



ESPN Thematic Report on Access to social protection of people working as self-employed or on non-standard contracts

Bulgaria

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European Social Policy Network (ESPN)

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Summary

In Bulgaria, social and health insurance legislation uses the term 'self-insured' to refer to all persons who pay their own contributions and do not have an employer. In general, the self-employed officially appear in the statistics as 'self-insured persons', with the exception of those working in the hidden economy. Most of the self-insured work in both the legal and in the hidden economy. In these cases, only part of the income is reported and social and health insurance is paid only on this part. To reduce the scope of such practices, Bulgarian legislation has defined minimum monthly insurable incomes. All self-employed persons have to pay the insurance due based on this minimum insurable amount each month. If they earn more, the difference, up to that due on the maximum insurable income, is paid at the end of the tax year.

Self-employment is not as widespread in Bulgaria as in most other EU Member States. In 2015, 11.1% of the employed in Bulgaria were self-employed compared to 14.1% in the EU-28. Among the low-qualified, self-employment almost always appears either as dependent self-employment or as forced self-employment due to a lack of regular employment opportunities. For the low-qualified, especially for large sections of the Roma population, self-employment is rarely an opportunity for proactive entrepreneurship, and even low-paid regular employment is preferred. On the other hand, among young people there is a very high, though probably not well-informed, motivation for starting their own business. Starting one's own business more often than not means starting as self-employed without any employees, even if the business is registered. By contrast, self-employed persons account for just over 5% of career and business advisory centre clients, including the young. Business advisory centres were established to provide advice for starting a business. Career centres are targeting graduates from secondary schools and universities to support them in making choices on the labour market.

In terms of social protection, the main issue with the self-employed is that they have no protection whatsoever against unemployment. Protection in the case of work-related incidents leading to temporary incapacity to work or permanent disability is also lower.

Healthcare, family benefits, social protection and general support for the disabled, excluding support related to accidents at work, are the same as for employees.

Retirement rules are also the same and the size of pension is calculated using the same formula, which takes into account the length of service and the size of the insurable income for each month over the insurance career.

There are several reasons which make it difficult to raise issues related to the situation of the self-employed. Firstly, they are not well-organised and do not enjoy much trade union protection. Only a few self-employed categories have strong organizations, while a few others are represented in the two major trade unions. Secondly, both the Bulgarian social security and the health insurance systems face large deficits each year, with the result that there is a general trend to find opportunities to reduce access. In this context, the self-employed are not a priority. Finally, self-employment in general does not have a very good image due to analyses widely reflected in the media that the self-employed are prone to "cheat" the system by working in the hidden economy.

1 Context: self-employment and non-standard work relationships in the national economy and labour market

Self-employment in Bulgaria is not as widespread as in most of the other EU Member States. In 2015, 11.1% of the employed in Bulgaria were self-employed compared to 14.1% in the EU-28. This is probably the reason why self-employment has not been the focus of policy debate. Another reason for the low priority is that, unlike employees, the self-employed are not well-organised.

The EU Labour Force Survey shows that the number of self-employed without employees decreased in Bulgaria faster than in any other EU country between 2004 and 2007. Then, in the period 2007-2014, their number remained constant. About a third of the self-employed in Bulgaria have employees – in 2015 out of a total number of 330,300 self-employed, 104,300 had employees. The same proportion is typical for the whole EU and many of the other Member States. The number of self-employed with employees has dropped by 13% since 2007. The self-employed who have employees are treated more like employers. For example, under the heading of self-employed, Bulgarian national statistics, unlike Eurostat, do not include the self-employed with employees, while all other definitions and data on self-employment are identical.

The global economic crisis which first hit Bulgaria in the second half of 2008 seems to have reduced the opportunities for self-employment. From this data, self-employment does not look like an available alternative in times of economic stagnation and recession, when small businesses can be more vulnerable and less likely to survive. Self-employment without employees is mostly related to the activities of freelancers and other persons working for themselves. Some of them may have been pushed out of the regular job market but self-employment may not have actually worked for them. Self-employment for some groups of low-skilled persons is related to constant insecurity, low income and often also a lack of access to health care.

Bulgaria is the EU Member State with the lowest share of non-standard employment. This includes the self-employed, employees with a temporary or fixed-term contract, and those working part-time or fewer than 30 hours per week, as well as family workers. This is due to the very small proportion of all persons employed in non-standard employment with the exception of the self-employed (Matsaganis et al, 2015). In 2015, a new type of one-day employment contract was introduced in agriculture, which may increase the share of persons in non-standard employment but is not yet reflected in the official statistics.

In Bulgaria, part-time self-employment increased only marginally during the economic crisis. In the Labour Force Survey of Eurostat, part-time work is defined as working less than 35 hours a week. In the period 2007-2014, the number of self-employed working less than 35 hours per week increased by 0.5 percentage points per year and in 2014 only 9% of the self-employed without employees were working part-time – the second lowest share in the EU (Fondeville et al., 2015).

In 2014, 60% of male self-employed and 50% of female self-employed who were working part-time in Bulgaria reported that they did so because of not being able to find full-time work (Fondeville et al., 2015).

Within the whole EU there is evidence that self-employment works better for people before retirement and the retired who continue to work. This is also true for Bulgaria, although the share of persons in the 50-64 and 65-74 age groups who are self-employed is smaller than that in the EU-28 as a whole and in most other EU Member States. In 2015 in Bulgaria, 14% of the employed in the 50-64 age group and 25% of the employed in the 65-74 age group were self-employed, while in the EU-28 18.5% of the employed in the 50-64 age group and 46% of the employed in the 65-74 age group were self-employed.

