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Article

## Labour Mobility and Informality: Romanian Migrants in Spain and Ethnic Entrepreneurs in Croatia

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### Abstract

Post-Weberian definitions see the state–individual relationship as a “do ut des” one. The state grants protection, education, medical care, and its citizens contribute labour, compliance, and taxes. When this does not occur, it is generally accepted that the citizens are deviating from state goals. However, there are cases where lack of compliance stems from the fact that society members do not feel protected by formal structures, and they rely on informal ones to replace, supplement, or even compete with state institutions. The starting point of this article is that this lack of support may result from enhanced labour mobility (and migration) across Europe, and may enhance the creation and persistence of informal practices. Taking advantage of two case studies, Romanian migrants to Spain and ethnic entrepreneurs in Croatia, we observe how governance is constructed and provide two novel interpretative frameworks. First, we explore the use of informality (informal practices) to suggest that apparently insignificant actions that are repeated routinely and without much thought, are a way to contribute to the construction of the political and that everyday governance should receive more attention. Second, we use this claim to argue that a better understanding of informality can help identify governance areas where interventions are more urgent. These are the spheres of public life where it is possible to identify a larger gap between the wishes of a state and the ways citizens actually act as they informally avoid or bypass its rules.

### Keywords

Croatia; informality; labour mobility; Spain; welfare

### Issue

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### 1. Introduction: Diverging Moralities and Alternative Forms of Governance

A large body of scholarship on the welfare state, framed in post-Weberian approaches, looks at the state–

individual relationship as a “do ut des” relationship, suggesting a possible universality of such a claim (Deacon & Stubbs, 2007; Lendvai, 2008). The state grants protection, education, medical care, and its citizens contribute labour, compliance, and taxes (Esping-Andersen, 1996;

Fenger, 2007). When this does not occur, the most immediate conclusion is to assume that citizens are deviating from state goals. Indeed, the state and its institutions are selected by the citizens to look after their welfare. As a result, it is people, as individuals or communities, that seem to fail to pay back and need to be encouraged, or coerced, to do so when needed. Yet, a growing body of scholarship has been questioning this top-down power relationship (Jones, 2007; Kasza, 2002). It has also been suggested that certain regions of the world might have a *sui generis* mode of constituting welfare that is embedded in a path-dependent historical evolution (Draxler & van Vliet, 2010; Hacker, 2009; Kevlihan, 2013). A mismatch of expectations between a state and its people can take many forms (Scott, 1998). This phenomenon has been analysed from a holistic historical perspective, arguing that the whole state system can be against all, or at least most, of its citizens (Courtois et al., 1997) as well as by looking at how this affects particular categories of people who are bound by ethnic ties, who belong to a specific economic class (Granovetter, 1983; Scott, 1985), live in a particular area (Davies & Polese, 2015), or share a common ideology.

This article is a further effort in this direction. We explore a range of elements that may worsen the state–citizen relationship and put some people, those already in a vulnerable position regarding the state, in an even weaker one. We refer here to individuals and communities that sometimes receive little or no attention from the state because they are newcomers to the system or have never truly managed to navigate their environment. These newcomers are either not supported or only partly supported by the state that should look after their welfare. In our specific case, we expect this lack of support likely to become widespread, or simply deeper, in the case of enhanced labour mobility (and migration) across Europe. We subsequently set out to study ethnic entrepreneurship, multicultural relations between migrants, and their novel socio-cultural settings to examine how governance is constructed and provide two novel interpretative frameworks. First, we explore the use of informality (informal practices) to suggest that apparently insignificant actions that are repeated routinely and without much thought, are a way to contribute to the construction of the political and that everyday governance should receive more attention. Second, we use this claim to argue that a better understanding and measurement of informality can help identify the areas of governance where intervention is more urgent. These are the spheres of public life where it is possible to identify a larger gap between the wishes of a state and the ways citizens actually act as they informally avoid or bypass its rules.

Thanks to two case studies, we examine and discuss the different understandings of informality emerging from the divergence between state and individual morality. The cases we focus our attention on are not those where individuals violate state principles while

endangering the integrity of those around them. The two cases feature quite different situations and methodological approaches. However, these two cases are also used to give continuity to the dichotomy “beyond” vs. “in spite of” the state (Morris & Polese, 2014). The starting point are edge situations, where individuals do not act the way their state expects them to. In such cases, one can look for contradictions and conflicts between moral boundaries by juxtaposing the way moral values are constructed within a group and are used to renegotiate state’s values. However, these contradictions refer to two distinct contexts. In the first (beyond the state), informal structures stretch to reach areas of state governance that remain largely unregulated. This may include situations where the state claims to regulate but does not provide a sufficient amount of instructions (or not sufficiently clear instructions) for people to find their way through the maze of rules and obligations. This is shown through the case of ethnic entrepreneurs in Croatia that are supposed to rely, at least theoretically, on a series of structures and institutions that are largely absent or weak. In particular, the Croatian case looks at the networking activities among ethnic entrepreneurs in Croatia and examines in depth the ways ethnic entrepreneurs use different network types to access different resources. Data was gathered through in-depth interviews with 27 non-native entrepreneurs carried out in periods: January–November 2019 and April 2020–June 2021. The case stresses the importance of informal networks in regular circumstances and its increased importance (yet diminished opportunities) in more demanding circumstances such as the Covid-19 pandemic, natural disasters, and major regulatory change.

