two rankings virtually cry out for more extensive examination. The large amount of variance

in these results raises doubt about the feasibility of ethnological analyses and about the evaluation relevance of such data. The diversity of the various methods for evaluating the extent and development of the shadow economy (see Illustration 7) which Schneider lists elsewhere and which differ more than just

Illustration 7: Approaches for estimating the size and development of shadow economies

Method	Approach
Direct methods	1. (Representative) Surveys 2. Surveys on tax evasion
Indirect methods	<i>Approaches that use national accounts</i> 3. Discrepancy between the aggregate consumption-plus-investment method and the aggregate incomes received method (macro approach) 4. Discrepancy between budget revenues and expenditures (micro approach) 5. Difference between actual and official activity rate <i>Monetary approaches</i> 6. Currency in circulation 7. Large bank notes in circulation 8. Transaction method 9. Demand for cash <i>Physical input method</i> 10. Electricity consumption approach
Causal methods	11. Soft modeling 12. Model approach (LISREL procedure)

Source: Schneider, 1999, p. 24

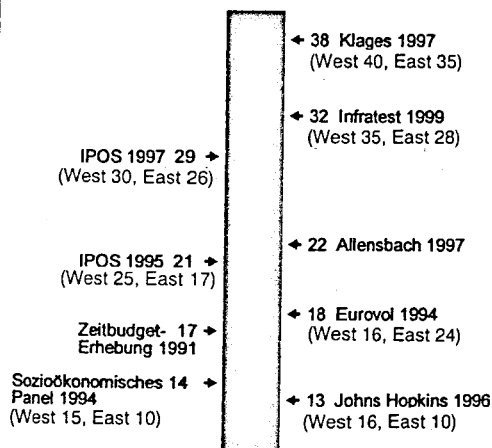
slightly from one another provides an indication of not only the methodological problems involved in recording and valuating shadow-economy activities. This diversity also serves as a warning to be cautious about individual results which were obtained using just one of the methods this broad array has to offer. The stance that measuring "the dynamics of the unregular economy" [Dallago] is more important than determining the amount or the extent of undeclared work is justified. Changes that are meas-

ured using a variety of methods and still point in the same direction can be safely assumed to be actually happening in real life (cf. also Schäfer, Wittmann, 1985, p. 618).

2.2 Example – Volunteering/"Ehrenamt"

A first glance at the findings from research on unsalaried voluntary work that is done on an honorary basis suggests exactly the same conclusion. There are very few areas in which empirical social research in general and existing representative surveys in particular produce such varied results as they do with this subject (see Illustration 8). The further examples used here are based on findings issued by three opinion research institutes regarding the distribution of civil society's involvement in eastern and western Germany (with some of the findings

Illustration 8: Unsalariated voluntary work in eastern and western Germany – Comparison of findings from several studies



Source: Own chart, based on Rosenblatt, 1999, p. 400

(and the male respondents among them in particular) were involved to a markedly greater degree in volunteering than western Germans were (see Illustration 9). By contrast, all the annual averages reported by the two other sources revealed just the opposite picture.

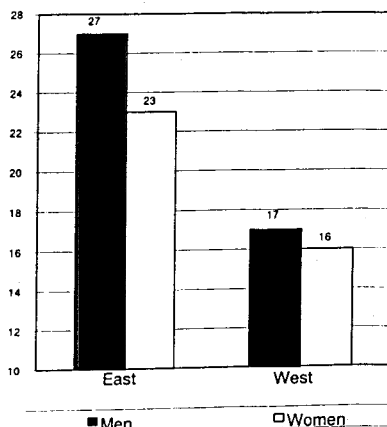
- The surveys conducted by IPOS in 1991 (see Illustration 10) revealed a much higher level of involvement on the part of women in Germany's new Länder (eastern federal states) but no other significant sex-specific differences on this question. By contrast, the various waves of Infratest's Socio-economic Panel (see Illustration 11) show that men were generally much more active than women were.

taking the form of temporal cross-sectional comparisons; see Illustrations 9 - 11). Since the same language is spoken throughout the geographical area covered by these studies, the problems generally associated with translated questionnaires, etc., that frequently arise in comparative international studies and the "definition of transnational rules" [Kuti], that is of central importance in international comparisons, are (supposedly) not a factor.

The differences in the findings are striking:

- In the 1994 Eurovol Study, east German respondents

Illustration 9: Volunteering in Germany – 1994 (in %)



Source: Eurovol Study (Gaskin et al., 1996, p. 65)

And last but not least, the results of these three studies diverge greatly from one another simply in terms of the number of responses obtained by the respective survey.

Illustration 10: Distribution of unpaid social/charity work (in %)

Share of social/ charity work	East			West		
	1991	1993	1995	1991	1993	1995
Men	11	12	18	24	23	25
Women	19	11	17	23	25	24

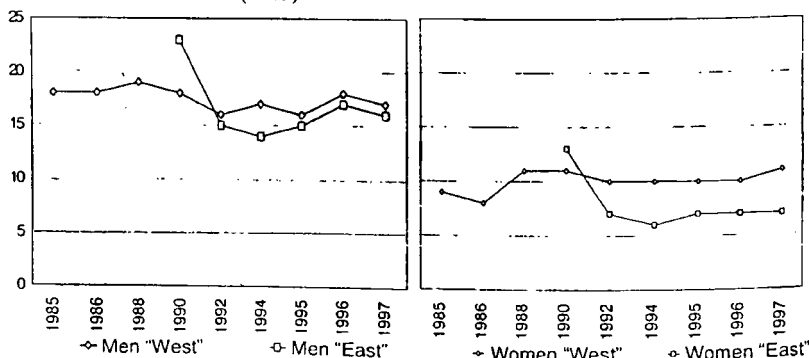
* The question asked: "Do you do unpaid social or charity work?"

Source: Own chart, based on IPOS, various years

This comparison of eastern and western Germany is not the only example of such odd differences. For instance, the nine-country Eurovol study indicates that Germany (its western Länder in particular) has an 18-percent volunteerism

rate, placing it far behind the Netherlands (38%) and Sweden (36%) and on par with Bulgaria (19%). According to this study, Germany ranks only eighth, ahead of Slovenia (12%). By contrast, other comparisons place Germany more in the average range for Europe (albeit usually trailing the Netherlands, for example, and exhibiting a considerably lower rate than reported for the USA (cf. e.g. Behr, Liebig, Rauschenbach, 1998, p. 138 ff.; Dekker, 1998, p. 173 ff.).

Illustration 11: Volunteer activities in eastern and western Germany – Findings from the Socioeconomic Panel (in %)



* The question asked: "Which of the following activities do you pursue during your leisure time? Please list how often you are involved in each activity." (In this case: unsalaried volunteer work done on an honorary basis in associations or social services; answers: every week + every month).

Source: Evaluations by the Socioeconomic Panel, various years

2.3 The risk of artifacts

Most of such contradictions can be attributed to methodological differences in the research at hand. Many of the differences in the above examples on volunteer work are due to the different methodological designs of the respective surveys. Differently formulated questions lead to different results (further, respondents from different social groups, for example, do not necessarily understand the questions or terminology the same way, even though they are worded exactly the same or have been exactly translated). Open-ended questions and list-based questions lead to different results; the sequence of the questions asked during the interview is not without influence, and so forth. In the case of such complex topics however, the danger of artifacts is so great that it would be risky to rely on just one survey or analysis. Secondary analyses and comparisons of results are urgently needed – particularly in order to obtain, *inter alia*, substantiated information about the regional and differential distribution of the frequency of such behaviour (this applies to undeclared work as much as it does to do-it-yourself work, housework and volunteer social work). Moreover, volunteering (as well as do-it-yourself work, undeclared work, etc.) has yet to be precisely defined (see below). These terms serve as general categories for various concrete activities – and these activities can have very different causes and effects and also present very indeterminate problems with overlapping and definitions, problems that often can scarcely be represented on a methodological basis, particularly in international comparisons.

