EMIN Context Report

BULGARIA

Developments in relation to Minimum Income Schemes

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What is EMIN?

The European Minimum Income Network (EMIN) is an informal Network of organisations and individuals committed to achieve the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes. The organisations involved include the relevant public authorities, service providers, social partners, academics, policy makers at different levels, NGOs, and fosters the involvement of people who benefit or could benefit from minimum income support.

EMIN is organised at EU and national levels, in all the Member States of the European Union and also in Iceland, Norway, Macedonia (FYROM) and Serbia.

EMIN is coordinated by the European Anti-Poverty Network (EAPN). More information on EMIN can be found at www.emin-eu.net

What is the Context Report?

In 2014 individual Country Reports were produced under the EMIN project which outlined the state of development of Minimum Income Schemes in the country concerned. These reports also set out a road map for the progressive realisation of adequate Minimum Income Schemes in that country. These Country Reports can be found on www.emin-net.eu (EMIN Publications). This Context Report gives an update on developments in relation to Minimum Income Schemes in Bulgaria since the publication of the Country Report.

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The information contained in this report does not necessarily reflect the official position of the European Commission.
Definitions used in the EMIN Project

**Minimum Income Schemes** are defined as, income support schemes which provide a safety net for those of working age, whether in or out of work, and who have insufficient means of financial support, and who are not eligible for insurance based social benefits or whose entitlements to these have expired. They are last resort schemes, which are intended to ensure a minimum standard of living for the concerned individuals and their dependents.

**EMIN aims** at the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes.

**Adequacy** is defined as a level of income that is indispensable to live a life in dignity and to fully participate in society. Adequate Minimum Income Schemes are regularly uprated to take account of the evolution of the cost of living.

**Accessible** is defined as providing comprehensive coverage for all people who need the schemes for as long as they need the support. Accessible Minimum Income Schemes have clearly defined criteria, they are non-contributory, universal and means-tested. They do not discriminate against any particular group and have straightforward application procedures. They avoid:
- institutional barriers such as bureaucratic and complex regulations and procedures and have the minimum required conditionality,
- implementation barriers by reaching out to and supporting potential beneficiaries personal barriers such as lack of information, shame or loss of privacy.

**Enabling** is defined as schemes that promote people’s empowerment and participation in society and facilitates their access to quality services and inclusive labour markets.
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Section 1: Evolution in laws and regulations regarding national (or regional/local) minimum income schemes

This section indicates changes to the main minimum income scheme in the country since the EMIN1 project ended in 2014, in particular changes to schemes that were dealt with in the EMIN1 project. In countries where several minimum income schemes coexist, please give priority to minimum income schemes for the working-age population. The country report from the EMIN 1 project is available at https://emin-eu.net/emin-publications/

Changes in the legislation and regulations governing minimum income schemes in your country with regard to
- Eligibility conditions (lack of sufficient resources, age requirements, residence...)
- Conditionality of the benefits (willingness to work, other conditions related to personnel attitude of recipients...)
- Levels of payment, uprating
- Links with other benefits
- Governance of the schemes?

As stated in the EC Country Report Bulgaria 2017: “Limited measures have been taken to increase the coverage and adequacy of minimum income schemes”. The document draws attention to the inadequate level of the minimum income and the restrictive character of the eligibility rules several times.

Small changes introduced 2015-2017 do not fundamentally change the system since they do not affect its major deficiency (inadequacy of minimum income) and do not improve its safety net and poverty alleviation function. The necessary changes in the minimum income schemes seem not to be considered politically important.

Evolution with regard to adequacy of minimum income?

In fact the trend is the opposite to evolution from the point of view of the relationship between cost of living and the level of minimum income: the minimum income level has not been updated since 2009, while the cost of living has permanently increased. Similarly, the official at-risk of poverty line, although not reflecting the cost of living and seriously underestimating the real dimensions of poverty, has been permanently increased.

As depicted on the Graph 1, there is a growing distanced between on one side the minimum income schemes (based on the so called ‘guaranteed minimum income’) and on the other side all other incomes.

2 Op. cit., page 1, 3, 13, 33, 50
Graph 1: Trends in monthly cost of living\(^3\), minimum wage, official at-risk of poverty line and ‘guaranteed minimum income’ in Euro (2009-2017).

Only some small, marginal increases have taken place in some benefits linked to the minimum income schemes: The social pension for old age increased from 60.4 Euro per month to 61.86 Euro per month as of July 1\(^{st}\), 2017.