In the second case (in spite of the state), structures are in place and rules exist; however, they are largely designed for insiders, leaving newcomers in a state of limbo which they can only get out of through informal connections, practices, and actions. Romanians in Spain can rely on some solid institutions, but their capacity to understand and interact with them is limited. The case relies on mixed-methods research performed between 2017 and 2020, combining multi-sited ethnography (qualitative interviews, focal groups, and observant participation) and a binational link-tracing survey (Mouw et al., 2014) to connect the transnational personal networks of research participants in Spain and Romania ( $N = 495$ ). It ultimately explores the relationship between informality and intra-EU mobilities (Romanian migrants in Spain), analysing how the informal practices evolve when people migrate from one social and cultural context to another. This is not necessarily due to a single reason but is rather a synergy of cultural, social, economic, and policy factors that do not always match those present in their host country. As a result, a bit of “negotiation” is required to survive the local environment.

Founded on the above reflections, this article is thus intended to point at ways governance results not only from formal regulation by the state and its institutions

but also is the result of synergies between formal and informal actors, top-down instructions and bottom-up attitudes developed by adapting to an overarching context that does not always take into account the needs of some segments of society. To do this, the next section provides an overview of the main state–citizen debates, and it is followed by two empirical sections which document, first, the synergies between Romanian migrants across two areas of Spain and, second, the dynamics behind ethnic entrepreneurship in Croatia. By looking at the way labour mobility affects, and is affected by, state–citizen relations, our ultimate goal is to unveil a number of hidden mechanisms and unconventional mechanisms of governance that are only visible through an everyday, micro, and hands-on approach that was possible thanks to engagement in the field with the target groups.

## 2. State–Citizen Relations

Scholarly discussions about welfare state divergence have relied on the “old vs new” paradigm (Adascalitei, 2012, p. 60), eventually acknowledging the possibility that different political systems may generate “unique hybrids” (Draxler & van Vliet, 2010; Hacker, 2009), mapping possible variations (Ó Beacháin et al., 2012) or conceptualising possible patterns (Hacker, 2009). The waves of crises which question the success of the state-centred welfare model and the partly failed transition to private welfare have led some to suggest bringing back what can be called the privatisation of social protection, where private here also refers to the family (Hrzenjak, 2012; Williams & Martínez, 2014). It is this privatisation that, when markets and appropriate governance mechanisms are lacking, pushes people to diversify their risk avoidance mechanisms (Deacon, 2000; Wood & Gough, 2006). In particular, welfare regimes outside advanced welfare states are characterised by: (a) weak state legitimacy and the marginality of well-functioning capital and labour markets; (b) the limitations these pose on welfare states’ capacity to compensate for social inequalities; (c) social policy needs to account for non-state actors; (d) social rights/entitlements may arise from domains other than formal state provision, i.e., familial and other informal relationships; and (e) these phenomena and relationships are path-dependent and reproduce social stratification, inequalities, and power asymmetries (Wood & Gough, 2006, pp. 1697–1698).

The above discourses have suggested looking more deeply into agency (Cook, 2007) as replacing or supplementing state-led policies (Polese, Rekhviashvili et al., 2016) to consider the possibility that informality and formality are complementary or that informality may “replace” formal processes and structures. In other words, where the welfare state does not penetrate, welfare might also be spread through informal channels and redefine the very dynamics underpinning a society (Morris, 2019; Polese et al., 2014). Welfare policies result from negotiation and compromise between very

diverse forces that might define a result very distant from the original plan. Some theorists of the state (Migdal, 2001) suggest that state and society mutually constitute, and contribute to, the transformation of each other. The main point here is that in a complex system, where initiators do not always see or even directly influence the result of their choices, the final effects of an input may be very distant from initial intentions.

This opens to the possibility that a given policy could be renegotiated by street-level bureaucrats or other interest groups, even ingrained cultural norms (Cook, 2007; Morris, 2014) to lead to different ways of welfare provision that are embedded in social structures or simply a compromise between how things should work and how they work in reality. In this direction, informal welfare has been defined as the area between what a state is doing (or claiming to do) and the needs of a society (Polese et al., 2014; see Figure 1).