If we want, for example, to combat undeclared work more effectively and to foster social involvement, we absolutely need this type of detailed information – information which helps ensure that actual causes are dealt with or which helps influence the particular behaviour being targeted. Problems with overlaps and definitions are always to be found in this connection. The boundaries between these activities and other grey areas (self-help, do-it-yourself work, reciprocal neighbourly help, etc.) are not as clearly demarcated as one would be led to believe by the discussions being conducted in the political sector and the scientific community, discussions that are entirely isolated from one another. These boundaries are also subject to change over time. “We have to realise that rather than firmly established, static conditions there are ongoing transfers and shifts taking place in and between the sectors. We need more qualitative statistics and we have to conduct life-style analyses in order to understand the shifts between the sectors at the individual’s level” [Wijkstroem].

An example of this is self-help when building or renovating one’s own home. As it is, the incidence of undeclared work in this area is particularly great in all countries. According to estimates, some 40,000 entire houses are built by their

owner with the help of others (neighbours, relatives, co-workers, etc.) every year in Germany alone – in addition to the “normal” work an individual does when his/her house is being built. This frequently involves a kind of deferred exchange of work. It is also often difficult to differentiate between this type of work and undeclared work, and it doubtlessly costs jobs in the construction sector. On the other hand, it generates demand in do-it-yourself stores and creates housing, some of which would otherwise not have been built – at least not at commercial prices.

Who builds a house this way? Is this phenomenon limited to just certain rural areas? Is this self-help, welcome reciprocity or in end effect mostly undeclared work after all? Apart from the economic motive, does this function only in those areas where “small town” social cohesion is at work or does it comprise the force that generates/reinforces this type of cohesion – as it does among the Amish in the USA? Might a thick maze of government regulations in the construction sector possibly have the effect of fostering such behaviour? And: In this area – as in the others – “we have to determine the role played by cooperatives and networks” [Zimmer].

These few examples and the many questions raised here should suffice to illustrate the magnitude of the information deficits and methodological problems in these areas, areas which appear to receive special attention from the political sector, the public and the scientific community only when the “normal” economies of the market (or state) get into trouble – or where economics (and other social sciences) have problems providing explanations using their own particular instruments. This especially applies to behaviour which cannot be entirely explained using the simplifications of homo oeconomicus, the rational choice approach or the like. In this respect, the issue here is also how research could be conducted so that these various scientific disciplines could – through collaborative effort, in an “iterative dialogue” [Gidron] – provide more information and interpretive content about real-life phenomena.

3. Examples of terminological tangles and problems with definitions – The need to seek viable taxonomies

“It is not enough to simply define terms – we also have to define contents” [Badelt]. One of the fundamental problems in any examination of real phenomena such as undeclared work, do-it-yourself work and voluntary social involvement is the muddle of terminology that reigns in every country and the definition problems that exist in general and in international comparisons in particular. “There are a lot of terms and words that sound the same, but every scientist assigns them different content” [Dekker].

3.1 Linguistic confusion on a Babylonian scale

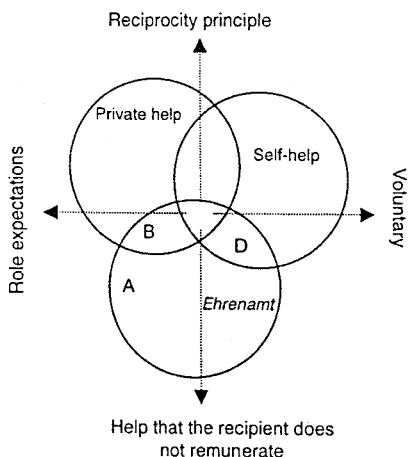
One fundamental example of this confusing use of terminology was pointed out in Königswinter by Scherhorn when he criticised the fact that the term “third sector” has in recent years come to denote the non-profit area on the other side of market and state. The economics field – and national accounts – have however already reserved this term to designate (service) output that is not to be attributed to the primary sector (agriculture/mining) or the secondary sector (manufacturing/processing industry).

But the definitional problems go further. “There is no one ‘third sector’; this concept has no profile of its own within the scientific community” [Dekker]. For this reason, we all use terms in these areas as if they were synonyms although, strictly speaking, they are not completely identical. Actually, it would be sensible to use the term “third sector” as a synonym for “social economy” only in the area of non-profit institutions (such as charitable organisations or non-profit companies) which fall within the scope of national accounts and labour market statistics, alongside normal gainfully employed persons. Voluntary work would then be the “fourth sector” so to speak. In actual fact however, these areas blend together. In addition, the term *Ehrenamt* (unsalaried work that is performed on an honorary basis) which is commonly used in Germany is not entirely comparable to what is known as “voluntary work” in English-speaking countries. Badelt’s radical proposal – “to avoid using the term ‘third sector’ altogether” – does not help much either, given the wide use of this concept and its scientific and political objectives. Definitions and terms also vary within individual countries – and even between the respective disciplines. Anyone speaking about voluntary participation, civic involvement, volunteer work or *Ehrenamt* must make it clear what he or she understands these terms to mean” (Beher, Liebig and Rauschenbach, 1998, p. 147) fittingly remark. As these authors note, voluntary participation is not the same as *Ehrenamt*. Particularly when the amount of voluntary participation is to be measured, it is necessary to precisely define whether the area of self-help (or specific forms of self-help) is to be included or not (see Illustration 12).

Apart from such difficulties in drawing boundaries in overlapping areas, a number of fundamental problems arise with definitions. The question of whether *Ehrenamt* can only encompass work that is rendered without any compensation constitutes one of the most controversial of these problems. This is particularly because some authors believe that the amount of this type of work being done would increase were it to entail at least a modest amount of remuneration. After all, members of municipal councils – at least in Germany’s medium-sized and larger cities – receive monthly “expense allowances” and meeting attendance fees which exceed the average net income of part-time workers. In Bavaria, the

heads of administrative districts (Regierungspräsidenten) serve on an honorary, unsalaried basis. They do however receive "supplementary income" that enjoys preferential tax treatment and can reach five-digit sums in Marks a month.

Illustration 12: "Voluntary participation" – Possible dimensions and problem zones



Examples:

- A = Semi-voluntary assumption of responsibility (e.g., as a lay judge) that entails sovereign authority
- B = Assumption of care-giving responsibilities for relatives
- C = Involvement in a parents' initiative to set up a kindergarten
- D = Involvement as member of an "extroverted" self-help group

Source: Beher, Liebig, Rauschenbach, 1998, p. 122

The question of how many of these "volunteer workers" would simply stop doing this type of work if they were not paid for it is irrelevant here. The fact that many organisations saw their "volunteer workers" desert them after Germany overhauled its regulations on marginal part-time employment in 1999 would also seem to indicate that we know too little about the motives for performing such work. We do not know enough about the specific individual areas and we should not equate structures we see in other countries which outwardly appear to

be "*Ehrenamt*", the "third sector" or the "social economy" with one another. "The 'third sector' varies – as the economy does – from country to country" [Dallago]. These problems with definitions and understanding, the linguistic confusion are not however limited to the scientific community. They are also to be found among the public – a fact that is important particularly with regard to surveys. "We have to realise that the problems here exist not only in statistics but in people's minds as well" [Wijkstroem].

