Bulgaria: Recent Developments in Employment and Social Affairs

In-Depth Analysis for the EMPL Committee

2017
Bulgaria: Recent Developments in Employment and Social Affairs

IN-DEPTH ANALYSIS

Abstract
This paper has been prepared by Policy Department A at the request of the European Parliament's Committee on Employment and Social Affairs. It presents recent developments and challenges related to employment and unemployment; income inequality and poverty in Bulgaria, comparing them to the trends for the European Union. The paper also provides an overview and analysis of the most impactful policies designed and implemented to address the above, in view of the European Pillar of Social Rights and the Bulgarian Presidency Priorities.
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LIST OF ABBREVIATIONS

ESC Economic and Social Council
EU European Union
EU-28 European Union of 28 country members
EURES European Job Mobility Portal
EPSR European Pillar of Social Rights
GDP Gross Domestic Product
HRD OP Human Resource Development Operational Programme
ICT Information and Communication Technology
LFS Labour Force Survey
LMA Labour market activities
LMP Labour Market Policy
LTU Long-term unemployed
MLSP Ministry of Labour and Social Policy
NSI National Statistical Institute
NEET-s Young people 15 – 24 years old, not in education, neither in employment of training
PES Public employment services
EXECUTIVE SUMMARY

The current trends on the Bulgarian labour market show a growing number of employed, decreasing unemployment and high shares of those not in labour force. In the first half of 2017 the situation on the labour markets improves and the employment and activity rate does up and close to the common EU indicators. There are expectations about labour market recovery at the end of 2017.

The employment rates for the population aged 15-64 is 63.4% in 2016 and 67.7% of those in the age brackets 20-64. These rates remain by 3% - 4% lower than the levels for the 28 countries in European Union (EU-28) for the period 2014 -2016. The employment rates for the elderly population are close to the EU-28, while the rates for the youths differ considerably. The unemployment rates are also close to the common levels, but that of young people (15-24) is 17.2% and is lower than the EU indicator. The gap between economic activity rates in Bulgaria and these for EU-28 is wider than that of employment rate. Addressing the inactive with policies and measures that stimulate their inclusion back into the labour force is among the priorities of the employment and social policies.

The labour market activities (LMA) are realized through the services delivered by specialized labour mediation (public employment services (PES)); through the execution of programs and of measures (the latter are prescribed in the Employment Promotion Law) and through project based activities. Since 2014, the major source of funding for LMA comes through EU funded projects. The total funding for HRD OP (2014 – 2020) is EUR 1092.3 million (BGN 2136.3 million). The program schemes within axis one: Improving the Access to Employment and the Quality of Jobs and axis two: Reducing Poverty and Promoting Social Inclusion are of prior importance for the labour market and for solving of pending social issues. 59.3% and 30.8% of the overall funding, respectively, is dedicated to these 2 axes. After an initial slow down, in 2017 the absorption of HRD OP funds gained a speed.

The labour mediation impact is realised both in terms of assisting unemployed to find a job against advertised vacancies and in terms of absorption of structural funds. Subsidised employment is losing its significance. The recent efficiency and quality of the mediation services has to be attributed to advantages from the broadly applied team work principle; provision of face-to-face services and the application of an integrated approach for solving problems with unemployed in the risk groups.

The demand for further professional or key competency trainings remains stable. The interest in trainings on skills for the so called “jobs of the future” is steadily growing. These include skills in demand at companies applying hi-tech and ICT solutions, and the processing industry. The training in IT skills is confirmed as a strategic priority for the ongoing vocational education reform.

The implementation of European Youth Guarantee contributed to reducing youth unemployment. The problems that still need solutions concern the change of the position of NEET-s and the provision of quality jobs for the young people.
1. RECENT DEVELOPMENTS IN EMPLOYMENT AND RELATED POLICIES

The Bulgarian economy is growing for four consecutive years after 2012. The annual rates of the gross domestic product (GDP) growth are higher than the average for EU-28: 3.4% in 2016; 3.6% in 2015 and 1.3% in 2014. For the period 2014 – 2016 the growth is causing 0.4% increase of employment (average, per year)\(^1\). The employment and the registered higher salary level stimulate a moderate increase in personal consumption, hence contribution to the GDP growth. The trend develops further in the first half of 2017 when the consumption rate increases even faster than GDP\(^2\). Sustaining the contribution of the personal consumption volumes to the growth requires stabilization of employment even though the clear trend of ageing labour force and population. The most important challenges for achieving such results include:

- Activation of working-age population to participate in the labour market;
- Overcoming the mismatches between the qualifications of the labour force and the skills needed by the employers;
- Reducing of the income inequality and the share of the people living in poverty, or at risk of social exclusion;
- Overcoming the delayed reforms in education and training.

The above-mentioned challenges are addressed by a broad spectrum of strategies: for promotion of employment (2013 – 2020); for reduction of poverty and for encouraging social inclusion 2020\(^3\); for education, vocational education and adult learning. The National Strategy for Demographic Development of Bulgaria (2012 – 2030) is updated to counter for the negative demographic trends. The Strategy for active aging is planned to be completed at the end of 2017.

These Strategies reflect in the programme priorities of the new Bulgarian Government (2017 – 2020)\(^4\). The Programme includes countering the negative demographic trends; increasing income through promotion of employment and improvement of labour productivity; stabilization of the pension system; ensuring of equal rights for access to high quality social services (and de-institutionalization). Among the other important social priorities are guaranteeing the rights of people with disabilities; achieving higher standard of living through partnership with the business and the social partners; efficient utilization of the funding coming through the European structural funds. The Government policies in the field of employment and social affairs follow also the specific country recommendations issued on National Reform Programmes of Bulgaria in the course of the European semester.

1.1. Employment and Unemployment

According to Labour Force Survey (LFS) data the number of employed over 15 years of age began to increase in 2012 and passed over the 3 million thresholds after 2014. In 2016 it reached 3.017 million and in the first half of 2017 – 3.104 million. A record high surplus of 99.9 thousand was registered\(^5\) in the first part of 2017. There are expectations about further

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\(^1\) Source: National Accounts, National Statistical Institute (NSI).
Here and further the source of information is NSI, unless otherwise indicated.

\(^2\) In 2016, export is the factor with highest contribution (3.6 pp) for the GDP growth, followed by change in individual consumption and provisions (over 1 pp).

\(^3\) Source: Ministry of Labour and Social Policy (MLSP).


\(^5\) Only in 2008 the increase of the employed (by 108.1 thousand) was close to that in the beginning of 2017.
employment recovery at the end of this year. However, due to demographic limitations, the number of the employed in 2008 (3360.7 thousand) cannot be reached in a mid-term perspective.

The number of unemployed steadily declines after 2013. In 2016 they are 247.3 thousand - almost half of their number in 2013; and in 2017 – 219.2 thousand. The reduction for the entire 2016 is by 57.9 thousand and in 2015 and 2014 – by 79.4 and 51.8 thousand. The shrinking number of unemployed young people (15-24 years) is a notable achievement. In 2016 - 20.6% of the total decrease in the unemployment is due to the decrease in unemployment of young people, 10.1% in 2015 and 33.8% in 2014.