The area of informal welfare, however, may become substantially large with a variety of economic and non-economic strategies employed by people to make a living (De Haan, 2012). These include informal practices such as “regular strategies to manipulate or exploit formal rules by enforcing informal norms and personal obligations in formal contexts” (Ledeneva, 2008, p. 119), which penetrate all aspects of public life globally, including economic, social, and political practices (Polese, Morris et al., 2016). They are embedded in market exchanges but also in non-economic dimensions such as non-profit activities and in exchanges within personal relationships (Ledeneva, 1998). Their pervasiveness suggests that they are adopted irrespective of the economic circumstances of citizens or countries (Morris & Polese, 2014). Ledeneva (2011, p. 722) stresses the importance of unwritten rules, or “the know-how needed to ‘navigate’ between formal and informal sets of constraints.” Informal practices vary across time and space, responding to cultural, political, and economic transformations (Ledeneva, 2018; Yalcin-Heckmann, 2014). Informality can take many forms (Polese, 2021); for instance, in the case of Romanians performing Spanish informal practices, in this article, we talk of *chapuzas* (minor repairs) which makes them known as *manitas* (handymen) who perform good work cheaply. However, beyond localised practices, some tendencies emerged during turbulent transitional times, and the capacity to generate strategic responses (Manolova & Yan, 2002) and create informal networks (Aidis et al., 2008) are here defined as alternative forms of regulation that often operate outside the state norms. They serve as an alternative social mechanism to support economic interaction where formal institutions are either non-existent or ineffective (Šimić Banović et al., 2020). They often rely on long-term cultivated exchange of favours or services (Škokić et al., 2019, p. 26) that has become widespread in the region (Puffer et al., 2010). These kinds of mechanisms have encouraged studies on similar widespread practices such as *blat* in Russia, *guanxi* in China, and *veza* in Croatia, as summarised in Table 1.

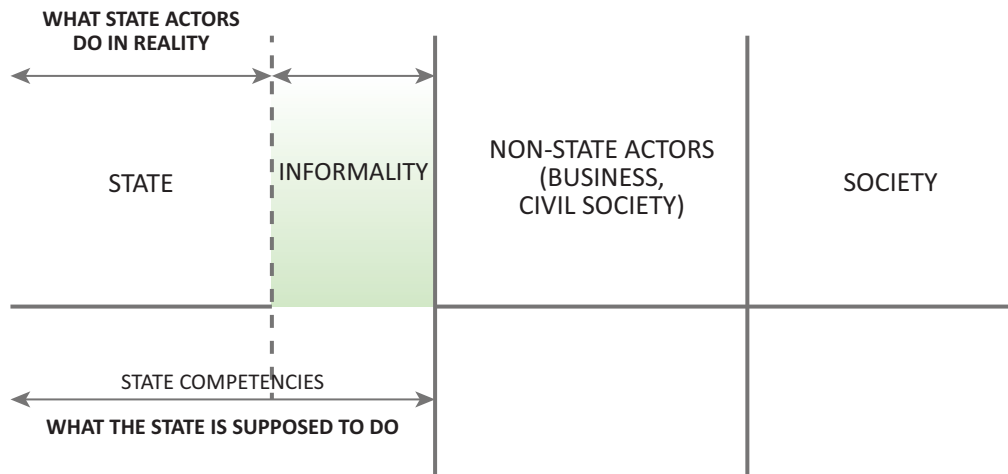


Figure 1. Visualising informal welfare in a state.

Table 1. Characteristics of *veza*, *blat*, and *guanxi*.

Attributes	Characteristics		
	<i>Veza</i>	<i>Blat</i>	<i>Guanxi</i>
Driver for activation	Access to entrepreneurship	Maximisation of individual values (economy of shortages); access to necessities (food, jobs)	Maximisation of the value for a family; moral obligation
Origin	Transition period (1990s)	Emergence of socialism; after Russian revolution (1917)	Confucianism and ancient Chinese philosophies
Operating mechanism	Exchange of favours; one-off reciprocal transaction; transaction to be completed without significant time delays	Exchange of favours; gifts and resources; unlimited exchange of favours; time lag often preferred	Exchange of favours, gifts and resources; unlimited exchange of favours; time lag often preferred
Relations	Short-term; utilitarian	Continuous and long-term; utilitarian; emotional; social	Continuous and long-term; utilitarian; emotional; social
Structure	Dyadic relationships	Dyadic relationships with extended vertical and horizontal structures, affiliated with a circle of trusted people	Dyadic relationships often embedded in or influenced by actors outside the dyad
Dynamics	Very dynamic, exchange fairly equal	Very dynamic, exchange fairly unequal	Very dynamic, exchange fairly unequal
Diversity	Diverse, but individual relations not linked in a particular network	Diverse; vertical and horizontal circles relatively closed	Diverse; circles open to expansion and can grow easily
Meaning	Positive	Negative, closely linked with corruption	Neutral to positive

Source: Škokić et al. (2019, p. 34).

Despite their cosmetic differences, the main common point here is the widespread use of connections to get things done, overcome institutional barriers (Kets de Vries & Florent-Treacy, 2003), or establish informal networks, increasing the chances of success (Kuznetsov et al., 2000). In some cases, informal practices (Morris, 2015) can make up for the inadequacy of formal financial institutions (Peng, 2004) or allow people to engage with authorities. *Veza* has a similar function, helping overcome hostile business environments (Aidis et al., 2008; Ireland et al., 2008). In addition, networks have been defined as horizontal (people supporting other people with similar status) or vertical (belonging to different social strata and linked by kin or personal contacts [see Ledeneva, 2008] to endlessly expand their “friends of friends” circle). This leads to the core of this article, where migration networks, mobility, and informality are intertwined (Fradejas-García, Polese et al., 2021), which generates awareness of some informal legal pluralism (von Benda-Beckmann & von Benda-Beckmann, 2016) embedded in formal vs. informal rules and the relationship with these rules, as documented in the case studies below.