Although it constitutes a problem on an entirely different plane, the way German charitable organisations are handled is not unrelated to this. Due to the special form these organisations take in Germany and also to their special eco-

conomic and legal status as sponsors of social (welfare) facilities, they are different – in legal and actual terms – than the *economie sociale* in other countries. Competition issues are particularly controversial in this area. Much has yet to be determined – or, to be more precise, there is an enormous need for research in this area as the European Commission itself has observed (see Illustration 13).

Illustration 13: Gaps in our knowledge about the voluntary sector from the European point of view

“There is no doubt that policy making is at present severely hampered by the lack of systematic and reliable data about the sector. Indeed there are parts of the Community where the sector has had so little public profile that policy makers appear to have been scarcely aware of its existence. All concerned actors, European, national, regional, local authorities and the voluntary sector itself, need therefore to address the question of what practical steps they could each undertake to map the extent and contribution the voluntary sector makes.”

Source: European Commission, 1998, p. 11

Illustration 14: What does the shadow economy encompass?

“The shadow economy has developed into a worldwide phenomenon. Nearly every language has a word for it: ‘underground’, ‘hidden’ or ‘irregular economy’ in English-speaking countries, ‘*lavoro nero*’ and ‘*economia sommersa*’ in Italy, ‘*travail clandestin*’ and ‘*l’economie souterrain*’ in France, ‘*doldo ekonomi*’ in Sweden, ‘*chaltura*’ or ‘*parallele Wirtschaft*’ in Eastern Europe, ‘*zwarte arbeid*’ and ‘*het offizieuze circuit*’ in the Netherlands, just to name a few.

This phenomenon comes in many shades. And it is assigned a diverse range of activities such as reciprocal neighbourly help when building a home, do-it-yourself work (DIY) at home and in the garden, tax evasion, subsidy fraud, transactions conducted without a bill being issued, undeclared work, child labour, the activities of street vendors, barter, second jobs which scientists or civil servants hold but do not declare to the tax authorities, illicit distilling, prescription fraud on the part of doctors or pharmacists, the production of pirate copies of books and records, illegal temporary employment agencies, even drug trafficking, the handling of stolen goods, prostitution, white slavery and the extortion of protection money.”

Source: Gretschnann, Mettelsiefen, 1984, p. 11

Although the terminology used regarding housework and do-it-yourself work is relatively more clear and presents few problems in international comparisons – at least in comparisons of developed countries⁵ – the set of conceptual, theoretical-categorical instruments is no better in dealing with subjects such as undeclared work than it is with volunteer work or the social economy. The term “shadow economy” hits the nail pretty squarely on the head.

⁵ On the other hand, the communal working methods of subsistence economies (used in the area of water supply/irrigation, for example) – which are frequently found in developing countries – should be recalled here.

It should however be noted that it is not uncommon to find the term “shadow economy” used in the economic field as a general category for an “underground economy” and for things such as self-service activities, *Ehrenamt* and self-help (see Illustration 14). One criteria for determining whether an activity is part of the shadow economy is its non-inclusion in the national accounts in conjunction with the fact that it leads to a loss of tax revenue and social security contributions (Illustration 15).

As previously mentioned, an analysis of existing literature on relevant fields of research reveals not only that the individual authors use terminology in entirely different ways and that these terms vary from country to country and/or from issue to issue, but also the existence of more or less discipline-specific vantage points.

Teichert (1993) has reviewed a number of relevant studies and attempted to systematise them on the basis of the following three different types of theory:

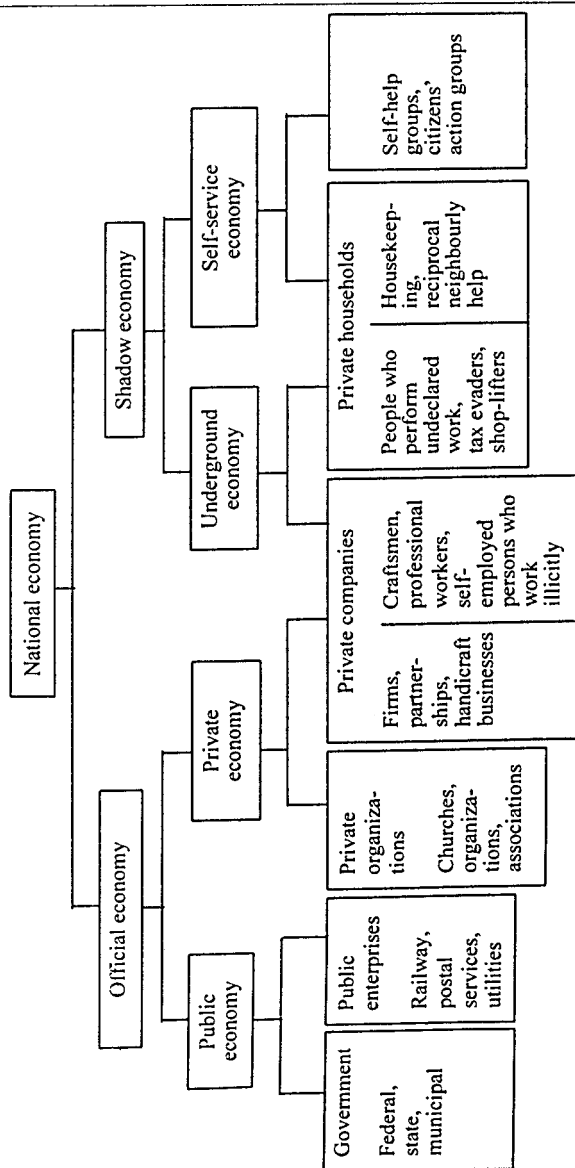
- a) Development theory models (e.g. Fourastie, Bell, Gershuny, Bravermann),
- b) Dual models (e.g. Gershuny, Henry, Handy, Skolka, Gorz, Heller),
- c) Shadow economy models (e.g. Schmölders, Cassel, Gretschnann).

He classifies the last set of models as belonging primarily to the field of economics and the dual models to the social sciences. This type of categorisation may be able to make more understandable the economic models’ strong focus on the question of “what structures are necessary for getting more things into the field of formal economics” [Wallace], their concentration on the aspect of tax evasion in the economic models (see the above Illustration) and economics’ almost universal negative view of the shadow economy. However, such classifications cannot be powerful – particularly with regard to development theory approaches; their narrow disciplinary boundaries substantiate the need for an interdisciplinary approach in precisely those areas where the objective is to “reveal the interlinkages and complementarities between the formal economy and informal economy” (Teichert, 1999, p. 61) which are also given special emphasis by model designs that are sociological in the narrower sense (cf. *ibid.*).