The self-employed have much more difficulty organising themselves and protecting their rights than conventional factory workers. The bargaining power of dependent self-

employed is severely undermined by the lack of adequate labour protection, the weakness due to fragmentation and, in many cases, due to the relative ease with which replacements can be found, e.g. by moving orders to other locations. The usual costs of moving production facilities are not incurred by the employers and they don't have to invest in staff training. Many of the dependent self-employed perform routine tasks that do not require high qualifications. Moreover, unlike employees who are organised in trade unions, the dependent self-employed are not in a position to negotiate with employers on crucial issues such as wages, working conditions, and overtime work. Some categories of self-employed, like translators and DJs, are represented in the two main trade unions, but there is no trade union membership category for dependent self-employed persons. The self-employed are motivated to become members of trade unions mainly in an attempt to regulate prices and maintain professional standards.

A breakdown of the economy by sectors shows that agriculture, forestry and fishing make by far the largest contribution to self-employment, totalling 621,800 persons in the second quarter of 2016, which is almost 2/3 of all self-employed. The sector with the second largest number of self-employed is "*wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities*". This is a very broadly-defined sector which includes several groups of professions with different incomes and different employment and seasonality patterns.

According to the definition of the National Statistical Institute¹, in the second quarter of 2016, in the Bulgarian economy, there were 993,600 self-employed persons and 2,593,500 employed persons. This makes a total of 3,587,100 thousand persons in employment (NSI, 2016).

A survey of the self-employed, carried out by the Bulgarian Academy of Sciences in 2009, showed that, at that time, about 75% of the self-employed were paying their social security contributions themselves. The survey also said that about half of the self-employed worked in the informal economy, declaring much lower income than what they actually earned and hiring other persons without proper contracts. The main purpose was to reduce social security payments and taxes. The survey also found that the start of the global economic crisis had increased the number of self-employed in Bulgaria.

Women are less likely to become self-employed than men and are primarily represented in some narrow segments of self-employment in agriculture, services and family workers engaged in production for their own use. (Lukanova, 2010)

According to Shelly Marshall, at the end of the first decade of the 21st century there were about half a million home-based workers in Bulgaria. In his definitions, *own-account workers are self-employed home-based workers who provide services (e.g. hairdressing, translation) or make a variety of products for street vendors and shops* (Marshall, 2010).

Many of the own-account workers who use traditional craftsmanship to offer hand-made products on the tourist market could not stand the competition of large-scale cheap manufacturing originating mainly from China, which successfully imitates such products. Services like hairdressing or home repairs proved to be much more resilient, both to the economic shocks and to upscaling. Other services, like translation, which require higher qualifications and skills, also continue to provide a safe market niche for own-account workers.

There was heated discussion about the introduction of so-called employment contracts for short-term seasonal work. This new measure was introduced from July 2015 with the

¹ Self-employed persons are defined by the Bulgarian statistical authority as 'persons who are the sole owners, or joint owners, of the unincorporated enterprises in which they work. Self-employed persons also include: a) unpaid family workers, incl. those working in unincorporated enterprises engaged wholly or partly in market production; b) outworkers whose income is a function of the value of the outputs from some process of production for which they are responsible.'

idea of providing more security to seasonal agricultural workers who worked mostly in the informal economy. There were about 220,000 such contracts for one year. There is no information on how many persons had such a contract for at least one day. Trade unions opposed this new form of contract precisely because, in their view, it merely legalised a precarious type of contracting without any job security. The employers have no obligation to register this kind of contract with the National Revenue Agency and are not required to prepare the contract at the start of the seasonal work, but can do it later. This means that, if unregistered workers are found during a control visit by the labour inspectorate to a site where agricultural work is performed, the employer can now claim that these are workers on short-term contracts that will be concluded later. Before, the employer would have been penalised for using informal labour.

In addition, this type of contract does not include any insurance against unemployment. In this respect, it is also similar to the situation of the self-employed. So there are good reasons to consider this type of contract as bogus self-employment.

Another debate which is quite relevant to the situation of the self-employed with low incomes is the reintroduction of a threshold below which income is not taxable. Currently, everybody in Bulgaria pays 10% personal income tax. The lack of personal allowance for the lowest incomes may also serve as a discouragement to work for some of the self-employed with low earnings, because starting even the lowest-paid work leads to payment of a 10% personal income tax and to loss of social benefits. Persons on part-time contracts and other forms of non-standard employment are likely to be most affected as their earnings are much lower. According to the last published Labour Cost Survey from 2012, those employed part-time had an average annual wage of BGN 2,870 (\approx EUR1,467) while full time employees had an average wage more than 3 times bigger – BGN 9,019 (\approx EUR4,611). The debate about personal allowances looms from time to time, mainly before parliamentary elections, when promises are addressed to small entrepreneurs and the self-employed which are later rarely fulfilled. In 2014, a government supported by the Bulgarian Socialist Party which had a rather short mandate took steps to refund tax payments to persons with low incomes starting from 2015, but this reform was abolished by the new government which came to power at the end of 2014.

2 Description and assessment of social protection provision for self-employed and people employed on non-standard contracts

2.1 Description of social protection provision for self-employed and people employed on non-standard contracts

The term *self-employed* is used in the Bulgarian national statistics and the definition is similar to the one used in the European Labour Force Survey.

