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Informality ‘in spite of’ or ‘beyond’ the state: some evidence from Hungary and Romania

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ABSTRACT

Framed in the growing body of research on informality, this article attempts to define a distinction between informality performed ‘in spite of’ and ‘beyond’ the state. ‘In spite of’ the state refers to the case where state institutions already regulate a given situation, but citizens decide that state governance is not enough (or not appropriate, effective). ‘Beyond’ the state refers to the case where state institutions do not regulate a particular exchange and interaction so that citizens organize in response to make up for this deficiency. We support our claims through the use of two case studies built on in-depth interview material with Romanian parents and Hungarian private citizens from diverse walks of life to bring to light how individuals may understand and narrate the informal practices they engage in a positive light. By doing this, we investigate the possible conflict between individual and state morality, documenting and conceptually refining how they do not necessarily overlap, informal activities being a locus through which mismatch between them can best be explored.

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Introduction: in spite of or instead of the state – is there a third way?

The extensive literature on informality that has emerged in the past 10 years can be regarded as supporting 2 opposite positions. One approach tends to classify it as a transitional phenomenon and focuses on its negative effects in public life (Kaufmann *et al.* 2006; Bhattacharyya and Hodler 2010; Rothstein 2011). The second seeks to understand and explain informality from an assumption of social embeddedness (Round *et al.*

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2010; Hann and Hart 2011; Giordano and Hayoz 2013; Morris and Polese 2014, 2015a, 2015b; Henig and Makovicky 2016; Polese 2015; Polese *et al.* 2017a). This article attempts to both build and go beyond these positions. Footing on the insights of sociological institutionalism (especially Hall and Taylor 1996; Hall 2010), we do not conceive of informality as a coherent, culturally codified legacy, arising from a path-dependent social, economic and political past (whether developmentally, in the case of the Global South, or politically, in the case of post-communism) that takes decades to ‘overcome’. Instead, we understand informality to rest on more recent social and economic foundations, remade and revitalized through market-oriented economic and institutional reforms that make the contestation of institutions unavoidable and, more importantly, a legitimate aspect of development and modernization – where informality is rethought as inherent in this process (Morris and Polese 2014; Polese *et al.* 2015). We also see informality as pursued by purposeful, interest-maximizing social and economic actors in an institutional space that is often incoherent and embodying inconsistent or outright contradictory incentives for formal, by-the-book behavior (see, for instance, Ledeneva 2013; Polese *et al.* 2014; Steenberg 2016) that are not necessarily informed by a mere monetary logic. In fact, one might even question its economic nature. Its origins and purpose can be primarily economic but, we suggest here, building on the socially embedded frame, it involves social and cultural phenomena that are often neglected by an economic perspective (see Granovetter 1985; Ledeneva 1998). This approach allows us to disjoint informality and corruption, with this latter being, in our view, a sub-category of informality rather than an overlapping category (Polese 2012; Polese and Rekhviashvili 2017; Polese *et al.* 2017b, 2017c) and to advocate for the existence of an informality which can be named ‘positive’ because it helps society function where the state fails to operate and that contrasts with the negative view on informality as a series of activities, or transactions aimed at replacing, temporary or permanently, state structures, institutions, and thus undermining the very existence, and functions, of the state and its institutions (see Polese 2016 on this).

Starting from the above assumptions, this article attempts to define a distinction between informality performed ‘in spite of’ and ‘beyond’ the state. ‘In spite of’ the state refers to the case where state institutions already regulate a given situation, but citizens decide that state governance is not enough (or not appropriate, effective). ‘Beyond’ the state refers to the case where state institutions do not regulate a particular exchange and interaction so that citizens organize in response to make up for this

deficiency. In this respect, our two cases here are intimately related not so much to the state–citizen relationship, but rather to the perception of the state by the citizens. Where they perceive the state as ineffective or absent, they may simply decide to apply different rules to a given situation or exchange.

We support our above claims through the use of two case studies built on in-depth interview material with Romanian parents and Hungarian private citizens from diverse walks of life to bring to light how individuals may understand and narrate the informal practices they engage in a positive light. In the first case study Romanian parents discuss the reasons for employing paid help for their young children care, but informally, to illustrate that this hitherto unregulated market activity (informality beyond the state) is seen as first and foremost in a positive light, as very much moral, though it takes place outside the rules of the state that govern employment and provision of childcare services. The case is based on a sample of 29 Romanian single- and dual-income urban and rural families, drawing on in-depth interviews with 57 mothers, father and grandmothers (two separately conducted interviews in 28 of the families and one interview in one) carried out in 2010 and 2015. The section outlines informal practices in relation to the routine organization of children, namely the reliance on paid informal, home-based childcare services in dual-income couples during children’s early years as a substitute for formal childcare services, which are practically inexistent for under-threes in Romania (OECD 2014).

In the Hungarian case context (informality in spite of the state), individuals discuss the reasons for making recourse to acquaintances and business networks to achieve what they perceive to be the normal state of affairs (getting access to timely treatment; retaining public sector employment, etc.), but likely compromised if playing by the formal, state-enforced rules (informality in spite of the state). The case is based on 50 in-depth interviews, conducted in Budapest between 2009 and 2011, using a flexible interview protocol, focusing on detailed descriptions of actual transactions when people informally exchanged resources. Using snowball sampling, considered by a number of scholars as an appropriate technique to identify hidden target populations, for example members of deviant or vulnerable social groups (Goodman 1961; Becker 1966), people were interviewed from widely different social and organizational backgrounds who had themselves participated in informal transactions or at least had a direct insight into the phenomenon.

