



Social Economy, as a Special Section of the Informal Economy in the Northern Great Plains Region of Hungary

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Abstract. This paper aims to examine a phenomenon often referred to as social economy and its presence, different forms and extent in contemporary Hungary, specifically in the Northern Great Plains region. The first part is a brief overview on the evolution, junctions and debates over the concept of informal economy and social economy. After this, it summarizes the findings of the informal economic studies on the post-socialist countries of Central and Eastern Europe, mainly focusing on the history and description of the social economic activities in Hungary in the socialist era, through the transition period until recent times. The second part of the paper is the detailed analysis of the data gathered during the project *Employment and job searching willingness in the lower employment segment*, carried out by the University of Debrecen, Department of Sociology and Social Policy. The paper is concentrating on the data collected about the social economic activity of the respondents and the factors that determine the participation in these activities.

Keywords: informal economy, social economy, substantive economy

The concept of informal and social economy

Informal economy, including social economy is an indistinct object of the social sciences, with a great number of vague and overlapping terms related to it (*unofficial economy, hidden economy, underground economy, shadow economy, parallel economy, social economy, black economy, second economy*) (Lippens and Ponsaers, 2006). There was much debate and vagueness about definitions, in order

to examine the large and diverse sector of economic activities outside formal economy (Henry and Sills, 2006). The concept of informal economy has not been used widely in sociology, although it gained more attention in economics (Portes and Sassen-Koob, 1987).

According to Stuart Henry, informal economy can be described by three basic characteristics: informal economy includes production, consumption and trading of goods and services, for cash or for a social reward. These are mostly part-time activities, and are unofficial, as they do not explicitly form part of the state accounting systems, and are not registered by its economic measurement techniques. Beyond this, characteristics are less generally applicable (Henry, 1982).

The first, groundbreaking study of the field was ethnographic in nature, and was carried out by Louis Ferman in Detroit, in 1958. While examining the time structure and usage of the members of a black community struck by heavy unemployment in a slum area of the city, he surprisingly found that a great proportion of the respondents were involved in some kind of “off-the-books” work – some of them involved crime, but the majority was legal.

There was a “series of irregular economic activities serving as community responses to the blocked opportunity structures of the larger economic system... It was Ferman’s original sociological identification of informal economic production and exchange as means of survival among the urban poor of American cities that served as the major corrective to our perception of the hegemony of modern industrial and commercial rationalism¹, while also showing that the formal and informal, regular and irregular, are integrally related” (Henry and Sills, 2006: 266). As Ferman quoted: “*At the time, our finding seemed important, but not revolutionary. We had no idea that it was to mark the start of what was to become a whole area of study*” (Ferman, 1993: vii-viii, cited in Henry and Sills, 2006).

In his latter works, he and Louis Berndt made a distinction between the irregular economy and the social economy. In his approach, irregular economy means “that sector of economic activity that is not registered by the economic measurement techniques of the society but which uses money as a medium of exchange” and social economy means a sector of economic activity, which is “(...) *not registered (...) and not uses money as a medium of exchange*” (Henry, 1982: 461).

¹ Ferman’s early observations about the connection between lower class marginality and the participation in the informal economy were being supplemented by other ethnographic studies. Stack described that the limited amount of goods were being continuously redistributed in an African American community through mutual aid networks based on kinship (Stack, 1974, cited in Henry, 2006). Lowenthal found the same kind of mutual aid networks as a survival mechanism of an isolated working class community, for which he also used the term “social economy” (Lowenthal, 1975, cited in Henry, 2006).

In the 1970's, the anthropological wisdom that goods and services can be produced and distributed in local networks, communities and families instead of registered, legally constituted enterprises was beginning to be rediscovered. In these early founding studies, participation in the informal economy, which exists independently from the formal economy, is seen as a survival mechanism, the mode of "getting by" of the poor and marginal groups in the society (Henry-Sills, 2006).

