THE HETEROGENEITY OF THE UNDERGROUND ECONOMY

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Abstract

This paper evaluates critically the representation of the underground economy in the advanced economies as comprised of marginalised populations working 'off the books' as employees for wholly or partially underground businesses under exploitative conditions. It reveals that this 'thin' reading of underground work is descriptive of just one small segment of the underground economy and uncovers how other forms underground work can be identified ranging from income-oriented 'off-the-books' self-employment through to community-oriented paid favors. To conclude, therefore, a call is made for the heterogeneous forms of underground work to be recognized in order that a richer and more textured comprehension of the multiple roles of such work in contemporary economic development can start to be achieved.

Introduction

With underground work representing the equivalent of somewhere between 7 and 16 per cent of GDP in western economies and growing rather than declining (European Commission, 1998; Schneider, 2001; Schneider and Enste, 2002), the issue of tackling such work has risen to the top of public policy agendas both in the western world and well beyond (European Commission, 1998, 2002, 2003; Grabiner, 2000; International Labor Office, 2002; OECD, 2000). For example, at the Lisbon Summit in 2003, the European Council announced that tackling

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the underground economy was to be one of its top ten priorities for action with regard to employment reform (European Commission, 2003). Throughout the western economies, therefore, public policy-makers are currently busily engaged in considering how to tackle this form of work.

The aim of this paper is to directly feed into these discussions by evaluating critically the representation of the underground economy in the advanced economies as comprised of marginalised populations working 'off the books' as employees for wholly or partially underground businesses under exploitative conditions. To do this, the extensive literature on underground work is analyzed in order to evaluate each and every one of the tenets underpinning this portrayal. In so doing, it will be revealed that this conventional 'thin' reading of underground work is descriptive of just one small segment of the underground economy and that a multiplicity of forms of underground work exist ranging from income-oriented 'off-the-books' self-employment through to community-oriented paid favors. The outcome will be a call for the heterogeneous forms of underground work to be recognized so that a richer and deeper comprehension of the multiple roles of such work in contemporary economic development can start to be achieved.

At the outset, however, the underground economy needs to be defined. Despite some 35 adjectives and six nouns having been previously employed to denote this activity (Williams, 2004a), such as the 'submerged' and 'off-the-books' economy, 'hidden sector', 'informal employment' and 'undeclared work', there is a strong consensus on how to define such work. Underground work is widely accepted to involve the paid production and sale of goods and services that are unregistered by, or hidden from the state for tax and/or welfare purposes but which are legal in all other respects (European Commission, 1998; Feige, 1999; Portes, 1994; Thomas, 1992; Williams and Windebank, 1998, 2001a,b). This realm therefore includes only paid work that is illegal because of its non-declaration to the state for tax and/or social security purposes. Paid work in which the good and/or service itself is illegal (e.g., drug trafficking) is excluded, as is non-monetised exchange.

From the Underground Economy to Underground Economies

Analyzing the vast literature on underground work in western economies, it takes only a cursory glance to realize that the majority focuses upon measuring its size and how this varies socio-spatially. To greater or lesser extents, many of the studies so far conducted have ultimately done little more than to test the validity of the 'marginality thesis', which views underground work to be concentrated in marginalised groups and/or areas (e.g., Blair and Endres, 1994; Button, 1984; Castells and Portes, 1989; Gutmann, 1978; Rosanvallon, 1980).

The finding of the vast majority of these empirical investigations is that the marginality thesis is invalid. Not only are the unemployed usually found to engage in less underground work than those in formal employment in western economies (e.g., Barthe, 1988; Cornuel and Duriez, 1985; Fortin et al, 1996; Foudi et al, 1982; van Geuns et al, 1987; Jensen et al, 1995; Mingione, 1991; Morris, 1994; nelson and smith, 1999; Pahl, 1984; Williams, 2001, 2004a,b) but most also find underground work to be concentrated in affluent rather than deprived areas (e.g., van Geuns et al, 1987; Mingione, 1991; Renooy, 1990; Williams, 2004a). Although this recognition at first led to one universal generalization (i.e., the marginality thesis) simply being replaced by another one (what is here called the 'reinforcement thesis' in that underground work was claimed to reinforce the inequalities produced by the formal economy), more recent understandings have developed a more contextual and refined comprehension.