The cases were selected to best illustrate these two corrective functions of informal practices in different post-socialist locales and in ways that illuminate study participants' preoccupation with the moral aspects of the informal practices they engaged in. The two qualitative studies the article draws on used similar research designs and analytic strategies and were carried out during the same period (2010–2015). We cannot claim representativeness of our case studies. However, we take Barth's argument that:

[b]y focusing the comparison on the way in which social interaction is constituted and channelled in different systems rather than on the institutional features of different societies, it is possible to ignore the question of scale in membership when constructing the dimensions for comparison. (Barth 1981: 133)

In other words, we believe that the reasoning that individuals formulate in the two country contexts in relation to the informal practices they engage in travel, i.e. carry conceptual relevance beyond the specific contexts in which they take place. Similarly, we believe that the contexts that give rise to these types of informal activities are also more universal than the local contexts in which they were described. As such, these two studies best illustrate the conceptualization of positive instances of informality we propose in this article.

'In spite of' and 'beyond' the state

Central to our discussion is an understanding of the multi-layered nature of morality as revealed by individuals engaging in informal practices and the possible conflict between individual and state morality, documenting and conceptually refining how they do not necessarily overlap, informal activities being emblematic of how such a mismatch can best be explored.

Recent studies on the interpretations by citizens of their moral behavior in relation to a state (Ledeneva 2013; Morris and Polese 2014) distinguish between informal practices and actions seen by actors as 'positive': not merely harmless, but enabling and sometimes empowering; and negative: harmful, ineffective – at least from the point of view of a state. This moral frame sees citizens articulate justifications and social mores about the justified, legitimate and illegitimate character of practices and exchanges described as informal. Classic examples that cut across societies are the conflicting imperatives to declare or hide informal earnings within a tax morale framework (Alm and Torgler 2006; Williams and Martinez 2014; Putniņš and Sauka 2015). Thus, the householder paying for

tradesmen's domestic work will invariably agree to the non-declaration of VAT for work done, but the same lay moral actants will condemn the illegal sale of class A drugs, despite both activities being illegal. What is dramatized here is the lay interpretation of the licit-illicit spectrum of informality that intersects with interpretations of relative harm. Note that the non-payment of VAT is still 'harm' in that it deprives the state treasury of income. But the 'licit' interpretation of non-payment to the trade overrules this (for a more encompassing discussion, see the next section).

We base our understanding on a taxonomy of informality based on direct and indirect harm, understood in moral terms, may help in locating informal practices and their function in society. In a large variety of cases a society distinction of what is good from what is bad depends on the kind of direct harm an action causes to fellow individuals. Killing, torturing, stealing from an individual are punishable in most societies and they become justifiable only in exceptional circumstances (war, conflict between clans or families) or not even then. This is what we see as causing direct harm to fellow citizens. These same actions are, incidentally, also classified as unlawful by civil and penal codes. However, the more we move into the impersonal, the more certain behaviors may become easier to justify to one's peers. This is the case of tax non-compliance that undermines the flow of income to the state budget and thus harms fellow citizens, but its effects are more difficult to 'touch' or see and, as a result, is often seen as morally acceptable by individuals. This may also be the case of stealing from large companies, sometimes under the moral justification that these companies steal from the people anyway (the most popular example is the peer-to-peer exchange of files, which takes millions from the pockets of large companies and that, allegedly, reduces the share of taxes they will pay, thus harming citizens indirectly). This second case, which is what we call 'indirect harm' can lead to the situation where the licit and legal diverge or, as we have suggested, where individual and state morality do not overlap (Polese and Stepurko 2016a, 2016b), which is what eventually leads to the conceptualization and consolidation of informal practices contrasting the state, its symbolic power, or its competencies (Polese and Rekhviashvili 2017).

The harmful-harmless spectrum of actions intersects with another set of nested distinctions between what is legal and what is licit as conceptualized by van Schendel and Abraham (2005), elaborated in Table 1. There are things that are illegal by local criminal codes, but people do not

Table 1. The relationship between legality and licitness (adapted from van Schendel and Abraham 2005).

| | Legal | Illegal |
|---------|--|--|
| Licit | State and society norms overlap | The society accepts and regards as legitimate something that is forbidden by state institutions or codes |
| Illicit | The state does not punish actions that are stigmatized socially (by one or more communities) | State and society norms overlap |

Table 2. Direct (affecting fellow citizens), indirect (affecting a society) harmfulness of informality.

| | Direct harm (mostly illicit) | Indirect harm (might be licit) |
|---------|---|---|
| Illegal | Trafficking, drug dealing (might be seen as licit) | Fiscal fraud, nepotism, discrimination |
| Legal | Use of legal action to extort money or property; 'small print' or administrative measures applied disproportionately or discriminately. | Laws that favour one (ethnic, religious) group over others (are licit for the favored ones) |

perceive them as 'bad' (Fogarty 2005; Rasagayam 2011). Instead, they are socially acceptable and, thus, licit. There are even things that are perfectly legal, but a population, or part of it, do not accept them, at least in the short term, as licit (Table 2).