In the early '80s, Gershuny and Pahl saw informal economic activities as early indications of future development and progress of the post-industrial society. Gershuny was interested in the way technological development affects the change of societies (Gershuny, 1987). He argued that growth in labour productivity leads to constant unemployment, and the high prices in the service sector bring a new, self-service economy where the work and service in the household for the household will be superior to the public services and welfare provisioning (Pahl and Wallace, 1985). Under the circumstances of an economic crisis, cheap foreign labour and rising productivity of work, he and Pahl argued that fighting unemployment with state interventions is not a possible way, and the society has to cope with large-scale unemployment in the long run (Pahl, 1987). People are increasingly turning to their household, their neighborhood and their local informal economy to provide the goods and services that they could not afford from the formal economy. Thus, as Gershuny and Pahl say, "our present stage of economic development appears to be one in which jobs are displaced, not only by automation within the formal economy but also by export to an informal economy" (Gershuny and Pahl, 1981: 77).

With this theoretical background, R. E. Pahl carried out a large-scale research project on the Isle of Sheppey, in a working-class community struck by high unemployment rates, between 1977 and 1984. In an article at the beginning of the research project, he stated:

"Earlier assumptions that the service sector of the economy would expand to absorb displaced labour are now being seriously questioned... For present purposes I intend to focus on the consequences of a shift out of "employment" into "work", which may be highly productive, although hidden in terms of national accounting. I further want to explore the implications of this and other shifts within local labour markets and how these interact with the household economy" (Pahl, 1980: 1).

Pahl insisted that by participating in this kind of informal activity, the unemployed can maintain the "work identity" even if the "employment identity" is lost, and in certain situations, if the opportunities in the formal economy are bad and they are good in the informal economy, unemployment could be a positive benefit (Pahl, 1980). The survey took place on the Isle of Sheppey, Kent, in 1981, from a one-in-nine random sample of households, yielding 730 cases with a

response rate of 79 percent. It was specifically designed to avoid gender bias by the random selection of equal numbers of male and female respondents. In practice, four types of informal economic activities have been discovered which were the following (Pahl, 1987):

- (1) Work done by members of the household with their own tools and in their own time for themselves, providing goods and services (referred to by others as “domestic” or “household economy”. Pahl preferred the term “*self-provisioning*”).
- (2) Work done for others outside the household repaid in favours or in kind.
- (3) Work outside formal employment for others, outside the household, which is remunerated (“*working on the side*”).
- (4) Work outside the household to obtain food or materials without involving anyone else, or without it necessarily being illegal. (Fishing, ferreting etc.).

The findings of this study marked a change in the general view of the informal economic activities: the idea that these activities are more likely to be done by unemployed people and by households in a worse economic position has proved false. Instead, Pahl found that employed people are slightly more likely to engage in these kinds of activities (Pahl, 1984)².

Gershuny and Pahl also divided the term “social economy” of Ferman, into two distinct categories. They identify a *household economy*, “production, not for money, by members of a household and predominantly *for* members of a household, of goods and services for which approximate substitutes might otherwise be purchased for money”. They also identify the *communal economy*, which is “production, not for money or barter, by an individual or group, of a commodity that might otherwise be purchasable and of which the producers are not principal consumers” (Henry, 1982: 461).

Henry brings another dimension to the scene, differentiating Ferman's irregular economy (Table 1). He differentiates between black work, moonlighting and other economic activities, which are mostly related to normal, formal employment and can be described as “parasitic” on the formal economy – and the social economy, which is autonomous in the sense that it operates more or less independently from the formal economy.

By doing this differentiation and summarizing the predecessors' work, he brings a quite useful and clear typology of the field (Henry, 1982). According to this typology, *social economy means the type of economic activities, which are*

² Overall, in all fields of informal economic activity, employed respondents were more likely to participate than the unemployed were. These findings were confirmed by other studies, for example in Brighton, Kidderminster and South Wales – and led Pahl to see the informal economy not as a possible survival mechanism of the poor and unemployed, but a new dimension of social polarization with an underclass which is deprived both in the field of formal and informal work.

*not parasitic to regular economy, not monetized, not registered and accounted, but legal*³.