**Table 1: Activity, Employment and Unemployment Rates by Age Group (%)**

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<tbody>
<tr>
<td><strong>Activity rates, %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU (28 countries)</td>
<td>70.7</td>
<td>71.7</td>
<td>72.0</td>
<td>72.3</td>
<td>72.5</td>
<td>72.9</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>67.8</td>
<td>67.1</td>
<td>68.4</td>
<td>69.0</td>
<td>69.3</td>
<td>68.7</td>
</tr>
<tr>
<td><strong>Employment rates, %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU (28 countries)</td>
<td>65.7</td>
<td>64.1</td>
<td>64.1</td>
<td>64.8</td>
<td>65.6</td>
<td>66.6</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>64.0</td>
<td>58.8</td>
<td>59.5</td>
<td>61.0</td>
<td>62.9</td>
<td>63.4</td>
</tr>
<tr>
<td><strong>Employment rate, %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>EU (28 countries)</td>
<td>70.3</td>
<td>68.4</td>
<td>68.4</td>
<td>69.2</td>
<td>70.1</td>
<td>71.1</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>70.7</td>
<td>63.0</td>
<td>63.5</td>
<td>65.1</td>
<td>67.1</td>
<td>67.7</td>
</tr>
<tr>
<td><strong>Unemployment rates, %</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU (28 countries)</td>
<td>7.0</td>
<td>10.4</td>
<td>10.8</td>
<td>10.2</td>
<td>9.4</td>
<td>8.6</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>5.6</td>
<td>12.3</td>
<td>13.0</td>
<td>11.4</td>
<td>9.2</td>
<td>7.6</td>
</tr>
<tr>
<td><strong>Long-term unemployed (LTU), % of active population</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Union (28 countries)</td>
<td>2.6</td>
<td>4.6</td>
<td>5.1</td>
<td>5.0</td>
<td>4.5</td>
<td>4.0</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2.9</td>
<td>6.8</td>
<td>7.4</td>
<td>6.9</td>
<td>5.6</td>
<td>4.5</td>
</tr>
</tbody>
</table>

*Source: Eurostat: tepsr_wc130; tepsr_wc110; t2020_10; lfsa_ergan; lfsa_urgan; une_ltu_a.*
Despite the reduction in unemployment, the share of the unemployed who do not find jobs for over a year remains high. It was 59.1% of the total number of unemployed in 2016, 61.2 and 60.4 percent in 2015 and 2014. In the first half of 2017 this share was 54.9% and could be even lower for the whole 2017 after having in mind the doing up employment and activity rates.

The fluctuations of the different status groups of the active population results in employment rates that are approaching the levels for EU-28, but still remaining by 3% to 4% lower at the end of 2016 (Table 1). The unemployment rates are very close to the average rates for EU-28. An important achievement for the local labour market is the low unemployment among the young people (15-24). The biggest differences are observed in the activity rates, as far as they are low for Bulgaria.

The employment rate for people in more advanced age groups is similar to the EU-28 levels. The increase in the share of the elderly people in the labour force is, by now, a well outlined trend. In 2016, the share of employed aged 15-24 is 4.5% of the total number of employed aged 15-64, while the share of the people aged 55-64 is 18.2%. It is clear that Bulgaria should keep priority on sustaining the guarantees for youth employment and for creating conditions for active ageing.

The changes in employment levels are driven, mainly, by the active demand for labour after 2013. In 2016, 1.2 times more jobs are advertised than in 2014. The job vacancy rate is increasing to from 0.7 and 0.8 (average) for 2014 and 2015 and to 0.9% in 2016 (on year basis). There rates, however, are twice lower than those for EU - 28 countries.6

The most demanded are the professionals, technicians, plant and machine operators and assemblers. According to NSI business surveys, however, many managers at industrial enterprises consider the shortage of qualified labour supply as one of the most serious problems their businesses face. The unsatisfied demand for labour (reported by 15.8% of the participants in the surveys in 2015, 21.7% in 2016 and 25.5% in the first half of 2017)7 can be explained mainly by the mismatches between the qualifications possessed by the job seekers and the skills needed by the employers. However, in 2015 and 2016, the shortage of labour supply in terms of physical numbers of people, is considered by the managers as another reason explaining the unsatisfied demand.

The share of employed women remains high and has a limited capacity to compensate for labour shortages. The gender employment gap for Bulgaria is among the lowest in EU-28: 7.3% in 2016, the average for EU-28 being 11.6%.8 The increasing age for pensioning and the ongoing pension reform has its contribution to labour force surpluses, but it is low.

The shortage of labour supply depends mainly on the migration of the active population. Demographic growth is observed only in the biggest towns - Sofia, Plovdiv, Varna, Bourgas, where business activity is dynamic. There are numerous de-populated villages, small and medium towns all over the country. This leads to serious differentiation of the situation on the regional labour markets. The shortage of labour supply in certain parts of the country prevents the business from investing and from setting up of operations there.

According to recent data, 65.6 thousand Bulgarians aged 15-64 have emigrated from the country during 2008 – 2016. The figure stands for the people who have officially announced a change in their address and does not account for short-term assignments/employment. The actual migration flow is more intensive than what is reported. Some of the major final

6 Source : Eurostat, [jvs_a_rate_r2]
7 Source: Business Surveys in industry, construction, trade and service sector.
8 http://www.nsi.bg/en/content/4283/business-surveys
8 Source : Eurostat, Isemi060.
destinations are Germany, Spain and Greece.

Up-to-date data on the qualifications of the emigrants is rarely available. According to OECD database on Immigrants\textsuperscript{9} 16% of the Bulgarians with high levels of educational attainment (ISCED 5 and 6) are living and working abroad. According to more recent specialized research, the number of young people who are just completing high school and who want to leave the country remains high\textsuperscript{10}. This is an obvious threat for the quality of labour supply and human capital development in Bulgaria.

Recent information about asylum seekers in Bulgaria shows that during 01.01.2014 - 31.08.2017, refugee status was granted to 11 326 persons and a subsidiary protection was granted to 40 8511. These numbers are quite low to affect (positively or negatively) the situation on the Bulgarian labour market.

1.2. **Labour Market Activities**

The labour market activities (LMA) are realized through the services delivered by public employment services (PES); through the execution of programs and measures prescribed in the Employment Promotion Law and through project based activities\textsuperscript{12}. Funding is coming through the state budget; the European Social Fund, and donor organisations.

1.2.1. **Labour Market Policy (LMP) expenditure**

Although that the LMP expenditure for Bulgaria is lower than in the remaining EU countries, it is not at the bottom level. The total decrease is due to the expanded spending on active policies (categories 2-7). Since 2014, the active policies are funded with a fixed amount of funds coming from the state budget. The funding for 2017 has not increased (table 2).

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour market services (category 1)</td>
<td>0,05</td>
<td>0,03</td>
<td>0,04</td>
<td>0,04</td>
<td>0,03</td>
</tr>
<tr>
<td>Total LMP measures (categories 2-7)</td>
<td>0,24</td>
<td>0,19</td>
<td>0,33</td>
<td>0,19</td>
<td>0,14</td>
</tr>
</tbody>
</table>

**Source:** Eurostat: DG EMPL, (imp_expend)

According to data published by the National Employment Agency, in the final years of the previous programme period (2013 – 2014) the share of funding for LMP coming through HRD OP is higher than the share of funding coming from the State Budget. For 2015 – 2016 the trend is reversed (table 3)

\textsuperscript{9} Database on Immigrants in OECD and non-OECD Countries : DIOC(OECD. Stat DIOC 2010_2011) http://www.oecd.org/els/mig/dioc.htm

\textsuperscript{10} This was the main conclusion in the second assessment of the trends in migration attitudes of high school graduates in Bulgaria (2016), conducted by the Economic and Social Council. It proved formation of a migration trend, according to which about two thirds of secondary school graduates are determined to change their current place of residence. About three-quarters of the graduates with highest learning achievements during the previous school year report readiness to leave. Securing well-paid jobs for them in Bulgaria is a factor that may change their attitudes. Another popular reason for going abroad is the possibility of receiving good higher education and the provision of financial support for the family. ESC draws urgent attention to the finding of both studies that less than four percent of the respondents, who have expressed desire to migrate abroad, have indicated as a reason their reluctance not to live in Bulgaria.

http://esc.bg/en/activities/analyses

\textsuperscript{11} Source: State Agency of Refugees with the Council of Ministers in Bulgaria.