Where the state regulates most of the relationships with and among its citizens, most exceptions to state rule – 'in spite of' the state – are illegal by force of law, i.e. from the perspective of the state. There are, of course, several kinds of illegality, as seen in the examples above, and different societal perceptions of what is illegal, so that not all situations or practices are equally illegal or illegal in similar ways. The concept of illegality is permeated with social meaning, making it too wide to allow deep understanding, and in turn help policy-making or inform public debates. That is, actions that may challenge legal codes might be experienced by people as 'normal' or at least acceptable. This problem may arise, for instance, when overarching rules have not been developed pragmatically in response to a societal need, but have been copied from elsewhere and uncritically implanted into a new context (De Soto 2000), often producing friction between the local ethos and international standards (Gill 1998). Nor surprisingly, punitive approaches, in contrast with local customs, trying to eradicate them for the sake of uniformization or 'upgrade' to international standards, have often failed (Scott 1998).

In contrast, 'beyond the state' informality refers to an economic sector or activity, policy domain or a region that the state does not effectively regulate for whatever reasons. This could be due to the fact that the

social problem or social need has not been identified or there is insufficient political interest in addressing it. Examples could be economically depressed regions, an ethnic or linguistic minority that has insufficient political leverage, an emergency situation due to a natural catastrophe or war in need of policy response. In these circumstances it might be more accurate to say that instead of the state not regulating (not being there), the state might be trying to get there, but it is unclear when or whether it will. Alternatively, the state might be doing something that is perceived as not enough, there might be weak measures taken or considered insufficient or there might be a tacit understanding that people should take care of things themselves. In certain contexts the intervention or policy might not be cost-effective or the discontent arising from not addressing a particular social issue is estimated as sufficiently low not to worry decision-makers. In these circumstances individuals and whole communities will make recourse to informal practices, some of which may be outright illegal according to the law, but still legitimate in the view of those engaged in these.

Informality is here to stay

The vast amount of literature on informality produced over the past few years may be seen to have built on much earlier works. Drawing on anthropological findings by Hart (1973) in the Global South and consolidated through Scott's seminal works (1976, 1985), this new body of literature has produced a sub-stream of economic anthropology and qualitative sociology dealing with symbolism and the market (Bloch and Parry 1989; Pardo 1996; Gudeman 2001) to justify or at least understand the rationale behind informal transactions. A contrasting stream of research has come from economics, where informal labor has been a central concern since the seventies (ILO 1972), leading a number of scholars to engage in an analysis of the taxonomy of informality (Feige 1990) and to attempt to measure it by using non-standard indicators. A third position has emerged and may be located between legal studies and political science. With the exception of some ultraliberal views (Leff 1964; see also Rose-Ackerman 1999), this body of scholarship has tended to highlight negative aspects of informality, corruption being one of the most debated topics (Acemoglu and Verdier 2000; Kaufmann *et al.* 2006; Langbein and Knack 2010; Rothstein 2011).

Most of the above positions, however, have one thing in common, namely that informality is seen as something transitional, exceptional or

marginal in society. This position has come under attack from at least two standpoints. Scott (1976) was one of the major frontrunners of seeing informality as longstanding, enduring, embedded. He initiated both the debate on moral economy and then looked at how informal economic practices had a major impact on power relationships (Scott 1985), further discussed in influential economic anthropology works (Hann and Hart 2009; Hann 2010). However, it is in this same period that other social facts started being challenged and scholars discovered the dynamic nature of objects (Thomas 1991), including money (Parry and Bloch 1989), which carry different meaning and symbolism in different situations and contexts. Informal economies became an object of interest also for policy-makers and political scientists. Corruption had already been a focal point since at least the sixties in the framework of debates on effective governance of post-colonial states (Leff 1964; Palmier 1983). However, the opening up of post-socialist spaces after 1989–1991 saw a revitalization of the debates on development, governance and corruption that has continued to this day (Millington *et al.* 2005; Smith and Stenning 2006; Polese 2008, 2014; Urinboyev and Svensson 2013; Wamsiedel 2013; Kevlihan 2013; Dutt and Kerikmäe 2014; Knudsen 2015; Jancsics 2015b; Rekhviashvili 2015; Sayfutdinova 2015; Polese and Rekhviashvili 2017).

A fundamental aspect of this latest research agenda has been to investigate the dominant transitional paradigm that sought to use Western experiences to align the non-West with the industrialized world in terms of practices, mechanisms and institutions. However, many critics of this ‘catching up’ and ‘one-size-fits-all’ perspective have highlighted the questionable approach of implementing policies or installing pre-fabricated structures and institutions that are allegedly working properly in the West into new countries, of importing know-how and practices to ensure that the new country would, in the end, work in the same way the model country was. Only after Stieglitz (2002) have economists started questioning the ‘out of the box’ macro-approach for a number of very diverse realities and modeled on a Western neoliberal one, a critique that now commands a relatively wide consensus. These voices have been echoed by social scientists showing that diverging ethoses (Gill 1998), relative levels of social acceptability (van Schendel and Abraham 2005) or simply limited or different intellectual capital and capacities (Morrison 2007; Isaacs 2010; Beacháin 2012) prevent policies and reforms to be accepted, understood or implemented as a single, coherent package. Finally, political scientists have noticed more widely the limits of this approach. Carothers (2002), among others, has suggested

that the West is trying to promote outside the Global North ‘core’ institutions, procedures and practices that do not exist or do not function properly in the West either.