### 3. Informal (Im)mobilities of Romanian Migrants in Spain

The vast majority of the first wave of Romanian migrants, who arrived in Spain before 2002, used mafia-like networks to facilitate cross-border travel and paperwork, paying around \$1,000 for a tourist visa and then either staying hidden or developing ways to cross the border with minimal risk (Elrick & Ciobanu, 2009). After 2002 and 2007, immigration requirements changed, and the cost of migrating lowered (INE, 2020), leading to a sharp increase in Romanian migration to Spain; from a few thousand in 1998 to almost 900,000 in 2012 (INE, 2020), they became the largest foreign population in Spain. This slightly changed after the 2008–2014 crisis, but with 671,985 Romanians living in Spain in 2019, they are still the country’s second-largest foreign population (INE, 2020).

The appearance of numerous formal and informal Romanian road transport companies in Spain favoured the arrival of more Romanians, as well as an informal influx of products from Romania to Spain and vice versa, some of which are handmade, as well as unlabelled food and alcohol (Petrescu & Rodriguez, 2006). This flow of products for trading, gifts, or self-consumption continues, and it was as cheap as €1 a kilo in 2020, facilitating social remittances that reinforce transnational relations (Levitt & Lamba-Nieves, 2011) and transnational networks of trust (Tilly, 2007). In many cases, items, documents, and money (normally small amounts of cash) are sent via international passenger bus routes that ply in both directions between Spain and Romania. This service is widely used due to it being faster, safer, and cheaper than the regular post, even offering hand-to-

hand delivery. These practices are combined with travel from Spain to Romania by air, bus, or private cars back and forth for holidays, social events, and arranging bureaucratic necessities (Fradejas-García, 2021). The formal and the informal are rarely separated; it has been suggested that the informal is used to “manipulate or exploit the formal rules” (Ledeneva, 2008, p. 119). Examples include those who receive Spanish unemployment benefits while in Romania or access regional social and economic benefits by acquiring a Spanish document or keeping residency in Spain by paying someone to register them at their residence (Fradejas-García, Molina et al., 2021).

During socialism in Romania, instrumental social relations were necessary to overcome scarcities, obtain access to good quality services, or resolve legal issues. Despite the fall of socialism, informal networks and practices are still fundamental to obtaining access to education, health, business, and the labour market (Stoica, 2012). In this context, neo-liberal reforms amplified the competition for scarce resources, increasing power inequalities in patron–client relations in basic sectors such as the healthcare system (Stan, 2012). In Romania, the “widespread networks of personal exchange and favours [similar to Russian *blat*] have been ‘*relatii*’ (relations), ‘*cunostinte*’ (acquaintances), and ‘*pile*’” (Stoica, 2012, p. 173), where *pile* (or “*A avea o pilă*”) refers to connections that can smooth things out. As Ledeneva (2018) shows, the instrumentality of sociability exists with similar patterns under different names worldwide.

In Spain, the informal practice of using social networks to get things done is called *enchufismo*, translated directly as “to plug in” (*enchufar*), a figurative way of denoting the practice of “pulling strings.” The verb *enchufar* means “to give a position or appointment to someone who does not merit it, through friendship or political influence” (Real Academia Española, 2020), while *enchufismo* has been defined as “political and social corruption” (Real Academia Española, 2020). Nonetheless, it is common practice within the endogenous Spanish labour market and in Spanish politics, which provide opportunities for corrupt practices (Fradejas-García, 2022). No fewer than 40% of the Spanish population finds work through informal channels of relatives, friends, and acquaintances, a much higher percentage than in northern European countries such as the Netherlands, Denmark, or Finland (e.g., Pellizari, 2010, as cited in Vacchiano et al., 2018). Thus, as our participants noted, the Romanian term “*avea o pilă*” translates directly, both in theory and everyday practice, to “*enchufe*.”

Respondents of the study had, on average, been living in Spain for over 10 years and had left employment in Romania, considering Spain to have better opportunities. However, the move was just the beginning of a saga through the formalisation of their status while still learning the informal rules of the game. Their arrival was the starting point of a long parallel process of formalisation,

with access to formal jobs and administrative regularisation occurring alongside informalisation. This process involves adapting to new informal practices and learning the new rules of “informality” through contact with other migrants, the creation of local networks, or by simply gathering together at bars and public spaces with the local host population, who have generally welcomed East Europeans due to cultural similarities, religion, or their similar racialisation (whiteness). The journey toward formality could take several years and involve passing through several undeclared trust-building tasks. Once the person becomes known as a hardworking and essential addition to a local business, efforts are made to regularise their position and grant them more responsibilities. However, trust between parts also contributes to a different kind of informality. In many cases, the employer and employees developed a friendship, or at least closer relations, thus allowing part of the salary to be paid in cash in some sort of family-style arrangement.