\textsuperscript{12} The segment of the private intermediaries (labour offices) is excluded from the analysis, as their share is small.
Table 3: Expenditure for Active LMP by Source of Funding

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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</thead>
<tbody>
<tr>
<td>Total (million, EUR)</td>
<td>201.8</td>
<td>108.5</td>
<td>65.8</td>
<td>68.4</td>
</tr>
<tr>
<td>Structure (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total funding</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>1. From the state budget</td>
<td>20.8</td>
<td>38.5</td>
<td>45.6</td>
<td>46.4</td>
</tr>
<tr>
<td>2. From HRD OP</td>
<td>78.7</td>
<td>61.5</td>
<td>54.4</td>
<td>53.6</td>
</tr>
</tbody>
</table>


The total funding for HRD – OP (2014 – 2020) is EUR 1 092.3 million (BGN 2 136.3 million). The program schemes within axes one and two: Improving the Access to Employment and the Quality of Jobs, and Reducing Poverty and Promoting Social Inclusion will be of prior importance for the labour market and for solving of pending social issues. For these reasons, 59.3% and 30.8% of the overall funding, respectively, is dedicated to these 2 axes.

After an initial slowdown, the absorption of funds in 2017 is gaining a speed. More than a half of the overall funding (52.4%) is already contracted. The agreed funding for axes one and two is 53.9% and 53.1%, respectively. The actual payments are still low - 15.69% and 30.24% of the budget of the respective axes (without the 6% of the reserves). Compared to other programs, the progress in HRD OP execution is moderate, yet not lagging behind.

1.2.2. Labour mediation

In order to improve the efficiency and quality of intermediary services, labour mediation is relying on team-work; expanding direct contacts with employers and face-to-face services; and on applying an integrated approach to problems of the unemployed.

Teams of career mediators, case managers, career consultants and psychologies have been established with the Labour Offices to motivate the unemployed to register and to invite more employers to advertise job openings through the Labour Offices. Special accent is placed on the contacts with managers of growing businesses in Sofia, Plovdiv (2016) and the other industrial centres. The specifics and challenges on the labour markets in the smaller towns are also accounted for. These are covered by a network of affiliate labour offices and mobile teams.

At the end of 2016, a network of 65 Social and Employment Assistance Centres has been created to deliver integrated services to unemployed people receiving social benefits. The Centres, in their essence, function as one-stop-shops for face-to-face counselling, career and professional development advice, improvement of motivation and provision of information on available vacancies. It is expected that, through the support of these centres, fewer number of people will fall into the poverty trap and/or will become long-term unemployed.

The provision and exchange of information is also improving, including through IT solutions. The employers can advertise the vacancies at their companies on-line. The information is recorded and sorted in a database at the labour offices. The go-live of another service –

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13 Source: Ministry of Finance

14 BG05M9OP001-3.002-0001-C02 Face-to-face services at Centre for Employment and Social Assistance, a contract signed on 09.09.2015 and active until 31.12.2017. According to data published by the Ministry of Labour and Social Policy, the number of people pro-actively reaching out for the services of the Centres is increasing. 8 new Centres will be established until the end of 2017.
creation of a professional profile/electronic curriculum vitae for the people searching for employment opportunities - is pending. The module will contain information on the professional experience, skillset, qualifications, personality traits and career aspirations of the people looking for jobs. The app will allow real time profile update, making it a dynamic source of information created by both the job seeker and the labour intermediary.

The unemployed have been granted easy and direct access to the EURES network. Expectations are that EURES will not only facilitate the contacts between job seekers and employers from abroad, but also will encourage the return of emigrated Bulgarians back to country.

1.2.3. Programmes and Measures

The labour market programmes and measures are executed at national and regional levels. They have economic, but also social impact, as they are targeting risk groups and people with vocations that are in low demand.

The opportunities for subsidised employment are limited, if compared to previous years. The major source of employment opportunities are the vacancies announced by employers on the primary market. In 2016, just 9.4% of 240.2 thousand registered unemployed are hired on subsidised jobs. For 2015 the figures are 18.8% out of 246.4 thousand, in 2014 – 21.4% out of 239.7 thousand and in 2013 – 33.0% out of 249.7 thousand.

17 national programmes, funded by the state budget, have been implemented by the end of 2016; 5 of them are executed by the nationally represented social partner organisations. The programme offering the biggest number of subsidised positions is the national programme ‘Assistants to People with Disabilities’ (34% of the employment opportunities offered through programmes in 2016). The program for hiring of people with disabilities is ranking second (17% of the offered employment opportunities). Other broad coverage programmes are those for vocational training and employment of long-term unemployed (‘Inactive to Active’) and the ‘Career Start’ programme that helps young people who have just completed their University or high school studies to find their first employment opportunity.

The ‘Inactive to Active’ programme is of high importance for the transition of discouraged or long-term unemployed to employment. In 2016 the team delivering the programme included 92 Roma mediators, 97 youth mediators, 28 case managers and 31 psychologists at the Labour Offices. By the end of the year, 91% of the targeted 248 inactive persons have found employment. About 2/3 of those who have been convinced to register with the labour office are Roma and this has to be considered as a good achievement.

The inactive to active transition of the Roma population becomes a very important challenge after taking into account the negative demographic trends and high rates of inactivity. So far, the outcomes are not satisfactory. The reasons are well known and difficult to cope with, i.e. the poverty among the Roma and sustained trend of its inheritance.

A programme about employment of immigrants is also offered on Bulgarian labour market. It is not popular for reasons such as lack of language skills of target groups, low compensation and their plans for moving to other countries with higher standard of living.

The local legislation allows equal opportunities for employment to all immigrants with confirmed legal civil status. The only requirement is the registration with the Labour Office. Although such opportunities are provided, they are poorly used by migrants in the country.

15 The software app is developed in cooperation with the Bulgarian Industrial Association – Union of the Bulgarian Business and offers integration of „MyCompetence®“ assessment methodology into the service offered by the National Employment Agency.

16 Source: National Employment Agency
The Law on Employment Promotion regulates 26 measures for vocational training, geographic mobility, and hiring representatives of risk groups at preferential conditions, apprenticeships and traineeships. The most popular are the measures for subsidized employment (usually in community services) and the trainings.

1.2.4. Vocational Qualification and Training in Key Skills

The problems around vocational qualifications and training in key skills are broadly discussed and criticized as shortfalls of the local labour market policies. The critique refers to the poor quality of the vocational training of those entering the labour market; the limited possibilities for improvement of vocational qualifications; poor supply of literacy courses and of courses for learning basic skills by people with low levels of education.

The labour administration organizes vocational training courses for the registered unemployed, which may take the form of a single course, or of a training course that is integrated with the subsequent recruitment on subsidized jobs. Therefore, more than two thirds of the participants in such trainings (79% in 2016, Employment Agency data) combine it with next employment. Traditionally, the people interested in training opportunities have University or secondary school degrees, while the people who need improvement of their qualifications are those with lower education.

The highest demand coming from employed and unemployed is for studying digital competence and ‘communicating in foreign languages’. These trainings are needed to compensate for the insufficient accent placed on learning of such skills in high school. In response to the need, most of the trainings offered within the programmes for employment are in these particular skills.

The Vouchers for Employed is a new project scheme of HRD OP that starts in 2017. It offers trainings in key competencies and vocational training to employed people with secondary or lower levels of education. This project follows the implementation of one of the most successful initiatives from the previous programme period – the ‘I Can (phase 1, 2, and 3)’ project scheme. The new operating principles exclude the widely criticized practice of “giving vouchers as a present” to the employees. With the new scheme, people who attend the trainings will need to fund 15% of the related expenses - this could stimulate their responsibility and accountability in the vouchers utilization.

The specific trainings project scheme that is part of axis one of the HRD OP has been initiated in mid-2017 to support the studying of skills for the so called “jobs of the future”. For the first time, the accent is placed only on skills needed by people working for high-tech and ICT companies, and for employed in the processing industry.

In addition to labour market actions, it should be pointed out that training of IT specialists is recognized as a long-term priority for secondary vocational education. A proposal for encouraging the training of software specialists (December 2015) has been developed and training is planned for over 30 thousand people over the next 15 years. In December 2016 the Ministry of Education and Science and a number of software companies agreed to cooperate for the delivery of high quality IT trainings for students and to participate in the delivery of the trainings.