Critiques of transitional positions have been reinforced by works by critical geographers suggesting alternatives to capitalism (Escobar 1996; Gibson-Graham 1996, 2008), and a large debate now continuing for more than 20 years questioning the neoliberal model (Brohman 1995; Plehwe *et al.* 2007; Kerikmäe *et al.* 2013), informing the creation of the understanding of diverse economies and, subsequently, the rediscovery of anarchism in geography (White and Williams 2014). This is a tendency that may be seen as extending to the literature on informal welfare and practices to reject the state as the only provider of social services and benefits and to rediscover the role of human agency in mechanisms and practices that are not informed by the state or its institutions (Polese *et al.* 2014, 2015).

The above debates have inspired the definition of informality that we still see as the most comprehensive and non-morally loaded that we have found so far. Informality refers to the area of activities that are not regulated by the state (Routh 2011), but are either socially acceptable or do not harm directly a fellow human being. This definition excludes, to a certain extent, activities by organized criminal organizations and activities punished by both criminal codes and people’s moral standards in most of the world. Starting from this definition, the two case studies below illustrate how informality can be produced, maintained and replicated in spite of or beyond the state.

Case one: beyond the Romanian state: paid informal childcare during the early years

The study of informal childcare in Romania allows us to appreciate how activities deemed illegal by the state – cash-for-childcare exchanges – enjoy acceptance among working parents due to the gaps in social welfare provision that they bridge despite their directly and indirectly created undesirable, harmful outcomes at the societal level. Moreover, many parents saw cash-for-childcare exchanges highly desirable, revealing that their informality was not seen as illegal, but instead morally defensible in several ways. Among its EU accession neighbors, Romania is a laggard in terms of public early childhood education and care services coverage: around 10% of children in the 0–2 age group are in formal care in 2014 and overall around three-quarters of children aged 3–6 attend

preschool (OECD 2016). Young children's care is overwhelmingly home-centered during the first four years and even after this age most care happens at home, in some cases through reliance on paid help. Still, the Romanian families whose narratives inform the present study described systematic income- and qualification-based differences in routine childcare during the first five years of their children's lives (Kovács 2015a). Dual-income couples tended to exhibit one of two care arrangement trajectories over the first four-to-five years of their children's lives. One was constituted by mothers' paid parental leave, which – for the period studies, i.e. 2005–2015 – meant a paid leave until the child's second birthday. Mothers returned to work some time after their children turned one, delegating childcare to a nanny for what was one-to-two years. Around age three, parents signed their children up for full-time preschool education, putting in place the very stable educational care arrangement (Kovács 2015b). Dual-income parents who could rely on their own mothers to help out with routine childcare tasks did so, but this was less frequent than hiring a nanny. Another, less common care arrangement trajectory was mothers maximizing their paid leave period, hiring a nanny for the gap year, then signing children up for part-time public preschool around age three, part-time preschool being complemented with informal childcare by a nanny as the vast majority of parents in Romania work full-time (Eurofound 2007). In short, the majority of dual-income, often highly educated and above-average-earning Romanian parents saw the informal employment of a nanny a reasonable and affordable childcare resource, relied upon as an alternative to practically inexistent formal childcare services for under-threes or as a complement to part-time preschool.

In contrast, less educated dual-income couples and single-earner nuclear families, in which parents tended to have post-secondary education at most, often had a different care arrangement trajectory. Whether eligible for paid parental leave or not, most of the less educated mothers who could not rely on the grandmothers to bridge the formal care gap gave up employment altogether until they could sign their children up for kindergarten. Most, however, were unsuccessful in accessing the highly sought-after full-time places (see Kovács 2015a), often ending up with part-time kindergarten tuition only and the corresponding socializational childcare arrangement (for a discussion of this phenomenon, see Kovács 2015b). For mothers with weak or no labor market participation prior to childbirth, the socializational childcare arrangement meant remaining a housewife even after the child(ren) started attending kindergarten

regularly since a nanny – unlike in the case of their better educated, higher income peers – was unaffordable.

For dual-earner, higher income parents a ‘woman’ who would come, look after and ‘love’ their child temporarily or for longer, in combination with kindergarten, was normal, perceived as widely practiced (a father said it was ‘a fashion’) and financially and logistically feasible, even if several high-income couples referred to paid help as ‘a luxury’. The informality of the cash-for-care exchange was, similarly, seen as normal, the only way it was to be done, some parents expressing misgivings about the value of formalizing this kind of transaction. One father explained this issue thus:

We changed several women over the years [*Interviewer: For what reasons?*]
Because ... various reasons, umm, .. umm ... some of them found employment ...

I: So they gave up and you ended without paid help.

P: Yes because what is happening: we, we did not do hirings with a formal contract, you know how it is done in Romania ...

I: *Yes, people come to an arrangement.*

P: Yes, they come to an arrangement and well, these women, when they found something, even if for the same money and eight hours of work, they’d prefer to have a contract so that they contribution period continues and so, it is understandable, and social contributions ... um, health insurance, if you have a contract. So ...