3.2 A proposal for an appropriate taxonomy

There is no denying that in addition to these interlinkages and complementarities, there are also areas that genuinely overlap and grey areas that are hard to define. The taxonomy presented by Teichert – which is geared primarily to German conditions but would also be capable of drawing an international con-

Illustration 15: Another categorization of the "shadow economy" which is often used in economics



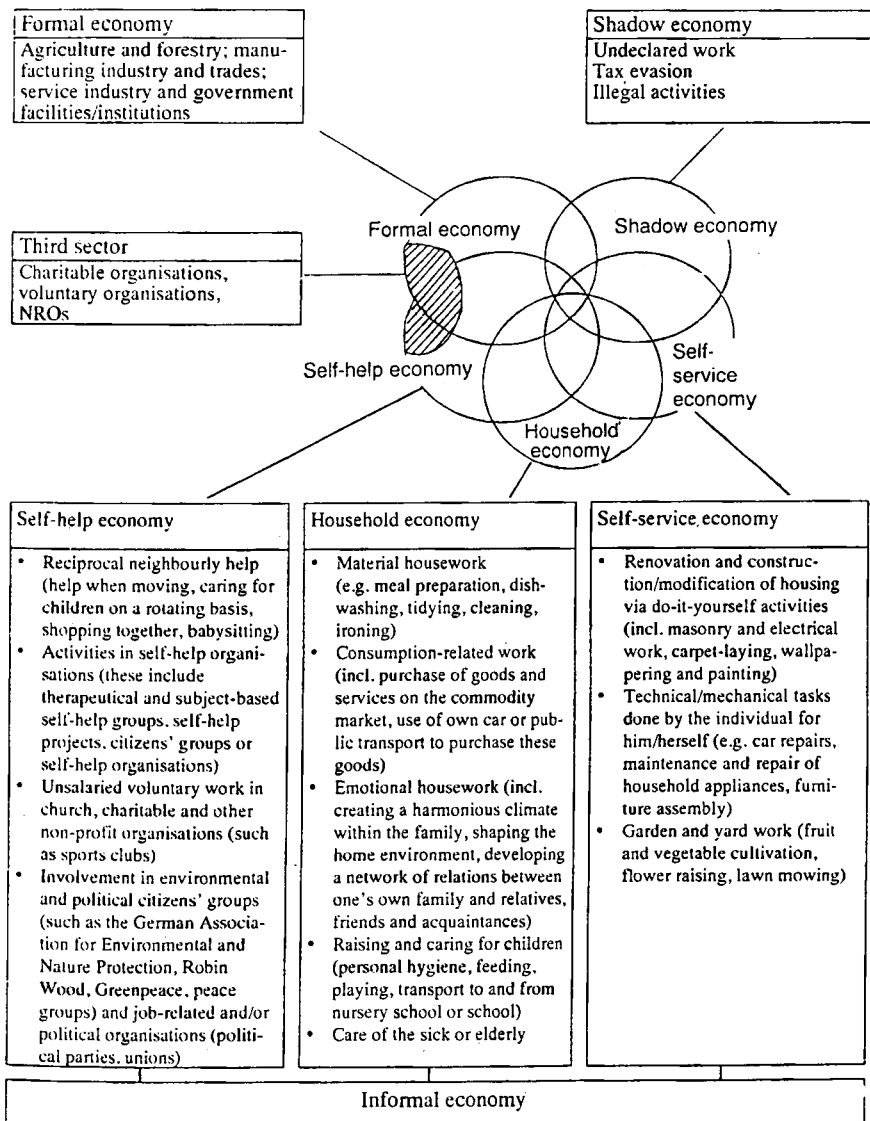
Source: Cassel, 1989, p. 45, with various modifications based on Teichert, 1993, p. 60

sensus – takes this into account at least insofar that it attempts to systematically differentiate in terminological sense between the undeclared shadow economy – as the illegal area which is not covered by the national accounts – and the informal economy which is also not covered by national accounts but is nonetheless legal (cf. Teichert, 1993, p. 62). Of all the attempts considered, this approach appears to us to also be the most promising (see Illustration 16).

Of course, this taxonomy can also only be provisional in nature and requires further development. For example, there is also some overlap between the self-service economy and the self-help economy (which Teichert neglects)! Although there is much to be said for taking “care that there is no overlapping between the informal economy and *Ehrenamt*” [Ziegler], is such a classification sensible in analytical terms. Other questions arise such as, how are NGO’s or quasi-governmental institutions (such as the Red Cross or Greenpeace) to be positioned between the formal economy and the self-help economy in real life? In this case, what are the “third sector”, the “social economy”, the “*économie sociale*” in European countries?

It was apparent during the debates in Königswinter that the scientific community is particularly interested in those areas that overlap. “We have to measure how the formal economy and the informal economy cooperate and determine what role organisational aspects play in this connection. We have to accept that there are often no clear-cut borders between them and that there are often bridgehead elements” [Scherhorn]. It is in the borderline and grey areas that the most interesting changes take place. It is here that approaches to solutions to societal problems – perhaps for a “European social model” – could be found. Which, by the way, particularly applies to countries in economic transition as well (see below). “They have to develop a broad non-profit area that encompasses a wide range of activities” [Wynikiewicz]. This automatically raises the question of whether “common definitions and methods are at all possible” [Verlaeckt], a problem that involves the “inside versus the outside viewpoint of the informal sector” [Strachwitz] and with – whether we like it or not – the fact that the “shadow economy is not only illegal but also part of society” [Ziegler].

Illustration 16: A provisional taxonomy of various areas



Source: Own chart based on Teichert, 1933, p. 65, 67

4. An activity-based point of view

Viewing undeclared work in such objectified terms – in other words, disregarding the fact that undeclared work is illegal or ignoring this for the shadow economy altogether – and viewing it as a source of income, work and welfare for certain groups of persons may be a bit unusual. It is not intended as rationalisation for it. However, this viewpoint has not been all that uncommon in the economics field, at least since G.S. Becker (1968). Even socio-economists such as K.E. Boulding (1973) who are much less attached to traditional rational-choice standpoints advocate an integrative view of malevolent and benevolent activities/behaviour, albeit using a different normative approach. This type of viewpoint was not entirely contested among the workshop participants:

- “We have to accept that the boundary between the formal and informal economy is fluid and can shift quickly” [Gidron];
- “We have to accept that there is a strict boundary between them” [Badelt].

There was however unanimous agreement that the “main dimensions on which the topics are to be built are time and space. The aim is to understand employment as a key category – in its manifest forms and variations, which depend on time and place” [Schaber].

Illustration 17: Regional differences in real phenomena

The residents of Europe's major cities are being called upon to help deal with social, cultural and ecological deficits. To provide incentive, reimbursement is often paid for costs incurred.

In the small towns of less developed regions, the involvement of the local population is crucial to the infrastructure's functionability. However, if a resident were to come up with the idea of demanding compensation for his neighbourly help, the community would severely sanction him as being antisocial.

On the other hand, everyone in a small town knows who is good at repairing cars, tractors and motorcycles. And nearly everyone in town has already made use of this person's services and was able to avoid having expensive repairs done in the city by doing so. This type of “illicit worker” is therefore very popular. If he were to live in a city however, he would probably have long ago been sentenced in a court of law as a criminal and condemned by the tax authorities as being antisocial.