Based on the recognition that in some specific circumstances there is evidence to support the marginality thesis (e.g., Kesteloot and Meert, 1999; Leonard, 1994, 1998), a more embedded understanding has begun to emerge. This recognizes that even if in most situations underground work is concentrated amongst the affluent, there are particular economic, political, cultural and geographical circumstances where this does not apply (e.g., Kesteloot and Meert, 1999; Mateman and Renooy, 2001; Renooy et al, 2004; Williams and Windebank, 1995, 1998). This, in turn, has led to a recognition that it is how various factors combine together in specific situations, rather than individual causal factors per se, that determine the size of the underground economy (e.g., Mateman and Renooy, 2001; Renooy et al, 2004; Williams and Windebank, 1998).

When seeking to read the character (rather than variable size) of

underground work, however, such refined and embedded representations have been far less prevalent. Instead, the recurring narrative throughout the western economies is that underground work is composed of exploitative work carried out by 'off-the-books' employees under sweatshop-like exploitative conditions. Media reports on the underground sphere, moreover, seem merely to fuel such a narrative. Take for example, media coverage of this topic over the past year or so in the United Kingdom. This has been dominated by firstly, reports about the deaths of cockle-pickers working in highly exploitative and dangerous conditions for very low wages and secondly, the use of illegal immigrants as agricultural laborers by gang-masters again in highly exploitative circumstances.

It is not only media portrayals that reinforce this representation of the nature of underground work. So too do academic commentaries. Many political economy accounts read the underground economy as a new form of work that is emerging in late capitalism as a direct result of economic globalization (seen as a dangerous cocktail of de-regulation and increasing global competition) and which is encouraging a 'race to the bottom'. Underground workers, in this narrative, are thus viewed as sharing the same characteristics subsumed under the heading of 'downgraded labor'. They receive few benefits, low wages and have poor working conditions (e.g., Castells and Portes, 1989; Gallin, 2001; Portes, 1994; Sassen, 1997).

The key problem, however, is that this conventional depiction of the nature of underground work as low-paid exploitative work carried out by employees in sweatshop-like conditions does not tally at all with the overwhelming finding in the vast majority of studies throughout the western economies that such work is usually undertaken by the formally employed and people living in relatively affluent localities (see above). For the past decade or so, in consequence, each and every one of the characteristics of this conventional depiction of underground work has been put under the spotlight.

Beyond underground employees as exploitative low-paid workers

Firstly, and solely examining 'organized' underground work

carried out under an employee/employer relationship for wholly or partially underground businesses, it has been slowly realized that this work is not always low-paid and exploitative in orientation. To assert this, of course, is not to deny that there are many wholly or partially underground enterprises which are run by unscrupulous employers who have a wanton disregard for the health and well-being of their workforce and who pay wage rates well below any national minimum wage, such as owners of clothing industry sweatshops, gang-masters in agriculture and those employing home-based workers in various trades who pay piecework rates.

However, besides forms of organized exploitative underground employment, such as in labor-intensive small firms with low levels of capitalization, utilizing old technology and producing cheap products and services for local markets and export, which involve on the whole marginal populations engaging in low-paid exploitative activity (e.g., Lin, 1995; Sassen, 1997), other forms of underground work have been identified. There are organized forms of underground work which are more autonomous in orientation, such as in highly capitalized firms which are modern and use high-technology equipment to produce higher-priced goods and services and whose off-the-books employees are well-paid, employ higher skills and have more autonomy and control over their work, with relations between employers and employees based more upon co-operation than domination (Benton, 1990; Cappechi, 1989; Warren, 1994). In consequence, this recognition that there are employees working off-the-books who are relatively well-paid and working under anything but exploitative conditions has meant that it is no longer possible to read all types of organized underground work as low-paid and exploitative in character.

Just as there is a segmented formal labor market, therefore, there also exists a segmented labor market so far as organized underground work is concerned. All of the evidence so far collected, moreover, suggests that this underground labor market is very much segmented along the same lines as the formal labor market. Women and ethnic minorities, for example, are much more likely to find themselves concentrated in the lower echelons of this organized informal labor market in low-paid, low-skilled and exploitative forms of underground employment (Fortin et al, 1996; Lobo, 1990a,b; Williams and Windebank, 1998).

