


# The Center for the Study of Democracy


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## Initiatives to address undeclared work through partnerships, knowledge sharing, and research

### Bulgaria

	<p><b>Summary</b></p> <p>The interdisciplinary European-based public policy institute, the Center for the Study of Democracy (CSD), was established in 1989. With extensive expertise in the area of the hidden economy, among others, it contributes to the fight against undeclared work and the informal economy in Bulgaria, the EU, and the accession countries through knowledge sharing and effective policy solutions.<sup>i,ii</sup> The CSD collaborates with government bodies and experts in monitoring all aspects of these phenomena, resulting in the joint elaboration of prevention and deterrence measures.</p>
<p><b>Title of the practice in original language</b></p>	<p><i>Инициативи на Центъра за изследване на демокрацията за справяне с недекларирания труд чрез партньорства, обмен на знания и изследвания</i></p>
<p><b>Name(s) of authorities/bodies/organisations involved</b></p>	<ul style="list-style-type: none"> <li>▶ The Center for the Study of Democracy, CSD (<i>Център за изследване на демокрацията</i>);</li> <li>▶ General Labour Inspectorate, GLI (<i>Главна инспекция по труда, ГИТ</i>);</li> <li>▶ Ministry of Labour and Social Policy, MLSP (<i>Министерство на труда и социалната политика, МТСП</i>);</li> <li>▶ National Revenue Agency, NRA (<i>Национална агенция за приходите, НАП</i>);</li> <li>▶ EU Agency for Fundamental Rights, FRA.</li> </ul>
<p><b>Sectors</b></p>	<p>All</p>
<p><b>Target groups</b></p>	<ul style="list-style-type: none"> <li>▶ General Labour Inspectorate (directly targeted);</li> <li>▶ Employment Agency (directly targeted);</li> </ul>


	<ul style="list-style-type: none"> <li>▶ Ministry of Labour and Social Policy (directly targeted);</li> <li>▶ Policy makers from Bulgaria, the EU, and accession countries (directly targeted);</li> <li>▶ Non-governmental organisations, trade unions, and business associations (directly targeted);</li> <li>▶ Workers involved in undeclared work (indirectly targeted).</li> </ul>
<b>Purpose of measure</b>	Deterrence: improve detection

	<h3>Aims and objectives</h3> <p>Among other areas of expertise, the CSD seeks to understand and monitor the informal economy (including both undeclared work, as well as non-declaration of profits, and VAT fraud), to investigate solutions and countermeasures, helping Bulgaria, the EU, and the accession countries to tackle the hidden economy.</p>
<h3>Background context</h3>	<ul style="list-style-type: none"> <li>▶ With the establishment of market institutions and the approaching EU accession for Central and Eastern European countries (CEE), including Bulgaria, a number of actions were initiated to address the issue of the informal economy in CEE countries in the context of their accession to the EU.<sup>iii,iv,v</sup> For example, in April 2002 a roundtable entitled “The Informal Economy in the EU-Accession and Stability Pact Countries: Size, Scope, Trends and Challenges to the Process of EU Enlargement and Integration” was held in Sofia, with support from the European Commission, and in November 2002 the CSD organised an international conference in Sofia on “The Informal Economy in the EU Accession Countries: Size, Scope, and the Trends in Trafficking and Corruption”;<sup>vi,vii</sup></li> <li>▶ The CSD has been analysing the manifestations of the informal economy since 2002 to achieve the following:             <ul style="list-style-type: none"> <li>- To answer the need for better understanding and monitoring of the phenomenon;</li> <li>- To bring together a network of experts and policy makers capable of jointly finding solutions and introducing countermeasures;</li> <li>- To tackle the new labour market challenges after the onset of the economic crisis from 2008 and subsequently the COVID-19 pandemic.</li> </ul> </li> <li>▶ In 2002 the CSD established the first inter-institutional group of experts to study and design solutions for tackling the hidden economy in Bulgaria;</li> </ul>