As outlined elsewhere (Kovács 2014a), these parents saw no added value in registering an exchange in which what they were (interested in) getting – trustworthy, safe and loving care in the intimacy of the home, for around a year or so – was not seen as a function of money. Indeed, the informality of this type of transaction was seen as beneficial: the price of services would stay reasonable (as formalization, in the form of a contract, would mean paying for extra costs such as taxes and social contributions), no legwork would have to be undertaken with the fiscal authorities, was hassle-free and, as such, very flexible. As one mother explained:

No, then she [nanny] would also have to pay income tax and social insurance, in addition it is a whole lot of bureaucracy [red tape] with the paperwork ... and she is already retired, so it would not mean a great deal to her, so I just give her the entire amount as it is ... And because I really have nothing to gain or, as it were, incur a deduction [in income tax], then I obviously do not declare it [i.e. employing her], neither do I ...

The obvious benefits of the informality of cash-for-childcare transaction for most parents (and perhaps even carers), complementing meager public services for a care need in part engendered by Romanian childcare policies, have, however, a number of macro-social implications, several of which may be regarded as harmful especially for paid carers, now and in the future. The informal nature of cash-for-care transactions means that carers operate as atomized market actors in what are demand-driven local childcare service markets affected by significantly imperfect information. One outcome of this situation is the wide range of wages carers receive for similar services even in the same locality. Among the couples interviewed, prices ranged from around 50 RON (approx. 11 EUR) to 400 RON (approx. 89 EUR) in the countryside and up to 600 RON (approx. 133 EUR) in the city for 20 hours of care a week and from as low as 500 RON (approx. 111 EUR) a month to over the double of that for 40 hours of care per week. These prices were in part the result of the profile of women who undertook this kind of temporary employment: either retired, elderly women who also received a state pension, or, much less frequently, unmarried, young women without jobs (see also Hrzenjak 2011, 2012). Parents and carers, therefore, often saw the cash-for-care as a welcome extra rather than as a main source of income and, as a result, many carers had little incentive to either formalize the transactions in which they were involved or to coordinate with other carers to create more coherence in prices. At the same time, the availability of elderly women to undertake this kind of work also made some parents suspicious of active-age, better educated women looking to become carers. Would-be nannies were thought of as elderly, grandmother-like figures, offering the type of care a loving grandmother would. One father, particularly against the idea of hiring a nanny on account of their being strangers to his children, commented:

I think I'd trust an elderly more, although not by much. Not by much because they get bored after a while. Not the younger because they tend to routinely ... How should I put it, they tend to just learn things by heart, know the theory, although the young are also flexible. So I have seen young people who were very flexible, knew, and did a better job than an older person. So I think age in itself is not decisive, I'd try to obtain opinions about them.

However, the fact that paid informal childcare was seen as the domain of women with other incomes also, parents actively seeking such women, may be seen as an important reason why prices for services rendered were often lower than the minimum wage, yet deemed comparatively high by

working parents. Moreover, the conflation of hired help with surrogate grandmotherhood – sometimes even by elderly carers themselves (see Kovács 2014a) – symbolically reconfigured a valuable economic exchange, whose cash value could have easily been higher, into a paid labor of love, whose affective component was seen as much more important and valuable. Love and money were seen, especially by parents, as separate, unrelated, even incompatible, rendering the cash value of the services unrelated and not reflective of the quality of care offered. Divorcing care services from money enabled parents to get excellent services for cheap or very cheap. Indeed, the closer the emotional tie was between paid carer and child (and mother), the less money exchanged hands, sometimes leading to the abandonment of cash exchanges completely. While emotionally and symbolically satisfying and appropriate at the micro-level, the reinterpretation of paid informal childcare services as an affective relationship instead of a market transaction involving labor and commitment may be seen to have a host of negative implications at the macro-level and over time.

Firstly, symbolically and narratively redefining purchased paid care labor as love and as surrogate grandmotherhood conveniently shifts attention away from the laboring aspects of care that require financial compensation to the intrinsically valuable and meaningful, which cannot be financially rewarded. This way, early years bespoke childcare, while highly labor intensive, remains cheap, making it affordable for many dual-income parents as a reliable alternative, but also unattractive as a main source of regular, declared market income for carers. Not surprisingly, parents had no moral concerns with this issue: for them, the nanny alternative tackled a host of issues linked to exigencies of childcare and work-care decisions. In other words, informal cash-for-care exchanges, though illegal, were not only morally acceptable, but in fact highly desirable, their functional advantages wiping away any morally grounded concerns among parents especially. Secondly, by emphasizing its affective component instead of its laboring aspects, i.e. caring feelings instead of caring activities (Folbre and Nelson 2000), paid informal childcare remained divorced from notions of professionalism, method and expertise and, thus, issues of responsibility, especially on the side of parents acting as employers. Additionally, with the quality of care work seen to originate in the emotional affinities between carer and child, carers with formal skills and training are in no way more valuable or desirable than their unskilled, untrained (older) peers. This, in turn, reinforces potential carers' incentives not to invest in the professionalization of such