Heating benefits increased as well, following the usual formula they are calculated annually - on the bases of the price of the fuel. However, energy poverty is a growing and recognized problem in the country. Communication from the European Commission in 2015 stated once again that "Bulgaria is considered the most vulnerable country in the EU in terms of energy poverty." (State of the Energy Union {COM(2015) 572}, 18.11.2015).

According Eurostat data in 2014, the share of those who cannot keep their home warm enough in Bulgaria was 40.5%. A report of CITUB pointed out that this in absolute numbers are about 2.9 million people, while energy benefits are received by less than 300,000 people.

**Evolution in terms of coverage or take-up of benefits?**

Some minor changes in the eligibility conditions have been implemented. More concretely, it is now possible to apply for benefits irrespective of the place of residence.

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\(^3\) The amount is calculated regularly by CITUB as an average for one person in a 4-member family with 2 children (one 7-13 years old and the other one 14-18 years old).
Additionally earnings from one day and dual education contracts are currently excluded from the means testing.

**Evolution with regards to the linkage between minimum income schemes, (inclusive) labour markets and (quality) services?**

As depicted in Graph 1 above, the trend of the link minimum wage - minimum income level is the opposite to evolution as well. The increase in the minimum wage parallel to the stagnation of minimum income levels contributes to erosion of rules. More concretely people in working age without disabilities need to work in public works 14 days 4 hours a day, receiving currently around 24 Euro per month for this as social assistance. At the same time the current official minimum wage is 235 Euro and the hourly rate is 1.42 Euro. This means that if somebody works 14 days 4 hours a day his/her remuneration should be 79.52 Euro. That is the minimum income scheme erodes the official minimum wage by more than 3 times.

Table 1: Minimum wage in Bulgaria in the period 2009 – 2017 when minimum income has not been changed

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</tr>
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<tbody>
<tr>
<td>Monthly minimum wage in Euro</td>
<td>122.7</td>
<td>122.7</td>
<td>122.7/138</td>
<td>138/148.3</td>
<td>158.5</td>
<td>173.8</td>
<td>184.1/194.3</td>
<td>214.7</td>
<td>235.2</td>
</tr>
<tr>
<td>Hourly wage in Euro</td>
<td>0.73</td>
<td>0.73</td>
<td>0.73/0.82</td>
<td>0.82/0.88</td>
<td>0.94</td>
<td>1.04</td>
<td>1.12/1.13</td>
<td>1.28</td>
<td>1.42</td>
</tr>
</tbody>
</table>

Section 2: Use of reference budgets in relation to Minimum Income and/or poverty measures

Reference budgets or budget standards are priced baskets of goods and services that represent a given living standard in a country.

In this section you will find information in relation the recent evolutions of the construction and use of reference budgets in Bulgaria. Information is also given on the usefulness of these reference budgets for policy making or for awareness raising campaigns.


Recent initiatives to develop reference budgets or to adapt existing reference budgets?

There are no recent initiatives in the field.
- **For what purposes are they developed or used? By whom?**

A. Bulgaria took part in a Pilot project for the development of a common methodology on reference budgets in Europe (Contract no. VC/2013/0554). “Review of current state of play on reference budget practices at national, regional, and local level.” The project is an illustration that an attempt to elaborate reference budgets in Bulgaria was made in 2007-2009. This attempt was based on focus group interviews and online surveys and was focussed on limited geographical region (city of Varna and its area). Results of this study are not in use. No information about follow up of this work is available.

B. Traditionally in Bulgaria only Trade unions (CITUB, specifically) develop regularly a kind of standard budgets. CITUB calculates the cost of living (as depicted in Graph 1) on the basis of a standard basket of goods and services. Although this information is useful for the anti-poverty activities, it has no direct impact on policy making.

C. Development and current use of reference budgets in Bulgaria are in an embrional stage. However in the country there is enough expertise to develop RBs and what seems to be very important – good understanding of the need of development and potential usefulness of RBs.

- **What actors were involved in the construction? Were people experiencing poverty part of the process? Have focus groups been used?**

   CITUB calculates regularly the cost of living on the basis of a standard basket of goods and services. As there are not recent initiatives in the field it is difficult to speak about actors involved.

   On different occasions, mainly researches, some parallel activities could be found. For example, a recent research on the cost for *health from the pocket*, studies households, including poor ones, by filling in special diaries to record daily health ‘out of pocket’ costs

- **How would you evaluate the development and/or current use of the reference budgets in your country? Are they useful tools for policy purposes? For public campaigning and awareness raising?**

   Reference budgets could be very useful for Bulgaria. In fact, it is hardly possible to engage in a campaign for adequate minimum incomes without reference budgets. Unfortunately there is no political interest in them.