Table 1. A typology of informal economies

	Parasitic to the regular economy	Uses money as a medium of exchange	Accounted and measured by economic measurement	Legal
Irregular	+	-	-	-
Hidden	+	+	-	-
Unofficial	+	-	-	+
Social	-	-	-	+

The studying of informal and social economy had its peak at the turn of the '70s and the '80s. After this era, critical assessments and general neglect was typical on the field⁴. The debates are still present, however even the more skeptical academics *challenge social scientists to examine those fields of economic activity which are problematic to describe with the terms and theoretical frame of the classical economic point of view* (Roberts, Finnegan and Gallie, 1985). The potential of examining this phenomenon in drawing a much sharper and more correct picture of the human economic behaviour is beyond doubt, and there are recent important studies rooting in this theoretical heritage.

The informal economy in Central and Eastern Europe

Being a universal phenomenon, the informal economy is socially and economically embedded, and it can take different forms and meanings in different social and economical environments. So, after examining the history of the concept in the Western, British-American theoretical frame, the next thing we should do is to see how we can apply these ideas in a different environment.

³ For other examples of using monetization and legality as the dimensions dividing the types of the informal economic activities see Schneider and Enste (1999), Rose and Haerpfer (1992).

⁴ By the mid-1980s, many were beginning to be critical towards the entire perspective on the informal economy. Some argued that the whole concept is too wide to be examined as one phenomenon (Smith, 1987), others, such as Huber, tried to find a universal definition (Huber, 1985). Connolly felt that in so far as the concept grouped together a whole range of disparate activities into one category, it was unhelpful and further, that it amounts "to an apologetic and mystifying discourse" which should be abandoned altogether. (Connolly, 1985: 86, cited in Henry and Sills, 2006). Harding and Jenkins offered "the most critical analysis of the field arguing that the hidden economy did not exist; it was a myth created by social scientists...even the most formal contexts are comprehensively penetrated by and implicated in informal social relationships" (Harding and Jenkins, 1989, cited in Henry 2006: 274).

The post-socialist countries of Central and Eastern Europe are providing an especially interesting field for such examination. In the socialist era, the widespread “second economy” was a partly illegal way to cope with the inadequacies of the socialist planning system (Sampson, 1987), and it is presumable that under the circumstances of rocketing unemployment, falling living standards and inadequate welfare systems, many people have “retreated” to their household and community to provide subsistence.

As a great example, Wallace, Haerpfer and Latcheva (2004) concentrated on the informal economic activity in the transition countries of East-Central Europe, using the data of the New Democracies Barometer from between 1991 and 1998. Their basic findings were the followings (p. 1-2): The informal economy was important in the socialist era as well as it is in the present market economy of these countries. In 90% of the households, some form of participation in the informal economy is necessary for economic survival. In most of the cases, the household is combining different elements of the informal economy – the own production of the household being the most important. The successful economic transition brought a decline in the household production over time in some countries, but in countries with failed economic transition, there is even an increase in these activities.

“The most autonomous and least integrated forms of household economic behaviour are the social economy and the household economy (being two distinctive categories in this study). Increasing dependence on these economies in these countries is associated with older, poorer people and those in peripheral areas. It leads very often to withdrawal from public and social life”.

The social economy in Hungary

Hungary had a special situation among the socialist countries in the sense that instead of oppressing the small-scale production to force the large-scale agricultural production on state-owned farms, the government tolerated, and even supported it. The aim of emphasizing the household and small-scale production was to absorb the surplus workforce of the agricultural population and to satisfy the needs of the rural households. Most of the rural households were involved in household food production. The “second economic” activities, however, were far from being limited to self-provisioning – for many, it generated even more income than the wages of the formal economy. It had high importance in keeping the standard of living relatively high in the beginning of the recession in the early ‘80s (with the cost of heavy self-exploitation, putting more and more effort into the second economy) (Harcza, Kovách and Szelényi, 1994).

Sík (1992) argued that with the decomposition of the socialist system and with the population experiencing inflation, economic recession, pauperization of low-

income people and erosion of the middle-income groups (like most of the transition countries), the formerly significant second economy can (and most likely will) transform into an even wider informal economy. He also argued that the growing importance of family business expands the scope of subsistence and self-service – there is nothing cheaper than self-exploiting subsistence, especially in a situation where there is no chance of getting a job, not even casual work. In rural areas, due to the extremely rapidly rising unemployment, a combination of subsistence, petty commodity farming and black market work may often be the only possibility for survival⁵.