Outworkers in Bulgaria, in line with the OECD definition, are workers who hold explicit or implicit contracts of employment under which they agree to work for a particular enterprise, or to supply a certain quantity of goods or services to a particular enterprise, by prior arrangement or contract with that enterprise, but whose place of work is not within any of the establishments which make up that enterprise.

In Bulgaria, alongside the term self-employed, the term *self-insured* person is also widely used, especially when the social insurance legislation is concerned. According to the Public Social Security Act, a self-insured person is a person who has to pay social security contributions themselves. This category is quite broad and overlaps significantly with the category of the self-employed, but also includes persons considered as employers or employees, but not self-employed (such as own-account workers, dependent self-employed, some types of employees (e.g. sailors who pay their own social security contributions) and self-employed with employees who in most cases will be considered as employers in the official statistics. The term self-employed has a strict meaning in Bulgarian legislation, but does not have a strict meaning as far as the tax and social

security authorities are concerned. It should be noted, though, that the term is sometimes used in statistics where definitions are expected to be in line with those used by Eurostat.

Self-insured persons pay 17.8% of their insurable income to the state pension fund if they were born before 1960. Those born after 1959 pay 12.8% of their insurable income to the state pension fund.

The Law on Personal Income Taxation has a definition of persons practicing liberal (freelance) professions. Persons practicing liberal professions are: chartered accountants; consultants; auditors; lawyers; notaries; private bailiffs; jurors; experts to court and prosecutor's office; licensed appraisers; industrial property representatives; medical professionals; translators; architects; engineers; technical managers; activists of culture, education, art and science; insurance agents; and other individuals who meet the following conditions:

- work for themselves
- are not registered as sole proprietors (one-person businesses)
- are self-employed within the meaning of the Social Security Code

The main difference in social protection rules is related to the lack of unemployment insurance for the self-employed. There are other effects of self-employment which appear even when the legislation does not treat full-time employees, the self-employed and persons on non-standard contracts differently. The Bulgarian social security system favours unbroken careers rather than incomes which are volatile with periodic or seasonal highs and lows and probably with periods without any income. Volatility is much more typical for the jobs of the self-employed, which involve much higher risks.

Moreover, the self-employed do not enjoy the same level of protection against unemployment as the employed do. The self-employed do not have access to unemployment benefits. Moreover, dependent self-employed do not have access to other instruments such as the Guaranteed Receivables of Workers and Employees Fund². The self-employed are even considered employers in some cases, i.e. in the case where they work as sole traders (one-person businesses). A sole trader has the right to contract other self-employed persons, usually under fee-based contracts, or to hire persons under labour contracts.

Industrial outworkers form a special category. They are usually paid on a piecework basis by large industrial enterprises to perform, at home, some tasks which are not easily mechanized or where technologies are too expensive, making room for cheap labour. These positions are very vulnerable as, with the development of the Bulgarian economy, they will be made redundant sooner rather than later.

According to Marshall, the work of industrial outworkers typically includes operations such as hand-stitched shoes, beadwork and embroidery, packing spare buttons in the plastic bags that are provided with new suits, packing sets of socks, producing laminated paper bags for retailers, sewing buttons onto cuffs, etc. (Marshall, 2010).

Some of the employers of home-based workers are foreign enterprises, especially in the sewing industry and in the production of paper bags. There is strong seasonality in the employment of home-based workers. In the summer, agricultural production for market or even for own consumption often provides a higher income than industrial outwork. In such small-scale farming, part of the production is often for own consumption and part is for the market.

² Insurance in this fund, which is part of public social security, guarantees up to a certain amount the rights of workers and employees to receive employment-related remunerations and benefits, accrued to them but unpaid until the employer is declared insolvent.

Problems include poor quality, poor design, and the long hours required to produce them. They are often indistinguishable from the cheap Chinese imports. A typical example is the traditional lacework, called *martenitsi*, presented as a gift to friends and relatives at the beginning of March each year. Imports from Chinese factories dominate today's market (Spooner, 2013).

Chains of sub-contracting, including under public procurement contracts, lead to large companies submitting a winning bid and then subcontracting at much lower prices to smaller, local companies who use dependent self-employed persons. The construction sector is a typical example. In such cases, the level of labour protection is not represented by the large bid-winning company, which may have a completely different human resource policy, but by the local subcontractors. This mechanism is a tool for keeping bidding prices low without affecting the profits and without directly violating the labour legislation.

In Bulgaria, the degree of control over working conditions, including working time, is a main determinant of whether a certain employment should be considered as regular or atypical. If, for example, the job de facto has a fixed working time (with a fixed start and fixed end), even if it is part-time, in combination with the duty of the job holder to be at a specific working place, this would be considered a contract between employer and employee even if the job holder does not have an employment contract and is self-insured. Authorities monitoring employment contracts and working conditions are especially cautious about such arrangements, which are often used to circumvent various requirements of the labour and labour protection legislation.

In 2016, the maximum amount of insurable income for all categories of insured persons, including self-employed, was BGN 2,600 (EUR 1,329) per year. It should be noted that increases in the maximum insurable income in the period 2014-2015 have only slightly affected the disposable income of persons in the 10th decile (the richest 10% of the population) (Tosheva et al., 2016).

The minimum insurable income is equal to the statutory minimum wage. In 2016, the monthly minimum wage was BGN 420 (EUR 215). The minimum insurable income for self-employed persons is defined every year in the Public Social Insurance Budget Act. For the self-employed there are three more levels of insurable income – BGN 450 (EUR 230 EUR), BGN 500 (EUR 256) and BGN 550 (EUR 281). In the second half of 2015, it was BGN 380 (EUR 194). In the first half of 2015 it was BGN 360 (EUR 184). In 2017, the minimum wage is expected to rise to BGN 460 (EUR 235). It means that the minimum insurable income for the self-employed will rise as well. However, at the beginning of December 2016 the budget had not yet been finalised, while the government had resigned.