work. More importantly, it devalues younger cohorts' investments in education and training both symbolically as well as financially. Early years childcare is, thus, doomed to remain a matter of intuition, affect and emotional availability, therefore essentially feminine, unskilled, particular and private. Thirdly, this narratively constructed incongruence between high quality care and money arguably makes suspicious carers who might ask for higher prices, creating an impression that 'they are in it for the money' instead of for the love (see the second quote above). Therefore the chances of turning these very valuable services into a source of livelihood for a greater diversity of women (and men) is hampered. Fourthly, despite the fact that carers could be employed for the post-tax minimum wage or less, childcare arrangements hinging on the services of a nanny remained available only for dual-income couples with earnings around and above the national mean. Couples in service sector jobs, with medium levels of education or in single-earner families would find the services of a nanny, while relatively cheap, unaffordable as they would often be earning around the minimum wage themselves. As has been observed by others (especially Ehrenreich and Hochschild 2003; Lister *et al.* 2007), this means that paid bespoke childcare services contribute to increasing inequalities between higher income, work-rich couples on the one hand and less educated, lower income ones on the other by enabling higher income mothers' labor market participation despite the absence of formal childcare services or familial care alternatives. By contrast, mothers in lower income couples have to give up employment altogether to bridge the institutional care gap, losing money, employment continuity and social protection while raising children. Finally, the availability of relatively cheap bespoke informal childcare, flexible, reliable and good quality, for couples who will have one or two children at the most (see Kovács 2014b) contributes to diluting the pressures on insufficient and inadequate public service provision and the demand for the expansion of existing services to younger age groups, which could serve not only dual-income couples with strong labor market attachment, but also lower income couples in which mothers have weaker labor market attachment. This outcome comes closest perhaps to those described by the Hungarian case study, illustrating how the space available for alternative arrangements offsets chances for political pressure to change formal rules in line with individuals' expectations, norms and moral appraisals about good public policy.

In short, the hiring of nannies as an expression of families making arrangements informally in an attempt to fill in a gap in public social

services provision, acting beyond the (welfare) state, while seen as widely practiced and easily available for high, but still affordable prices, has a host of negative macro-social effects. Illegal, but licit and seen as highly desirable, particularly by parents, this form of informality has a significant positive impact on individual families and carers in the short run. In the medium and long run, however, negative macro-social outcomes seem unavoidable. One is the fact that the availability of affordable, informally hired paid carers undermines the political pressure needed to expand the very limited public coverage of quality care services especially for under-threes. At the same time, home-based, one-on-one care remains the norm, undercutting incentives and possibilities for professionalization and the corresponding rise in wages. With paid care divorced from ideas of professionalism and a decent wage, skilled, younger and male carers will remain suspect and undesirable, closing the vicious circle through which early years home-based paid childcare remains informal, dominated by retired, elderly carers with no professional expertise, therefore cheap and flexible.

Case two: in spite of the Hungarian state: informal payments and complementary social structures

The examples in case two, contrarily to the Romanian case study, do not focus on a specific phenomenon but rather on different forms of informal exchanges. The common feature of such practices is that at least one actor had a relevant organizational membership/affiliation, the exchanged resources belonged to a state organization and the transaction violated organizational policies and/or state-level regulations. We provide here examples of informal exchanges of formal state resources, activities defined as illegal by authorities but also viewed as morally legitimate by the local actors. The case study is based on 50 in-depth interviews that were conducted between 2009 and 2011 in Budapest. We used a flexible interview protocol during the relatively open conversation with the respondents. The main goal was to collect detailed sorties of actual informal practices in which the interviewees participated or at least personally saw it. During the interviews we collocated information about the antecedent and different phases of the informal transaction as well as the actors' motivation and the nature of their relationship. We were also interested in their explanations, meanings and attitudes related to the informal practice. The length of the interviews varied between 30 and 120 minutes. We selected our participants by using snowball sampling, a technique suitable

for exploring hard-to-reach social groups and hidden or illegal social behavior (Goodman 1961; Becker 1966).

Although we cannot generalize the findings provided by non-probability samples, they may help gain insights into the mechanisms of a social phenomenon and actors' interpretations. The first few respondents were selected from our own informal network while other interviewees were selected by using snowball sampling process. We tried to create a pool socially as diverse as possible. In the end, we achieved a relatively heterogeneous sample. The empirical materials of this cases study were originally collected to examine general informality and corruption in Hungary. During a secondary analysis of the data the pattern of 'in spite of the state' informality emerged.

The stories told by our interviewees are about interactions between ordinary citizens and formal state institutions. The state allocates resources among social actors via its policies, programs and services. These transactions are regulated by formal procedures of the state and the particular public organization. The informal misallocation of such resources happens outside of this formal framework and thus it should be almost always regarded as illegal from an official viewpoint. In most informal exchanges, we collected for this case study some resource did not come from one actor's 'own pocket' but from formal organizational resources and at least one actor was an organizational member or had some formal organizational affiliation (Ledeneva 2014; Graycar and Jancsics 2016). These cases would be regarded as corruption or bribe by the mainstream economic and political science literature. However most of our respondents viewed these practices as morally acceptable and thus socially legitimate.

