



Weekly Briefing

Bulgaria social briefing:


SOCIAL DEVELOPMENT OF BULGARIA 2019 - OUTLOOK

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All the expert analyses and statistical data regarding the **demographic development** of Bulgaria and all social issues such as **labor market condition, poverty and incomes, inequalities and social exclusion, education and healthcare** shows that in all this spheres Bulgaria will face a very serious challenges during 2019 some of them with a very negative impact on the social-economic situation of the country.

All the economic statistics show that in 2019 Bulgaria will continue the trend of performing considerable **labor and skills shortages**, insufficient investments in training and reskilling; lack of digital skills etc. All these explain the need of improving the quality and inclusiveness of education and aligning it to the needs of the labor market as well as the need of and improving the capacity of public employment services.

Another very important social issue is the **levels of poverty, social exclusion and income inequality** which are still among the highest in the EU. As the population ages and skilled workers become progressively scarcer, adequately addressing these challenges and accelerating economic growth will increasingly depend on Bulgaria's capacity to implement structural reforms. The poverty line in Bulgaria in 2019 will be EUR 178, the government decided. The amount is EUR 14 higher than its size last year. The amount is determined on the basis of a methodology approved by the Council of Ministers in 2006. The indicator is calculated according to the data in the survey *"Household Budget Surveys in the Republic of Bulgaria"*, which is conducted annually by the National Statistical Institute. The poverty line is used as a reference value in the formation of social policy in the field of income and living standards of the population.

Although the labor market has improved and during the last two years the employment rate reached 71.3 %, the highest since Bulgaria joined the EU in 2007, some groups (the low-skilled, young people, the Roma, people with disabilities) continue to face challenges. A shrinking working-age population as well as skills shortages and skills gaps continue to be of concern.

Other key structural issues, which point to particular challenges for Bulgaria's economy, are the following:

The **social protection system** is insufficient to tackle the significant social issues. Wide income inequalities and the high number of people at risk of poverty point to the need for 'active inclusion' policies designed to enable every citizen to work and participate fully in society. These challenges also point to the need for targeted support to vulnerable groups, as well as better availability and quality of integrated social and healthcare services and housing. The adequacy and coverage of the minimum income remain limited and there is no objective mechanism for regularly updating it. The impact of taxes and benefits on reducing poverty and inequality is significantly lower than the EU average. This reflects the low level of social spending, the uneven availability of social services across the territory and the limited redistributive effects of the taxation system.

The **education system** is being modernized at all levels but significant challenges remain. Persistently high rates of early school leaving and low educational outcomes highlight the need for significant investment in education. This is particularly relevant for addressing the challenges of quality and equality of opportunity in early childhood education and care, school education and vocational education and training. Despite ongoing efforts, higher education is insufficiently aligned with the needs of the jobs market. The rate of participation in adult learning is one of the lowest in the EU. Inclusion of Roma in education and the high impact of socio-economic status on educational outcomes remain problematic.

Many Bulgarians still face significant obstacles in accessing **healthcare**. Public expenditure on healthcare remains very low, with formal and informal out-of-pocket payments (on-the-spot payments to healthcare providers) covering almost half of healthcare costs - one of the highest shares in the EU. The strategy for long-term care is under way, but implementation of the National Health Strategy action plan is considerably delayed.

The National Statistical Institute data show that in 2019 the population of Bulgaria will reach less than 7 million people. Statistics show that in recent years the country's population has declined by about 40,000 people per year. The **negative population growth** in Bulgaria is mainly due to two factors - low birth rates, on which Bulgaria is one of the first places in the EU, and high mortality, on which the country is an absolute leader in the community. The third most important factor is emigration from the country. According to the data of for the last years, the balance between the Bulgarians who have left the country permanently and those who return is entirely in favor of the former. This has a negative impact on the negative population growth since the emigrants are mostly young people of working age, women of fertile age. There is only one country in the EU where the birth rate is lower than that in Bulgaria and that is Italy. The number of live-born children in Bulgaria was lower in 1997 only. In Bulgaria, the number

of live births was lower than in 1997. The number of deaths per 1000 people in Bulgaria is 15.5 while the EU average is 10. These two factors - low birth rates and high mortality, leads to an aging population. At present, 21% of the population in Bulgaria is over 65 years old. The mortality rate in some municipalities in Bulgaria is similar to that of military or pandemic areas. The data from the analysis show that for a period of only 25 years the population of Bulgaria has decreased by 500 000 due to the low birth rate (9.1%), the high mortality (15.1%) and the critical values of the natural growth (-6%). But Bulgarian population has also decreased by 1 million people who have chosen to leave the country. If in 1992 there were 8 487 thousand Bulgarians in the state, today they are 7 075. Here we have to introduce the problem of the Roma ethnicity. According to unofficial expert data, the Roma population in the country is about 700-800 thousand. This number is expected to grow steadily. The proportion of the Roma population living at risk of poverty is estimated at 89 %. The majority (65 %) suffer from living in households without access to public utilities such as tap water and basic housing amenities. The lack of a functioning coordination mechanism for Roma integration policies at national level adds a further layer of difficulty to defining policy and implementing the Roma integration strategy effectively. The monitoring and evaluation system for this strategy developed with EU resources will facilitate the design of appropriate policy measures based on a system of indicators.