For the self-employed who did not have any activities in 2014, or who first started their activities in 2015 or 2016, the minimum insurance income for 2016 was BGN 420 BGN (EUR 215).

Self-employed persons performing various activities in different professional fields can choose the professional field under which they have to pay their monthly social security contributions, based on a predefined minimum, which is not related to real earnings. The Bulgarian legislation refers to this procedure as an 'advance' payment of contributions. At the end of the tax year, they have to pay the social security contributions due under all of their activities up to the maximum insurable income.

Even if a self-employed person earned less than the minimum insurable income, s/he has to pay social security contributions based on the minimum insurable income.

The minimum insurable income for persons who work only as agricultural producers or tobacco produces is lower. In 2016 it was BGN 300 (EUR 153.39).

2.1.1 Healthcare and sickness: cash benefits and benefits in kind

There are no specific regulations concerning healthcare contributions for the self-employed, persons working part-time or on fixed-term contracts. Health insurance is 8% of insurable income for everybody. According to health insurance law, a self-insured person is a person paying their health contributions in full on their own. Health-insurance rules are universal and do not distinguish between types of employment.

If a person does not pay health contributions due for a period longer than 3 months, they have to pay an additional penalty ranging from BGN 500 (EUR 256) to BGN 1,000 (EUR 511). If this happens a second time, the penalty is from BGN 1,000 (EUR 511) to BGN 3,000 (EUR 1,534). Penalties are not imposed if the self-employed person did not have any activity for the corresponding months. The unemployed have their health contributions paid by the state for the period they receive unemployment benefits. Since the self-employed are not insured against unemployment they cannot have their health insurance paid by the state. Unemployed persons who do not qualify for unemployment benefits and those who no longer receive unemployment benefits have to pay health contributions themselves. The minimum for 2016 was BGN 16.80 (EUR 8.60 EUR) per month. The minimum contribution is calculated on the basis of half of the minimum insurable income for the self-employed.

If a person has not paid more than 3 contributions for the previous 36 months they lose their health insurance rights. This rule applies to every category of workers (salaried workers, self-employed, non-standard workers etc. including the unemployed). The rights can only be restored if all healthcare contributions due for the previous 60 months are paid. If, in the meantime, the person had to pay for healthcare, the money is not refunded.

Insurance for sickness and maternity is voluntary for the self-employed. During maternity leave, the self-insured persons get 90% of the average daily insurable income for which they paid social security contributions in the previous 24 months. In order to qualify for maternity benefits they must have paid social security contributions for sickness and maternity for at least 12 months.

Spouses of persons who practice liberal professions are insured against invalidity due to sickness and death. They make pension contributions and also contributions for sickness and maternity/paternity.

Sickness and maternity benefits are paid from a common fund, so a person is either insured for both or for neither of these. For the self-employed, insurance for sickness and maternity is optional; for all other categories of employed persons it is mandatory. Eligibility conditions and the rules for calculating the amount of the benefit are the same for all categories of employed persons. A person must have paid insurance for at least six months in order to receive sickness benefits. The six months do not need to be consecutive or within any fixed period of time. The amount of the benefit per day is calculated as 80% of the average daily insurable income of the previous 18 months.

Social security contributions are not due for those self-employed persons who are insured for sickness and maternity for the duration of the illness, pregnancy and childbirth, and raising or adopting a child between the ages of 2 and 5. Contributions are not due either in cases where cash benefits were received during this period or if they were not entitled to financial compensation.

2.1.2 Maternity/paternity cash benefits and benefits in kind

The rules concerning maternity and paternity cash benefits are the same for all insured persons, but the self-employed can choose not to pay maternity/paternity contributions. In order to qualify for maternity/paternity benefits, a person must have paid contributions for at least 6 months, which do not need to be consecutive or within any fixed period of time. This means that access to maternity/paternity benefits is relatively easy, even for persons working part-time or on fixed-term contracts.

Maternity benefits (for 45 days before the birth and up to 1 year after it) are equal to 90% of the average daily earnings or the average daily insurance income for the 18 months preceding the maternity leave. The benefits for parental leave for taking care of a child aged between 1 and 2 years are equal to the minimum monthly wage. This means that maternity/paternity benefits during the first year are quite generous and very advantageous for high income groups. Many of the people in non-standard employment do not belong to such groups. During the second year, maternity/paternity benefits continue to be attractive for low income groups, i.e. those with earnings which do not much exceed the minimum monthly wage. This is an incentive to stay out of the labour market longer.

2.1.3 Old-age and survivors' pensions

There are no specific rules concerning the allocation of old-age and survivors' pensions to self-employed persons in Bulgaria. The formula for the calculation of the amount of the pension is the same for all. The pension formula takes into account the whole duration of service and the insurable income in each month. It thus strongly favours unbroken careers, which works to the disadvantage of many categories of self-employed.

Self-employed persons who have been granted pensions are not obliged to pay social security contributions, regardless of whether they are retired self-employed or persons who started working as self-employed after retirement. Since the law does not define the types of pension which grant an exemption from paying social security contributions, all pensioners are exempt, i.e. those receiving survivors, disability, 'personal' and other pensions. But self-employed pensioners can choose to pay social security contributions. A retired person paying social security contributions increases the duration of service and the amount of contributions paid and can thus receive a larger pension. Whether this is worth doing is a matter of individual detailed calculations and specific preferences in each individual case. Pensions are updated yearly.