Not all connections were informal and with close people. Non-state actors also sometimes played a role by providing informal support, such as paying bills, providing food, clothes, books, and language courses, backing up registration processes, and even helping Romanian migrants find jobs. Support came from charities as well as formal institutions in Romania that could see opportunities in liaising with Romanians living in Spain. The result was a net of inter- and intragroup solidarity, which was used for various purposes. For example, typically, when a migrant passes away and has no repatriation insurance, nor the money to send the body back to Romania, money boxes are placed in Romanian restaurants, associations, and churches to help the family with the costs.

All these informal activities constituted a gradual formalisation of the workers, some of whom ended up with permanent employment and fully regularised status, especially in areas where formal labour was scarce and Romanians had to work harder, for longer hours, on minimum wages, such as in the ceramics factories of Castello (Molina et al., 2018) or agribusinesses in Roquetas de Mar (Fradejas-García et al., in press). Eventually, this resulted in Romanians accounting for almost 10% (15,748 out of 169,498 inhabitants) of the population in Castello (INE, 2020) in 2017. Roquetas de Mar in 2017 hosted 8,939 Romanians, 9.5% of the total population (INE, 2020).

Informal and solidarity networks were crucial in helping people find these formal opportunities. Such help could come as a favour or through paying a fee to an informal broker, such as one might pay an employment agency. In some cases, household income is created through undeclared jobs and informal economic activities such as house cleaning or temporary or one-off jobs in agriculture, construction, and services, as well as childcare, baking sweets for parties, renting out rooms in their homes, working as a DJ at social events, and even collaborating in transnational enterprises that import and export cars (Fradejas-García, 2021). It was already sug-

gested by Hart (1973) that these activities function as a buffer against unemployment.

Eventually, the transnational social fields created by Romanian migrants and their formal and informal activities resulted in a whole new generation of Spanish-Romanians who enjoy much higher stability than their parents. In 2016 more than 100,000 Romanians under 16 years old had formal residence in Spain (Ministerio de Trabajo y Economía Social de España, 2016). Some were born in Spain, but many others lived in Romania until their parents brought them to Spain in a large-scale family reunification when Romania entered the EU in 2007 (Marcu, 2015). Family reunification is part of a long settlement and institutionalisation process, which is key to the institutional completeness of demographic enclaves and transnational communities (Molina et al., 2018). It entails the emergence of specific institutions, a more favourable Romanian legislation for citizens abroad, bilateral agreements, the opening of consulates and cultural centres, and the creation of Romanian associations and church buildings. Also, local institutions in Spain, such as city councils, played a role in migrant settlement by supporting basic social services, accommodation, and intercultural activities.

In the hardest times of the economic crisis and its aftermath, some migrants returned to Romania or moved to other EU countries (Viruela & Marcu, 2015), leading to a number of new tendencies: (a) highly mobile people who had experienced circular migration or moved to third countries; (b) people who had migrated unsuccessfully and went back; and (c) people who had returned for work, care for the family or retirement. Some had been living for nearly 20 years in Spain before reaching retirement age. Others had saved money and returned as entrepreneurs, opening small businesses such as bakeries, restaurants, or guest houses, sometimes supported by formal programs from the EU and the Romanian government to promote the return of migrants, granting them 40,000€ to fund a start-up. However, returning to Romania is not necessarily easy. Many migrants have children, mortgages, and properties in Spain, and many others have lost the connections that would help set up new activities and should thus start all over again. Romania is regarded as a backup option compared to remaining in Spain, where the material needs of their life seem easier to meet.

#### 4. Ethnic Entrepreneurs in Croatia

Croatia is below the EU-28 average for incoming migration, with a ratio of 3.8 migrants for every 1,000 people and 0.9% of the population living in the country on a non-EU passport (Eurostat, 2019). Those migrants that do come are likely to come from neighbouring regions (Bosnia and Herzegovina, Serbia, Kosovo, North Macedonia) or enter the country on a Croatian passport received due to family ties or descent. However, the past years have seen a sharp increase in work permits for

non-EU citizens, with 65,100 issued in 2019, contrasting with just 231 in 2014 (Centre for Peace Studies & Impact Hub Zagreb, 2019).

Small- and medium-sized enterprises account for 99.7% of the total number of enterprises in Croatia, and have an employment share of almost 70% (Alpeza et al., 2018, p. 10). What is also important is that, despite the poor survival rate and lack of growth of established entrepreneurial ventures, well below the EU average, entrepreneurial activity shows good technological readiness, with 30% of newly started entrepreneurial ventures in Croatia in 2018 and 28.3% of “established” businesses using the latest technology (compared to averages of 7.9% and 13.6% across the EU).

In principle, obstacles faced by all entrepreneurs are similar and include administrative burdens, unpredictable tax regulations, high tax rates, overly restrictive labour regulations, parafiscal charges, corruption, an inadequate health and education system, as well as a limited understanding of entrepreneurship-related concepts (Brzozowski et al., 2021; Šimić Banović et al., 2022). However, non-native entrepreneurs face additional obstacles, including language barriers and relatively high costs (and unclear procedures). In addition, the Covid-19 pandemic and other shocks since the beginning of 2020 have raised additional formal and informal barriers to ethnic entrepreneurs in Croatia. As shown in Figure 2, that situation is mostly coupled with ambiguous and lengthy procedures when establishing and scaling up a business, facing natural disasters and applying

for pandemic support aid. In addition, (new) contacts as one of the main assets for running a business became even scarcer once almost all the networking opportunities were moved online. Thus, using informal networks in order to compensate for formal deficits and remove or diminish formal obstacles became more difficult. Nevertheless, as discussed later, migrant entrepreneurs have shown a very resilient mindset.