Therefore Bulgarian government needs an adequate solution. For example, the Roma population - in their integration policies so far have made a lot of mistakes and misguided approaches. Bulgarian government tries to unite them under one denominator, and they are extremely complex as a structure, so they have a very strong ethno-psychology that does not change over time and is not European. In the words of specialists, Bulgaria should no longer talk about a national demographic policy, but talk about regional demographic policies that take into account the specificities of the individual regions, the ethno-psychology of the population, the reproductive and migratory attitudes, the overall socio-economic situation.

Some of the measures of the government regarding these challenges are in the following spheres:

- First, the problem of education has to be solved because it is far from the labor market.
- Second - people's realization must be ensured.
- Third – the income issue - the state should take more care of its population by providing birth grants.

- Fourth - social security - more and improved kindergartens or schools, etc.

The Budget Priorities 2019, which build on the priorities and assumptions for the development of sectoral and horizontal policies already set in the Mid-term Spring Forecast, are social policy, education and income policy.

In the field of social policy, funds amounting to: BGN 40.4 million additional for the forecast period (50% more compared to the funds in 2018) for targeted heating aids for social protection and equal opportunities; BGN 150.0 million additional to guarantee the financial framework of the draft Disability Act and the draft of the Personal Assistance Act upon their adoption; BGN 7,0 million in connection with the introduction of a new type of monthly allowance for children without the right to a survivor's pension from a deceased parent, according to the amendments to the Family Allowances Act for children, the amount of aid for 2019 is near 60 EUR.

Policies for accessible and quality education are implemented through a holistic integrated approach based on the tied and coordinated actions of the institutions at national and local level. The state budget funds are mainly targeted at the four pillars for financing the system under the Pre-school and School Education Act, as well as the financing of the training of students and PhD students, determined on the basis of a comprehensive assessment of the quality of training.

In income policy, in addition to the increase in the minimum wage in the coming years (from EUR 261 to EUR 286 from January 1, 2019 to near BGN 300 from January 1, 2020) and at BGN 333 from January 1, 2021), this measure foresees a 10% increase in the wage and social security contributions in the budget sector by 2019, which will allow for an increase in the individual basic monthly salaries of the employees, based on the position occupied and the assessments of the achieved results. For 2019, the increase in the salaries of pedagogical staff is on average 20%, with the aim of doubling, in 2021, the remuneration of pedagogical specialists by 2017.

The large-scale income and social spending could be related as well to the upcoming European Parliament elections and local elections. Unfortunately even with such budget parameters, Bulgarians will remain the poorest citizens in the EU, where the average incomes are many times higher than in Bulgaria. But the budget for 2019 shows the authorities' willingness to do what they can to reduce the differences, and in this respect they rely on wages to be increased in the private sector as well. Given that business is experiencing severe labor

shortages, it is likely to happen despite its reservations. Such behavior is in fact already observed, and data show that in recent years wages in the private sector have increased by almost 10 percent each year.

Another very important issue regarding the social conditions of the Bulgarian population is the one of the social services which by now are hampered by low quality, limited accessibility and the lack of an integrated approach. An evaluation identified insufficient provision of most types of social services across the territory of the country, which calls for further investment. This is an issue especially in smaller and rural municipalities where there is a serious shortage of services for both children and adults, particularly for home-based care, day-care, mobile and integrated services. Based on the centralised planning system, services are provided mostly based on the availability of resources instead of the needs of the vulnerable person. The fragmentation of the provision of services impairs the effectiveness of the support they give, since integrated services can address multiple issues among vulnerable populations simultaneously. At the same time, the social services sector suffers from high staff turnover, limited training and the low qualification standards of social workers.

A comprehensive reform of social services is under preparation. A draft new social services law was approved by the government in December 2018. The planning of social services will be based on a national map of needs and a minimum package of services for each municipality and region. This new model is expected to improve quality, planning, financing and accessibility, as well as monitoring and control. The law also aims to tackle the qualification of social workers, strengthen the competencies of local authorities in planning and delivering services, and introduce universal services accessible to the whole population.

Priority for the country remains the successful absorption of EU funds and EU programs to achieve sustainable economic growth, higher employment, social inclusion and territorial cohesion and building a competitive and innovative economy. Regarding the social policy and the social reforms the government key priorities for 2019 are fully committed and dependent on the possibility of financial support by the European Regional Development Fund, the European Social Fund Plus and the Cohesion Fund over 2021-2027.