2.1.4 Unemployment benefits and social assistance benefits

Almost all self-employed in Bulgaria are unprotected against unemployment. Indeed, there is no unemployment insurance in place for the self-employed, with the sole exception of sailors who could be considered as dependent self-employed.

The self-employed and persons who are not regularly employed (i.e. those working on fee-based contracts) do not pay contributions to the Unemployment Fund. Since they are not insured against unemployment, they do not qualify for any unemployment benefits.

Spouses of persons who practice liberal professions, of craftsmen, agricultural producers and tobacco producers are not insured against unemployment, even when they participate in the corresponding activity.

Members of cooperatives who are not regularly employed by the cooperative are also not insured against unemployment, even if they participate in the managing body of the cooperative. Such persons can also be considered self-employed.

Seasonal workers in agriculture who work on short-term contracts are also not insured against unemployment. Short-term contracts can even be one-day contracts. Such contracts were first introduced in 2015, based on a proposal by the Ministry of Labour and Social Policy.

Unlike unemployment benefits, social benefits are non-contributory and means-tested. So self-employed persons and all other categories of workers in non-standard employment are eligible for social benefits if they meet a means-test. The self-employed registered as sole traders have to discontinue their activity while receiving social benefits.

Self-employed persons, including dependent self-employed persons, are also excluded from receiving fringe benefits. Fringe benefits³ that are not received regularly (i.e. one-time benefits) are non-taxable, and are not taken into account when calculating the amount of social security contributions due by the person. In Bulgarian practice, some substantial fringe benefits are called 'social expenses' incurred by the employer. Social expenses may include items such as subsidised meals, private healthcare insurance, and support for childcare and recreational activities.

The two main social benefits in Bulgaria are the social benefits and the heating benefits. Both are means-tested. The self-employed have to meet the same conditions as any other beneficiary. The means test is derived by multiplying the GMI (BGN 65 after 2008, which is about EUR 33) by a specific coefficient.

2.1.5 Long-term care benefits

Persons with a sick family member have the right to leave work to take care of that family member. Every person insured for sickness is entitled to 10 calendar days of paid leave per calendar year to care for sick family members over the age of 18 and/or accompany them to medical examinations, investigations or treatment in the country or abroad. If it concerns family members under the age of 18, they are entitled to up to 60 calendar days of care leave in one calendar year (Georgieva et al., 2016). This kind of insurance is not mandatory for the self-insured. The eligibility rules are the same as in the case of sickness leave, i.e. rather easy to fulfil so persons in non-standard work also usually have access.

2.1.6 Invalidity, accidents at work and occupational injuries benefits

Occupational accidents in Bulgarian legislation are accidents that happen at the usual working place, in work canteens or in places where employees get their salaries. Certain accidents that happen on the way to and from work are also considered occupational accidents. An occupational disease is a disease which arises as a result of hazardous conditions at the working place.

The risks of accidents at work, occupational injuries and occupational diseases are covered by a special fund at the National Social Security Institute. The special module on occupational accidents to the Labour Force Survey from 2013 registered 10,800 self-employed and 91,000 employed who, during the year, had health problems caused or made worse by their current main job. The proportion of self-employed who had occupational accidents is 1 in 9 cases, approximately equal to the share of the self-employed among all employed persons.

Members of cooperatives who are regular employees are insured against these risks, but the self-employed are not, and this type of insurance is not available to them from the mandatory public social security system. There are various options for insurance against work accidents, occupational injuries and death offered by private insurance companies, available to everyone including the self-employed. Such private insurance packages can only be assessed on a case-by-case basis. However, some categories of self-insured persons can be employed on a regular basis while continuing to pay their social security contributions themselves. In such cases, they also pay contributions to the Fund for Occupational Accidents and Occupational Disease.

The lack of insurance against occupational accidents means that the self-employed do not qualify for benefits in case of temporary disability, disability pensions and medical supplies and vocational rehabilitation.

³ In-work benefits, also known as employee benefits or fringe benefits, include various types of mostly in-kind compensation to employees. The term 'fringe benefits' is in official use by international organisations and agencies.

The right to disability pension is granted to persons with a reduced working capacity of at least 50%. Pensioners with a degree of disability of at least 90% and in constant need of help receive an additional pension allowance that amounts to 75% of the social pension for old age. Pensions not related to employment are defined as a percentage of the social pensions for old age. The monthly social pension for old age was increased from the 1st of July 2016 to BGN 118.14 (EUR 60.40). Monthly benefits for care of a disabled child are received regardless of the family income. (Georgieva et al., 2016). The rules defining the access to all pensions not related to employment are the same for all categories of employed persons and the unemployed.

2.1.7 Family benefits

Family benefits in Bulgaria are allocated on the basis of a means test which takes into account all sources of income. It is therefore not related to labour market status. There are no specific provisions for the self-employed or for any other persons in non-standard employment.

2.2 Assessment of the existing social provisions and of the impact of possible extension of their coverage

Bulgaria displays an unusual pattern of at-risk-of-poverty or social exclusion (AROPE) by the activity status of the persons. The country has the highest rate of AROPE in the EU, but the rate of AROPE among employed persons who are not employees is lower than in the EU-28. The rate of AROPE among employed persons who are not employees is also lower than that of employees in Bulgaria. The category 'employed persons who are not employees' mainly consists of the self-employed.