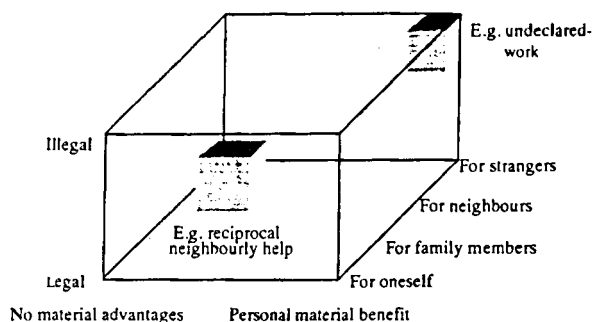
The foregoing observations outline the complexity and heterogeneity of this very broad field of research. The various forms of work (undeclared work, voluntary work, gainful employment, family work, etc.) are not self-contained categories but, rather, space and time-dependent continua (see Illustration 17). Depending on the respective (differential!) economic situation, regulatory conditions, regional context and personal disposition, even an empirical description can entail classification difficulties, overlapping areas and definitional problems. Work that is sub-

ject to prosecution in urban areas can be indispensable in rural regions for meeting low-level demand and for strengthening small-town cohesion. Work that is or at one time was necessary to alleviate the supply situation in the eastern part of Europe is covered by the market in Western Europe. What is called family work in traditional societies can be found located somewhere between reciprocal neighbourly help/self-help and the shadow economy in today's post-modern "singles' cities." The consumer is increasingly being required or even forced to do tasks that in the past were market-mediated services (provided by a bank teller, by an agent at a ticket counter, etc.).

These problems can be solved methodologically and empirically at European level only through the use of an integrated view, an expanded concept of work (cf. for example, Mutz, 1999) within their respective regional-cultural framework. Accordingly, the work done by the individual would provide the initial starting point which would then be linked to various reference points (persons targeted by the work, material orientation, degree of organisation, societal valuation, etc.). The respective activities can then be located and identified in an n-dimensional coordinate space whose axes represent the reference points' respective spectra (see Illustration 18).

Empirical research aimed at dealing with this topic must be aware of the multi-dimensional complexity of human behaviour and its implications see Illustration 19). A knowledge of the different regional and local marginal phenomena and interpretation patterns is an indis-

Illustration 18: Example of a triple-axis model



Source: Own chart

pensable prerequisite for any methodologically valid registration of work patterns on a pan-European basis. In other words, it is necessary to know additional taxonomic dimensions such as the service's target persons, the third-person criterion for the rendering of services, the degree of self-directedness, and the like (cf. also Beher, Liebig, Rauschenbach, 1998, p. 108). For this reason, it is also clear that although important, a mono-disciplinary (e.g. narrowly economic) perspective is not sufficient.

Illustration 19: A well-known problem – The *Homo oeconomicus* is too narrow a portrayal

"Sustainable economic activity means first and foremost revealing and overcoming the prevailing economy's ingrained tunnel-vision. The economy as a 'whole' encompasses not only the monetary economy but also the physical economy, not only market-mediated activities but also self-service activities, not only those (external) effects of economic activity that have been taken into account, but also those that cannot be taken into account, not only production performance but also reproduction performance, not only gainful employment but also do-it-yourself work, personal and work contexts that are not only male but also female, not only self-interest but also altruism as a code of conduct, not only the individual but also the community as a social category and player, not only competition but also cooperation as a pattern for interpersonal relations, not only material but also immaterial needs."

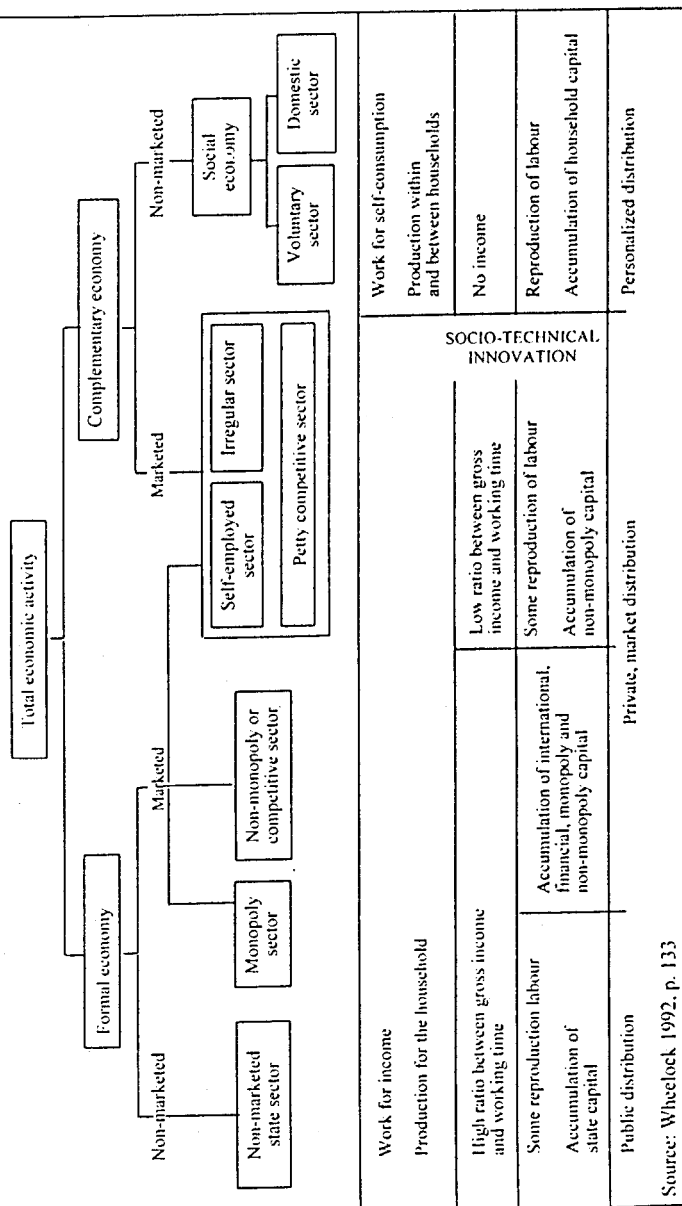
Source: Busch-Lütt, 1994, p. 15

It is to be noted once again that the economic activities recorded in national accounts comprise only a part of the economic activities that are of relevance to the public. This applies to providing people goods and services (in other words, the consumer side) as well as to the time and money they spend on such activities (in the producer role, so to speak). Viewing undeclared work and unsalaried voluntary work that is done on an honorary basis as being as much a part of the spectrum of activities as work

in the formal sector (in other words, market and state) and do-it-yourself work or household production where the producer and consumer roles tend to merge more also makes it possible to better understand the structural changes and the socio-cultural and socio-economic differences at international level. This also means that the distribution of all these activities is very strongly differential. "As is the case with involvement in self-help groups, *Ehrenamt* is and will remain a sphere of activity for persons with medium and higher levels of education, advanced professions, higher income levels and the like" (Kistler, Schäfer-Walkmann, 1999, p. 54).

J. Wheelock presented a possible "activity system" (see Illustration 20) which deserves further examination and appears promising in regard to the problems dealt with here. Despite the deviation in terminology (the "complementary economy" is only partially identical with the above outlined areas of the "informal sector"; however, the definitions could be harmonised), this taxonomy links the respective spectrum of activities with the corresponding sectoral and/or institutional aspect. "This will help to highlight the interrelations between the social and formal economies. (The figure) summarises the role that the different sectors of the economy play in structural economic change" (Wheelock, 1992, p. 130).