	<ul style="list-style-type: none"> <li>▶ In 2002 the CSD also developed the first national tool to monitor the hidden economy in Bulgaria (Hidden Economy Monitoring System), eventually applied in six Western Balkan countries and several current EU Member States.<sup>viii,ix,x</sup></li> </ul>
<p><b>Key objectives of the measure</b></p>	<p><b>General objective:</b></p> <ul style="list-style-type: none"> <li>▶ To foster the reform process in Europe through impact on policy and civil society by engaging in dialogue and partnership;</li> <li>▶ To tackle the informal economy (including both undeclared work, as well as non-declaration of profits, and VAT fraud) through enhanced oversight, monitoring, prevention, and deterrence in Bulgaria, the EU, and the accession countries.</li> </ul> <p><b>Specific objectives:</b></p> <ul style="list-style-type: none"> <li>▶ To establish a network of experts (social partners, NGOs, academics, policy makers) from the EU and accession countries;</li> <li>▶ To regularly measure the components and manifestations of the hidden economy (including undeclared work) through easily interpretable indicators;</li> <li>▶ To enhance policy measures through provision of policy recommendations and dialogue with relevant agencies, inspectorates, and policy makers;</li> <li>▶ To ensure the cross-border transfer of knowledge and good practices (among the EU and accession countries) through study visits, joint research, and advocacy.</li> </ul>
<p><b>Main activities</b></p>	<ul style="list-style-type: none"> <li>▶ Since 2002 the CSD has been building networks of international experts and policy makers, conducting research, raising awareness on the topic through high-profile international conferences, and publishing the Hidden Economy Indexes;<sup>xi</sup></li> <li>▶ The CSD cooperates with the General Labour Inspectorate and the Ministry of Labour and Social Policy on a multi-partite and ad hoc basis (consultations, provision of policy recommendations, participation at joint events, sharing good practices, provision of training/guidelines for the General Labour Inspectorate);</li> <li>▶ Since 2006 the CSD cooperates with the EU Agency for Fundamental Rights (FRA), contributing to their labour market analyses. Since 2023 the CSD also provides monthly</li> </ul>

	information to FRA regarding the national measures promoting declared employment among refugees.
<b>Funding/organisational resources</b>	<ul style="list-style-type: none"> <li>▶ Promoting survey results among persons fleeing the war in Ukraine (2022-2023); EUR 19 000; funding body: FRA;</li> <li>▶ “Flows of illicit funds and victims of labour trafficking; unrevealing the complexities (FLOW)” (2018-2020); EUR 81 903; funding body: EC’s Internal Security Fund – Police;</li> <li>▶ The CSD’s Hidden Economy Indexes, EUR 4 800 (2009); EUR 19 000 (2012); funding body: Friedrich Ebert Stiftung. EUR 10 000 per survey, 2012-ongoing, funding body: SELDI initiative funded by the European Commission;</li> <li>▶ “The Informal Economy in the EU Accession Countries: Size, Scope, Trends and Challenges to the Process of EU Enlargement (INFOREC)” (2002-2003); EUR 37 000; funding body: European Commission;</li> <li>▶ “Out of the shadows: developing capacities and capabilities for tackling undeclared work in Bulgaria, Croatia, and FYR Macedonia (GREY)” (2013-2017); total budget EUR 1 263 163; funding body: 7th Framework Programme of the EU.</li> </ul>

	<p><b>Outcomes</b></p> <p>The CSD is a recognised centre of excellence in Europe providing research on the hidden economy and establishing a network of experts capable of providing solutions to the problem of the hidden economy. It has provided a key reference tool to experts and policy makers on the extent and dynamics of the hidden economy in Bulgaria (i.e. Hidden Economy Indexes).</p>
<p><b>Achievement of objectives</b></p>	<ul style="list-style-type: none"> <li>▶ The CSD has been recognised as one of the centres of excellence in researching and providing solutions for the hidden economy in Europe;</li> <li>▶ The Hidden Economy Indexes (including undeclared work) has become a key reference tool among experts and policy makers on the level and dynamics of the hidden economy in Bulgaria;</li> <li>▶ As part of the FLOW project (Flows of illicit funds and victims of human trafficking: uncovering the complexities, 2018-2020, <a href="https://heuni.fi/-/flow">https://heuni.fi/-/flow</a>), the CSD organised study visits for the Bulgarian General Labour Inspectorate to Belgium,</li> </ul>



