



Factsheet on undeclared work – BULGARIA

March 2023

¹ This is an update of the [2017 factsheet](#)



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1.0 Nature and estimated scale of undeclared work

1.1 Legal definition

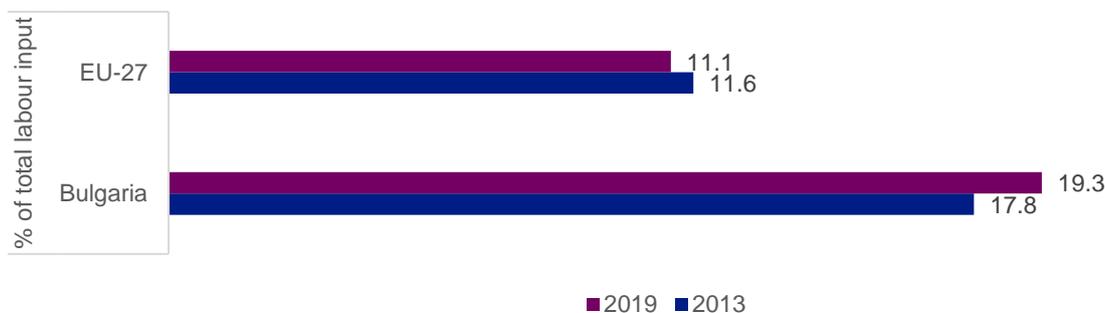
In Bulgaria, there is no definition of undeclared work established in the legal framework. Undeclared work is broadly considered as a significant part of the informal (shadow) economy, which comprises lawful economic activities for the production and exchange of goods and services, but which avoids labour state regulation, taxation, social security contributions and control.

1.2 Estimates of undeclared work

Estimates of undeclared work in this section are based on two available sources providing cross-country comparable data: Eurobarometer surveys and the Labour Input Method (LIM) study. Caution is required because of various limitations of the applied methodologies².

Examining the extent of undeclared work based on Labour Input Method (LIM) estimates³ in 2019, 19.3 % of total labour input in the private sector in Bulgaria was undeclared (17.8 % in 2013). Therefore, between 2013 and 2019, there has been growth in undeclared work. This displays the room for improvement in tackling undeclared work. The extent of undeclared work in Bulgaria was higher compared to the EU-27 average (see Figure 1 below).

Figure 1. The scale of undeclared work in the private sector in Bulgaria and EU-27, 2013 and 2019.



Source: Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Figures 3 and 6. Retrieved on 30 November 2022.

² Undeclared work can be measured both directly and indirectly. Indirect methods are based on the comparison of macroeconomic aggregates (such as national accounts). Direct methods, on the contrary, are based on statistical surveys and have advantages in terms of comparability and detail but tend to under-report the extent of undeclared work. There is a consensus among both practitioners and academics that a direct approach should be used more to explore the nature of undeclared work in terms of who engages in such work, why they do so, which forms of undeclared work they undertake, and their reasons for doing so. When estimating the magnitude of undeclared work, the consensus is supportive of the use of indirect methods that search for discrepancies in comparable sets of secondary macroeconomic data (i.e. data constructed and/or collected for other purposes). The LIM study is based on the indirect method, whereas Eurobarometer surveys on the direct method.

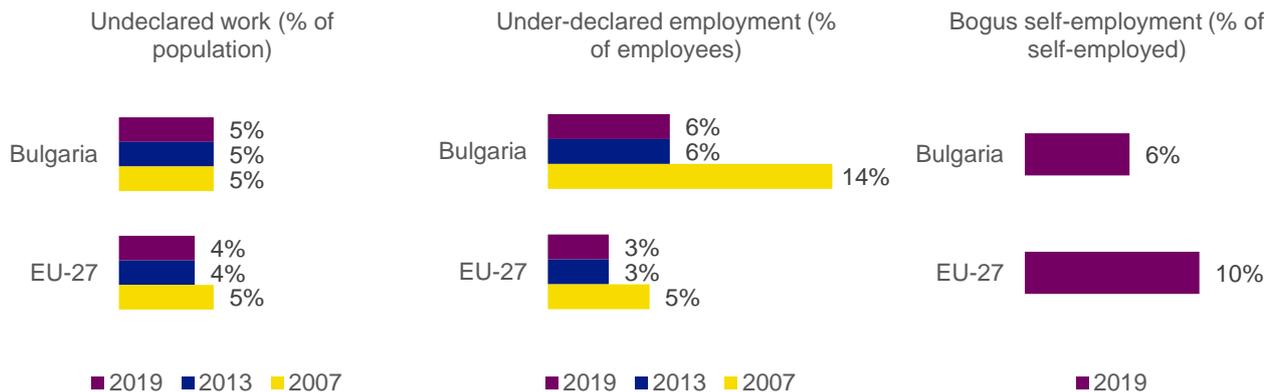
³ Williams, C.C., Bejakovic, P., Mikulic, D., Franic, J., Kedir, A. and Horodnic, I.A. (2017) [An evaluation of the scale of undeclared work in the European Union and its structural determinants: estimates using the Labour Input Method](#), European Commission, Brussels.

Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work.



The figures below indicate the current state and development of undeclared, under-declared and bogus self-employment between 2007 and 2019 for Bulgaria, based on Eurobarometer surveys. It should be noted that this is not a measure of the size of the undeclared economy. It only measures the proportion of the population who have engaged in undeclared work in the past 12 months. In some Member States, undeclared work may be more characterised by small-scale one-off acts of baby-sitting or home repairs and in others such work may be more regular wage employment relationships⁴.

Figure 2. Composition of undeclared work, Bulgaria and EU-27, 2007, 2013 and 2019



Source: Williams, C.C and Horodnic I.A. (2020). [Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys](#), European Platform tackling undeclared work. Figure 10. Retrieved on 28 September 2022.

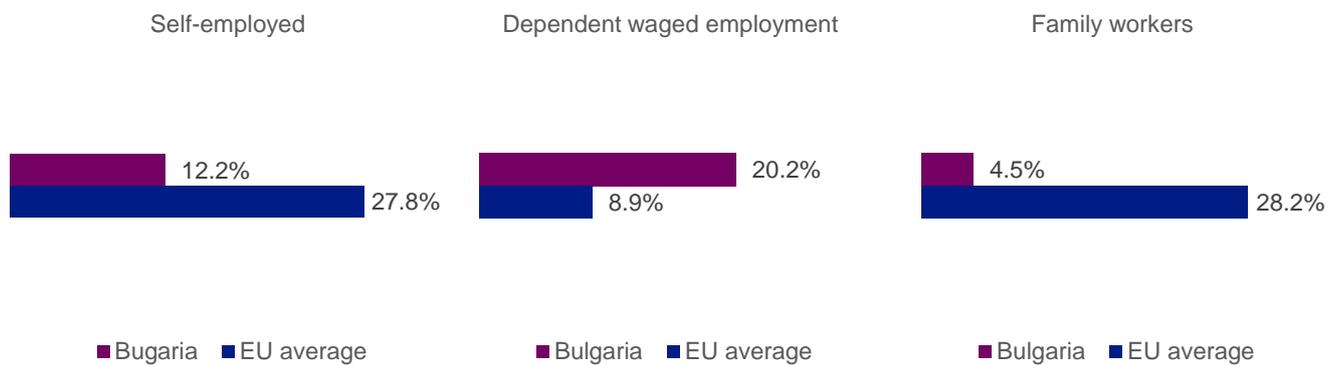
There are also marked differences in the prevalence of undeclared work in different types of employment relationship. Figure 3 gives a detailed overview of the extent of undeclared work in different types of employment relationship, namely self-employment, dependent waged employment, and family work. Analysing the 2019 Labour Input Method (LIM) estimates, in Bulgaria, 20.2 % of waged employment is undeclared measured as a share of total labour input, the proportion of self-employment that is undeclared is 12.2 % (measured as a share of their total labour input) and the proportion of family work that is undeclared is 4.5 %⁵.

⁴ Williams, C.C and Horodnic I.A. (2020). Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys, European Platform tackling undeclared work. Figure 10. Retrieved on 28 September 2022.

⁵ This data (taken from the labour force survey), is based on a small sample, which might affect its statistical reliability.