Illustration 20: Selected characteristics of economic activities and sectors in a broadened perspective



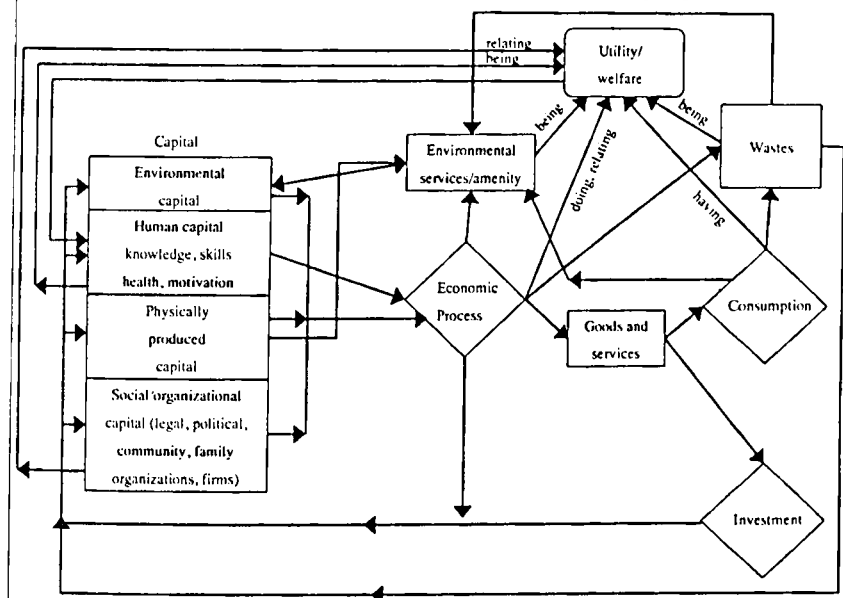
Source: Wheelock 1992, p. 133

Another way of viewing the question of which resources and/or factors constitute the basis of economic activity is also linked to this.

The traditional economic understanding – which at international level has meant national accounts ever since the work of Kuznets and C. Clark and the budget address given by Franklin D. Roosevelt in 1945 – is founded on the concept that the economic process functions on the basis of the three productive factors land, labour and capital and is steered by the market or state. According to this understanding, the economic process produces goods and services which serve investment and consumption, with the benefit and welfare of the individual being derived on a fairly linear basis from consumption. This simple model is increasingly less satisfying⁶. Even if there is no real “alternative” to national accounts in sight (strictly speaking, this also involves adjuncts to them), these proposals contain promising theoretical considerations and empirical approaches that can be adopted (cf. also van Dieren, 1995, p. 165 ff.). For example, Ekins’ proposal (1992) regarding “real-life economics” (see Illustration 21) contains various elements which go further, at least in terms of do-it-yourself work/household production and unpaid volunteer work – and which could probably integrate at an analytical level the shadow economy and barter activities (or swap groups, the modern form of barter) – and, in the process, cover a number of proposals and suggestions made in Königswinter by the international participants. This applies to the welfare relevance of various institutional arrangements (which is particularly important in intercultural and intertemporal comparisons) “with respect to, for example, changes in the forms of care provided for the elderly” [Schneider]. It also “applies to the discussion on the future of the European model of the welfare state and the (possible) role of the informal/‘third’ sector” [Badelt]. Hence, the important role of networks can be

⁶ To begin with, it must be pointed out that people’s welfare is very strongly influenced by environmental factors which can no longer be reduced to the equation ‘the environment = production factor land’. This equation, along with the debate on environmental sustainability, points to the ecosystem’s inadequate absorptive capacity with respect to overexploitation and negative effects (wastes). Secondly, the view that the factor labour contains qualitative components has become widespread in the wake of the discussion on the “independent” production factor “knowledge,” on the “knowledge society.” Thirdly, the various economic fields in particular as well as the sociology and political science fields are making increasing references to the importance of institutions. Corresponding work is being conducted in the various fields of sociology and in official statistics. This work ranges from revisions of the Systems of National Accounts (on the part of the UN, for example, which expanded its SNA in 1993 or on the part of Germany with its “satellite systems of household production” or with the attempt to “link the system of integrated environmental and economic accounting and the system of nationals accounts” (cf. for example, Schäfer, Schwarz, 1996; Rademacher, Stahmer, 1997)) all the way to a variety of other systems of social accounting.

Illustration 21: Components of wealth and utility in a broadened perspective



Source: Ekins 1992, p. 149

portrayed and the complementary relationships between different resources for the creation of welfare are clearer – which also points to the importance of the distribution dimensions because, after all, the informal economy recruits “first and foremost skilled, wealthy, male workers. Women come second and migrants third” [Wallace]. “This picture closely reflects the social distribution of people who do voluntary work” [Kistler]. As a result, the focus of this examination shifts to include the existence and distribution of institutional arrangements as “capital” (or resources), just as it includes various formal and informal networks and support systems⁷. “Having” in the sense of consuming goods and services (that are included in national accounts) is not the only condition that contributes to welfare or offers the individual benefits. This is also accomplished by “being” (in the sense of conditions – the condition of the environment or individual), “doing” (in the sense of self-actualisation and finding

⁷ This type of view – with a somewhat different emphasis – also provides the basis for Sen’s “commodities and capabilities” approach (1985, 1992).

meaning in one's work or other activities) and "relating" (in the sense of social cohesion). In this context, "waste" is not only waste in the traditional sense or environmental damage but also the devaluation of (human and other) capital through non-utilisation, exclusion and the like. And last of all, this viewpoint potentially "solves" another problem arising from the overly narrow viewpoint used by systems of national accounts, namely, the "undervaluing of the voluntary and domestic sectors, due to the false perception that economic wealth and money are the same thing, thus ignoring a large part of the contribution to wealth creation of social and organisational capital and the considerable quantity of non-monetary produced goods and services" (Ekins, 1992, p. 151).

The taxonomies and categorical approaches from Teichert, Wheelock and Ekins presented here will surely not solve all the problems that an integrated method of viewing such heterogeneous phenomena as the shadow economy, informal economy and voluntary work entails. However, in light of the discussions held in Königswinter, they do appear to be concepts that could be further developed and coordinated. The workshop was intended to provide initial impetus for such activities. The progressive development and merging of these concepts (which still require considerable theoretical and empirical work) has the potential to push forward the analysis of those overlapping fields which within that broad spectrum of human and social activities are currently (actually, for some time already) the focus of attention in socio-political debates and in concepts such as the "idea of a good life" in household economics (cf. for example Nannen-Gethmann, 1997, p. 15).

5. Excursus – A glance at countries in economic transition

As previously mentioned, it is along the interfaces and in the grey areas where new structures and solutions will be tested in "real-life experiments" and also where the most can be learned about future developments. The participants in Königswinter were agreed on this as well on the fact that the countries of Central and Eastern Europe are of special interest not only because a number of them are candidates for membership in the European Union but also because they offer a fascinating field for observation and experimentation in areas linked to the issues under consideration here. The participation of numerous colleagues from Eastern Europe in Königswinter was extremely important and will certainly continue to be extremely important for future work in this area.

5.1 The “third sector”

All the problems and research issues that have already been touched upon regarding, for example, the third sector in Western Europe naturally apply to the countries of Central and Eastern Europe as well. This includes measurability and definition issues. In the case of the countries of Central and Eastern Europe, the special situation arising from their economic transition has been added to the equation. During the days of communism, many organisations were closely related to the government or even part of it. “Although during the communist regime several organisations of foundation type were established,... they could not get out of the formal framework” (Atanassov, Gancheva, Chengelova, 1999, p. 3). “Their activity was performed partly in illegality, but predominantly was incorporated into politically controlled uniform organisations” (Laiferova, 1999, p. 2).