	<p>showcasing how the Belgian prosecution and police investigate human trafficking and labour exploitation.<sup>xii</sup> The CSD contributed to the 2020 report, “Uncovering labour trafficking: Investigation tool for law enforcement and checklist for labour inspectors”;<sup>xiii</sup></p> <ul style="list-style-type: none"> <li>▶ In 2022 the CSD supported the EU Agency for Fundamental Rights (FRA) by researching the capacity of labour inspectors to implement the Employers Sanctions Directive (2009/52/EC, against employers of illegally staying third-country nationals), and carried out and promoted the results of a survey on the employment, education, and housing situation among 535 persons fleeing the war in Ukraine;<sup>xiv</sup></li> <li>▶ Through the initiative "The Informal Economy in the EU Accession Countries (INFOREC) (2002-2003)", the CSD transferred knowledge from the EU Member States (Austria, Germany) to the EU accession countries at that time (Bulgaria, Hungary, Romania, Slovenia, etc.). The knowledge exchanged related to the size, causes, and best policy actions presented at two international conferences on informal labour in 2003, which aimed to advise the Italian EU Presidency's strategy against undeclared work;<sup>xv</sup></li> <li>▶ The CSD also published a conference book and more than 15 articles in leading media on the causes, specific forms, dynamics, consequences of, and policy responses to informal economic activities in EU candidate countries. Two events held in 2003 focused on the problems with unfair competition, and the informal economy in the IT sector. The participants shared that hidden clause employment (i.e. under-declared work) and hidden turnover are the dominant forms of informality in the IT sector with some salaries being three to four times higher than officially disclosed;</li> <li>▶ The CSD transferred its knowledge to Croatia and North Macedonia through a review of EU Member States' best policy approaches, population surveys revealing the size and manifestation of the hidden economy in North Macedonia, and policy briefs (2013-2017). In 2015 the CSD co-signed a Memorandum of Understanding with the Ministry of Labour and Social Policy, State Labour Inspectorate, NGOs, and social partners from North Macedonia (FYR Macedonia at that time), setting up a task force against the hidden economy.</li> </ul>
<p><b>Lessons learnt and success factors</b></p>	<p>Lessons learnt and success factors include the following:</p>

	<ul style="list-style-type: none"> <li>▶ A critical factor for success is the political will of policy makers and public bodies to cooperate with social partners and NGOs (through joint task forces, signing of Memoranda of Understanding (MoUs), endorsement of policy recommendations);</li> <li>▶ Regular monitoring of all aspects of the informal economy (including undeclared work) through easily interpretable indicators, and consequent adoption of countermeasures is important;</li> <li>▶ Another key factor to success is the cross-border exchange of knowledge and good practices (through joint initiatives, research, surveys, and advocacy for policy reforms).</li> </ul>
<p><b>Transferability</b></p>	<p>All aspects of the practice are transferrable. To be successful in other Member States, the political will of policy makers and public bodies to cooperate with social partners and NGOs is needed, as well as the regular monitoring of the information economy, adoption of countermeasures, and cross-border exchange of knowledge and good practices.</p>

## Further information

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<p><b>Useful sources and resources</b></p>	<p><b>Center for the Study of Democracy (CSD) website:</b></p> <p><a href="http://www.csd.eu">www.csd.eu</a></p>

<sup>i</sup> For the CSD's areas of expertise see <https://csd.eu/about/csd-consulting/>

<sup>ii</sup> For more information on the Center for the Study of Democracy (CSD), see <https://csd.eu/about/mission/> and [https://en.wikipedia.org/wiki/Center\\_for\\_the\\_Study\\_of\\_Democracy\\_%28Bulgaria%29#cite\\_note-1](https://en.wikipedia.org/wiki/Center_for_the_Study_of_Democracy_%28Bulgaria%29#cite_note-1) and also see <https://www.nonproliferation.eu/thinktanks-2/csd/>

<sup>iii</sup> CSD, (2016), Hidden Economy in Southeast Europe: Monitoring and Policy Implications for Good Governance, SELDI Policy Brief No. 6. Available at: <https://csd.eu/publications/publication/seldi-policy-brief-no-6-hidden-economy-in-southeast-europe-monitoring-and-policy-implications-for/>