A case study carried out by Laki in a peripheral, rural area in the middle of Hungary has shown that the former “second economy” changed its form due to the massive unemployment after the collapse of industry in the area and the falling income of the population, and also the lost support of the collective state farms (vehicles, fodder etc.). The production descended, and the main type of household production changed its character. The goods produced by the household are mainly consumed in the household instead of being sold (both because the pinching local markets and the lack of resources to keep up the high-scale production). Laki quotes a local agricultural expert, saying that the Hungarian peasant, the rural population endeavours to set up self-provisioning. A similar case study in the Northern regions of Hungary came up with quite similar results: after the disintegration of the collective state farms and the privatization of the land, the aim of the household production is the self-provisioning and the reduction of expenses rather than a quasi-entrepreneurial activity (Nemes and Heilig, 1996).

Brown and Kulcsár (2001) examined the household economic behaviour and interhousehold exchange in the conceptual framework of the social embeddedness of economic behaviour (Granovetter 1985), partially with the aim to determine the prevalence of self provisioning and producing goods and/or services for interhousehold exchange in contemporary rural Hungary (with 751 respondents from three distinct areas of the country: Bereg, Middle Tisza and Vend). Although they described the harsh economic conditions and the falling living standards of the post-socialist Hungarian county, they argued that these circumstances are not the only factors that drive people to be active outside the formal economy, but these activities can also be an instrument of maintaining social relationships – “from an economic perspective, households produce goods and services for interhousehold exchange as part of a livelihood strategy to generate income and/or to reduce the need for income. In addition, generalized reciprocity may be involved; thus even in the absence of immediate returns, households providing goods and services for

⁵ According to a survey of the Hungarian Statistical Office in 1991, the number of part-time farmers younger than 50 increased and the overwhelming proportion of them produces only for self-consumption and do not want to become full-time farmers.

others may expect a return sometime in the future. From a social standpoint, interhousehold exchanges contribute to the establishment and maintenance of social networks: exchanges that seem irrational from a strictly economic standpoint may be ‘reciprocal and solidarity activities’ central to developing and maintaining social networks and community ties” (Brown and Kulcsár, 2001:169).

According to their study, 60 percent of households derive half or more of their consumption of plant products from their own gardens; 16 percent grow all the fruits and vegetables they consume. Their data indicate that 54 percent of all survey households produce goods and/or services for interhousehold exchange. The strongest reason of participating in such activities is economical (“One has to get by” – stated by 84%), but non-economical factors are also relevant (statements “We can help our neighbours”, “We can be our own boss” and “We can work at home” are roughly around 65% each) (Brown and Kulcsár, 2001: 169).

Analysis of the survey data

The project *Employment and job searching willingness in the lower employment segment* was started in January 2009, with the sponsorship and support of the Hungarian National Office for Research and Technology, at the University of Debrecen, Department of Sociology and Social Policy. The aim of the project was to give a complex answer to the question: Why is it that the employment of the lower employment segment (and therefore the whole population) is so low, when all the structural economic circumstances would presume the opposite.

According to the theories of the economics of work, it is the interests that determine the behaviour of the employee: the monetary investments have to be in balance with the monetary benefits. However, the sociology of economics is paying more attention to the “market externalities”, those substantive economic factors that cannot be monetized but can be understood as interests and needs connected to work and employment. From this point of view, labour market behaviour can also be marked with the substantive fulfillment of needs⁶. Economic behaviour of the individuals can be influenced by non-market necessities, and material needs can be fulfilled by non-market activities – the sources of the welfare redistribution, participation in reciprocal exchange systems and the self-provisioning household production can be an alternative or supplementary secondary income source. An important characteristic of these activities is that they are not institutionalized, or, at least in the case of welfare incomes, are incompatible with institutionalized market-incomes. Thus, in the authoritative political and scientific discussion, these substantive practices are often underrated and underappreciated. However, if we consider the fact that the unemployed and

⁶ On the sociological interpretation of the substantive economy, see: Hopkins ([1957] 1971).

underemployed people and households can also have notable resources, such as skills, time and materials, there are interesting questions arising.