Only when this intermeshment on the part of third-sector organisations is taken into account is it possible to understand many of the difficulties facing the “third sector” in these countries today. Although the following is not a comprehensive overview, a few points should be emphasised here:

a) Financing

A system for financing third-sector organisations has evolved in the European Union’s member states over the years (irrespective of any tensions that may have surrounded it at any given time). By contrast, such systems are still developing in the countries of Central and Eastern Europe.

Not only does this mean that these countries’ governments must accordingly restructure their budgets, it also means that third-sector organisations themselves must reorient themselves and set up a corresponding infrastructure. However, this process can take place only after the reciprocal distrust between the two has been dismantled.

The often precarious, poverty-induced situation of various population groups in the countries of Central and Eastern Europe is also to be assessed in this context. Third-sector organisations play an important role here. One example of this is Hungary where “non-profit organisations and the civil sphere played an increasingly important role in dealing with the social problems and crisis phenomena” (Szeman, 1999, p. 4). Consequently, viewed from the demand side, the third sector’s social responsibilities are greater in the countries of Central and Eastern Europe than they are in many West European countries.

A further peculiarity of the third sector in the countries of Central and Eastern Europe is the role that foreign aid plays both in financial terms as well as in material and personal terms. "An important role was played in the third sector by foreign institutions and organisations, especially by the means of supporting programs aimed at the development of civic society and at the activation of social capital" (Laiferova, 1999, p. 2). In light of the current financial situation, the assistance provided by foreign institutions and individuals should be viewed positively. However, such assistance could generate a wide variety of dependencies in the future that could have a negative impact on the "third" sector.

b) Level of acceptance among the population

Looking at the countries of Central and Eastern Europe, the close links between third-sector organisations and the government during the era of communist rule has led to a lack of public acceptance of them in many countries. The third sector in these countries faces problems with meager acceptance in two respects. "... the third sector (in Bulgaria) is still tormented by the dilemma to be pro-government or antigovernment (Ivan Krastev)" (Atanasov, Gancheva, Chengelova, 1999, p. 3). "... people do not believe in the possibility of the civil movements to influence the real policy even in the settlement they live in" (ibid., p. 15).

"In the beginning of transition, Bulgarians in general had a prevailing negative attitude towards the emerging NGO sector" (ibid., p. 20). The example of Hungary shows that not all third-sector organisations meet with a lack of public acceptance. "All this (meeting expectations of the general public and public administration) increased the viability of the organisations and made it easier for them to gain acceptance both from the State and local authorities and the general public" (Szeman, 1999, p. 21).

c) The development of civil society

In the countries of Western Europe and in other industrialised nations, the third sector makes a fundamental contribution toward preserving and shaping democracy. Political parties – which many researchers consider to be third-sector organisations – are one example of this. Other institutions include various educational institutions, associations and social organisations which through their work make a vital contribution to the development of civil society. The democratisation process is still ongoing in the countries of Central and Eastern Europe. The development of civil society is an important element of this process. "First of all, we have to clarify the role of civil society" [Wyznikiewicz]. Nevertheless, Putnam's finding (1999, p. 127) still has to be addressed: "The norms and networks of civil involvement also have a strong effect on the capabilities of the system of representative government."

d) Political stability

The stability of political environment can be evaluated in close conjunction with the points listed in c) above. "But there is no reason for great optimism in the evaluation of this relationship, as the state policy toward the third sector is expressively inconsistent since the beginning of the independent Slovak Republic: It is complicated by the prevailing political instability and the rotation of government teams on one side and by the insufficient crystallisation of legislation on the other side" (Leiferova, 1999, p. 3). The third sector therefore finds itself in a dilemma, caught between being a supporter and promoter of democratisation and its own dependency on political developments.

Illustration 22: Spread of the informal economy and shadow economy in post-communist countries (in %)

	Bulgaria	Czechoslovakia	Hungary	Poland	Romania
Household production ¹	94	91	81	75	95
Reciprocity ²	76	53	60	49	56
Connections ³	70	33	37	48	48
Second job ⁴	10	25	21	17	21
Shadow economy ⁵	30	13	17	38	60
Currency black market ⁶	9	12	9	15	17

1. One or more of the following uses of time: growing food (weekly), house construction or repair, more than an hour a day queuing.
2. Exchange help with friends in growing food, building or repairing one's house, shopping, babysitting, transport, etc.
3. Reported uses of connections to get things done without any payment.
4. Member of the household has or plans to have a second job (which is highly important to securing a livelihood).
5. Use of undeclared work.
6. Participation in currency black market.

Source: Rose. Haerpfer, 1992, adapted from Sik, 1995, p. 20

e) The countries of Central and Eastern Europe as a heterogeneous group

For the most part, the previous considerations have assumed the countries of Central and Eastern Europe to be a homogenous group. This group of countries naturally shares many of the above mentioned problems. However, one should not make the mistake of overlooking their individual, divergent national developments (cf. Gaskin, Smith, Paulwitz, 1996, p. 51 ff.) which are likely to continue for some time to come (see Illustration 22).

Slovakia offers a particularly interesting example here because after it gained its independence, a more conservative government came to power and an authori-

tarian regime established itself. The process of democratisation began anew following the last change of government.

In summary, it can be said that the development of the third sector in the countries of Central and Eastern Europe is of vital importance to the transformation process in each individual country. For this reason, the third sector's development must be the subject of intensive socio-economic research in order to be able to correctly assess the problems and developments associated with it. The provision of consultancy services for the political sector therefore also takes center stage alongside purely scientific interest.

The countries of Central and Eastern Europe are not yet members of the European Union. And Bulgaria – which also serves as an example above – will not belong to the first round of countries to accede to the EU. However, the failure of the democratisation process, an underdeveloped third sector, the breakdown of civil society would lead to substantial problems for the European Union as well. One important example is Hungary where the third sector has assumed numerous duties in the social field. If these duties were to fall to the state, an additional demand for funds would be generated, a demand that the government could not assume under present circumstances. All in all, present findings indicate that such activities are somewhat less widely distributed in the countries in economic transition than in western countries (cf. for example, Gaskin, Smith, Paulwitz, 1996, p. 65). However, it must be noted here that highly standardised survey tools used for international comparisons have their limits in this area. Inglehart for example (1999, p. 266 ff.) points out the connection between frequency and incidence of membership in volunteer organisations and a country's democratic culture/stability, basing his observations on data from the Internationale Wertestudie from 1990 through 1993. However, given the low membership levels in such organisations as revealed by surveys conducted in the countries of Central and Eastern Europe, it must be pointed out that thanks to the company organisations in these countries, a single membership can cover several areas which in the West are dealt with by a wide variety of associations that individually cover a narrower range of activities.