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4 Ivkov, B. et all, 2016, Research “Household’s health ‘out of pocket’ expenditure in Bulgaria” within the project “Health, Quality of life, Inequalities”, ISSK-BAS
Section 3: Implementation of Country Specific Recommendations on Minimum Income and follow up through the Semester process.

As part of the EU Semester process, a number of countries have received Country Specific Recommendations (CSR) on their MIS or more generally on poverty. Country Reports can give interesting indications for countries performance with regards to Minimum Income. Evidence can also be found in EAPN’s assessment of National Reform Programmes 2016. In some countries under a Macroeconomic Adjustment Programme; the Memorandum of Understanding has reference to MI. In this section you find information about developments in response to these reports and recommendations as well as information on how EU funds are used to support developments in relation to Minimum Income Schemes.

Policy responses to the CSR, initiatives to implement them and to improve the MIS, if there are new evolutions in this respect in your country. Other developments in relation to Minimum Income Schemes as part of the Semester Process, please add them here.

In 2016 and specifically in 2017 the Country Report and CSRs for Bulgaria are well focussed on the issue of poverty and connect MIS to this issue. The Country Report 2017 explicitly emphasizes that “The high share of people living at-risk-of-poverty or social exclusion remains a major economic and social challenge. The social protection system, including the general minimum income which does not have a transparent adjusting mechanism, does not provide adequate levels of support. The social transfer system is limited by its low adequacy and coverage. Bulgaria has one of the least-effective social transfer system in the EU and one of the lowest levels of social transfers. The government spent just 0.2 % of GDP in 2015 on monthly social benefits and the heating allowance, which is the core of the minimum income scheme. The eligibility rules are very restrictive, leaving many poor families without support. The limited coverage of the minimum income also reduces access to health insurance for poor people who rely on the state for access to healthcare services. The general minimum income has not been updated since 2009. This has eroded the protection capacity of social benefits and contributed to increased inequality in the country. A lack of a predictable mechanism for regularly revising the social benefits undermines their adequacy over time and creates a risk of large unbudgeted ad hoc revisions”.

However there are no reactions of the decision makers to these Recommendations. For example, the updated Action Plan for the period 2017-2018 for the implementation of the National Strategy for Poverty Reduction and Promotion of Social Inclusion 2020, adopted by the National Council on Social Inclusion at the Council of Ministers on July 13, 2017 includes only continuation of the existing practice of providing social benefits. There are no ideas for changes and improvements.

When discussing this plan, critical questions were raised about its focus and indicators for implementation (which includes mainly the number of trainees and those engaged in various active labor market measures instead of clarity as to how the actions taken would reduce, stabilize or increase poverty). The Minister of Labor and Social Policy reacted positively to the questions raised, pointing out that there is a need for a reorientation and a much clearer link to the Poverty Reduction Plan instead of the current mode of reporting just the number of participants in different activities and events. What will be done on this occasion remains to be seen.

In any case, in regard with the minimum income schemes the Ministry of Labour and Social Policy (MLSP) seems to be in an internally contradictory position. In June 2017, MLSP
announced that it has addressed the Ministry of Finance in relation with the ‘guaranteed minimum income’ and shared hopes that it will be possible to increase it. However, reacting to proposals made by CITUB and the ombudsman, the official position of MLSP was that even a small increase in the guaranteed minimum income would cost a lot of money because of its link with different types of social benefits.

Has EU funds being used to support developments in relation to Minimum Income Schemes
No

Section 4: Social and Political Environment and its impact on the fight against poverty and the evolution of Minimum Income Schemes

In this section there is a brief sketch of the ‘mood’, the atmosphere that exists in relation to poverty, people living on minimum income, and the impact on some specific groups such as migrants, Roma/Travellers, growing nationalist sentiments etc.

What kind of social and political environment exists within which the EMIN project will operate?

A) Public views and opinions in relation to poverty are highly polarized. A great part of the Bulgarian citizens consider that poverty in the country is extremely high, that there is no reason why Bulgaria should be in such a situation and that poverty is socially generated by inadequate income, fiscal and tax policies. However, the official political debate is clearly dominated by the opposite view - that the status quo is good and that any change in the distribution of incomes will damage the business and the economy.

