



# Weekly Briefing

## **Bulgaria social briefing:**

### **Poverty in Bulgaria and the Government's Plans to Improve the Social Situation**

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## **Poverty in Bulgaria and the Government's Plans to Improve the Social Situation**

Bulgaria is among the countries in the European Union with the highest risk of poverty. At the same time, it has the greatest deterioration of this sad indicator. This is shown by the current data from Eurostat. The poverty issue is related to over 32% of Bulgarians or nearly 2.5 million people from Bulgarian population. Another nearly 1.6 million Bulgarians live below the poverty line. According to the statistics Bulgaria is also first in the share of children at risk of poverty. The elderly in the country are most at risk of poverty. Bulgaria is at the top of the statistics regarding the number of the so-called working poor people. Only a few days ago, concrete estimates were made by the parliament - that over 70% of workers receive amounts close to the minimum wage. It means that in Bulgaria the salaries are 6 times lower than the average European salary. All this data shows that Bulgaria is at the bottom in almost all quality of life rankings. And unfortunately this is not something new but long-standing trend.

However, the current COVID-19 crisis and the extremely slow reaction of the authorities to change this trend and to develop policies for support (for many people, even the most at-risk groups, did not exist at all) are exacerbating these problems. The concrete facts actually look like this – with their income Bulgarians can afford less and less food and basic necessities, more and more people pay for basic food and their household bills with credit, even sales of second-hand clothes have decreased, with which many of the Bulgarians dress up.

Recently In a statement on his Facebook account, Prime Minister Boyko Borissov promised that more than half a billion BGN would be allocated in support of poor families and young parents. The amount of BGN 504 million is set in the draft of the European program "Food" for the next programming period 2021 - 2027, which has not yet been adopted and will be formed by funds from the European Social Fund and the national budget. The Prime Minister wrote that 600,000 people will be able to benefit from this support no matter that the arithmetic calculations lead to the amount of BGN 10 per person per month. The project is at the stage of public discussion, and after October 20 it will be sent to the European Commission for consultations, according to the website of the European Social Fund.

The argumentation of the need for the program states that the relative share of persons at risk of poverty in Bulgaria is 22% in 2018 compared to the EU average of 17.1%, and children under 17 living in material and social deprivation are 26.0% in Bulgaria compared to 14.2% on

average for the EU. The published draft does not yet outline the financial dimensions of the aid, nor is it clear what part of the funding will be from European funds and what - national funding.

However the Minister of Social Affairs Denitsa Sacheva announced that the planned funds are almost twice as large as in the programming period ending this year. If they are approved in the same amount, it means that in seven years about 600 thousand poor people in Bulgaria will receive some kind of support - food, hygiene materials, diapers, baby cosmetics. There are BGN 840 per person for the seven-year period or BGN 120 per year if each poor person receives assistance every year.

In fact, this is not the only source for providing financial support to a large number of needy Bulgarians living with extremely low incomes. A few days ago the Supervisory Board of the National Social Security Institute (NSSI) approved the draft Law on the State Social Security Budget for 2021. It reflects the parameters of the social security policies in the country planned for next year. According to the document from January 1, the minimum pension in Bulgaria becomes BGN 300 (150 EUR), and the maximum is increased from BGN 1,200 to BGN 1,440. The money of all pensioners also changes by 5%. The allowance of BGN 50 remains next year, but until the end of March, when the mandate of this government actually expires. It means that all pensioners in Bulgaria will be paid an additional 50 leva (about 25.5 euro) a month until the end of the current government's term in office. As a response to the Covid-19 crisis, the Bulgarian government began paying an additional 50 leva a month to all of the country's 2.1 million pensioners in August. Regarding the pensions the some of the main critiques of this measure are that the increase is not different according to the amount of the pensions but it will be the same for everyone. The government announced that the poorer ones - with pensions up to BGN 369 (EUR185), will be supported also with food vouchers.

Again according to the draft of the next year budget the period of payment of the cash benefit for pregnancy and childbirth will be the same - 410 days, and the amount of the benefit for raising a child up to 2 years of age - BGN 380.

The government is promising also a jump in the minimum wage by BGN 40 - so from BGN 610, it will become BGN 650. It is also envisaged that the minimum unemployment benefit will increase from BGN 9 to BGN 12 per day.

Another supporting measure of the government is the decision to continue the so called "measure 60/40". Bulgaria's Cabinet decided on October 7 to extend the duration of its 60:40 employment aid scheme until the end of 2020. In a statement, the Government said that its decision was prompted by the slow economic recovery from the lockdown imposed earlier this year and the continued spread of the Covid-19 pandemic. Under the scheme, introduced in March in order to reduce the economic impact of the pandemic, the government covers 60 per

cent of an employee's salary and mandatory social security and healthcare contributions, while employers cover the rest. Initially introduced for a period of three months, it was first extended in July, when the Cabinet also expanded its reach. The latest changes are meant to further increase the number of people receiving government aid, from 300 000 to 500 000. Prime minister said that the Cabinet allocated 450 million leva, or about 230 million euro, in funding for the scheme. The necessary financial resources in the amount of about BGN 750 million for the implementation of the changes will be provided by the Unemployment Fund of the state social insurance. The effect of the extension of the measure is expected to be reflected in the retention of around 200,000 jobs. The funds for maintaining employment will be paid after the respective notification by the European Commission.

The 2021 Budget Act project include also a provision that will expand the government's child benefits, which are currently paid to low-income families, as an additional measure to help alleviate the economic impact of the Covid-19 pandemic. The benefits will remain unchanged – 40 leva a month to families with one underage child, 90 leva to families with two children and 135 leva to families with three children – and would cover 1.2 million children in total.

There has been a lot of talk in recent weeks about expanding child benefits, particularly in relation to the 'fairness' of this type of social assistance which gives the same amount of money to all families no matter of their monthly income. The main point of the critiques is that social benefits are for the poor, low-income people, not middle-income and high-income people. This means that from financial point of view for a family with a total income of BGN 4,000 or even BGN 2,000, the amount BGN 40 will provide completely insignificant assistance. The proportional increase in the income of this type of families is 2% and 1% for one child, respectively, which means that this money will literally not be felt by these families. They are much more needed by households in poverty or at risk of poverty. Another possible approach to this issue could be by distributing the funds in the form of services - free kindergartens, free nurseries, food at school etc. This means the service aimed directly at the child which should be the aim of so called child policy since every child has the right to have care from the state.

The total expenditures for the social budget set by the government for 2021 are over BGN 12 billion, and only for the new measures of the cabinet an additional BGN 2 billion is set aside.

In fact, the social costs are estimated only for next year. The forecast for the period until 2023 shows freezing on a number of social payments. The minimum wage remains at BGN 650. The retirement age will not increase, as well as the amount of insurance. No increase in the maximum insurance income is envisaged - it remains BGN 3,000. Maternity money is also frozen. However, these forecasts often change, so the exported data are valid at this time.

Many analysts of the government's announced social payments for next year believe that they will not address any of the key issues related to poverty issue in Bulgaria. At the same time, these social measures have been announced for purely propaganda purposes for at least two main reasons. First - the anti-government civil protests that have been going on for more than three months. Second, the fact that next year will see both parliamentary and presidential elections.

At the same time, all serious analyzes note that the main factors for getting at risk of poverty are education, economic activity and the settlement. Moreover, the data show that deep poverty is concentrated in the working population (and not among pensioners, children or people with disabilities), which again refers to the problems of education and the labor market. Therefore, the focus of public policies should be not on fiscal measures related to negligible increases in income and social insurance and benefits but on the main poverty factors.