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Negotiating welfare with the informalizing state: Formal and informal practices among engineers in post-Soviet Azerbaijan[☆]

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ABSTRACT

This article discusses the use of informal practices in negotiating welfare with state institutions in Azerbaijan. One of the effects of transition to market economies in the post-socialist countries has been the partial withdrawal of the state from welfare provision and residualization of welfare. Recent research has shown that informal practices play an important role in “structuring welfare from below” (Morris & Polese, 2014b) across post-socialist realm. Based on in-depth interviews with engineers at different periods of their careers, namely mid-career, working pensioners, and engineering students, this article demonstrates how formal and informal institutions and practices are strategically used by individuals, families, and low level bureaucrats to achieve desired career and welfare goals. Rather than compensating for the deficiencies of formal rules and institutions, formal and informal are intertwined and merged and are actively employed both by the citizens and state institutions.

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1. Introduction

Former Soviet Union and Central and Eastern European countries have been at the center of research on informality and informalization for some time. Both scholarly and lay observers of the region have noted the rampant growth of a wide range of informal practices, including self-provision and mutual aid, the rise of the informal economy and what is generally known as the corruption of the public sector. In much research, this growth of informal practices has been directly linked to transition and the transitological

paradigm: the withdrawal of the state from much of the activities it used to perform in socialist times and weak market institutions were seen as the main reasons behind the spread of informality. This perspective essentially follows the developmental approach to informality adopted by international organizations from the 1970s onwards. The concept of ‘informal economy’ itself was coined by anthropologist Keith Hart (1973), in his work on the urban poor in Ghana, and referred to the diverse activities of the self-employed. As the concept became institutionalized in the framework of international development organizations, the informal economy became understood as a feature of poverty and underdevelopment, characterized by low productivity, low levels of skills and technology, and low capacity for accumulation (Portes & Haller, 2005: 404). From this perspective, the growth of informality in post-socialist countries is seen as a temporary phenomenon

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that is supposed to go away, or at least diminish, as transition moves towards completion, the new state and market institutions take root, and state–society relations assume a more or less permanent shape. However, this 'optimistic' view has not been materializing. Instead, recent research shows that informality in post-socialist countries is as pervasive as ever, taking on new forms that can also be found elsewhere in Western Europe and beyond (Giordano & Hayoz, 2013; Morris & Polese, 2014a; Polese, Morris, Kovacs, & Harboe, *in press*). Rather than a transitional stage on the path to development, post-socialist informality is assuming the forms of 'informalization' as described by Castells and Portes (1989), who noted how formal structures of the state or established market institutions increasingly use informal practices.

Because of its spread and variety of forms, informality has been difficult to define and conceptualize. As Miształ (2002: 18) notes "the concept of informality often seems to be treated as a very convenient device, used to explain almost everything that is new or points to new trends or new fashion". In social science, informality is one of the most interdisciplinary concepts, addressed differently by anthropology, sociology, and political science. With regards to post-socialist informality, several frameworks can be identified: informality as self-provision; the informal economy and informal employment, and informality within state institutions, which usually includes corruption and patron–client relationships (Börzel & Pamuk, 2012; Clarke, 2002; Karklins, 2005; Stefes, 2005; Williams, 2008; Williams & Nadin, 2011). Interpersonal networks, from family and mutual aid to patron–client ties within political elites, has been another popular topic for research on informality as it is one of the main mechanisms through which informality operates (Ledeneva, 1998, 2008; Lonkila, 2010).

In recent years, this research on post-socialist informality has begun to extend beyond these traditional spheres towards the informal provision of social welfare. This is a very important addition to the debate, as welfare provision remains an area from which the post-socialist state did not withdraw as much as it did from the regulation of economy and the labor market. Yet, as recent research demonstrates, informal welfare provision is used to fill in the large area between what "the state claims to do" and what it is "doing in reality" (Polese et al., *in press*). At the same time, the public sector which is still responsible for state welfare provision, is itself permeated by informal practices and corruption.

In this paper, I wish to contribute to this debate by looking into how engineers in Azerbaijan use informal practices in shaping their work and welfare strategies. I take as a point of departure Soviet 'cradle-to-grave' universal welfare provision, which included, in addition to pensions and other social benefits, free healthcare, childcare, and education (Cook, 1993). Despite post-Soviet residualization of state welfare provision, people's expectations of what are the desired living standards, and what should be the role of the state in providing them, remain largely shaped by Soviet practices (Cook, 2007; Lipsmeyer, 2003). When the state does not fulfill those expectations, individuals and families do not simply give up on their expectations, but try to 'fill in the gaps' on their own to achieve the desired standards of

living. Informal practices play an important role in the repertoire of actions aimed at achieving these desired outcomes.

I build on a basic understanding of informality as a form of social action that aims to avoid or circumvent existing formal regulations to bring down transaction costs (Böröcz, 2000). Informal is also generally understood in relation to the formal, whether it is seen as the product of formalization (Stark, 1989), or as complementing the formal (Polese et al., 2014), or making up for the deficiencies of the formal institutions and procedures (Helmke & Levitsky, 2004; Ledeneva, 1998). In this paper, my focus is on the ways in which individuals and families interact with state institutions and strategically combine both formal and informal practices to achieve desired welfare outcomes. In this, I follow Anne Swidler's (1986: 277) definition of strategy as "a general way of organizing action [...] that might allow one to reach several different life goals". Consequently, instead of limiting myself to a particular type of informal practice such as informal employment or the use of interpersonal networks, I look at any informal practices that are used by or applied to my informants for such welfare-related strategic purposes.

Engineers are an interesting group to look at from the point of view of informality. Previously a Soviet 'default profession' along with doctors and teachers, in the post-Soviet period engineers were socially dislocated to a greater extent compared to other Soviet professionals due to the processes of deindustrialization. Their engagement with the informal economy and other informal practices has differed in significant respects from those of doctors and teachers. Thus, doctors and teachers, while severely underfunded, for the most part retained their jobs in the public sector, and used out-of-pocket informal payments or private medical or tutoring practice to complement their declining incomes (Morris & Polese, 2014b; Osipian, 2009; Polese, 2008; Rzayeva, 2013; Temple & Petrov, 2004). Engineers on the other hand experienced unemployment to a greater extent, as many of their workplaces were either closed or downsized in the course of post-Soviet deindustrialization. Instead of supplementing their incomes with informal payments for their formal work, former engineers were more prone to taking up employment in the informal sector as a primary livelihood strategy. Taxi-driving and various work in the construction sector are two paradigmatic informal occupations for former male engineers across post-Soviet space, while female engineers usually engaged in domestic work, childcare, and sometimes tutoring. But even for those few engineers who were able to retain their jobs in the public sector, the specificity of engineering work rarely allowed them to partake in the practices of informal out-of-pocket payments that is so widely spread both in the educational and healthcare settings. Instead, they often combined formal jobs with other, non-professional income-generating activities. In Azerbaijan, this dynamic was especially interesting as post-socialist deindustrialization in manufacturing sector was combined with expanding employment opportunities in oil industry and construction sectors.

Despite consistent reports of high levels of informal and shadow economies (Schneider, 2009; Yoon, Reilly, Krstic, &

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