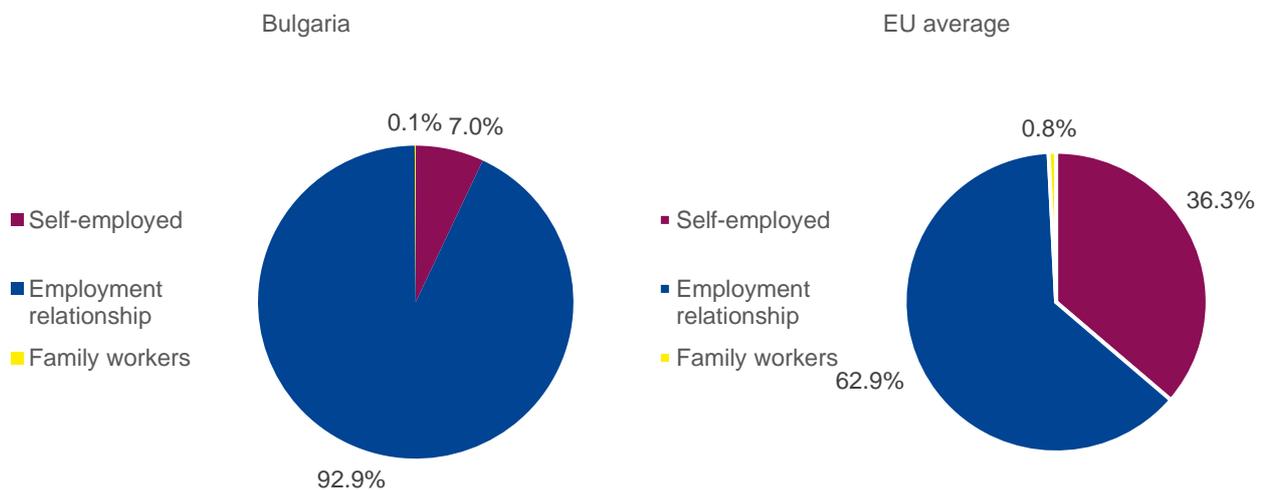
Figure 3. Prevalence of undeclared work in the private sector by type of employment relationship, Bulgaria, EU-27 average, 2019.



Source: Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Table 2. Retrieved on 30 November 2022.

Analysing the structure of the undeclared labour market in Bulgaria in 2019 using the LIM estimates (see Figure 4),⁶ the proportion of undeclared labour input that is waged employment is 92.9 % (62.9 % in the EU-27), 7 % of undeclared labour input is self-employment (36.3 % in the EU-27) and the proportion of undeclared labour input that is family work is 0.1 % (0.8 % in the EU-27). Therefore, compared with the EU-27, waged employment makes up a larger proportion of undeclared work and self-employment a smaller share.

Figure 4. Structure of the undeclared labour market in the private sector, Bulgaria and EU-27, 2019



Source: Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Figure 8. Retrieved on 30 November 2022.

⁶ Franic, J., Horodnic, I.A. and Williams, C.C. (2022), Extent of undeclared work in the European Union, European Platform tackling undeclared work. Retrieved on 30 November 2022.



The main types of undeclared work in Bulgaria, are, according to:

- ▶ **The National Revenue Agency (NRA) at the Ministry of Finance (MF):**⁷ working without a labour contract; with a contract with a lower official wage than the real wage; recruitment under, or at the minimum insurance threshold for the respective job; or declaring labour contracts as part-time work instead of the real full-time employment; and
- ▶ **The General Labour Inspectorate Executive Agency⁸ (GLI EA)** at the Ministry of Labour and Social Policy (MLSP): an employment relationship without a written labour contract, concluded before starting of the work; labour contracts not registered in the NRA; labour contract for part-time work but existence of the real full-time employment; undeclared work based on false calculation of working time that does not account for night, holiday and extra hours work; 'envelope wages'.

The relatively high proportion of under-declared work in Bulgaria compared to the EU average has been investigated by the Risk Management Directorate of the NRA. This Directorate has carried out a risk analysis related to the concealment of employee wages, and found that workers are given employment contracts with lower salaries than those actually paid and / or with fewer than the actual working hours (usually labour contracts for four hours or less), which result in the declaration and submission of lower social security contributions and income tax.