This, however, is not the only way in which organized underground work has been recognized to be heterogeneous in character. Conventionally, firms working on an off-the-books basis were largely seen as wholly underground enterprises. Indeed, this is the reason why the caricature of the underground sweatshop for example, was so strong in the popular imagination when thinking about the underground economy. In recent decades, however, it has gradually emerged that by no means all businesses working on an off-the-books basis are wholly underground enterprises. Instead, although a minority of firms working off-the-books have been recognized to be wholly underground businesses, the vast bulk have been identified as formal firms conducting a portion of their trade off-the-books. These formal firms undertaking a share of their trade off-the-books are composed of assorted types of mostly micro- and small enterprises in diverse sectors ranging from the construction industry through manufacturing to the personal services sector (Williams, 2004c). The common depiction of organized underground work, in consequence, as wholly underground sweatshops is descriptive of just one portion of the whole organized underground economy in the advanced market economies.

Beyond underground employees: the recognition of autonomous underground work

However, it is not only the depiction of organized underground work as being always and everywhere exploitative and low-paid, and conducted by wholly underground businesses, that has been brought into question as knowledge about the underground economy has advanced. The portrayal of underground work as conducted on an organized basis has been itself put under the spotlight.

There are now a multitude of empirical studies of the underground economy that show how besides such 'organized' underground work conducted under an employee-employer relationship for formal or underground businesses, underground work is also conducted on an autonomous basis (e.g., Fortin et al, 1996; Leonard, 1994, 1998; MacDonald, 1994; Pahl, 1984; Renooy, 1990; Warren, 1994; Williams, 2004a,b,c; Williams and Windebank, 1998, 2001a,b).

Based on this recognition of the existence of autonomous underground work, it is now much less common for underground work to be depicted as lying at the bottom of a hierarchy of types of formal

employment and more usual for it to be viewed as a labor market/form of employment with a hierarchy of its own. As Williams and Windebank (1998, p. 32-3) have put it,

Existing alongside the formal labor market is a heterogeneous labour market composed of very different groups of people engaged in widely varying types of informal employment for diverse and contrasting reasons and receiving varying rates of pay. This informal labour market, to adopt a simplistic dual labour market model, ranges from 'core' informal employment which is relatively well-paid, autonomous and non-routine and where the worker often benefits just as much as the employer, to 'peripheral' informal employment which is poorly paid, exploitative and routine and where the employee does not benefit as much as the employer.

Nevertheless, it has become evident over the past few years that what Williams and Windebank (1998) asserted was a 'simplistic' dual labor market model of underground work is just that. This model fails to capture the complex segmentation of the underground labor market. First of all, it fails to realize that organized underground work is composed of not only low-paid but also well-paid segments, as discussed above. To depict all organized underground work as 'peripheral' low-paid and exploitative work, therefore, is a misnomer and over-simplifies the situation.

Secondly, this simplistic dual labor market model of the underground economy falsely conflates organized work with deprived populations, and autonomous work with more affluent populations. The configuration of the segmented underground labor market as being one in which the relatively affluent engage in autonomous forms of underground work and the relatively poor in organized work, however, has recently come under attack by studies that have revealed this not to be the case. For example, a number of studies have found that deprived populations heavily engage in autonomous forms of underground work (Jensen et al, 1995; Williams, 2004a,b). To more fully understand the segmented underground labor market, therefore, it is necessary to start breaking down autonomous work into its various component parts.

Differentiating types of self-employed underground worker

In most studies of underground work that have recognized the

existence of autonomous forms of underground work, the assumption has been that this endeavor is a form of off-the-books self-employment. Earlier studies that recognized the existence of such autonomous work tended to be written from the standpoint of a neo-liberal persuasion who saw such work to be the direct result of over-regulation of the market by the state (e.g., Contini, 1982; de Soto, 1989; Minc, 1982; Sauvy, 1984) Contini (1982), for example, reads the growth of the underground economy as a 'revenge of the market' for over-regulation by the state. Confronted by over-excessive regulations, underground workers are viewed as heroes (rather than villains) who are casting off the shackles of an over burdensome state. In this reading, therefore, underground work is the 'spontaneous and creative response to the state's incapacity to satisfy the basic needs of the impoverished masses' (De Soto, 1989, p. xiv-xv). As Sauvy (1984, p.274) puts it, such work represents 'the oil in the wheels, the infinite adjustment mechanism' in the economy. It represents the elasticity that provides the snug fit between supply and demand. From this perspective, underground workers are thus only breaking rules and regulations that are inherently unfair. Engagement in such work is a form of popular resistance to an unfair and excessively intrusive state and underground workers are a political force that can generate both true democracy and a rational competitive market economy. According to such theorists, underground work is the 'essence of liberalism' (Sauvy, 1984).