<sup>iv</sup> According to the OECD, Central and Eastern European Countries describes the following group of countries - Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, and the three Baltic States, Estonia, Latvia and Lithuania. See *OECD Glossary of Statistical Terms*. OECD Statistics. November 2, 2001. Available at <https://web.archive.org/web/20221025073423/http://stats.oecd.org/glossary/detail.asp?ID=303>



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<sup>v</sup>See [https://csd.eu/fileadmin/user\\_upload/publications\\_library/files/2003/2003\\_09\\_ENG\\_The\\_Informal\\_Economy\\_in\\_the\\_EU\\_Accession\\_Countries.pdf](https://csd.eu/fileadmin/user_upload/publications_library/files/2003/2003_09_ENG_The_Informal_Economy_in_the_EU_Accession_Countries.pdf) and <https://csd.eu/events/event/international-conference-the-informal-economy-in-the-eu-accession-countries-size-scope-and-th/>

<sup>vi</sup>See CSD, (2003), The Informal Economy in the EU Accession Countries Size, Scope, Trends and Challenges in the Process of EU Enlargement. Available at: <https://csd.eu/publications/publication/the-informal-economy-in-the-eu-accession-countries-size-scope-trends-and-challenges-in-the-proces-1/>

<sup>vii</sup> International conference: The Informal Economy in the EU Accession Countries: Size, Scope, and the Trends in Trafficking and Corruption, 29-30 November 2002. See <https://csd.eu/events/event/international-conference-the-informal-economy-in-the-eu-accession-countries-size-scope-and-th/>

<sup>viii</sup> Stoyanov, A. and Gerganov, A., (2016), Hidden Economy Indexes in Bulgaria 2002-2015: Results and Methodological Notes, Sofia, Center for Study of Democracy. Available at: <https://csd.eu/publications/publication/hidden-economy-indexes-in-bulgaria-2002-2015-results-and-methodological-notes/>

<sup>ix</sup> SELDI, (2016), Shadow Power: Assessment of corruption and hidden economy in Southeast Europe. Available at: <https://seldi.net/publications/reports/shadow-power-assessment-of-corruption-and-hidden-economy-in-southeast-europe/>

<sup>x</sup> Dr. Todor Yalamov, (2016), Hidden Economy in Southeast Europe: Building Regional Momentum to mitigate its negative effects, Policy Brief, December 2016. Available at: [https://csd.eu/fileadmin/user\\_upload/publications\\_library/files/23098.pdf](https://csd.eu/fileadmin/user_upload/publications_library/files/23098.pdf)

<sup>xi</sup> Since 2002 the CSD conducts surveys and publishes the Hidden Economy Indexes (including undeclared work) and policy reports (applied in Bulgaria, and later on - in the Western Balkans). See, for example, Stoyanov, A. and Gerganov, A., (2016), op cit.

<sup>xii</sup> FLOW: Flows of illicit funds and victims of human trafficking: uncovering the complexities (2018-2020). Available at: <https://heuni.fi/-/flow>

<sup>xiii</sup> HEUNI (2020), Uncovering labour trafficking. Investigation tool for law enforcement and checklist for labour inspectors. Available at: <https://heuni.fi/-/report-series-no.-95a#db641d9c>

<sup>xiv</sup> EU Agency for Fundamental Rights, (2023), Fleeing Ukraine: Displaced People's Experiences in the EU. Available at: [https://fra.europa.eu/sites/default/files/fra\\_uploads/fra-2023-ukraine-survey\\_en.pdf](https://fra.europa.eu/sites/default/files/fra_uploads/fra-2023-ukraine-survey_en.pdf)

<sup>xv</sup> The first roundtable "Grey Economy in Bulgaria – Recent Trends" organised in July 2003 focused on the informal economy in the IT sector. The second roundtable "Competitive Environment and the Informal Economy in Bulgaria" organised on 18 December 2023 dealt with the worst economic consequence of the informal economy – unfair competition – the additional non-market pressure it exerts on official businesses.