Table 1. People at risk of poverty or social exclusion by most-frequent activity status (population aged 18 and over) in 2015.

	total	employed	employees	employed persons except employees
EU-28	22.9	12.5	10.4	24.8
Bulgaria	40.7	24.4	24.9	20

Source: Eurostat

The at-risk-of-poverty rate (AROP) among employees with a permanent job in Bulgaria in 2015 was similar to the average for the EU-28: 5.5% in Bulgaria and 5.7% in the EU-28. However, among employees with a temporary job the AROP rate in Bulgaria was 24.7%, while in the EU-28 it was 15.7%. The gap in the AROP rate among full-time and part-time employees in Bulgaria is also very large. In 2015, the AROP rate among part-time employees in Bulgaria was 30.3% which is much higher than in the EU-28 (15.3%). The AROP rate among full-time employees (6.7%) was a bit lower than in the EU-28 (7.7%).

For some vulnerable groups like the Roma, the choice very often is between being an employee on a non-standard contract (part-time, seasonal or both at the same time) or becoming self-employed though there seems to be a clear preference among these groups for full-time standard employment which, looking at the available data on poverty, seems like a very rational choice. On the other hand, self-employment seems to be a good choice for the more qualified labour force.

Indeed, many Roma men and women in Bulgaria declare that they would prefer a lower-paid, but secure job over a higher-paid but insecure and irregular job. These responses are similar to the responses provided by non-Roma neighbours. In reality, however, around 50% of all the Roma who work have periodical, seasonal or temporary employment, periodical employment accounting for almost half of the non-permanent types of employment (Gatti et al., 2016). Non-permanent employment either implies that they have to insure themselves or that they are active in the unofficial economy (and hence are not paying social security contributions). As a rule, non-permanent jobs do not

provide coverage against unemployment, because this is not foreseen for the self-employed under Bulgarian legislation. In Bulgaria, only slightly more than 50% of Roma have written contracts compared to more than 90% of non-Roma. Around 60% of the Roma who work pay social security contributions. Among the non-Roma who work, more than 90% pay social security contributions (Gatti et al., 2016).

Despite the improvement in the last 3-4 years, self-employment continues to be a tool for working in the hidden economy. A study by the Centre for the Study of Democracy, published in 2016, estimates the share of undeclared employment at 17.5%. Professor Colin Williams from the University of Sheffield told the Bulgarian media that in Bulgaria, people who are involved in the practice of undeclared employment usually do not work entirely in the unofficial economy. They usually declare only part of their income. The rest is received under the counter (Capital weekly, 2016). To improve the social protection of the self-employed, it is of utmost importance to reduce the size of the grey economy.

The choice of entrepreneurial careers among young people is a major challenge for the Bulgarian economy. Bulgaria has one of the largest proportions of young people Not in Education, Employment or Training (NEETs) in the EU. In 2015, the proportion of NEETs in the age group 15-29 in the whole EU-28 was 14.8% while in Bulgaria it was 22.2%. But this choice must be well-informed. Self-employment is good for the young when it is driven by new opportunities and not by the lack of other opportunities. The National Youth Strategy 2012-2020 has, among its goals, to increase the number of self-employed among the persons aged 25-29, including among young people with disabilities in this age group. This is because, according to statistics provided in this document, self-employment among people aged 25-29 in Bulgaria was less than 6%, i.e. way below the EU average. The same conclusion holds for young persons aged 15-24, although self-employment in this age group was not prioritised by the strategy. On the other hand, the strategy quotes a Eurobarometer flash report from 2012, which shows that young people in Bulgaria are among the most motivated to be entrepreneurs in the whole EU. In 2012, 74% said they would like to start their own business (National Youth Strategy, 2012-2015). It is not clear, however, to what extent these young people know what it means to be self-employed or realise all the obstacles they will have to face. To reach these targets, the National Youth Strategy 2012-2020 relies mainly on career centres, business centres and business incubators supported by EU funds.

The self-employed, however, are even less represented among the clients of job counselling services. For example, under the project 'Career Development for Employed Persons' funded by the European Social Fund, 10 Job-career centres were established. By mid-2015, the centres only had 362 self-employed out of more than 6,000 clients in total (MES, June 2015).

There is much room for increasing the overall role of self-employment in the economy, but this has to go hand-in-hand with better protection against unemployment and access to healthcare. An overview of the report of the Ministry of Labour and Social Policy for the three quarters of 2016 shows that self-employment is not among the main targets of public employment programmes (MLSP, 2016). In fact, self-employed, self-insured, own business and similar terms are not mentioned in the document. It should be noted, however, that the self-employed can participate in most programmes though this is not explicitly mentioned. We did not find any recent statistics on how many self-employed actually participated in the main EU-funded projects which form the bulk of public investment in innovative employment measures. Instead, there are many measures dedicated to supporting employers who hire disadvantaged persons on the labour market, especially young persons, and measures supporting apprenticeship and internships.

The only attempt to extend access to social security to non-standard workers was carried out in 2015 when short-term employment contracts were introduced in agriculture. It was an attempt to improve job security and guarantee the payment of social security contributions for short-term seasonal workers. This measure was criticised by many

(including the trade unions) because it enables employers to continue employing seasonal workers informally without being sanctioned. Indeed, employers are not obliged to conclude contracts before the start of the actual work. After the introduction of this type of contract in agriculture, employers and employer organisations in other sectors demanded to extend these short-term contracts to their sectors as well. According to trade unions, responding to such demands would lead to an overall deterioration of work security and the protection of the rights of workers.

the financial implications of a possible extension of coverage for the self-employed

The balance of the Bulgarian National Social Security Institute is negative: each year, a large transfer is made from the central state budget to compensate the deficit. In 2016, the transfer was BGN 4,719.25 million (EUR 2,412.91 million) out of a total budget of BGN 10,048.41 million (EUR 5,360.43 million), i.e. almost 2.5 billion, representing almost half of the total budget. Despite the reforms undertaken in the pension system, it is unlikely that this situation will change soon without a substantial increase in social security contributions.