1.3. European Youth Guarantee in Bulgaria

The European Youth Guarantee is implemented through an integrated approach and institutional structures of a broad scope. The monitoring and execution of the national plans is realized through a specialized Coordination Council, consisting of representatives from ministries and organisations, engaged with youth polices.
Focal points are established at each Labour Office to facilitate the face-to-face work with young people. The consultants are engaged with identifying and motivating NEET young people and with the development of their career plans. The National Employment Agency, through its Labour Offices initiates agreements for cooperation with the municipal administrations for the execution of the National Framework Agreement on enforcement of the Guarantee. The municipal authorities have employed young mediators for implementing and coordinating activities for identification of the NEET-s who are not registered with the Labour Offices.

To enforce the Guarantee, the National Employment Agency is cooperating with a number of local Universities. The major goals are to: ensure that the youths have access to information about available professional development opportunities, and that they search for jobs through the Labour Offices. Another important framework agreement between the Ministry of Education and Science, Ministry of Labour and Social Policy, National Agency for Vocational Education and Training, National Employment Agency and Information Support Centre for Education has been concluded. On its basis, the Employment Agency will receive information about all cases when youths have received assistance, or have found a job as a result of their participation in the Guarantee.

The young people up to 29 years are the preferential beneficiary group for most of the current labour market programmes and measures, as well as for the project schemes under HRD OP. Only under axis one, 4 project schemes for the young people are implemented after 2014. They include identifying inactive young people (up to 29 years) and motivating them to start job search; ensuring the availability of vocational trainings and trainings in key competencies (foreign language and digital competence); and subsidized employment. The overall funding for these activities amounts to 34.12% of the funding available for axis one. These facts are another proof that the young people are a priority group for the current programme period.

As a result from the execution of the Guarantee, in 2016, the average monthly number of young people up to 24 years who have been registered for over 4 months is decreasing by 15.9%. The relative share people below 24 years of age, who have remained registered for over 1 year within the structure of the unemployed youths in 2016 is 20.1% after being 27.2% in 2015. Overall, there is an increase in the number of youths who find employment within 4 months after registration, as well as of those who participate in different types of trainings. According to the labour administration, the measures implemented so far target the young people with secondary and higher education. The effects over the groups with lower education and the NEET-s are limited and this is a problem that should be addressed in the future. Another problematic area is the insufficient (or missing) guarantees about the quality of the jobs offered to the young people, and, in this respect, about the sustainability of their employment.

The execution of the Guarantee can be improved and one of directions is through the expansion of the network of partners. As an example, the Ministry of the Economy and its regional structures can be engaged to promote entrepreneurship opportunities/trainings. The Ministry of Healthcare can also be engaged as a partner. The employer and trade union structures can be involved more actively to contribute for the identification of youths working in the grey economy, as well as for the clarification of the reasons explaining why they are inactive.

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The decreases/increases are calculated on a year-to-year basis.
1.4. The Early School Drop-out Problem and Related Policies

An important topic in countering the youth problems is the prevention against early school dropout. According to NSI data, 21,170 students have dropped-out from school during 2015/2016. In other words, one in seven students aged 15-18 will not graduate, because of institutional problems; migration; ethnic and cultural specifics; high level of household poverty (most influential); etc.

The Ministry of Education and Science has designed and is implementing a set of initiatives of different institutions for involving children and pupils in compulsory pre-school and school education. The initiatives envisages implementing a holistic approach to stimulate those parents who, due to poverty, cannot send their children to school, but at the same time sanctioning the irresponsible parents who are depriving their children of education. Its implementation began before the start of the school 2017-2018 year.

In order to keep children in secondary education, a "Visible and Safe School" information system will be set up. Its pilot implementation has already begun in Plovdiv (09.2017). Its purpose is to organize the collection of early warning information about the students at a risk of leaving school. According to the specifics of each case the appropriate local institutions will be activated to work with students and their families to prevent their early drop-out from school.

1.5. Establishment of European Pillar of Social Rights (EPSR) – Discussions and Realities in Bulgaria

The establishment of EPSR has been debated at two bigger forums: a discussion organized and hosted by the Economic and Social Council (ESC, 03.10.2016), and a conference held by Podkrepa Labour Confederation (26.05.2017).

The ESC discussion concluded with agreement that Bulgaria should be part of the EPSR project. A number of proposals for amendments to the project, as proposed by the European Commission, have been prepared. These include: confirmation of the institutional and parental responsibilities for ensuring the right of each child to receive high quality education; inclusion of the long-term care as a separate social insurance risk; definition of standards for minimal quality of healthcare services; introduction of reforms in education in response to analyses and forecasts for the future development of the economy. Yet another amendment proposal is that the guarantees for social rights and the right to fair compensation should be achieved through the collective bargaining process.

The Government proposed the integration of EPSR and the European Semester, which will allow simultaneous monitoring and control of the economic and social developments. The EPSR should introduce the minimal standards for social rights and protection.

The social partners proposed that the Pillar should be recognized as a legally binding document within all EU countries, and not just within those that are part of the Eurozone. The opinion of the social partners on the border line between the national and the EU enforcement capacity (within the Pillar) should be considered carefully, as it addresses the differences in the social and economic state of the member countries.

The Conference held by Podkrepa Labour Confederation opened space for discussion of the challenges that the unions will face when acting to ensure protection of the rights that are part of the Pillar. Other discussion topics included: the opportunities for improvement of social inequality, provided through the Pillar; the measures needed for improvement of the industrial relations, as a guarantee for an efficient social dialogue; the strategies for coping with the challenges of the fast-paced changes in the global economy (flexibility; mobility; shared digital employment; de-regulation of labour relations).
Table 4: Indicators of European Pillar of Social Rights