These substantive and external aspects presumably influence the decisions and behaviour of the lower segment more due to the depressed wage expectancy, the rural character of the undereducated people – in pursuance of either residency or ancestry. Along with these, there is supposedly a generational difference between the market-socialized, interest following younger and the older, who are more influenced by the embeddings of norm and rules of the recent and not so recent past (the norms of the rural, peasant life form and the “almost-norm” of the socialist second economy).

To avoid exaggeration and to refine our conception, there are important points to be made. First, we did not expect to find complete alternatives of the formal employment in the informality, but a sort of “pattern” of small informal activities, self-provisioning, self-service and reciprocal exchange of goods and services repaid in favours or in kind. Second, even if these activities are often referred to as survival or economic “strategies”, we do not imply that actors in the informal economy are consciously and consequently separating themselves from the formal economy, but rather that they “get by” as they can, and this results in a mixture of market, “half-market” and non-market activities. Third, as the classical literary, ethnographic and sociographic works have shown us, even in the practice of extreme self-provisioning, there are important needs that cannot be supplemented without some connection to the formal economy – people need materials and goods that they simply cannot produce themselves. It follows that – confirmed also by studies mentioned before – those who are on the worst position in the formal economy tend to be on the bottom of the informal economy too.

The project lasted between January 2009 and March 2010. The data collection was done in two waves, among the undereducated residents of the Northern Plains Region of Hungary between the age of 18 and 65. In the first wave in the summer of 2009, 30 detailed sociological interviews were made by students and researchers of the University of Debrecen with the purpose of having a more detailed look on the target audience, and thus to help us design an adequate questionnaire for our survey. The second wave lasted from December 2009 to February 2010, on a random sample of 1000, among undereducated residents of the Northern Plains Region between age of 18 and 65.

In our sampling method, undereducated meant that the respondent had lower education level than high-school graduation (the graduation exam qualifies as a minimal requirement for many jobs and is an entrance exam for higher education). 41,6% of the sample had finished elementary school as the highest educational level, 53,8% completed technical secondary school (and became a skilled labourer). 3,6% did not finish elementary school.

The respondent household was chosen by random walking, and the respondents from these households were chosen among the household members who met the sample criteria using the last-birthday method.

The questionnaire was designed to collect wide range data about the respondent and their household – detailed demographic data about the household, particular data on every household member's income, the school experiences, the whole work history, competences and skills, attitudes toward employment and work conditions and the time usage and structure of the respondent. Most importantly for the topic of the informal and social economy, we got detailed information⁷ about the household production, storing habits, reciprocal exchange, and on the ownership of or access to agricultural properties and edifices.

Results

Overall participation in the social economy

As I have stated before, I use the term *social economy* as the field of economic activities that are not monetized, not parasitic to the regular economy, not registered, but legal. In our data collection, we have two sets of data indicating the participation in the social economy: the household production and the participation in reciprocal exchange systems.

Our first indicator is the overall participation in the social economy, based on the series of data collected about the consumption of the household. The table below shows the percentage of products supplemented at least partially from the social economy⁸.

Our data suggest that on average, 21.8 percent of the products were supplemented at least partly by the social economic participation of the respondent. Linear regression analysis between the product ratio partially and product ratio exclusively substituted from the social economy is very strong, which means that the social economy has a definite “substitution” role, in the sense that if a certain

⁷ Our concept was to try to measure the wideness of the production rather than the quantity of it. We listed 21 products (precisely: potato, beans, tomato, parsley, peach, apple, grapes, eggs, chicken breast, sausages, wine, spirits, salami, pork meat, bacon, cheese, bread, lard, beverages, toothpaste. By picking these products, we intended to cover the typical products consumed in the household, and also to differentiate between “low-prestige” and “high-prestige” goods) and asked how the respondent gets it (producing own, get it in kind, buy it occasionally, buy it in large amounts). By doing so, we got a detailed picture of the consumption and the production of the household.

⁸ The gross ratio of the products from the social economy/all products would be misleading since not all households consumed all the products on the list, so instead the products from the social economy/consumed product ratio was used in this case.

product has a source from the social economy, most of the time it does not have a formal market source ($R = 0.928$; $p < 0.001$).