In recent years, however, a much wider group of scholars have started to conceptualize self-employment in the underground economy and brought fresh perspectives that do not always read it as a site of resistance to the encroachment of the state. Indeed, for the majority, such enterprise and entrepreneurship is seen as an asset, but one which needs to be harnessed by bringing it into the formal economy (e.g., ILO, 2002; Small Business Council, 2004) rather than as something that formal employment needs to emulate. For these analysts, in consequence, the neo-liberal project of stripping away all regulations so as to make formal employment like underground work is rejected. Instead, their objective is to find ways of bringing such enterprise and entrepreneurship into the legitimate realm.

As this self-employed off-the-books work has started to be investigated empirically throughout the advanced market economies, furthermore, it has begun to be realized that there are many different

forms of off-the-books self-employment. To decipher its various types, for example, Williams (2004c) distinguishes between two broad types of self-employed off-the books worker. On the one hand, there are micro-entrepreneurs starting-up fledgling business ventures and using such work as a start-up strategy and on the other hand, the more established self-employed who are serial users of underground work and use it as a coping strategy. Here, each type of off-the-books self-employed worker is considered in turn.

Underground work conducted by micro-entrepreneurs.

This type of underground self-employed worker tends to be starting-up fledgling business ventures and using underground work as a short-term risk-taking strategy to either test-out the business venture or to establish themselves. They are usually either employees in employment of classified as economically inactive and in the process of setting themselves up as self-employed. Occasionally, they are registered unemployed people working whilst claiming (Williams, 2004c).

To depict such a form of self-employment, Williams (1994c) takes the case of Justin. Here is somebody who had used underground work as a temporary strategy and as a stage in the establishment of his formal business venture. Now in his mid-20s and self-employed running his own car valet business with employees, as a young teenager, he had washed cars one Saturday morning for a charity event and following this, decided to do so at weekends for neighbors and others in the neighborhood to earn extra cash for himself. Knocking on doors and offering his services, he had built up a regular clientele and had carried on doing this throughout his school years. On leaving school, he had used the money accumulated to buy a van and equipment to set up as a car valet and build upon his existing client base. At the time of interview, he employed three people and was busy expanding the commercial side of his operation, working for various used car dealers for example, Over the years, he had slowly transferred a greater proportion of his business to the formal realm and was intending to be fully legitimate within the next year or so. For him, therefore, underground work had been his route into creating his own formal business. Although he continues to serially conduct a portion of his business underground, it is a relatively small and rapidly dwindling hare of his total turnover.

These are usually small-scale operations. When they begin to grow and establish themselves, they are here defined as moving from this category of underground work into a second category if they continue to do some trade off-the-books.

Underground work by more established self-employed people.

Although there exists some self-employed who are wholly underground, most of the underground work undertaken by more established self-employed people is carried out by the registered self-employed who tend to engage in such work usually in a serial and on-going manner as a means of 'getting by'. For these more established self-employed who conduct a portion of their trade off-the-books, in consequence, underground work is not generally some short-term strategy but is continuously used and heavily embedded in their working practices.

An example of such a worker is Diane cited in Williams (2004c). She is a long-standing user of informal work as coping strategy. Living in a deprived neighborhood, this woman is self-employed as a household cleaner mostly for clients in a neighboring affluent suburb. Having made contacts with customers by working on a self-employed basis for a formal business that supplied household cleaning services, she had then asked her customers about others she could clean for on a n off-the-books basis. In this way, she had broken into the local market where there was a shortage of cleaners and had done so in a manner that enabled her to overcome the principal barrier which was a distrust of 'strangers' being left in their homes and given door keys. She had used the formal cleaning company to establish both relations of trust and 'word of mouth' recommendations. For her, nevertheless, this endeavor was purely a means of earning extra cash to get by. She had no desires to expand beyond finding sufficient work for herself and no intention of formalizing this work. Indeed, attempts were made to move into the underground economy any formal work that she received from the cleaning company if the clients were willing.

These self-employed workers are thus serial users of off-the-books work and it often lies at the heart of their working practices.
Not-for-profit underground workers

Despite this recognition that underground work is not always conducted by employees for wholly or partially underground businesses, but is also conducted on an autonomous basis, few until very recently questioned whether all underground work was conducted under market-like economic relations for the purpose of monetary gain. Two stimuli, however, have recently led to these assumptions about the economic relations and purposes underpinning underground work being put under the spotlight.