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Equal opportunities and access to the labour market</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early leavers from education and training (18-24 years), %</td>
<td>EU-28</td>
<td>15.7</td>
<td>13.9</td>
<td>11.2</td>
<td>11.0</td>
<td>10.7</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>20.4</td>
<td>12.6</td>
<td>12.9</td>
<td>13.4</td>
<td>13.8</td>
</tr>
<tr>
<td>Gender employment gap, Percentage points</td>
<td>EU-28</td>
<td>15.9</td>
<td>13.0</td>
<td>11.5</td>
<td>11.6</td>
<td>11.6</td>
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<tr>
<td></td>
<td>Bulgaria</td>
<td>9.7</td>
<td>7.8</td>
<td>6.1</td>
<td>6.6</td>
<td>7.3</td>
</tr>
<tr>
<td>Income inequality, measured as quintile share ratio (S80/S20), Ratio</td>
<td>EU-28</td>
<td>(:)</td>
<td>4.9</td>
<td>5.2</td>
<td>5.2</td>
<td>(:)</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>(:)</td>
<td>5.9</td>
<td>6.8</td>
<td>7.1</td>
<td>7.9</td>
</tr>
<tr>
<td>At-risk-of-poverty or social exclusion rate (AROPE)</td>
<td>EU-28</td>
<td>(:)</td>
<td>23.7</td>
<td>24.4</td>
<td>23.8</td>
<td>23.4</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>(:)</td>
<td>49.2</td>
<td>40.1</td>
<td>41.3</td>
<td>40.4</td>
</tr>
<tr>
<td>NEET-s (15 -24 years), %</td>
<td>EU-28</td>
<td>12.7</td>
<td>12.8</td>
<td>12.5</td>
<td>12.0</td>
<td>11.5</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>25.1</td>
<td>21.0</td>
<td>20.2</td>
<td>19.3</td>
<td>18.2</td>
</tr>
<tr>
<td>Dynamic labour markets and fair working conditions</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Employment rate (20-64 years), %</td>
<td>EU-28</td>
<td>67.9</td>
<td>68.6</td>
<td>69.2</td>
<td>70.1</td>
<td>71.1</td>
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<tr>
<td></td>
<td>Bulgaria</td>
<td>61.9</td>
<td>64.7</td>
<td>65.1</td>
<td>67.1</td>
<td>67.7</td>
</tr>
<tr>
<td>Unemployment rate (15-74 years)</td>
<td>EU-28</td>
<td>9.0</td>
<td>9.6</td>
<td>10.2</td>
<td>9.4</td>
<td>8.6</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>10.1</td>
<td>10.3</td>
<td>11.4</td>
<td>9.2</td>
<td>7.6</td>
</tr>
<tr>
<td>Adjusted gross disposable income of households in real terms PPS per capita</td>
<td>EU-28</td>
<td>95.93</td>
<td>100.66</td>
<td>99.26</td>
<td>100.96</td>
<td>103.01</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>90.1</td>
<td>99.23</td>
<td>113.17</td>
<td>118.09</td>
<td>(:)</td>
</tr>
<tr>
<td>Compensation of employees per hour worked, Euro</td>
<td>EU-28</td>
<td>18.4</td>
<td>20.5</td>
<td>22.2</td>
<td>22.9</td>
<td>22.8</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>1.9</td>
<td>3.2</td>
<td>4.2</td>
<td>4.5</td>
<td>4.6</td>
</tr>
<tr>
<td>Public support / Social protection and inclusion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact of social transfers (excluding pensions) on poverty reduction, %</td>
<td>EU-28</td>
<td>(:)</td>
<td>36.54</td>
<td>34.10</td>
<td>33.72</td>
<td>(:)</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>(:)</td>
<td>23.62</td>
<td>20.15</td>
<td>22.54</td>
<td>17.92</td>
</tr>
<tr>
<td>Children aged less than 3 years in formal childcare, %</td>
<td>EU-28</td>
<td>(:)</td>
<td>28.0</td>
<td>28.4</td>
<td>30.3</td>
<td>(:)</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>(:)</td>
<td>7.0</td>
<td>11.0</td>
<td>11.2</td>
<td>9.0</td>
</tr>
<tr>
<td>Self-reported unmet need for medical care, %</td>
<td>EU-28</td>
<td>(:)</td>
<td>3.1</td>
<td>3.6</td>
<td>3.3</td>
<td>(:)</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>(:)</td>
<td>10.5</td>
<td>5.6</td>
<td>4.7</td>
<td>2.8</td>
</tr>
<tr>
<td>Individuals who have basic or above basic overall digital skills, %</td>
<td>EU-28</td>
<td>(:)</td>
<td>(:)</td>
<td>(:)</td>
<td>55</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>(:)</td>
<td>(:)</td>
<td>(:)</td>
<td>31</td>
<td>26</td>
</tr>
</tbody>
</table>

**Source:** Eurostat, scoreboard table: ec.europa.eu/eurostat/web/european-pillar-of-social-rights/indicators/scoreboard
The importance of the EPSR for Bulgaria is confirmed by the differences in the values of key indicators for Bulgaria and for EU-28 (table 4). The Gender Employment Gap is the only indicator where Bulgaria performs better than the average for EU-28. The values for at-risk-of poverty and share of NEETs are at critically high levels. Social protection and inclusion is at critically low level.

In terms of dynamic labour market indications, the rates for Bulgaria are close to the average for EU-28 and the only exception is the level of compensation of employees. In case labour productivity keeps increasing and the "easy access" to the labour market is sustained, it can be expected that incomes will increase in medium-term perspective and that the threats from poverty and social exclusion will be mitigated.
2. RECENT DEVELOPMENTS IN SOCIAL AFFAIRS AND RELATED POLICY

2.1. Income and Income Inequality

Incomes in Bulgaria, especially the incomes from labour are considerably lower than the levels in the other European countries (Table 5).

The income inequality, measured through the Gini coefficient and through the ratio of the 80% richest to 20% poorest is increasing (8 times for the period 2012 – 2016). The pace of increase is speeding up for a number of years, already. Signs for escalation in income inequalities are observed in many other European countries, yet the pace is different than what is seen for Bulgaria. The same trend is observed in the Gini coefficient dynamics. Compared to the dynamics of the EU-28 countries, the situation in Bulgaria is unfavourable.

Table 5: Income Inequality

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Gini coefficient of equalised disposable income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU – 28</td>
<td>(: )</td>
<td>30.5</td>
<td>30.9</td>
<td>31.0</td>
<td>(: )</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>35.9</td>
<td>35.4</td>
<td>35.4</td>
<td>37.0</td>
<td>38.3</td>
</tr>
<tr>
<td><strong>S80/S20 income quintile share ratio</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU – 28</td>
<td>(: )</td>
<td>5.0</td>
<td>5.2</td>
<td>5.2</td>
<td>(: )</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>6.5</td>
<td>6.6</td>
<td>6.8</td>
<td>7.1</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Source: Eurostat (EU-SILC).

The increase in income inequality is a result of the dynamics of the ratio between the major sources of income and the average wage. The incomes from labour remuneration are increasing (table 6). The average wage increased with 76% during 2008 – 2016. For the same period, the minimum wage almost doubled. The greater rate of increase in the minimum wage after 2011 improves the ratio “minimum to average wage”, which has a positive impact for alleviation of the income inequality. Gender pay gap in Bulgaria (15.4% in 2015) is lower than the average for EU-28 (16.3% for the same year), but is increasing since 201018.

Salaries have kept increasing throughout the first half of 2017, which increases the cost of labour19. The trend is explained with the shortage of labour supply and the commitment of the employers to retain their employees by offering higher compensation. Regardless of the developments, the compensation of employees per hour worked in Bulgaria (4.6 Euro) is only 20% of the average for EU-28 (22.8 euro) (table 4).

In contrast to income, the dynamics in the social insurance payments (pensions and insurance against unemployment) are quite slow. The increase of the average pension is considerably lower than those of salaries and this triggers social inequalities. Removing the limit for the monthly amount of benefits paid for unemployment (after 2011) did have some, but not considerable, influence on income inequality.

The level of the guaranteed minimal income, used for calculation of the monthly social benefits and of the benefits for covering heating costs in winter, has not changed since it was

18 Source: Eurostat, tesem180.
19 Source: Eurostat, tsdsc340.
introduced back in 2009 (table 6). As a result, the difference to the labour incomes is broadening, which has a negative impact over inequality.

**Table 6: Average Wage, Minimum Wage, Average Pension, Unemployment Benefits and Guarantee Minimum Income in Bulgaria**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average wage</td>
<td>279</td>
<td>420</td>
<td>449</td>
<td>492</td>
<td>76.3</td>
</tr>
<tr>
<td>Minimum wage</td>
<td>112</td>
<td>174</td>
<td>194</td>
<td>215</td>
<td>92.0</td>
</tr>
<tr>
<td>Average pension</td>
<td>70</td>
<td>135</td>
<td>155</td>
<td>174</td>
<td>148.6</td>
</tr>
<tr>
<td>Average unemployment benefits</td>
<td>107</td>
<td>159</td>
<td>165</td>
<td>170</td>
<td>58.9</td>
</tr>
<tr>
<td>Guaranteed minimum income</td>
<td>28</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td>17.9</td>
</tr>
<tr>
<td>Minimum wage/Average wage (%)</td>
<td>40.4</td>
<td>41.4</td>
<td>43.3</td>
<td>43.7</td>
<td></td>
</tr>
<tr>
<td>Average pension/Average wage (%)</td>
<td>38.3</td>
<td>37.7</td>
<td>36.6</td>
<td>34.6</td>
<td></td>
</tr>
<tr>
<td>Unemployment benefits/Average wage (%)</td>
<td>25.1</td>
<td>32.1</td>
<td>34.5</td>
<td>35.4</td>
<td></td>
</tr>
<tr>
<td>GMI/Average wage (%)</td>
<td>10.1</td>
<td>7.9</td>
<td>7.4</td>
<td>6.8</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** National Statistical Institute, National Social Security Institute, Ministry of Labour and Social Policy, own calculations.