Informal practices usually indicate the deficits in the official structure of society (Ledeneva, 2008) and may serve as either substitutes or complements to the official economy (Aligica & Tarko, 2014; Dreher & Schneider, 2010). Furthermore, in Croatian society, instrumentalising personal connections for “getting things done” is quite usual and expected (Šimić Banović, 2019). However, foreign entrepreneurs are still on their integration path and may not be fully aware of the extent and influence of informality in Croatian professional and private life.

In spite of training initiatives, actions aimed at advocacy or lobbying remain scarce, and the lack of supporting business networks seems to prevail. Formal structures in place to support entrepreneurs seem unreliable and immigrant entrepreneurs are largely unsatisfied with them, raising doubts about the legitimacy of a membership fee given that—as many report—they do not get anything in return (Šimić Banović et al., 2022). These deficiencies have been addressed through in-group (ethnic entrepreneurs) solidarity and socialisation (Čapo & Kelemen, 2018, pp. 8–9) which, with time, results in stronger solidarity between foreign entrepreneurs and

	Key formal barriers	Key informal barriers
Non-EU, less developed countries	<ul style="list-style-type: none"> <li>lengthy asylum-seeking procedure (if applicable)</li> </ul>	<ul style="list-style-type: none"> <li>considered to be <b>even bigger security (and health) threat than before COVID uncertainty</b></li> <li>perceived to expect social contributions only</li> <li>ignorance</li> </ul>
Non-EU, developed countries	<ul style="list-style-type: none"> <li>a work/business permit procedure</li> <li>a mandatory financial capital (10x or 200 x higher than for the EU / native entrepreneurs)</li> <li>obligation to employ 3 Croatian citizens</li> <li>ambiguous/double procedures</li> <li><b>new Law on Foreigners—even more unfavourable</b></li> <li><b>the effects of Brexit (if applicable)</b></li> </ul>	<ul style="list-style-type: none"> <li><b>emphasised lack of social and cultural capital, i.e. lack of ‘safety net’</b></li> </ul>
EU entrepreneurs	<ul style="list-style-type: none"> <li>absence of any written instructions in English</li> <li>front office employees not speaking English</li> </ul>	<ul style="list-style-type: none"> <li>discrimination (ethnic and racial origin, LGBT, gender, age)</li> <li>limited openness towards other nationalities, races and religions</li> </ul>
Native entrepreneurs	<ul style="list-style-type: none"> <li>administrative burden, inefficient public administration</li> <li>unpredictable regulations, <b>incl. shops possibly closed on Sundays and ambiguous travel restrictions</b></li> <li>high tax rates and parafiscal charges</li> <li>corruption prevalence</li> <li>weaknesses of the education and health system</li> <li><b>arbitrary criteria for COVID support aid</b></li> <li><b>earthquake (and floods) reconstruction activities</b></li> <li><b>damaged offices, retail spaces and homes in Zagreb / Central Croatia</b></li> </ul>	<ul style="list-style-type: none"> <li>lack of entrepreneurial spirit</li> <li>lack of understanding for entrepreneurship</li> <li><b>sense of uncertainty due to current health, safety (Zagreb/Central Croatia) and diminished purchasing power conditions</b></li> <li><b>pre-election period (until mid-2020) resulting in pre-election populist (mostly anti-business) decisions and implications of new rules</b></li> <li><b>predominant online networking (that is considered inferior to live networking)</b></li> </ul>

**Figure 2.** Formal and informal barriers faced by ethnic and native entrepreneurs in Croatia, updated for the Covid-19 pandemic period. Source: Šimić Banović (2022).



a higher degree of reliance on family members who are often involved in the same business and whose informal networks are, in many cases, considered vital to business development. The immigrant entrepreneurs argue that the (difficult) experience of being an entrepreneur in a rather non-entrepreneurial climate and the intention of staying there made them push their self-reliance, adaptability, and proactivity. The continuous self-driven approach of the immigrant entrepreneurs and the support of their in-groups appear to be essential in their survival during both regular circumstances and multiple external shocks. Their perception of Croatia as a preferred destination country is largely associated with their formal and informal networks, with the latter being more important. Meaningful support from their family, friends, and acquaintances in Croatia and abroad was already recognised as key pillars of foreign entrepreneurs' private and professional lives. In this respect, a high degree of awareness about the role of connections is visible. As one informant reported, "doing business is possible in Croatia; you just need good and trustworthy local partners, and they exist, in spite of it being hard to find them." Those reliable local partners, recognised as essential for managing businesses in Croatia, include lawyers, accountants, key business partners, and possibly co-owners of their own businesses. In a nutshell, the ethnic entrepreneurs' map of their key contacts consists of their foreign peers, family members, and several local partners.