The self-employed can decide on their monthly instalments, provided they are not less than the minimum and not more than the maximum monthly insurable income. The amounts of these benefits are determined annually by the Law on Budget of the State Social Insurance.

the conceivable consequences on the labour market of a possible extension of the coverage of the self-employed

In Bulgaria, a more comprehensive coverage of the self-employed for any of the risks covered by social insurance will most likely imply increased social security contributions paid by the self-insured. In the Bulgarian case, self-employment can hardly be considered an alternative to regular employment because it usually entails lower costs for social security contributions. The so-called sole traders (one-person businesses) are an exception to this as they carry one of the highest tax burdens in Bulgaria. Sole-traders are allowed to have employees and though there are a few businesses of considerable size registered as sole-traders, the vast majority are very small businesses without employees. Self-employed who are not registered as sole traders must pay every month at least the minimum social security contributions even if their actual income is below that minimum). In other words, economic incentives in Bulgaria do not operate to make self-employment or non-standard work a valid alternative to regular employment. Some of the most disadvantaged participants on the labour market prefer low-paid regular employment to self-employment, even if it provides higher but insecure incomes.

In Bulgaria, the self-employed have to pay a certain minimum of social security contribution regardless of their earnings during the corresponding month. At the end of the tax year, the self-employed declare their actual earnings and, if they earned more than the minimum, they pay additional contributions calculated on the difference. This measure, which in Bulgarian legislation is called 'advance' payment, is meant to reduce the prevalence of unregulated work and undeclared income among the self-employed. It serves this purpose to a certain extent but minimum insurance thresholds can negatively affect some of the self-employed with the lowest incomes. On the other hand, this is an investment in a higher pension in the future. The minimum insurable income has no negative effect on most of the liberal professions, especially those related to business services, where typical incomes are rarely below the set threshold. In such cases, the insured person can even benefit by postponing part of the social security payments due until the end of the tax year. Each month, the person must pay the defined minimum while the balance can be paid after submission of the yearly personal income return. But this is not the case for home workers, many dependent self-employed and agricultural workers although agricultural workers have a lower minimum insurable income.

scope for developing “individual social security accounts”, with a view to fostering transparency and transferability

Options for the introduction of individual social security accounts are not currently discussed in Bulgaria. There is actually a reverse trend to limit the use of individual accounts, even in the pension system, by allowing people to shift their individual accounts from a private pension fund to the state PAYG pension fund. This option is also relevant for the self-employed.

3 Conclusions and recommendations

The self-employed very often have to face ups and downs in their careers, sometimes related to the seasonal nature of their activities or to other social and economic factors. In periods when lucrative activity is discontinued for whatever reason, the self-employed can file a special declaration informing the tax authority, allowing them to stop paying social security and health insurance contributions until they submit a new declaration informing the tax authority that they are resuming their activity. This offers the self-employed some additional flexibility but easily results in the loss of health insurance rights and reduced pensions.

The provision of some instruments for unemployment insurance for the self-employed should be considered a priority issue. Currently, the self-employed do not have any other option to protect themselves against unemployment than to rely on their own savings. While we have no data on the savings of the self-employed we can safely assume that several self-employed categories, such as artisans and agricultural workers, could hardly have any savings due to low incomes. For many self-employed, work is actually either seasonal or occasional. While with seasonal work it is still possible to make some personal and family budget planning, occasional work more often than not leaves no scope for efficient planning.

We realise that defining what unemployment means among the self-employed would not be easy. Some of the rules for qualifying for unemployment benefits are basically inapplicable to the self-employed.

Seasonal work is another major self-employment issue. Employment seasonality is an important social risk, generating poverty and deprivation. It can also result in reduced access to some important services, e.g. in the fields of healthcare and education. Seasonal work often involves regular or circular migration. When it affects one or both parents it sometimes leads to irregular school attendance and increases the risk of school drop-out.

There is a need to review daily contracts for agricultural workers, an aspect criticized by employers and trade unions alike, although for different reasons. According to the Bulgarian definition, agricultural workers on daily contracts are employees rather than self-insured. But if a person would have to rely only on this type of seasonal employment they would end up without any health insurance and would most likely qualify only for a social pension at pensionable age. Therefore, seasonal employment in agriculture has to be combined either with some type of self-employment over the rest of the year or with employment in another sector. Employers complain that it is very difficult to take care of everyday filing of personal data while having to work in the field. In response to these complaints, parliament was considering allowing employers to conclude daily contracts within 14 days from the start of the work. Some agricultural employers said that collecting personal data later would be even more difficult, since seasonal agricultural workers change their employers every few days, moving from one field to another. On the other hand, trade unions were concerned about the opportunities daily contracts provide for hidden economy practices.

Access to healthcare requires a continuous period of regularly-paid health insurance, which is difficult for many categories of self-employed, especially those who have

irregular or occasional jobs. If a person has 3 or more months of unpaid health contributions in the previous five years, they lose free access to the healthcare system until they pay the contributions together with the accumulated interest. This measure was meant to reduce the number of uninsured persons by getting them to pay health contributions regularly.