The policies on labour income, applied in 2016, targeted the salaries in the public sector and the minimum wage. They were put in place to achieve three major goals. The first is the reduction of the Budget expenses for salaries, which, in turn, will reduce the Budget deficit. Secondly, the Government is trying to slow down the rate of increase of labour costs, hoping that this will be of benefit for the employers and that they will sustain, or increase, the number of people they employ. Finally, in this way, the Government is trying to achieve increase in the labour income for the people receiving the lowest salaries.

The scope of the policies addressing the labour incomes in the public sector is rather limited. Measures of one and the same nature are being implemented ever since the latest crisis. The restrictions for increases have been strictest in its initial years. After 2012 some, limitations have been removed. In 2016, the rate of increase of salaries in the public sector is far lower than the growth of the average wage.

Improving income inequality by increasing the minimum wage is part of the labour market policy action since 2011. The lack of transparency in defining the criteria for determination of the minimum wage remains a problem and for proposing increases, as well. The Bulgarian legislation does not regulate this area. Each of the social partners (Trade Unions, Employers and the Government), is able to apply their own criteria and considerations and announce their own view on the level of the minimum wage. This problem does need attention and should be addressed sooner.

The pensions are indexed on annual basis, in line with inflation and the average growth rate of social security income in the country. The minimum pension for years of service and age increased by 11.5% in the beginning of July, 2017, and by another 11.1% in the beginning of October, 2017.
2.2. Poverty and Social Exclusion

Overall scope of poverty is estimated to 20%-23% of the population, meaning that 1.56-1.67 million people live in poverty. The risks of poverty and social exclusion in Bulgaria are considerably higher than in the other EU-28 countries (Table 7).

Table 7: People at Risk of Poverty in Bulgaria and EU-28*

<table>
<thead>
<tr>
<th>Year</th>
<th>At risk of poverty rate (%)</th>
<th>Persons at risk of poverty (thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EU - 28</td>
<td>Bulgaria</td>
</tr>
<tr>
<td>2008</td>
<td>17.2</td>
<td>21.8</td>
</tr>
<tr>
<td>2013</td>
<td>17.3</td>
<td>21.8</td>
</tr>
<tr>
<td>2014</td>
<td>22</td>
<td>22.9</td>
</tr>
<tr>
<td>2015</td>
<td>22.9</td>
<td>1639</td>
</tr>
</tbody>
</table>

Source: Eurostat (EU-SILC).
Note: * The years in Eurostat tables concern the year of the EU-SILC survey, while the years in table 7 concern the income reference year.

The fluctuation of the poverty indicators can be explained by the income policies applied. The freeze in the public-sector salaries, pensions and other social benefits (the guaranteed minimum income has not changed since 2010, as an example) has a negative impact over the risk of poverty. On the other hand, the increase of the minimum wage, in 2012, has a favourable impact. The poverty dynamics are strongly related to trends in income inequality.

The distribution of poverty by age is differentiated (Table 8). The most vulnerable are the elderly and the children below 18 years of age. About one fourth of the population over 64 years is at risk of poverty. The share of children living in poverty is also going up.

Education is another strong differentiating factor. In highest risk are the people with low level of education. Poverty is widespread among these people (about 50%) and increased during the times of the economic crisis. In contrast, the numbers of people with secondary or higher education, especially the latter, which live in poverty, is considerably smaller.

Three major risk groups can be defined by type of household. The first and biggest is the group of families having more than 3 children. Two thirds of these families live in poverty. The second largest is the group of the single-member households – about half live in poverty. In their biggest part, these are pensioners. The final group are the single parents with dependent children.

The risk of poverty is lower for the economically active people. The number of "working poor people" is low; their share stays from 7% to 9% (with the exception of 2015, when it goes up to 11.6%). The two major factors determining the poverty rates for the employed are the minimum wage and the type of labour contract. Poverty is much lower among those working full-time versus people working part-time.

The unemployed are another group, particularly vulnerable to the risk of poverty. About half of them are considered at risk, the share increasing from 48.5% in 2011 to 54.6% in 2015. Yet another vulnerable group are the inactive - about 1/3 of them are at risk. For the past 3 years their share is between 29% and 30%.
Table 8: At Risk of Poverty Rate by Age, Educational Level, in Work and Household Type in Bulgaria

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At risk at poverty rate by age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 18 years</td>
<td>24.9</td>
<td>28.4</td>
<td>31.7</td>
<td>25.4</td>
<td>31.9</td>
</tr>
<tr>
<td>18 - 64 years</td>
<td>16.4</td>
<td>17.1</td>
<td>18.9</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Over 65 years</td>
<td>39.3</td>
<td>27.9</td>
<td>22.6</td>
<td>31.7</td>
<td>24.3</td>
</tr>
<tr>
<td><strong>At risk at poverty rate by educational level</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>39.4</td>
<td>46.5</td>
<td>50.5</td>
<td>51</td>
<td>54.2</td>
</tr>
<tr>
<td>Upper secondary</td>
<td>9.9</td>
<td>11.4</td>
<td>12.5</td>
<td>11</td>
<td>15.2</td>
</tr>
<tr>
<td>Tertiary</td>
<td>3.5</td>
<td>3</td>
<td>2.7</td>
<td>3.2</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>In work at risk of poverty rate (for persons aged 18-64)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7.5</td>
<td>7.2</td>
<td>9.3</td>
<td>7.8</td>
<td>11.6</td>
</tr>
<tr>
<td>Full time</td>
<td>6.2</td>
<td>6.4</td>
<td>8.1</td>
<td>6.7</td>
<td>10.2</td>
</tr>
<tr>
<td>Part time</td>
<td>24.2</td>
<td>20.9</td>
<td>27.8</td>
<td>30.3</td>
<td>42.2</td>
</tr>
<tr>
<td><strong>At risk at poverty rate by household type</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single person</td>
<td>58.4</td>
<td>41.4</td>
<td>31</td>
<td>41.1</td>
<td>38</td>
</tr>
<tr>
<td>Single parent with dependent children</td>
<td>30.9</td>
<td>31.6</td>
<td>42.9</td>
<td>35.2</td>
<td>47.4</td>
</tr>
<tr>
<td>Two adults</td>
<td>24.7</td>
<td>17.6</td>
<td>14.8</td>
<td>18.5</td>
<td>14.3</td>
</tr>
<tr>
<td>Two adults with one dependent child</td>
<td>12.9</td>
<td>16.4</td>
<td>16.2</td>
<td>12.9</td>
<td>12.4</td>
</tr>
<tr>
<td>Two adults with two dependent children</td>
<td>15.5</td>
<td>19.2</td>
<td>24.1</td>
<td>14.5</td>
<td>22.7</td>
</tr>
<tr>
<td>Two adults with three or more dependent children</td>
<td>67.9</td>
<td>68.1</td>
<td>78.9</td>
<td>66.1</td>
<td>70.5</td>
</tr>
</tbody>
</table>

*Source:* Eurostat (EU-SILC).

2.3. Antipoverty policy

The problems related to poverty and social inclusions are among the priorities in state policies. Two strategies have been elaborated and implemented. The first one (2003-2006) aimed at reducing poverty through action for addressing the social exclusion risk. The targeted outcomes have been achieved only partially and the relative share of the poor increased from 14.1% in 2003 to 18.4% in 2006.

The second strategy has been elaborated in alignment with the EU action for maintaining the standard of living through building of an economy based on knowledge, innovation and sustainable development. One of the major goals of Europe 2020 strategy is decreasing the number of people at risk of poverty and social exclusion. In alignment with this strategy, in 2013 Bulgaria developed its National Strategy for Fighting Poverty and Promotion of Social Inclusion - 2020. The strategy is a continuation of the National Programme for Reforms in Bulgaria (2011 – 2015), The National Social Report (2011 – 2012) and on other strategic national documents.
The target set with the strategy is for reduction of the number of people at risk of poverty by 260 thousand people until the end of 2020. This will be achieved through 4 sub-goals for reducing the number or people living in poverty from several specific groups, namely: children 0-18 years by 78 thousand (30% of the overall national goal); people aged 65+ - 52 thousand (20% of the goal); unemployed 18-64 by 78 thousand (30%) and working poor by 52 thousand (20%). The strategy is executed through two bi-annual action plans: Action Plan for Poverty Reduction 2015 - 2016, where the accent was on increasing employment rates and income. The second Action Plan for Poverty Reduction (2017-2018) will focus on promotion of employment and education.