At the same time, due to the very high levels of real poverty in the country, along with sustainably shaped poverty pockets, raising one’s income without commitments to others could be perceived as quite controversial. For example, since July 2017, the minimum retirement pension increased but since this increase is not proportionally linked to an increase in other pensions’ levels public views are contradictory. The average pension in the country is around 175 Euro monthly – well below the cost of living and a little bit higher than the official poverty line. There is a need for reconsidering of income policies, including clear vision on the very high levels of poverty among retirees, children and working poor.

B) Usually in a situation of deep poverty, low levels of employment, poor quality of life and the like nationalistic sentiments are exacerbated with regard to foreigners and immigrants. People compare for example the average and minimum pensions and the officially announced subsistence for an immigrant. Such comparisons as a rule are not in favour of the Bulgarian citizens. According to an official statement by the Prime Minister as of 26.04.2016 “the support for a refugee is around about 500 Euros per month while the pension of a typical Bulgarian retiree is about 150 Euros a month”. Such a situation quite easily provokes negative attitudes towards immigrants and refugees.

In addition, although employment rate in the country is low and many young people emigrate, employers have launched a campaign to facilitate the hiring and attracting of immigrants. The danger of further dumping in already too low labour incomes could further exacerbates the negative attitudes towards immigrants.

C) Roma are the most socially excluded group in Bulgaria – big part of them are excluded from employment, income, integration of children, access to healthcare, education and so on. Huge parts of the Roma people are deeply marginalized and as this situation
continues from decades, there is a danger to be turned into an unresolvable issue. Cases of domestic crime are quickly and easily transformed into ethnic tensions and oppose groups of Bulgarians and Roma in different cities, towns and villages. There are conflicts every other day, and they seem to be an inevitable part of the picture described.

The situation is closely linked to the minimum income, as official propaganda fuels public opinion that "Roma do not work and survive only thanks to the social benefits." This is also supported by the lack of official information on how many and what people receive minimum income and the amount of incomes they receive.

An enlightened campaign is highly needed to introduce adequate minimum income levels.

Section 5: Developments in relation to the Bulgarian EMIN Network

In this section you provide information in relation to the state of development of your National EMIN Network. In particular describing social dialogue/partnership with public authorities and other stakeholders.

Is there a formal or informal steering group for your National EMIN Network (who is involved)?

Contacts with potential partners (more specifically – with Trade unions, researchers, NGOs) have been established during EMIN1 project through exchange of information, analyzes, sharing of opinions, etc. Representatives of the following stakeholders took part in the National Conference: Union of Economists in Bulgaria, NGO ‘Solidarity Bulgaria’, Open Society Foundation, Plovdiv University, Trade-Union “Podkrepa”, CITUB, Bulgarian Women’s Lobby, Ministry of Labour and Social Policy, National Statistical Institute, Institutes at the Bulgarian Academy of Sciences, NGO for parents with many children, Association of Retirees, Family Policy Institute, etc.

Currently there is no formal steering group for the National EMIN Network, but its construction is really a formal act, having in mind the good and long-term partnerships that connect the main partners.

Have there been any contacts with potential partners that can help to build alliances for the improvement of the MIS in your country?

These (and other) contacts have been maintained also in many other occasions (for instance, the joined work in the frame of the project “Semester Alliance”), since the partners are connected in a sustainable knot of other common activities.

Partners work as well in different fields linked with MIS. More specifically in the field of energy poverty: Representatives of CITUB (Confederation of Independent Trade Unions in Bulgaria) and the Association of Active Consumers, involving EAPN Bulgaria as well prepared a Position on Energy Poverty for the National Economic and Social Council, adopted at the end of 2015; discussions on energy poverty took place at Sofia University, Department of Economics in which representatives of EAPN Bulgaria participated actively; media presentations were organized as well.

Another basic field of interest is poverty in Bulgaria. Partners take part in the National Council for Social Inclusion and actively cooperate with regard to the National Anti-Poverty Strategy and National anti-poverty plan.
Has any activity been organised with regards to MI? Communications or public awareness raising, since the completion of the EMIN1 project?

All the different anti-poverty activities of EAPN Bulgaria, incl. many media presentations, in the period 2014-2017 include explicitly income policies and implicitly minimum income schemes. Irregularly, the trade unions and the National ombudsman insist that there is high necessity to increase the guaranteed minimum income. However there is no political interest in the field and no any consequences of these efforts.

In regard with energy poverty, as already stated, the Economic and Social Council adopted a position in December 2015 "Measures to tackle energy poverty in Bulgaria" which includes many useful recommendations. The position was initiated by CITUB and the Active Consumers Association. A representative of EAPN Bulgaria was invited to take part in the elaboration of the position by the Active Consumers Association.