

# UNDECLARED WORK AND INFORMAL EMPLOYMENT IN BULGARIA

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Project title: THE IMPACT OF DEMOGRAPHIC DYNAMICS ON THE LABOR MARKET: ASSESSING EFFECTS ON KEY MACROECONOMIC INDICATORS AND APPLICATION FOR BULGARIA.

Research Group: Economics

Research field: Economy and demographic factors

## Project description

The project focuses on both theoretical and empirical research on the impact of demographic dynamics on the labor market and the assessment of effects on key macroeconomic indicators (labor demand, labor supply, labor productivity, economic growth, informal work and undeclared employment, unemployment rate, wage levels, etc.).

The application for Bulgaria, which is planned to be developed within the project, will enable the generation of medium-term and long-term projections for the labor market development under various demographic scenarios, to be implemented in an accessible software environment (MS Excel). The applied aspect of the project aims at transferring knowledge to public and private organizations in need of such projections.

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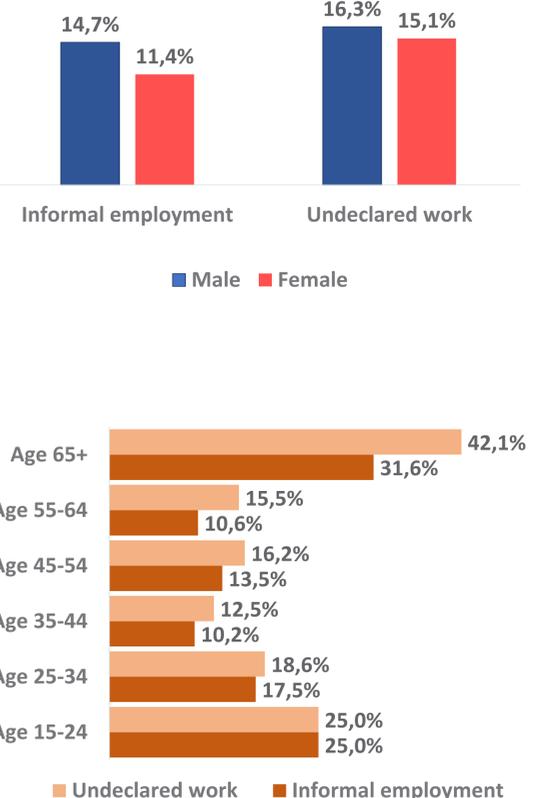
## Methodology

These findings are based on a national survey, representative with respect to age and sex of the employed persons in Bulgaria, with a sample of 1283 respondents, conducted in the first half of 2020 by Association of Industrial Capital and Confederation of Trade Unions in Bulgaria.

In order to determine how widespread undeclared work and informal employment are, respondents were asked (in face-to-face interviews) whether they or someone in their household had had a main job without a labor contract, or whether they had had a main job under a labor contract for a given remuneration plus an additional payment "in hand" in the last 12 months. Each respondent was asked to give one answer for themselves and one for the related person. Along with these questions other questions related to the potential factors for the informal employment and undeclared work were included in the questionnaire.

The survey data was processed and analysed with SPSS/PSPP. Descriptive statistics, sample comparisons and regression modelling were used.

## Results

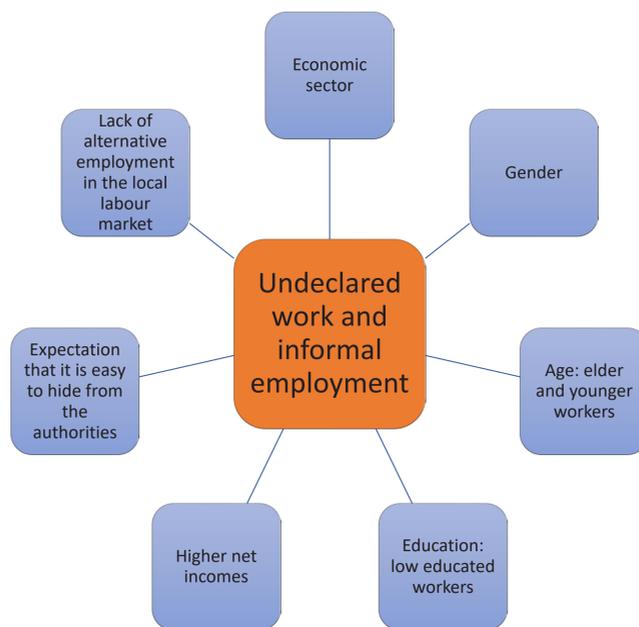


## Introduction and motivation

The presented research findings aim at exploring the undeclared work and informal employment in Bulgaria, particularly their penetration levels, factors and effects. The European Commission defines undeclared work as any paid activities that are not declared to public authorities, and informal employment as employment without contract. No official statistics provide information on the penetration levels, and studying this phenomenon suggest usage of survey data.

Based on a representative survey data we found that a significant number of workers in the Bulgarian labour market are working without an employment contract (informal employment) or receiving remuneration "on hand" in addition to their formal contract wage level (undeclared work). Therefore, the role of this labour market segment cannot be ignored.

## Factors of undeclared work and informal employment in Bulgaria



Source: Own calculations based on logit modelling

## Conclusion

### Policy recommendations:

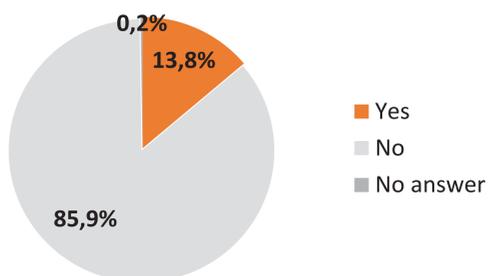
- Men, younger and elder workers and less educated employees are more likely to participate in undeclared work and informal employment.
- The ongoing changes in the labour market due to the demographic developments are suggesting higher risks of undeclared work and informal employment if no specific policies are not undertaken to reduce the vulnerability of these specific groups.
- Furthermore, the expectation that it is not difficult to hide from the authorities also suggest a need for effective interventions to stop the practices of undeclared work and informal work.
- The improvement of the business environment and the income levels as well as the reduction of the information asymmetry in the labour market would additionally limit the penetration of undeclared work and informal employment.

### Effects from undeclared work and informal employment on social and economic development:

Workers, employers and the government experience negative effects on labour rights, health and safety, social security and taxation:

- Fiscal burden due to less tax and social insurance revenues;
- Higher vulnerability in the labour market of the workers: currently and in the future when they are expected to retire;
- Higher risks of work-related accidents and incidents: occupational safety and health most often are not considered in such cases;
- Higher level of unregistered economic activities which additionally affect negatively the budget and the potential fiscal policy interventions.

## Informal employment



## Undeclared work