Hiring at a reduced work time is frequently used in Bulgaria as it fits the needs of many sectors such as HORECA, retail, transport, logistics, art, administrative services, florist, care services, etc. The type of employment – permanent or temporary is the main determinant of the risk of undeclared work. Temporary employment, including seasonal work is more likely to motivate undeclared work.⁹

The main broad sectors where undeclared work is found are wholesale trade and retail (food, garments, textiles); agriculture, food processing; services (repairs, advertising, accounting, waterproofing of buildings, funerals, taxi, security); trade in food commodities (grain, sugar, etc.); production and distribution of excise goods (cigarettes, fuels, alcohol); construction, real estate sales; tourism, hotels and restaurants and transport.

⁷ [Начало \(nra.bg\)](#), contact: infocenter@nra.bg, accessed 1 December 2022

⁸ [Welcome to Изпълнителна агенция „Главна инспекция по труда“ | Изпълнителна агенция „Главна инспекция по труда“ \(government.bg\)](#); contact: info@gli.government.bg, accessed 1 December 2022

⁹ Chengelova, E., Angelova, M. (2022). [Factors Determining the Undeclared Work in Bulgaria](#). – Economic Studies (Ikonomicheski Izsledvania), 31 (2), pp. 65-94



2.0 Institutional framework

2.1 Responsibilities and characteristics of organisations involved in tackling undeclared work

Table 1. Overview of key institutional features in Bulgaria for addressing undeclared work

Key institutional feature	Existence
A high-level coordinating body in the country	No
A national strategy for tackling undeclared work	No
Common cross-government strategic objectives and KPIs/targets for tackling undeclared work	No

Sources: Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.¹⁰

The key national authorities with responsibilities for identifying, tackling and/or preventing undeclared work are:

- ▶ **The National Revenue Agency (NRA)¹¹ at the Ministry of Finance (MF).** The NRA investigates (mainly) the aspects related to taxes and social insurance contributions. The NRA is a specialised body subordinated to the Ministry of Finance. The governing bodies of the agency are a board of directors and an executive director. The structure of the agency includes the central management and territorial directorates, and regional service offices.
- ▶ **The General Labour Inspectorate Executive Agency¹² (GLI EA)** GLI EA controls the implementation of labour legislation and imposes sanctions related to undeclared work.¹³ The GLI EA’s responsibilities include controlling the observance of labour law and legislation in the field of occupational health and safety, and promoting employment, labour migration and labour mobility in all economic sectors. The GLI EA is managed by an executive director and comprises a general administration, structured in four directorates, and a specialised administration, divided into two directorates and one general directorate. The GLI EA operates regional offices, subordinate to the general directorate.
- ▶ **The National Social Security Institute (NSSI)¹⁴** deals with social security payments and collects information about them, and;
- ▶ **The National Statistical Institute (NSI)** collects information on undeclared work for statistical purposes, including on its impact on gross domestic product (GDP) and gross value added (GVA).

¹⁰ A questionnaire survey that was sent to the 32 labour, tax and social security authorities participating in the European Platform tackling undeclared work (hereafter “the Platform”) in the 27 European Union member states plus Norway and Iceland (i.e., 28 labour authorities, 3 tax authorities and 1 social security authority), Replies received between December 2021 and February 2022.

¹¹ [Начало \(nra.bg\)](#), contact: infocenter@nra.bg, accessed 1 December 2022

¹² [Welcome to Изпълнителна агенция „Главна инспекция по труда“ | Изпълнителна агенция „Главна инспекция по труда“ \(government.bg\)](#); contact: info@gli.government.bg, accessed 1 December 2022

¹³ [Welcome to Изпълнителна агенция „Главна инспекция по труда“ | Изпълнителна агенция „Главна инспекция по труда“ \(government.bg\)](#), accessed 1 December 2022

¹⁴ [Home \(noi.bg\)](#), accessed 1 December 2022



In addition to the two main government institutions, social partner organisations are involved in tackling undeclared work, mainly through participating in working groups with national authorities and implementing projects to tackle undeclared work. Their key approaches are shown in Table 2 below.