Table 2. Percentage of products supplemented at least partially from the social economy

Groups based on social economic activity	Number of households	% of households
not involved in the social economy	445	44.9%
less than 25% informally	174	17.6%
25-50% informally	217	21.9%
more than 50% informally	155	15.6%

Household production

We found that 43% of the households are engaging in household production, which means that at least one product is produced within the household.

Table 3. Ratio of products supplemented at least partly by household production

Groups based on social economic activity	% of households
0 to 10 percent	59.4%
10 to 25 percent	11.4%
25 to 50 percent	17.6%
50 to 75 percent	9.0%
more than 75 percent	2.6%

The study mentioned earlier about the informal economies in CEE countries reported similar trends about the importance of household production in Hungary: 12% stated that the household economy was the most important source of income, which is consistent with our findings (11.6% stated that more than 50% of the consumed products come from the household production (Wallace, Haerpfer and Latcheva, 2004).

Growing vegetables and fruits are the most prevalent type of household production: 40% of the respondents stated that there is at least one type of plant grown for the household's own consumption. Most households do not have monoculture plantations in the sense that the majority of the households grow various types of vegetables and fruits. Only a quarter of the households grow less than four types of plants, and a quarter of the households grow all the plants listed in the questionnaire. All these data signal that gardening is the basis of the household production. Moreover, 28% of the sample keeps livestock in the

household for the household's own consumption. Half of them only one type of domestic animal, half of them both kinds (usually pig and poultry).

Six percent of the respondents stated that they produced alcohol in the household. This kind of activity is quite prevalent in the countryside, and in our opinion, the prevalence can be higher than stated. We also have to take into consideration that alcohol production demands a large amount of materials and means of production, and is higher in the groups having access to these: 25% of the households owning either an orchard or a vineyard produce alcohol.

Barter connections

Barter connections, according to our data, are far less prevalent and important than household production (Table 4). Linear regression analysis has shown a significant, but very weak connection between the intensity of the barter connections and the household production ($R = 0.83$; $p < 0.01$).

Table 4. Ratio of products supplemented at least partly by barter

Groups based on social economic activity	% of households
0 to 10 percent	84.1%
10 to 25 percent	8.6%
25 to 50 percent	5.4%
50 to 75 percent	1.3%
more than 75 percent	0.6%

Factors in connection with the social economy of the households

The wide range of collected data allowed us to seek connection with many factors that can possibly affect and/or encourage the participation in social economic activities. When we designed the questionnaire, we had preliminary assumptions about which factors are determinative. In the followings, we describe if these connections are present or not. The factors we examined in relation with the social economy are income of the households, size of the households, age structure of the households, employment structure of the households, residence and developmental level of the subregion. The dependent variable is in each of the cases the ratio of products supplemented by the social economic activity of the household.

Income of the household

We measured household income through the household's yearly income per capita. Our assumption was that the social economic activities will be typical in households with lower income (who cannot afford to buy certain goods from the formal market), with the exception of the households with the lowest income (who lack the materials and money even for these informal economic activities).

Our data have shown, however, almost no connection between the income of the household and the social economic activity. The middle income groups have slightly higher participation rates, but income does not have a strong effect (Table 5).

Table 5. Crosstabulation: income of the household with social economic activity

Income per capita (quintiles)	Groups based on social economic activity			
	not involved in the social economy Row N %	less than 25% informally Row N %	25-50% informally Row N %	more than 50% informally Row N %
1. quintile (lowest income group)	53.3%	14.1%	19.6%	13.1%
2. quintile	47.7%	19.3%	19.3%	13.7%
3. quintile	39.7%	21.1%	23.6%	15.6%
4. quintile	40.2%	14.6%	25.6%	19.6%
5. quintile (highest income group)	43.7%	18.8%	21.3%	16.2%
Cramer's V=0,073 with Approx.Sig.=0,190				

Size of the household

Regarding the size of the households (i.e. the number of individuals living together in the household) our hypothesis was that in a larger household there is more workforce and need of these kinds of supplementary techniques due to larger overall consumption.

Crosstabulation of the household size and the groups based on social economic activity revealed a significant, but weak connection. As Table 6 shows, the distributions are fairly even between the different household sizes.