Accountants and lawyers are particularly important in that they might have to explain local cultural nuances or more hostile aspects of national laws and perhaps invest a higher amount of time and effort in the beginning when ethnic entrepreneurs have little awareness of the local context. Eventually, language barriers might lead entrepreneurs to rely on only those they can communicate with, limiting the amount of information they receive. This may also be reflected in the creative ways they develop their businesses, particularly in cases of arbitrary decisions made by public administration bodies.

When this is impossible, it leaves entrepreneurs unable to access local business network opportunities in other sectors unless they share common ethnic origins. This highlights what has been described as a two-speed, or a two-tier, situation. Foreign entrepreneurs sit on the external layer and have little or at least fewer contacts with Croatian entrepreneurs while giving preference to creating networks with other non-Croatians. There are exceptions, and business people do mediate and thus connect foreigners with locals, but there is still widespread use of informal networks to make up for deficient formal ones. Furthermore, the integration with the locals is usually quite slow, especially in cases of different racial backgrounds. That also adds to the importance of the expat networks. Paradoxically, even in the regions like Dalmatia, which have the greatest exposure to foreigners due to tourism and employment

in the marine industry, openness towards immigrants is below expectations.

Ethnic communities also sometimes compensate for the lack of official support. Since 2013, the African Society of Croatia has been supporting African-born people operating in the country. Given the low number of people of African descent living in Croatia, the lack of state-funded initiatives in this direction is clear. Yet, this marginal initiative has attempted to increase awareness about non-EU realities for locals that seem still far from accepting foreigners (especially those of other races) as their peers, resulting in another "invisible" barrier for the incoming person.

An additional resource used by ethnic entrepreneurs are the channels "back home." In some cases, they mentioned that they become weaker, but in other cases, they can take advantage of connections in their country of origin to find more affordable suppliers or source the goods that are not easily available in Croatia. However, the informal networks and channels used by foreign entrepreneurs seem conceptually different to the local ones. For example, none of the informants had reported using *veza* (Šimić Banović et al., 2022), and many were not even familiar with the concept, although they could indicate an equivalent concept from their home country.

Interestingly enough, there seems to be a different attitude depending on the cultural background of the entrepreneurs, with people coming from countries with more efficient bureaucracies seeming less able to cope with the Croatian one. This gap between their importance and their presence in the studies is particularly evident in the Southeast European countries that have joined or are intending to join the EU; they are expected to be more vulnerable to the free movement of people, labour, and goods. Research (Šimić Banović, 2022; Šimić Banović et al., 2020) confirms that reliance on informal networks is essential for private and professional purposes, i. e., as a continuous way to circumvent various obstacles and as a key resilience factor during the recent multiple shocks that have occurred. As shown in Figure 2, since the beginning of 2020 in Croatia, the list of unfavourable circumstances grew ever longer: the Covid-19 pandemic at the global level, Brexit effects at the EU level, natural disasters (two major earthquakes and floods), and the new Law on Foreigners at the national level (Šimić Banović et al., in press). Non-EU citizens from developing countries are particularly vulnerable, especially those affected by the most recent migrant crisis.

Hence, for these people, informal networks are particularly important substitutes for missing or weak formal institutions. Many immigrant entrepreneurs initiate their networking from expat groups and regularly use them to socialise and obtain essential information. In small countries with a rather small share of foreigners (such as Croatia), the reason may also lie in the relatively low number of entrepreneurs from one single country so that "foreign" solidarity trumps solidarity with people

from the same country or village. In addition, for pragmatic reasons, people choose to stick together depending on their speciality.

Experienced English-speaking Croatian entrepreneurs are often connected to those expat communities. By taking advantage of their language asset and their work experience with foreigners, they provide services to a niche not accessible to other Croatian entrepreneurs, resulting in win-win situations. Ethnic entrepreneurs are used to in-group cooperation and support as an efficient way of compensating for formal deficiencies in the business environment. Thus, there is a possibility for these networks to be used formally and to promote integration into the formal business. An association representing ethnic entrepreneurs could further advocate for entrepreneurs' interests and foster their integration into the Croatian business scene.

## 5. Discussion and Conclusion

In both cases above, a number of unlawful or immoral (from the state perspective) practices emerge. They persist and are at times encouraged by group dynamics where in-group acceptance depends on the capacity of individuals to ascribe to alternative moral orders (Wanner, 2005) or switch between moral principles depending on the situation and the context. In the Romanian case, this becomes more visible. Clear instructions and a *modus operandi* are regularly ignored, although not always and not everywhere, but only when circumstances require it: when individuals find it more convenient than respecting the rules. Migrants fit a given context but bend some particular categories of rules when necessary and seem to fit the "in spite of the state" situation where rules are there and function but remain partly ignored. In the Croatian case, we can instead witness some association with the "beyond the state" situation (Polese et al., 2018; Polese & Morris, 2015), where formal rules are claimed to be in place but are in fact non-existent. Many entrepreneurs encounter nothing but barriers when surveying business associations; moreover, the rules that regulate the business environment are, in spite of a facade of normality, by and large absent.