Table 2. Overview of tools to tackle undeclared work used by social partners in Bulgaria

Social partner tools to tackle undeclared work	Existence
Raising awareness and changing behaviours through campaigns, awards, dedicated websites, etc., at sectoral and company level	Yes
Referring cases of undeclared work to enforcement and judicial authorities	Yes
Negotiating collective agreements which contain instruments to tackle undeclared work, including in supply or subcontracting chains	No
Supporting workers by protecting them when in undeclared work situations, and aiding transition into a declared work situation	Yes
Raising awareness of situations of undeclared work and making calls for action	Yes
Cooperating across borders in the fight against undeclared work	Yes
Performing research to identify the key reasons, manifestations, specifics and impact of undeclared work	Yes
Providing policy and legal advice on procedural and legal changes needed	Yes
Providing policy advice on where enforcement authorities should focus their efforts (e.g., bogus self-employment, particular sectors)	Yes
Taking part in consultations and working groups	Yes
Providing technical support to enforcement authorities in developing information tools, data mining and risk assessment, building websites and social media platforms	No
Establishing relevant contacts through their networks of members	No
Serving as access points to corporate databases	No
Conduct workplace inspections	Yes

Source: Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach. Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.

The social partners have been identified with whom enforcement authorities want to develop relationships on the issue of tackling undeclared work and the relationships sought between these and the enforcement authorities have been specified. For example, there is a specific agreement between the labour inspectorate and national representative trade unions.¹⁵

There are also national NGOs which carry out research activities on undeclared work. For example, since 2002, the Centre for Study of Democracy has carried out regular studies on the hidden economy¹⁶.

¹⁵ [Cooperation and partnership | General Labour Inspectorate Executive Agency \(government.bg\)](#)

¹⁶ Hidden economy in Bulgaria in 2016. Policy Brief No. 64, September 2016. Available at <https://csd.bg/publications/publication/policy-brief-no-64-hidden-economy-in-bulgaria-2015-2016/>



2.2 Cooperation and collaboration between authorities and cross-border authorities

2.2.1 The legal basis

The main legal basis for the work of authorities involved in tackling undeclared work are as follows.

Table 3. Key authorities and their legal basis to tackle undeclared work

Authority	Legal framework
National Revenue Agency	Tax and Social Security Procedure Code, Article 12 and Article 13.
General Labour Inspectorate Executive Agency	Labour Code, Article 402, Article 404 and Article 405a. Employment Promotion Act, Article 76. Labour Migration and Labour Mobility Act, Articles 68 and 69

Source: ELA (2022) Overview on responsibilities, inspection competences and legal frameworks in Member States, Cooperation Support Unit, (March 2022), unpublished.

2.2.2 Cooperation between authorities in Bulgaria

The institutions with functions to tackle undeclared work cooperate in applying deterrence and prevention measures. The rules and procedures of cooperation are laid down mainly in legislation and in signed cooperation agreements.

In 2009, the Labour Inspection Act was adopted to regulate the functioning of the national labour inspection system (before the Act, the coordination was based on multi-lateral and bilateral agreements). The tripartite Cooperation Agreement No85/29.09.2010 was signed between the NRA, GLI EA and NSSI. Working groups of experts from the three institutions:

- ▶ Define criteria for the selection of inspection objects/work premises; and
- ▶ Develop a strategy for joint inspections and rules for the exchange of information.

Specific measures are designed and applied for cooperation between the three institutions that work with employers, employed and self-employed.

In addition to the control activities and exchange of data, public authorities with functions relating to undeclared work cooperate in applying preventative measures. Examples include a joint campaign carried out by the NRA and GLI EA for the observation of labour, tax and social security legislation among companies located in Black Sea towns, resorts and holiday villages, and the design and publication of brochures and promotional flyers ('Money in envelopes', 'Get a receipt' and others).

The NRA, GLI EA and NSSI work actively with social partners, including when carrying out inspections of specific companies. Joined-up operations with other national organisations is a clearly defined strategic objective of the enforcement authorities. However, there are no targets for the proportion of all operations which are joint or concerted operations with other national organisations.¹⁷

¹⁷ Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.



The institutions adopt internal rules and procedures for organising the exchange of data. Based on signed agreements, regular exchange of data of mutual interest and need is carried out between enforcement authorities. Operational data are exchanged in the case of joint inspections and other activities. The GLI EA and NSSI organisations have mutual real-time access to each other's databases. The NRA maintains an employment register of labour contracts and provide access to this database to the GLI EA.

2.2.3 Cooperation with other Member States

Bulgaria does not have a national law regulating cross-border joint inspections¹⁸. In Bulgaria, a visiting inspector from another Member State will have limited competence - corresponding to an observer role. Evidence gathered during an inspection conducted in another Member State, in theory, could be used in court (although jurisprudence is conflicting).¹⁹ In procedural law, there are no explicit provisions made regarding the use and admissibility of such evidence in court. The evidence from other Member States in domestic administrative proceedings in Bulgaria can be used (with some limitations).