Table 6. Crosstabulation: size of the household with social economic activity

Size of the households	Groups based on social economic activity			
	not involved in the social economy	less than 25% informally	25-50% informally	more than 50% informally
	Row N %	Row N %	Row N %	Row N %
1 member	60.0%	11.8%	17.3%	10.9%
2 members	33.9%	18.6%	25.3%	22.2%
3 members	42.8%	20.9%	22.8%	13.5%
4 members	44.3%	15.5%	23.3%	16.9%
5 members	49.2%	16.9%	18.5%	15.3%
6 or more members	52.9%	19.6%	18.6%	8.8%

Cramer's V = 0.106 with Approx.Sig = 0.004

Age structure of the household

We measured the age structure of the households as the ratio of the household members over the age of 45 among the household members over 18. Age is an important factor in our consideration, because older members of the household can be affected by the norms of the household production rooting in the traditional peasant way of living and later the socialist second economy, and, derived from this, they are more likely to have the required skills.

The age structure of the household had a significant effect on the social economic activity since households with older age structure tended to participate more in the social economy (Table 7).

Table 7. Crosstabulation: age structure of the household with social economic activity

Ratio of household members over 45 among all adult household members	Groups based on social economic activity			
	not involved in the social economy	less than 25% informally	25-50% informally	more than 50% informally
	Row N %	Row N %	Row N %	Row N %
No household member above 45	53.6%	17.8%	15.7%	12.9%
50% or less above 45	45.0%	15.6%	25.6%	13.7%
More than 50% above 45	34.8%	18.6%	26.3%	20.4%

Cramer's V = 0.130 with Approx.Sig = 0.000

Formal economic activity of the household

Economic activity is a key factor, and it is approached differently by the researchers of the field. We measured the formal economic activity of the household as the ratio of the economically active household members⁹ among the household members over 18 and assumed that the best situation for extensive informal activities is that in which there are both active and inactive members in the household (thus the resources, time and workforce are all present). This assumption was partly confirmed by the analysis: the group with the highest participation rates is where more than half of the adult members of the household is employed, but there is at least one adult member without former employment (Table 8).

Table 8. Crosstabulation: employment structure of the household with social economic activity

Ratio of employed household members among all adult household members	Groups based on social economic activity			
	not involved in the social economy Row N %	less than 25% informally Row N %	25-50% informally Row N %	more than 50% informally Row N %
0-25% employed	43.2%	18.8%	21.6%	16.4%
25%-50%	41.7%	17.1%	24.1%	17.1%
more than 50% employed	38.3%	12.1%	33.6%	15.9%
all adult members employed	56.9%	19.0%	12.3%	11.8%
Cramer's V = 0.99 with Approx.Sig.= 0.001				

Residence

Regarding the location of the households, we took into account both the population number of the settlement wherein the household is situated and the development level of the subregion the settlement is situated in.

The type and population number of the settlement are important in the sense that presumably the residents of smaller and rural settlements are more likely to engage in these kinds of activities¹⁰ due to normative pressure, deeper interpersonal

⁹ By economically active household member, we mean a household member who has income from the formal labour market or from entrepreneurial activity or employed as a communal worker by the local government (which is highly prevalent due to certain government programmes aiming to "lead back" the unemployed to the labour market).

¹⁰ "Rural households are embedded in a cultural system that provides a 'tool kit' which guides nonmarket work and attests to its social and economic value. Moreover, nonmarket economic activity has been part of rural life in Hungary for generations, and it has become institutionalized as part of

relationships, and most importantly, the resourcefulness of the rural areas (gardens, fields etc.). Overall, the type of social economic activities we were collecting data about in this survey has a definite rural character.

Our assumptions were partly verified by the analysis of the survey data. There is a significant connection between the size of the settlement and the engagement in the social economy. According to the statistical indicators, this connection is not particularly strong, but if we take a look at Table 9, we can see that the activities are highly prevalent in the smallest settlements, and much less common and wide in the larger settlements. The study of Brown and Kulcsár on household economic activity in rural Hungary had the same outcome (Brown and Kulcsár, 2001).