One of the challenges in all implemented actions is the work with the poorest people with lowest chances for social inclusion. The approach for supporting these people through provision of free food packages and other activities promoting social inclusion is outlined by the Operational Programme financed through the Fund for European Aid for the Most Deprived. The total amount of funding under this Programme for period 2014-2020 is EUR 123.3 million. 85% of the expense for activities will be covered by the Fund, 15% will need to come from other sources (the State Budget). The programme is delivered in the entire country through free food packages distribution and the provision of hot meals in soup kitchens. According to Ministry of Finance data - 29.3% of the funding has been utilized (31.08.2017).

297 147 families benefit from the free food package distribution. While in 2015 the package contained products at the value of EUR 27.0, in 2016 its value increased to EUR 60.3. The improvement comes to meet the real needs of the people, and is not a result of attempts to compensate for inflation. In 2015, warm meals have been provided to 6536 people, while in 2016-2017, about 4,7 times more people (31 084 people) have benefited from the service\(^\text{20}\).

Alongside with the warm meal, the beneficiaries are consulted as to the social benefits that they are entitled to; supported to get access to healthcare and educational services; advised about how to re-activate their health insurance and how to overcome specific personal challenges/needs (provision of clothing; assistance for issuing of ID card, etc.). The funding for these additional services cannot be higher than 5% of the annual expense and thus the food and food products supply keeps its priority.

The assessment of the impact and achievements of the programme will be carried out at the end of 2017.

\subsection*{2.4. Social Protection}

Bulgaria is spending relatively low amounts of funds for social protection, compared to the other counters in EU. Social protection expenditure, as % of GDP, is at considerably lower levels (Table 9), but increasing.

\begin{table}[h]
\centering
\caption{Social Protection Expenditure, % of GDP}
\begin{tabular}{l|c|c|c|c}
\hline
          & 2008 & 2012 & 2013 & 2014 \\
\hline
EU – 28   & 25.9 & 28.7 & 28.9 & 28.7 \\
Bulgaria  & 14.7 & 16.6 & 17.6 & 18.5 \\
\hline
\end{tabular}
\end{table}

\textbf{Source:} Eurostat (ESSPROS).

The spending on social protection benefits, however, increased considerably during 2009 – 2014 (Table 10). The cumulative increase for the period is over 30%, or over 4.5% on an annual basis. The highest is the change in sickness and healthcare, and social exclusion. The

\footnote{Report of the Agency for Social Support, in the execution of FEAD OP., 2016}
former accounts for more than one fourth of the total spending (27.6% in 2014) and is increasing with about 50% for the last 6 years. The social exclusion-related benefits go up, but their share is very low (less than 2% in 2014). The benefits for the elderly and for the people with disabilities are also increasing with lower pace. The reduction in the benefits for the unemployed should not be interpreted as withdrawal of social protection. It is a result of the decline in the number of unemployed.

**Table 10: Social Protection Benefits in Bulgaria (EUR)**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Growth rate 2009-2014 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social protection benefits</td>
<td>5822</td>
<td>6585</td>
<td>6695</td>
<td>7114</td>
<td>31.6</td>
</tr>
<tr>
<td>Sickness/Health care</td>
<td>1370</td>
<td>1719</td>
<td>1762</td>
<td>1837</td>
<td>54.4</td>
</tr>
<tr>
<td>Disability</td>
<td>483</td>
<td>505</td>
<td>518</td>
<td>580</td>
<td>23.3</td>
</tr>
<tr>
<td>Old age</td>
<td>2721</td>
<td>2978</td>
<td>2985</td>
<td>3202</td>
<td>23.9</td>
</tr>
<tr>
<td>Family/Children</td>
<td>697</td>
<td>721</td>
<td>702</td>
<td>749</td>
<td>16.5</td>
</tr>
<tr>
<td>Unemployment</td>
<td>184</td>
<td>228</td>
<td>239</td>
<td>226</td>
<td>20.9</td>
</tr>
<tr>
<td>Social exclusion</td>
<td>72</td>
<td>93</td>
<td>101</td>
<td>107</td>
<td>68.5</td>
</tr>
</tbody>
</table>

*Source: Eurostat (ESSPROS).*

The efficiency of social protection spending can be assessed by comparing the scope of population at risk of poverty before and after the transfers. The assessment covers three different cases of influence: total for all social transfers; for the pensions; and for all the remaining transfers (excluding pensions, Table 11).

**Table 11: Impact of Social Transfers on Poverty Reduction in Bulgaria and EU**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of all social transfers on at risk of poverty reduction (p.p.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU – 28</td>
<td>27.8</td>
<td>27.5</td>
<td>27.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>17</td>
<td>20.8</td>
<td>24.4</td>
<td>20.9</td>
<td>22.6</td>
</tr>
<tr>
<td>Impact of pensions transfers on at risk of poverty reduction (p.p.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU - 28</td>
<td>18.5</td>
<td>18.6</td>
<td>18.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>12.4</td>
<td>15.1</td>
<td>18.9</td>
<td>14.5</td>
<td>17.6</td>
</tr>
<tr>
<td>Impact of social transfers (pension excluded) on at risk of poverty reduction (p.p.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU - 28</td>
<td>9.3</td>
<td>8.9</td>
<td>8.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4.6</td>
<td>5.7</td>
<td>5.5</td>
<td>6.4</td>
<td>5</td>
</tr>
</tbody>
</table>

*Source: Eurostat (EU-SILC), own calculations.*

For all the three cases, the impact of social transfers over the risk of poverty in Bulgaria is lower than the effect observed in the EU-28 countries. Another difference observed is that for Bulgaria, the impact of social transfers is broadening, while at EU-28 level a trend for stability is observed. Both in Bulgaria and in the EU, the impact of the transfers for pensions is increasing.
2.5. **Social Economy**

After 2014 a number of initiatives required for the “functioning” of the social economy have started. The elaboration of a Law on the Activities of Social Enterprises and related activities will commence at the end of 2017. A newly announced procedure under HRD OP for funding of social entrepreneur projects will stimulate the social economy’s further development.

The opportunities for social entrepreneurship are popularized through specialized events, such as fairs of training enterprises “Young Entrepreneur”; trainings in the Academy for “Corporate Social Responsibility” and the annual awards for social innovation (2015-2016).

The social economy sector is functioning, but still it is not well recognised. The available statistics show that in 2014, about 2 526 non-financial companies have classified themselves as social enterprises. Although of possible increase at the end of 2017, the employment potential of the social economy is not well utilized.
3. BULGARIAN PRESIDENCY PRIORITIES IN THE FIELD OF EMPLOYMENT AND SOCIAL POLICY

In the first half of 2018, Bulgaria will hold the Presidency of the Council of the European Union. Bulgaria will work to promote the solidarity and unity of the member countries. Bulgarian Presidency will be aiming at finding solutions that will bring future benefits, with positive spirit and attitude. Throughout the Presidency, the principles of transparency, accountability, and openness towards the citizens will be observed. The priorities of the Bulgarian EU Presidency will be: consensus, competitiveness and cohesion.

In terms of the first priority, consensus, Bulgaria will work to achieve broad support and agreement on a number of matters of importance for the EU citizen. With respect to labour and social policy, the European consensus implies action related to migration; the need for acknowledgement of the contribution of the legal migration to the development of the European economy and regulation of the requirements towards non-EU citizens who migrate in search of employment opportunities.

As part of the competitiveness priority, Bulgaria will be balancing between different opinions to promote competitive solutions to the benefit of the EU citizen. The future of labour will be considered in view of defining the skills that are critical for the new jobs and in view of improving the planning and alignment of/between the policies in the field of education, training and employment. The accent will fall on youth employment and on development of the skills that are critical for the 21 century.