Social behavior is influenced by complex social norm systems. Within this structure formal state regulations represent only one of these multiple rule systems (Anders and Nuijten 2008). Informal transactions are also subject to other universal or local informal social norms as well as more materialistic structural imperatives (Jancsics 2015a). In this case study, we discuss activities defined as corrupt and illegal by formal but also morally justifiable by social norms at different social levels. We also describe the positive or negative impacts of these 'in spite of the state' practices and provide some insight into their legitimacy in the Hungarian society.

Several scholars have argued that social exchanges, conducted via informal networks should be viewed as responses of society to dysfunctional state institutions (Lomnitz 1988; Ledeneva 1998; Lomnitz and Sheinbaum

2004; Smart and Hsu 2008). Such informal solutions serve as substitutes or supplements in societies where formal institutions, regulations and formal organizations do not provide adequate service to the citizens (Hillmann 2013). In contrast to 'beyond the state' practices that refer to the lack or minimal presence of state regulations in particular sectors, areas or regions, 'in spite of the state' cases suggest that the state regulates certain interactions or resource allocations yet people conduct informal practices in spite of those regulations. In this case society morally legitimates and justifies rule breaking.

Many respondents referred to the phenomenon when actors developed informal structures in order to decrease risks and uncertainties derived from the formal institutional context. In these cases, informality served as a survival toolkit for public employees. The Hungarian public administration is extremely overpoliticized. Newly elected, national as well as local, governments usually fire the majority of public employees, even at lower organizational levels, and replace them with people loyal to the political party in power. This makes the administrators' career prospect especially uncertain and triggers informal responses to such anomalies. In order to reduce this insecurity, middle-level managers and other professionals in public organizations cultivate reciprocal networks of influence, so that they can gain help if they are sacked. They do favors for one another to cement these networks. Such favoritism means helping friends, relatives and acquaintances to win public grants or procurements but they do not always require immediate payment for doing a favor for someone. This is a long-term investment.

One public employee put this:

Only two of us survived the government change in our department. They kept me here because I am the only one who is capable of managing EU grants. But they fired everybody else. Even the cleaning woman was selected because of her party loyalty.

Here is another example:

It is like: When somebody is dropped out of the public administration, he needs a job in the private sector. When you work for the state you obviously need contacts, 'good' men, acquaintances, wives, friends and friends of friends when the cleaning comes ... and the cleaning has always come since 1998 when Hungary's extreme political polarization started. This is a permanent movement of people among public, private and nonprofit sector organizations. You need the safety function of this social network if you want to survive. Since you can be fired anytime, you have to give favors when you are a decision maker in order to guarantee your next job.

The following example shows another pattern of ‘in spite of the state’ practices when the state, in defiance of actual social demands, significantly restricts access to certain public services and people use informal channels to reach those services. In this case institutional anomalies affect the society side of the interaction.

A couple of years ago, after I had been fired I wanted to learn English. The local government’s Employment Center offered free English courses for unemployed people but it was almost impossible to get a spot. It was extremely competitive because among the 10-month intensive course they also provided some allowances. My mother knew this woman. I am not sure from where. Maybe she was an acquaintance of my mother’s ex-colleague. She was working at the Employment Center and knew some people in the department where they selected the course participants. So, the women told me she could handle this for me for some money. And she did. I applied not as anybody special but accidentally [laughing] I was selected.

Another example reveals how the dysfunctional Hungarian public health system triggers informal solutions.

When my husband started to breath heavily we went to see his doctor. After the X-rays the doctors suspected that he might have a breast cancer and sent him to a CT examination. But we got a CT appointment for 3-month-later. We knew that we could not wait that much and immediately started to call relatives and acquaintances to find an ‘unofficial’ solution, somebody who could cut that waiting list for us. Finally, through a family member, we found a doctor who ‘made it possible’. It was not cheap [we had to bribe him] but my husband had his CT next week.

The positive and negative effects of this type of informality varies case by case. In our examples, as in any other not merely economic social exchanges, the norm of reciprocity plays an important role. Although the final transaction is often a cash bribe, the previous steps before reaching to the demanded public resource are facilitated by informal brokers: acquaintances, friends or family members (Jancsics 2015b). Such informal transactions follow the logic of gift giving when the favor taker accumulates gift-debt and the favor giver realizes demand for something in return in the future (Ferraro 1999; Peebles 2010; Strathern 2012; Graycar and Jancsics 2016). At the same time every additional informal exchange decreases social distance and increases trust between the actors (Gouldner 1960; Sahlins 1965: 148; Gregory 1982; Lomnitz and Sheinbaum 2004). At micro-level this type of transactions have important social functions. They strengthen cohesion between group members and reduce uncertainty and risks derived from the external context (Wolf

1966; Göbel 1998). Such informal practices provide complementary and necessary arrangements for maintaining social stability. In fact, they maintain and re-produce the actors' social and cultural world.

Another positive effect of informal practices, at the organizational level, is that they reduce risks and uncertainties of formal state institutions for insiders. In Hungary public administrators work in an overpoliticized context, so they develop informal networks in order to protect themselves from the risks of being fired by a newly elected government. Moreover 'in spite of the state' informality, now at the macro-level, is able to make services and resources that are not adequately provided by dysfunctional state institutions available for several actors. We should see these practices as a correction of the formal institutional structure. They channel social groups into the system who otherwise would have very limited or non-existent access through official routes.