Table 9. Crosstabulation: size of the settlement with social economic activity

Size of the settlement	Groups based on social economic activity			
	not involved in the social economy	less than 25% informally	25-50% informally	more than 50% informally
	Row %	Row %	Row %	Row %
less than 1,000 residents	14.3%	21.4%	14.3%	50.0%
1,001 – 2,000 residents	34.5%	16.1%	28.7%	20.7%
2,001 – 5,000 residents	32.2%	17.8%	24.6%	25.4%
5,001 – 10,000 residents	51.4%	15.9%	23.9%	8.7%
10,001 – 20,000 residents	41.1%	18.2%	22.9%	17.8%
20,001 – 50,000 residents	54.4%	26.3%	15.8%	3.5%
50,001 – 100,000 residents	88.9%	4.4%	4.4%	2.2%
100,001 residents or more	53.5%	18.5%	19.5%	8.5%

Cramer's V=0.189 with Approx.Sig.=0.000

The connection with the residency of the respondent household becomes clearer if we take a look at the development level of the subregion wherein the household is situated¹¹ (Table 10).

Data suggest that the importance of the social economy tends to be considerably higher in the less developed subregions. This outcome is supplemented by the data

village social structure. Hence, given the economic insecurities facing many rural households, it is not surprising that they participate in self-provisioning and interhousehold exchange. Moreover, these households are embedded in a rich cultural system that promotes nonmarket work for utilitarian gain and attests to its value as a method of social reproduction” (Brown and Kulcsár, 2001:177).

¹¹ The indicator of the development level of the subregion is based on the following factors: income per capita, functioning economic organizations per thousand residents, unemployment ratio, migration, number of phone stations per thousand residents, number of cars per thousand residents. Source: <http://www.nepszamlalas.hu/hun/kotetek/fogalmak/111.html>

from the New Democracies Barometer which indicates that overall economic growth leads to a decline in household production (Wallace, Haerpfer and Latcheva, 2004).

Table 10. Crosstabulation: development level of the subregion with social economic activity

Subregions - development level	Groups based on social economic activity			
	not involved in the social economy	less than 25% informally	25-50% informally	more than 50% informally
	Row %	Row %	Row %	Row %
2 nd development level (3,11 - 3,57)	58.3%	17.2%	17.2%	7.4%
3 rd development level (2,64 - 3,1)	44.9%	15.9%	24.3%	15.0%
4 th development level - underdeveloped (2,2 - 2,63)	47.2%	17.1%	19.7%	16.0%
5 th development level - highly undeveloped (1,51 - 2,19)	29.4%	19.0%	27.8%	23.9%
Cramer's V= 0.148 with Approx.Sig.= 0.000				

Discussion

Our findings and other studies about the informal/social/household economies clearly indicate that for many households in Hungary and in Central and Eastern Europe, the sources other than the formal economy have a high importance as a supplementary or even the main source of livelihood and welfare. The production in the household and the interhousehold/interpersonal exchange still plays a major role in the economic behaviour of the residents of the post-socialist countries. Half of the households in our sample participated in some degree in the social economy, mainly in the form of household production. *15% of the sample got more than half of its consumption from informal sources.* It follows from these indicators of high participation that we cannot take informal economic activities out of consideration when we examine the consumption, well-being, employment status and overall economic behaviour of the households in contemporary Hungary.

The social economic activities have a definitive rural character in the sense that these practices are highly present in small settlements and economically underdeveloped regions with high unemployment rates and low economic output. However, the social economy does not have a “substitution role” in the sense that it has no definitive connection with the employment status of the household, does not work as a “backup” employment in case of unemployment.

The age structure of the household also has a great impact on the social economic activities – in older households, the participation rates are higher. This can

be attributed to the different norms and experiences of different age groups – the extensive second economy in the socialist era and the traditional peasant way of life provided an “inventory”, modes of getting by in economic hardship for the elderly.

According to our analysis, social economic activities are the most prevalent in not fully employed, older households in the middle income groups (where experience, skills, time and some money to invest are present) in rural, underdeveloped areas and smaller settlements (where land is available for household production and the economic situation makes it necessary).

However, the fact that the social economic activities are observable in the whole cross-section of the society suggests that we also have to take non-economic and non-demographic factors into consideration, which are difficult to examine with the survey method. The further, deeper analysis of the survey data and the sociological interviews conducted in our project can help us draw a more precise and valid picture about the nature of these activities and the different motivations and meanings behind it.

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