In terms of labour and social policy the Bulgarian precedency will work towards:

- debating and acknowledging the increasing value of human capital and of the investment in human capital;
- promotion of the concepts for early age development of the children, as well as of investment in education and care for the young children;
- creation of an environment that enhances social innovation and the development of a social economy;
- guaranteeing equal employment opportunities and elimination of discrimination, with focus on gender equality in the future digital world;
- creating conditions that allow for full scope participation of people with disabilities in social life;
- fighting poverty and social exclusion through active policies that limit the risk of dependency on social benefits;
- further facilitation of the free movement of people and of service provision, through reviews (and revisions, if necessary) of the principles for coordination of the social security systems. The positive impact of the free movement of people over the EU market and the competitiveness of the EU economies is obvious. The EU citizen should benefit from their rights to work anywhere within the EU, without allowing abuse of the social security systems, social dumping and “brain drain”;
- sustainability and improvement of the current regulations on business trips and short term international transfers of employees;
- recognizing the contribution of (legal) migration towards the development of the European economy and regulation of the requirements toward third country citizens, who search for employment, especially if they possess skills that are in high demand;
- improving the conditions for protection of health for the EU citizens through ensuring access to effective and innovative medicines sold at decent prices; encouraging the

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21 This section is based on the review of Bulgarian-language publications by various government ministries, and interviews with government officials who spoke on condition of anonymity.
healthy nutrition of children and of physical activity for the adults; focus on health and safety at work

During the Presidency Bulgaria will actively work towards the implementation of the following labour and social policy measures proposed by the European Parliament and the European Council:

   The purpose of the proposal is to continue the process of modernization of the EU legislation on the alignment of social security systems, as stipulated in Regulations 883/2004 and 987/2009, through further promotion of the opportunities for exercising of the rights of the EU citizen, and through guaranteeing legal clarity and the fair distribution of the financial and legal load between the member countries. According to the EU Commission, changes need to be introduced in the fields of: rights of access to social security benefits for the inactive; the benefits for long-term care-taking; family-related benefits and benefits for unemployment; the legislation related to short term international transfers; the rights of the people working in more than one EU country. The member countries are entitled to independently determine the elements of their social insurance systems, including the types of benefits, the methods of calculation of the amount of benefit payments, the rules for payment, etc., so long as they observe the principles of non-discrimination and equality. The standpoint of Bulgaria is based on the established framework agreements, according to which the country is supporting the proposal. Considerable effort to support the proposal has been made during the Maltese Presidency. One of the goals of the Estonian Presidency is to further promote the alignment on all 4 chapters (applicable legislation; equal opportunities; family benefits and long-term care), and to achieve partial alignment by the end of the mandate. Bulgaria will work actively on the application of the Regulation.

2. The proposal for elaboration of a Directive on modification of Directive 2004/37/ΕΟ on protecting employees against the risks from exposure to carcinogens and mutagens at work
   The review of the dossier will commence during the Bulgarian Presidency. Difficult discussion with regards to particular substances is anticipated.

3. The proposal for elaboration of a Directive on modification of Directive 96/71/ΕΟ on business trips and short term international transfers of employees for the purpose of service provision
   Bulgaria will invest active effort in working on the dossier, to build upon the achievements during the Estonian Presidency. The debates will be difficult, especially on the application of the Directive on in-land transportation. Achieving alignment will be challenging, in view of the current bi-polar status quo. Free movement of people and provision of services should be encouraged, yet the differences in the levels of pay and competitiveness between the member counties should also be accounted for. The overall aim of the policy changes is to ensure better protection of the employees on short term transfers abroad.

4. The proposal for elaboration and adoption of a Directive on the alignment of the legal, regulatory and administrative provisions of the countries regarding the requirements for access to goods and services (European Accessibility Act\textsuperscript{22}).
   The aim is improvement of the situations on the common market through removing of the limitations for free movement of goods and services, esp. with regards to their

\textsuperscript{22} COM/2015/0615 final - 2015/0278 (COD)
accessibility to people with disabilities, in compliance with the European Strategy on People with Disabilities 2010 – 2020 and the UN Convention on the rights of people with disabilities. Accessibility is considered in terms of: usage of PCs, phone and TV equipment; voice and audio-visual service; transport – air, in-land/bus, railroads and water transportation; banking services; e-books and e-trade. The companies providing the services will be able to decide on how the accessibility will be granted. Protective clauses will be put in place for the cases when disproportional loads are discovered. The discussions should be focused on assessment of the financial, economic and administrative consequences; the provision of legal assurance; analyses of accessibility in different branches. Bulgaria has ratified the UN Convention on the rights of people with disabilities already in 2012 and supports the dossier, in its essence. Beyond doubt, the assurance of access requires changes in legislation and additional administrative and financial cost.

5. The proposal for the elaboration and adoption of a Directive on the balance between the professional and private lives of parents and of people who have dependents, as well as for cancellation of Directive 2010/18/EC.

The proposal is related to the package of measures under the European Pillar for Social rights that aims at facilitating and solving the issues around the lower activity rates for women and on further improvements in the field of equal opportunities. The goal is to promote rights that are already regulated and to encourage the proposals for amendments related to paternity leaves; parental leaves for the people taking care of relatives; flexible worktime arrangement, etc. The review of the dossier started during the Estonian Precedency. The member countries have declared that they support the proposal in principle, yet they have voiced their concerns as to the considerable investment needed. The funds needed for achieving the goal are considerable even for Bulgaria, yet the country will commit to achieving of a common approach.


The major goals of this proposal, discussed ever since 2008, are: fighting discrimination based on religious belongingness or attitudes, disability, age, or sexual orientation; and the application of the principle on equal treatment outside of employment (social protection, including social insurance and healthcare; education; access to goods and services, including housing allowances). Bulgaria will work to achieve progress towards closing of the dossier.


The future of the European Social Fund needs to be aligned with the EU priorities for achieving growth, and with the specific recommendations for each of the member countries. In this way, the future priorities for the European Social Fund should be focused on supporting the member countries to speed up growth and to apply policies for guaranteeing sustainable jobs that correspond to existing demand (which, in itself, will allow for sustainable development). The Fund will continue to support achievement of high levels of employment, the creation of high quality jobs, improvement of the access to the labour market, achievement of higher levels of education and training, and will keep supporting the transition from education to work.

The work on dossiers that will remain open after the completion of the Estonian Presidency will also continue.
The actions in the field of labour and social policy will be determined and implemented by the Ministry of Labour and Social Policy. A number of events will be organized during the first half of 2018, the most important being:

- An international conference on the “Future of Work”, 21-22 March, 2018;
- Informal meeting of the EPSCO Ministers, 17-18 April 2018;
- High level international conference on Social Economy and social entrepreneurship;
- High-level conference on the future of the ESF – 15-16 February

The Calendar of the events that are to take place during the Bulgarian Presidency has been approved with Decision 441, of the Council of Ministers on 04 August, 2017. Changes to the calendar will be introduced on exception basis only – the goal is to allow better planning of the details around the “content” of the events, their agenda and the organization of logistical support.

Over 200 events have been proposed by different institutions. The majority are to take place in Sofia, yet some will be held in Varna, Bourgas, Plovdiv and Veliko Turnovo. The events include meetings of the Council of Ministers, conferences hosted by Ministers, expert-level meetings, round tables, as well as several regular events with special agenda.

Sofia will host 12 informal meetings of the Council; 11 meetings at higher level, including 1 meeting between the state and cabinet leaders; and 6 meetings of members of national Parliaments. Over 170 expert-level meetings and 30 events sponsored by the Presidency are expected to take place.

The Bulgarian Presidency will aim at building over the up-to-date achievements; attaining new outcomes and adding value to all policies, including to the policies in labour and social affairs.
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- National Statistical Institute, http://www.nsi.bg/
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Role
Policy departments are research units that provide specialised advice to committees, inter-parliamentary delegations and other parliamentary bodies.

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