On the one hand, and in the broader field of monetary exchange, there has been a growing opposition to the 'thin' representation of monetary exchange as always market-like and motivated by monetary gain. Arguing that 'the major defect of such market-based models of exchange is simply that they do not convey the richness and messiness of the exchange experience' (Crewe and Gregson, 1998: 41), 'thicker' descriptions have been increasingly promulgated that recognize the diverse economic relations and motives underpinning monetary transactions (e.g., Bourdieu, 2001; Carrier, 1997; Community Economies Collective, 2001; Gibson-Graham, 1996; Slater and Tonkiss, 2001).

On the other hand, empirical data from the study of underground work have resulted in a questioning of whether underground work is always market-like and profit-motivated (e.g., Cornuel and Duriez, 1985; Jensen et al, 1995; Nelson and Smith, 1995; Pfau-Effinger, 2003; Williams, 2004a,b,c; Williams and Windebank, 2001a,b, 2003). As Travers (2002: p.2) points out, 'most research on [underground work] gives short shrift to the motivations of people to do this work. It is usually said that people do the work to earn extra money and left at that'.

However, as early as the 1980s, Cornuel and Duriez (1985) in their study of relatively affluent households in French new towns had highlighted how favors were exchanged on a paid basis between neighbors primarily in order to forge fledgling networks of support rather than to make extra money. At the time, such a finding resulted in few, if any, analysts pursuing a wholesale rethinking of the character of underground work.

Recently, nevertheless, the number of studies identifying the presence of non-market relations and rationales other than making extra money has started to reach the critical mass necessary to raise doubts about the validity of the dominant market-centered reading of underground work. Studying underground work in non-metropolitan Pennsylvania, for example, Jensen et al (1995) have clearly shown that underground work is by no means always motivated by financial gain. They find in some 61 per cent of all reported cases of underground work in this rural area that the chief rationale was to help out neighbors. Nelson and Smith (1999), again studying small town America, highlight how 'ersatz entrepreneurial activity' (e.g., vehicle repairs) by men displaced from traditional male occupations, although superficially appearing to be undertaken for money-making purposes, is uncovered on closer analysis to be motivated by the need to maintain masculine identities and often to cost rather than generate money.

In a study of eleven affluent and deprived urban and rural English localities, meanwhile, Williams and Windebank (2001a,b, 2003) find that market-like income-oriented underground work, although predominant in affluent localities (constituting 84 per cent of all reported instances of underground work), constitutes only a relatively small share of all underground work in deprived areas (32 per cent). In these latter areas, 68 per cent of underground work is by friends, neighbors and kin primarily for redistributive and community-building purposes. Here, employers often paid people for 'helping them out' as a way of giving money to those in need that avoided all connotations of charity. Similarly, underground workers often did jobs for people that they knew for a token fee well under the market price again so as to help out those who would otherwise be unable to get necessary work conducted. Indeed, they find that some 84 per cent of all material support provided by friends and neighbors in deprived neighborhoods involved cash payments, signifying the existence of a culture of cash for favors (Williams and Windebank, 2001a,b, 2003).

A further study in the UK in 2002 that investigated a deprived, mid-ranking and an affluent neighborhood in North Nottinghamshire in the United Kingdom similarly finds underground work in the affluent locality to be market-like and income-oriented but more akin to mutual aid and community-oriented in the deprived locality. In addition, payment was again found to be involved in some 81 of all acts of mutual

aid between friends and neighbors in the deprived neighborhood (Williams, 2004b). In consequence, it is not only the representation of underground work as exploitative and organized that has been transcended but also, increasingly, its depiction as always market-like and conducted for monetary again. Indeed, Pfau-Effinger (2003) has recently suggested that this distinction between income- and community-oriented forms of underground work might well be applicable across Europe.

In sum, besides those autonomous underground workers who engage in such work for-profit, there also exist some autonomous underground workers who undertake such activity on a not-for-profit basis for family, friends and acquaintances. As the advanced market economies have become ever more commodified, monetary exchange appears to have penetrated ever deeper into areas of everyday life where unpaid exchange previously prevailed. One instance is exchange between friends, family and acquaintances. Exchanges that used to take place on an unpaid basis now often involve money. Giving cash for favors occurs mostly when causal one-off tasks are undertaken for friends, family and acquaintances, especially in deprived populations where paying cash for favors is a widespread practice, not least because it prevents relations from turning sour if the favor is not returned.