Despite measures undertaken in Bulgaria, some 900,000 persons have no health insurance. There are no official statistics concerning the persons without health insurance and research on this topic is rare. A special survey in 2009 showed that 45% of them lived below the Eurostat poverty line (60% of the median income). Almost 60% of the persons without health insurance said they were unemployed. This does not mean that those persons were unemployed according to the official definition. Many persons on non-standard employment who are looking for more secure jobs subjectively perceive their own situation as a type of unemployment (Markova et al., 2009). This is an indication that the risk of ending up without access to health care is particularly high among the persons on non-standard employment. There are no detailed statistics on the share of self-insured persons among those with health insurance arrears who have lost their rights to access the healthcare package. The quoted survey also does not allow us to identify the self-employed persons among the uninsured. But we can assume that the risk of losing one's healthcare insurance rights is higher among the self-insured. Measures implemented by the government until now have only targeted those who could afford to pay but did not want to. There is a need to review healthcare insurance rules with a view to increasing participation in the healthcare insurance system. The self-employed should be one of the specific target groups.

It seems that efforts to boost self-employment are not very successful. In particular, a special programme to support entrepreneurship among the unemployed was not very successful. Starting a small business with state support of up to EUR 10,000 usually means creating a one-person business. There are no official reports on the programme's effectiveness, but demand was very low. Only 150-200 unemployed persons per year were willing to try it out, out of an estimated pool of more than 60,000 eligible persons (Sega, 25 May 2015). One of the reasons for that is the prevalence of dependent and forced self-employment and the high levels of insecurity due to the lack of any unemployment protection and the statutory pension rules. Media enquiries showed that there was no information at central level on the success rate of the supported start-ups. . It definitely makes sense to target young persons aged 16-29, as the Bulgarian government is trying to do in the framework of several national strategies. But the incentives should be based on realistic assumptions about the potential for self-employment. As part of the employment programmes, there is a need for much more training in order to support the self-employed. In particular, the lower-qualified segments need to improve their financial literacy.

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Annex 1

Note to the attached tables 1 and 2

- In Bulgaria, the following benefits are not related to employment status and employment history: 1) social assistance benefits 2) long-term care benefits 3) invalidity benefits (when invalidity is not related to work accidents) 4) family benefits.
- The answer to most of the questions depends on whether the categories 'full', 'partial' and 'none' refer to coverage as specified in the rules and regulations or to the actual situation.
- In Bulgaria, social security and health insurance depend on the amounts on which the person is insured and whether this happens regularly or with breaks. With the self-insured, it does not depend on the type of self-employment but on the monthly amounts they earn and the contributions they pay.
- Survivors' pensions do not depend on the characteristics of the survivor.
- We interpret the term 'full access' as a lack of any specific legal obstacles for the group in focus. Whenever the group is subject to the same set of rules as full-time employees we report full access. This does not mean that access in general is good. Nor does it mean that this specific group is not, in reality, constrained by non-legal and non-statutory factors to benefit in an equitable way from the social protection system.
- In Bulgaria, it is not unusual for the self-employed to work in the informal economy or to combine work in the formal and informal economy. We have added these options to the tables although such categories do not appear in the rules and regulations and in the official statistics.
- If part-time employees work at least half time this counts as a one-day service.

SUMMARY TABLE ACCESS SOCIAL PROTECTION: SELF-EMPLOYED

	On their own account	With employees (self-employed employer)	Dependent on single client	Dependent on contractual relationship with client	Freelance professions (e.g. doctor, notary, lawyer)
Healthcare - cash benefits and benefits in kind	Full	Full	Full	Full	Full
Sickness - cash benefits and benefits in kind	Full	Full	Full	Full	Full
Maternity/paternity - cash benefits and benefits in kind	Full	Full	Full	Full	Full
Old age pensions (preretirement benefits and pensions)	Full	Full	Full	Full	Full
Survivors pensions and death grants	Full	Full	Full	Full	Full
Unemployment benefits	None	None	None	None	None
Social assistance benefits	Full	Full	Full	Full	Full
Long-term care benefits	Full	Full	Full	Full	Full
Invalidity benefits	Full	Full	Full	Full	Full
Accidents at work and occupational injuries benefits	None	None	None	None	None
Family benefits	Full	Full	Full	Full	Full

SUMMARY TABLE ACCESS SOCIAL PROTECTION: CONTRACTUAL EMPLOYMENT

	Full-time employee	Part-time employee	Fixed-term employee	Temporary agency worker	Casual and seasonal workers	On-call workers	Zero-hour workers	Apprentices	Paid trainees
Healthcare - cash benefits and benefits in kind	Full	Partial	Full	Full	None	None		Full	Full
Sickness - cash benefits and benefits in kind	Full	Partial	Full	Full	None	None		Full	Full
Maternity/paternity - cash benefits and benefits in kind	Full	Partial	Full	Full	None	None		Full	Full
Old age pensions (preretirement benefits and pensions)	Full	Full	Full	Full	Partial	Partial		Full	Full
Survivors pensions and death grants	Full	Full	Full	Full	Full	Full		Full	Full
Unemployment benefits	Full	Partial	Full	Full	None	None		Full	Full
Social assistance benefits	Full	Full	Full	Full	Full	Full		Full	Full
Long-term care benefits	Full	Full	Full	Full	Full	Full		Full	Full
Invalidity benefits	Full	Full	Full	Full	Full	Full		Full	Full
Accidents at work and occupational injuries benefits	Full	Full	Full	Full	None	None		Full	Full
Family benefits	Full	Full	Full	Full	Full	Full		Full	Full

