

The impact of the COVID-19 crisis on poverty and social exclusion in Bulgaria

ESPN Flash Report 2020/34

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The COVID-19 crisis raises new challenges for the economy and social security system of the country, which has the highest proportion of people at risk of poverty or social exclusion in the European Union. Since a state of emergency was declared in Bulgaria on 13 March 2020, the Government has introduced some measures in an effort to contain the negative economic effects of COVID-19. In response to the pandemic, there has been a rise in civic solidarity.



Description

In 2018, Bulgaria recorded the highest at-risk-of-poverty-or-social-exclusion rate in the European Union: 32.8% vs 21.8% for the EU-27 average. The share of those severely materially deprived was also highest (20.9% vs 6.1%). As stated by the World Bank, Bulgaria's economy is set to plunge into a recession in 2020 due to the toll which the COVID-19 pandemic is taking on exports and domestic activity. Gross Domestic Product (GDP) is expected to decline by 3.7% in 2020, after 2019 was a year of robust economic growth, with a high employment rate and a strong rise in wages.

Special emergency legislation was adopted on 23 March 2020, introducing provisions to tackle the COVID-19 crisis. Social distancing and quarantine measures imposed as of 13 March 2020, when a state of emergency was declared, are already having a clear impact on the economy. In addition, statistics from the Employment Agency (EA) of Bulgaria state that about 87,063 people became unemployed in April, 58,744 (or 67.4%) of whom stated that they had lost their job as a result of the crisis. In May (the most recent data available to date), there were almost 300,000 unemployed – i.e. an increase of more than 68%, year on year. In the last quarter of 2019, the total number of unemployed was less than 140,000. According to the report from the EA, the sectors which let most workers go are accommodation and catering, the commercial and trade sector and manufacturing; the list is thus topped by

the service sector, which relies heavily on human contact and was therefore most affected by the lockdown. 31,478 persons lost their jobs in May. The unemployment rate was 8.9% in April, showing a rise of 3.3 percentage points compared to 5.6% in April 2019. It remained almost unchanged in May (at 9%), whereas at that time of the year employment usually shows a seasonal pick-up.

Poverty is projected to increase in 2020, given the job losses and rising vulnerabilities associated with the pandemic. Poor people are more vulnerable to health problems and unforeseen expenses, due to lesser access to healthcare and fewer savings to protect against financial calamity. Also, they are more likely to suffer from income losses as a result of quarantine and the disruption of economic activity. Hunger is expected to increase, especially in Roma communities and municipalities with a higher-than-average poverty and unemployment rate (such as the North-Western region). The Ministry of Labour and Social Policy (MLSP) has allocated 5.1 million BGN (€2.6 million) to deliveries of food to about 35,000 people in need under the Warm Lunch Programme during the period from May to 24 July; these lunches are delivered either to people's homes or (e.g. for the homeless or some people in quarantine) to public canteens or institutions. In addition, also as part of the package of measures adopted under the state of emergency, the MLSP reported that by the end of May, 58,000 persons had received food packages with support from the EU Fund for European Aid to the Most Deprived.

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Moreover, a new measure has been introduced, targeted at parents of children under 12 who have been on unpaid leave for at least 20 days as they cannot work from home during the state of emergency; it will grant them a one-off allowance of 375 BGN (€192).

Civil society is responding to the evolving crisis with a rise in solidarity. The National Network for Children reported that more than 6,500 children in 3,200 families living in extreme poverty were supported by civic organisations, and 4,404 food packages were distributed within the first month of the state of emergency. More than 800,000 BGN (€409,000) are to be distributed by the "United Against COVID-19" Fund. In addition, various fundraising campaigns are being organised to support people living in poverty and medical centres. More than 600,000 BGN (€307,000) were raised and distributed by the "#ZaDobroto" campaign ("#FortheGood" campaign) and the "BCause" Foundation, to hospitals, social services and frontline workers. Since the start of the state of emergency in Bulgaria, companies, NGOs and individuals have donated a total of almost BGN 38.8 million (€19,840 million) to fight COVID-19.

Outlook and commentary

The very high at-risk-of-poverty-or-social-exclusion rate which existed before the pandemic may place Bulgaria in an even more vulnerable position regarding the economic and social implications of the crisis.

Although the measures proposed by the government are well targeted, they do not offer enough support to tackle the socio-economic consequences of the pandemic, especially for those in need. The limited measures in

support of local business may not be enough to keep some important businesses afloat and may delay economic recovery, thus affecting the labour market and leading to an increase in the proportion of people at risk of poverty or social exclusion. (World Bank, 2020; World Bank Group, 2020.)

The Ministry of Labour and Social Policy has extended timely and targeted support to the most vulnerable groups of parents. However, a number of restrictions prevent the full range of parents in need from being covered, and the 375 BGN (€192) one-off payment is not sufficient to meet the needs of these households. Moreover, some early data from the largest municipalities (not yet confirmed by the government at aggregate level) suggest that take-up of this measure has been quite low. Conditions for granting the sum should be eased, and parents of more than one child should be provided with a larger amount. At the same time, the government refused to grant additional compensatory leave to working parents who were forced to take their annual leave during the pandemic when kindergartens and schools were closed, as this would cost 350 million BGN (€179 million).

Despite the measures already in place and the increased number of acts of solidarity being carried out by civil society, more systemic state support will be needed to tackle unemployment, poverty and social exclusion. For the 2020 agricultural season, long-term unemployed persons receiving social benefits are exceptionally allowed to do seasonal work without losing their entitlement to the benefit, in replacement for the 14 days per month of public service they should normally do by law. The take-up of this measure cannot yet be assessed, but the government estimates that there are around 20,000 potential beneficiaries – a relatively small number.

According to reports from the EA in May 2020, there have been fewer new beneficiaries of the programmes and measures funded by the European Social Fund, including training and job placements (1,700) than in May 2019 (2,900).

Further reading

Bogdanov, G. and Boyan Z. (2020). "COVID-19: Labour rights under the state of emergency in Bulgaria", ESPN Flash Report 2020/22, European Social Policy Network (ESPN), Brussels: European Commission.

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<https://www.bulnews.bg/article/377283>

Eurostat:

<https://ec.europa.eu/eurostat/data/database>

Eurostat (2019), "Downward trend in the share of persons at risk of poverty or social exclusion in the EU", News release, 16 October 2019:

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Ministry of Labour and Social Policy (MLSP):

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