In this respect, we suggest that a great deal of interest should be devoted to further exploring the state–citizen relationship and what happens when individual and state moralities do not overlap or even diverge. A growing amount of attention in this direction has already expanded the literature devoted to informality and individual or society-centred accounts contrasting with a state-led view on individual morality (see Morris, 2011; van Schendel & Abraham, 2005). Indeed, in contrast with the general assumption that the state and citizens are bound by a social contract whose terms are *in primis* defined by the state lies an important question: What happens in cases where the state fails to deliver what it has promised or the citizens are not willing or able to accept the state's morality as their own? This, it has been

shown, may occur when an externally imposed view on what is "moral," "fair," or "due" is enforced by the state but not understood by its citizens (Gill, 1998). Ultimately, non-compliance with state-mandated instructions does not necessarily imply that citizens plot against the state or undermine its symbolic power. Non-compliance may also result from citizens' discontent with the state's values and impositions or lack of social protection. In such cases, formal structures are replaced, supplemented by, or have to compete with informal ones.

Our intention here was to explore situations where reliance on informal practices becomes sufficiently widespread to talk of a societal tendency, which the state may choose to tolerate or tackle. Whilst institutions can potentially eradicate the habit, a similar habit is likely to emerge if the very societal needs underlying that habit are not addressed properly. This practice represents a way for these social actors to look after themselves and indicate that something concrete should be done to address societal needs.

Eventually, a large gap between how things are done and how they should be done can be observed, and citizens, as individuals or associations, move away from state morality to engage in practices that are likely to be punished (if discovered). Minor non-compliance is somehow the norm in a modern state. We have criminal activities, people falling out of the system temporarily, we have deviant social behaviour, and executive forces deal with that. However, when individual welfare becomes the norm for a significant amount of people, one needs to reflect on how the human condition could possibly be improved in that context. The persistence of informal practices in the Eurasian context has encouraged scholars to a specific and panoptic view on the role of informality in everyday state–citizen relationships. When a socio-economic definition of informality is employed, results showed that in areas where societal trust towards state institutions is lower, engagement in relations with fellow citizens (including a form of payments or exchange of favours) is regarded as a necessity, a moral obligation, and something useful (Polese, 2016; Polese & Stepurko, 2016). When trust towards state and formal institutions is low, citizens prioritise the consolidation of relations with one another while bypassing state institutions (Polese, 2021). In such cases, high informality levels can be used as a proxy for mistrust towards state institutions, low quality of governance, and to argue that citizens perceive their institutions as weak, incapable, or ineffective.

When this happens, we have a situation in which the state works to liquidate informality at the declarative level while actually pushing people into informality or reliance on connections. In such a case, using coercive measures to compel people to employ formal channels and avoid informal practices is not necessarily the best strategy. By contrast, rebuilding trust in institutions and state authority might be a better way to encourage people to rely less on informal transactions and connections.

**Table 2.** Direct (affecting fellow citizens) and indirect (affecting a society) harmfulness and legality.

	Direct harm (mostly illicit)	Indirect harm (might be licit)
Illegal	Murder, trafficking, dealing hard drugs, ethnic violence (might be licit in some cases)	Fiscal fraud, nepotism, ethnic or religious discrimination
Legal	Use legal action against unaware people to extort money or property; clauses written in a smaller font at the end of a contract	Laws that favour one (ethnic, religious) group over others (are licit for the favoured ones)

Source: Polese (2021).

This article has been an attempt to survey elements that may worsen (or improve) the state–citizen relationship and put the newcomers in a weak position, where they are not supported or are only partially supported by the state that should look after their welfare. People engaging with mobility put themselves, in many cases, in a vulnerable position, as the cases of Romanian migrants and ethnic entrepreneurs in Croatia have shown. By investigating the solidarity networks in which these individuals are embedded, we have tried to show the political (and policy) relevance of apparently insignificant micro and individual actions. This reinforces the claim that everyday governance should be given more attention (Polese et al., 2020). In addition, transcending from a moral judgement on these practices, our interest is to identify areas of governance that need to be addressed most urgently. Where we can identify a gap between state instructions and people’s behaviour, this is where intervention is needed.

We are aware that the divergence between individual and state morality may take many forms, including criminal activities. This is why we should help draw the line between what should be partly tolerated and addressed and activities that are clearly in conflict with human dignity. In a previous article, we have suggested that a boundary can be drawn through the direct–indirect harm principle. That is, activities that harm the state and fellow citizens directly should be addressed immediately and prevented. However, activities that harm the state to create space for community benefits without directly harming fellow citizens should be considered as a possible starting point for a reflection on how to improve policy-making, as illustrated in Table 2.

By clearly distinguishing practices, it becomes possible to de-normalise the discourse on informal practice. Policies that target everything that is informal are too dispersive and waste precious resources by allocating “a bit to everything.” A deeper understanding of informality, by contrast, enables greater focus and concentration of resources on priorities. Further studies on informality should be based on a matrix distinguishing at least what practices are urgent, those where action can be delayed to concentrate on the most urgent issues, and the practices that (sometimes against all odds) improve governance by informally addressing gaps in policy that eventually benefit society.

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### Conflict of Interests

The author declares no conflict of interest.

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