5.2 Example – Household production and shadow economy

Due to their history of having planned economies, the countries of Central and Eastern Europe are also considered to be “special cases” in the area of household production (and the shadow economy). Shortages in the supply of private goods were met with a well-developed system of do-it-yourself work and barter. This was in part desired and supported by the government, such as in the case of “home-grown” agricultural production. In view of the very low income levels in

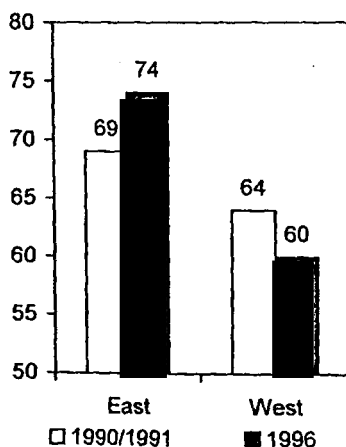
these countries, it can be assumed that this behaviour is still very important for ensuring that households are supplied with necessary goods. Disregarding the – enormous – differences resulting from the different possibilities for measuring the size of the shadow economy, an averaging of the results arrived at using various methods reveals that the average size of the shadow economy in countries in economic transition lies somewhere between the average size of shadow economies in OECD states and in developing countries (see Illustration 23).

Illustration 23: Average size of the shadow economy in developing, transition and OECD countries	
	1989-1993 (% of GDP)
Developing countries	
Africa	43.9
Central and South America	38.9
Asia	35.0
Transition countries	
Former Soviet Union	25.7
Eastern Europe	20.7
OECD countries	
Electricity method	15.4
Currency demand method	12.9

Sources: Enste, Schneider, 1998, p. 42

The hypothesis that voluntary activities as well as shadow-economy activities and do-it-yourself work are increasing in Central and Eastern Europe's countries in economic transition dominates in all literature on hand. The empirical findings available to us to date are not sufficient to confirm this not implausible assumption. Current research is still too uncertain to be able to provide a foundation for practical or political measures. For this reason, it would seem wise to examine the transformation process in eastern Germany over the last ten years, despite a number of comparability problems (cf. for example Priller, 1997). Even though the transition that Central and East European societies are undergoing is not entirely comparable – with regard to institutional conditions – with the changes that eastern Germany has undergone, some of the available findings from Germany's new Länder indicate that the activities under consideration here are not evolving as linearly or in line with expectations as the previously mentioned simply hypotheses would suggest (see Illustration 24).

Illustration 24: Percentage of households with repairs and garden work in eastern and western Germany



Source: Berger, Hinrichs, 1999, p. 126
(based on the Socioeconomic Panel)

Mention has already been made of the marked decline in the incidence of unpaid voluntary work among east German men and women between 1990 and 1992 and the subsequent slight yet non-linear rise that was revealed in surveys conducted by the Socioeconomic Panel. Mention has also been made of the lack of uniformity in the data of other survey institutes. This is also the case in the area of do-it-yourself work. According to the Socioeconomic Panel, the number of households in eastern Germany that do repair and garden work has increased (in contrast to western Germany). According to data from, inter alia, the Allensbach Institute for Opinion Research, this does not appear to be the case – at least after 1994 (see Illustration 25).

Illustration 25: Do-it-yourself work/recreational activities on the part of eastern and western Germans (in %)

	Western Germany						Eastern Germany			
	1985	1988	1991	1994	1997	1998	1991	1994	1997	1998
Minor car repairs (in the last 10 months)	-	19	19	17	15	14	27	21	17	17
Oil change	-	14	14	12	11	11	9	8	7	7
Wallpapering	31	31	31	29	25	24	47	50	38	38
Painting woodwork in the home	18	18	19	17	14	13	24	23	15	16
Insulation work	6	5	5	4	4	4	5	8	6	6
Garden work (frequently or occasionally)	61	61	58	57	60	59	69	67	65	55

Source: INIFES, based on data from the Allensbach Institute for Opinion Research, various years

it would be important – not only for welfare organisations and/or the owners of do-it-yourself and gardening stores and do-it-yourself equipment manufacturers – to ascertain what developments have actually taken place or, rather, what de-

velopments will be taking place in Central and Eastern Europe and within the European Union. It must be noted again particularly in regard to these do-it-yourself activities that they – like honorary, unpaid voluntary work and undeclared work – exhibit a strongly differential scattering. According to many available empirical findings, do-it-yourself activities tend to increase (cf. for example Goldschmidt-Clermont, 1992, p. 281) rather than mitigate the imbalances in the primary and secondary distribution of income and wealth (cf. in this regard, for example, Merz, Kirsten, 1999). Only time will tell whether this trend will continue following the European Union's further enlargement.

6. Research issues and needs

The societal and political relevance of undeclared work, informal work and the third sector is indisputable (see Illustration 26). There is really no need to provide any further evidence for this. Finding suitable courses for research to take and determining associated details are the matters at issue here.

Illustration 26: Various reasons for an expanded perspective

- "The well-being and economic welfare of the members of any society whether 'traditional' or 'developed' is in principle as much dependent on the informal sector, unpaid and hidden or undeclared work as it is on the declared.
- The effectiveness of new public policy, and its intended and unintended consequences, is mediated by shifts in the balance among these forms of labour.
- The processes of diffusion of new consumer technologies frequently depends on shifts in these balances (e.g. new consumer-technology encouraging 'self-servicing')".

Source: Gershuny, 1999, p. 17 f.

Defining research issues in the light of interdisciplinary scientific collaboration will be of critical importance for the Key Action "Improving the Socio-economic knowledge base" a horizontal project being conducted as part of the Fifth European Framework Program. As part of this

process, one of the purposes of the workshop in Königswinter was to provide initial impetus in this direction and to serve as a pump-primer for a dialogue between colleagues who are involved in the respective discussion on individual aspects of the issues being dealt with – such as undeclared work, do-it-yourself work, voluntary work, third sector – but who have little contact with the other topics or the theoretical approaches, methods, evaluation criteria and the like used in conjunction with them. This was accomplished in Königswinter. And many of the participants were amazed that some of the problems involved in the research process, some of the work to be done in developing methods for the various areas are not all that unrelated. The joint search for an integrative con-

cept for measuring and assessing sectors that lie "beyond market and state" with a eye to a European social model "... could help the agenda and scientific endeavours form a whole that is more than the sum of its parts" [Wallace]. "We have to use the opportunities arising from different views from different countries and cultures, different scientists and disciplines. This is not about putting the interests of the Commission and governments first when defining research requirements" [Ziegler]. The scientific community is called upon (cf. Schäfer, Wittmann, 1985) to provide the political sector and those offices preparing official (European) statistics suggestions and assistance. "We must realise that we are trying to measure something that cannot be measured with one indicator because the subject is too heterogeneous" [Sik]. Several indicators will be necessary to accomplish this. However, they should be as compatible as possible with one another – an objective that will demand interdisciplinarity and the collaboration of the players involved.

Particularly in light of this function of jump-starting the scientific community's necessary self-organisation process, we should not and cannot expect a conclusive list of individual research topics that ought be tackled to emerge as a result of this workshop. The purpose of the workshop specifically was and is to stimulate a trans-disciplinary discussion process, while simultaneously arousing understanding for the importance of the issues being discussed and to be researched by the Commission and the political sector.

The paper "European Research Agenda Setting – Research priorities in the fields of social economy and informal sector" which was drafted immediately following the workshop follows below. This paper does not attempt to take the potential friction between scientific interest and application-related relevance into account. Rather, it points out the existence of entirely contradictory results and views regarding important issues, which the above report has also attempted to illustrate with various examples. In addition, the following paper also cites several particularly important issues (which were touched upon in Königswinter) which interface with areas that are of key importance for political tasks and action in Europe.

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