On the other hand, these informal practices do not make services and resources available everybody. Private resources and social capital are distributed unequally among different individuals, families and social groups. Some actors may have better connections or more money to get informal access to state services. Moreover, there are groups who cannot afford to participate in an informal transaction because they have very limited resources (Jancsics 2013). For example, poor families simply do not have hundreds of thousands of hungarian forint to informally hire [bribe] a good doctor for a complicated operation. Similar to the Romanian case study, 'in spite of the state' informality may contribute to social inequality because they provide access to state resources only for selected social groups. From an organizational perspective it means that the state resources are informally allocated to benefit particularistic social interest rather than society as a whole. To sum up, 'in spite of the state' may provide some correction of dysfunctional state institutions yet its benefits are still unequally distributed in society.

Informal patterns become widespread in a society when a relatively huge number of people view them as accepted and morally legitimate solutions for social issues. The low level of trust in the state and its political institutions may legitimate informal re-allocation of government resources. Several respondents agreed that the state and different authorities symbolize something alien in Hungarian society: 'they are them, not us'. Since 'steals from its own citizens' it is perfectly legitimate when people steal back some resources. Here is an example:

My father's college classmate worked in a Ministry and helped me to get government subsidy for changing doors and windows into more energy safety ones. We were way after the submission deadline and I was not even eligible for the grant ... I know, we cheated, but I think it is not a big deal ... the state steals a lot from everyday people and we should steal back at least a small amount of it.

This quotation from an interviewee, was also supported by others respondents, implying that for many people the state has never been a fully legitimate actor in Hungary:

I think the main point of the Hungarian history, for a very long time, has been about cheating the central power ... if we wanted to survive. Because the central power was always somebody else; it was not us. So, the game was cheating the Turkish when they were here, cheating the Habsburgs when they were here ... In the Horthy times [1920–44] it was also very difficult to solve things ... because if you were Jewish, or if you were a German or if you made business with the Serbs you had to cheat the power, you had to cheat the authorities. You could not choose the legal ways. The 1950s was the same; it was like everybody against the communist state because the state and its regulations were unpredictable.

According to an international research, published at the time when our interviews were conducted, only 15% of Hungarians trusted in their Government and Parliament and only 10% of the respondents trusted in political parties (Eurobarometer 2009). At the same time corresponding averages for Eastern Europe as a whole were, 21%, 26% and 20% while in Western Europe trust in political institutions was significantly higher. Another research with primary focus on Hungary also measured very low level of institutional trust, although the reputation of the government, politicians and parliament somewhat improved between 2009 and 2013 (Keller 2013). This study also found that institutional trust is extremely polarized in Hungary, respondents trust much more in governments that are close to their political side. Another quantitative study found ambiguous norm structure in Hungary suggesting that in their statements people refused norm violation such as evading tax, getting unfair advantages from the state, not paying bills or cheating at public transportation, while in practice most of them easily broke such rules (Tóth 2010). Several empirical studies have found a robust correlation between trust in government and perceived corruption (Pharr 2000; Mishler and Rose 2001). These studies also agree that political trust can be both the cause and the consequence of corruption. Trust and corruption mutually reinforce each other

(Anderson and Tverdova 2003). Our interviews also confirm these results: ‘in spite of the state’ informality represent legitimate and morally justifiable practices for many Hungarians.

Conclusion

The two empirical cases constructed for this article have made use of several theoretical tools that can help us better locate informality in current debates and define its function in a society. We have made use of the relationship between the legal and the licit in a society (van Schendel and Abraham 2005) to discuss the possibility that the moral approach of an individual and of its state might not overlap. This may be seen as connected to the perception of an action classified as illegal and its performability. Most citizens would agree that murder or selling of A class drugs is something despicable, in addition to being illegal. But not the same amount of citizens might have the same perception of actions like fiscal fraud or paying less taxes than due, showing that the boundary between what can and cannot be done, is volatile in a number of cases and if you do not see the negative effects of your actions it is easier to perform it (direct and indirect harm).

This has helped us to define two possible cases where informality has different functions. In other words informal transactions can be performed in spite of a state being there and regulating a particular sphere of life, thus overruling the state and its institutions. They can also be performed beyond the state, regulating a territory or a sphere of life where the state has not succeeded in asserting its control. This has at least two consequences. Firstly, that we cannot see informality – not always and everywhere – as necessarily negative. There are indeed cases where informal transactions can help a state to perform better and that can be seen as ‘positive’ examples of informality. Secondly, and with very important implication for future research, the fact that a sphere of life might be underregulated allows us to suggest that the boundary between informality and corruption (or informality and other illegal actions) depends, for a great part, on the capacity and desire of a state, or its institutions, to assert itself and effectively regulate a given situation. We make this claim to prompt further research on the relationship between informality and illegality, and in particular the delicate relationship between a monetary exchange between two individuals and an understanding of corruption that is sometimes stretched to the point to include all possible monetary and non-monetary reciprocation. We believe that an acknowledgement

of the fact that a state might fail to regulate a sphere of life might help explaining self-organization of its citizens and distinguish the cases where this harms the state and those where it supplies the state with an alternative mechanism that might then be incorporated into state structures (or ‘institutionalized’, see Polese and Morris 2015) to improve the governance structures of that particular country.

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