Estimating the relative sizes of these diverse forms of underground work: some lessons from England

Until now, few attempts have been made to estimate the proportion of all underground work that falls into each of these categories. Indeed, the only data currently available are from the English Localities Survey whose sample was heavily skewed towards deprived urban neighborhoods (46 per cent of the sample). It reveals that 18 per cent of all underground work reported is conducted using organized underground work, 11 per cent by micro-entrepreneurs, 22 per cent by more established self-employed ventures and 49 per cent by kin, friends, and acquaintances as paid favors (Williams 2004a,c).

It is important to consider whether the same proportions would be identified in any nationally representative sample. The results of this English Localities Survey strongly suggest that this would not be the case. Examining how the configuration of underground work varies across the area-types studied (see Williams, 2004a), the proportion

conducted as organized underground work and as paid favors would be significantly lower in any nationally representative survey while the share undertaken on a for-profit self-employed basis would be considerably higher.

Based on these findings, it can be thus guesstimated that on a national level, roughly some 5 per cent of all underground work might be conducted on an organized underground basis, 23 per cent by micro-entrepreneurs, 47 per cent by more established self-employed people and 25 per cent by kin, friends and neighbors. This, however, is an approximation based on limited evidence from 861 interviews in English localities. The intention here is merely to provide a very rough thumbnail portrait of the character of the underground economy at a national level in England in the absence of nationally representative survey data. Thorough research at the national level is required, nevertheless, before such data can be confirmed.

Moreover, this is only a representation of the labor used to conduct tasks on an underground basis. It does not provide an indication of the amount of money earned and spent in each realm. Based on the above research, however, it is likely that the organized realm would be larger if measured in terms of wages earned and the established self-employed segment slightly larger, while the sphere of paid favors would be significantly smaller and the realm comprising micro-entrepreneurs would be somewhat smaller.

Discussion and Conclusions

In sum, this paper has unpacked how the reading of the nature of underground work has progressed a long way from the conventional depiction of such work as exploitative organized employment conducted by marginalized populations. Today, a spectrum of underground work can be identified ranging from its organized to its autonomous varieties and according to whether for-profit or not-for profit motives predominate. Here, in consequence, and to represent the different forms of underground work on this continuum, three broad varieties have been delineated: income-oriented organized underground work; income-oriented self-employment and not-for-profit paid favors.

This identification of heterogeneous forms of underground work has significant implications for the role such endeavor can be seen to

play in contemporary economic development. In conventional discourse when the underground economy was viewed as exploitative off-the-books employment conducted by marginalized populations, this realm was depicted as a hindrance or obstacle to economic development. As such, a deterrence approach was adopted that sought to eradicate such work by increasing the probability of detection and level of punishments so as to change the cost-benefit ratio of participants.

Here, however, such a depiction has been shown to describe just one small segment of the underground economy. Instead, more autonomous forms of underground work have been shown to exist ranging from income-oriented off-the-books self-employment by those starting up business ventures to paid favors conducted by friends, family and acquaintances. The consequence is that questions have started to be raised about whether such work should be always construed as an obstacle or hindrance to economic development. There is an emergent view, grounded in the recognition that much underground work is conducted on an autonomous basis, that this endeavor should be re-represented as a potential asset to be harnessed (e.g., Evans et al, 2004; Global Employment Forum, 2001; International Labor Office, 2002; Leonard, 1998; Tabak, 2000; Vaknin, 2000).

Much income-oriented off-the-books self-employment, especially by fledgling micro-entrepreneurs, after all, is entrepreneurial endeavor and a form of self-employment. As such, this enterprise is increasingly viewed as an asset to be harnessed, rather than an obstacle to development. Similarly, paid favors are starting to be recognized to provide the social glue that holds many deprived communities together. The net outcome is that there is emerging a questioning of whether a deterrence approach alone is any longer sufficient when dealing with the underground economy. Governments in this view, if they continue with a deterrence approach, will with each new initiative to deter underground work destroy not only the self-employment and entrepreneurial endeavor but also the active citizenship that other spheres of public policy are so desperately seeking to develop. As we have entered the 21st century, in consequence, no longer is the underground economy simply seen as an obstacle to economic development that needs to be eradicated using deterrence measures. Instead, what is emerging is a richer and more textured understanding of the multiple roles that different forms of underground work play in

economic development and with it, the emergence of a whole new set of public policy issues that will need to be addressed in the near future. If this paper has facilitated this recognition of the heterogeneity of the underground economy and begun to raise questions about its role in economic development and whether deterrence is the appropriate public policy response, then it has fulfilled its purpose.

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