Cross-border cooperation is a clearly defined strategic objective of the GLI EA enforcement authority, and targets have been set for cross-border joint or concerted operations.²⁰ GLI EA is the country liaison office and participates in the exchange of information and control under Directive 96/71/EC concerning the posting of workers in the framework of the provision of services - including information on abuses - through the Internal Market Information System (IMI). The Agency is the competent authority to carry out the agreed activities under a signed trilateral²¹ agreement between Bulgaria, Romania and Greece, as well as under bilateral agreements concluded with France²², Germany, Poland and Norway. Both NRA and GLI EA participate in international working groups, projects and events at EU level on various issues regarding undeclared work.

At sectoral level, the European [project called 'Tackling Undeclared Work in the Construction Sector' \(TUWIC\)](#) has brought together employers' federations, trade unions and enforcement authorities in the construction industry in seven countries: Austria, Belgium, Bulgaria, France, Italy, Romania and Spain. In each country, trade unions, employers' federations and enforcement authorities in the construction sector worked together to develop a range of policy initiatives across the full spectrum of possible measures to tackle undeclared work in the sector. This project finalised with a joint statement by the European social partners in 2020, with concrete recommendations for tackling undeclared work and social fraud in the construction sector.²³

¹⁸ ELA (2020) Guidelines for concerted and joint inspections, Annex 4. https://www.ela.europa.eu/sites/default/files/2021-02/Item01_Guidelines-for-concerted-and-joint-inspections.pdf

¹⁹ Ibid, p.47

²⁰ Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach. Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.

²¹ Greece-Bulgaria-Romania Trilateral Meeting – Joint Statements (Athens, 12.05.2022) available at [Greece-Bulgaria-Romania Trilateral Meeting – Joint Statements \(Athens, 12.05.2022\) - Announcements - Statements - Speeches \(mfa.gr\)](#), accessed 1 December 2022

²² Please also see good practice fiche - France - [Bilateral Agreement of Cooperation with Bulgaria to tackle undeclared work](#).

²³ [Joint statement by the European social partners in the construction sector](#). Concrete recommendations for tackling undeclared work and social fraud in the construction sector. Brussels, 24 September 2020.



3.0 Policy focus and measures

3.1 Policy approach

Bulgaria applies a wide-reaching policy approach for tackling the shadow economy and undeclared work. In 2015, the government adopted a national strategy to increasing the revenue collection, tackling the shadow economy and reducing expenditures for the enforcement of legislation during 2015-2017.²⁴ The review of measures in the Action Plan of the strategy shows that although deterrence-oriented measures are prevailing, considerations are being made to apply preventive, curative and promotional policy approaches in tackling the informal economy. The final evaluation of the strategy noted the main results include improving compliance, increasing tax revenues, insurance contributions and fees, through greater efficiency in administering, encouraging voluntary compliance and preventing opportunities for tax avoidance and evasion.²⁵

Fighting undeclared work is one of the key strategic priorities in the current Labour Inspectorate Strategic Plan 2022-2025.²⁶ This foresees regular controls of employers relating to undeclared work in key risk sectors and activities prone to undeclared work, increased cooperation and exchange of information between enforcement authorities, and with social partners, and measures to raise awareness about the activities to tackle undeclared work amongst employers and workers.

3.2 Main policy measures

The 2022 holistic approaches study²⁷ indicates that four types of measures are commonly used in Bulgaria to tackle undeclared work - predominantly the use of:

- ▶ Penalty measures;
- ▶ Initiatives to increase the risk of detection (e.g., inspections);
- ▶ Incentives to make declared work easier and more beneficial;
- ▶ Education and awareness-raising campaigns and initiatives to modernise authorities to improve trust in government.

Annex 1 provides more detail on the specific policy measures used to tackle undeclared work.

3.3 Good practices²⁸

Good practices in tackling undeclared work have been explored by the European Platform tackling undeclared work. The following good practices addressing undeclared work are identified in Bulgaria:

- ▶ [Employment contract for short-term seasonal agricultural work in Bulgaria](#) (2017). An employment contract for short-term seasonal farm work may be signed between a worker and a registered farmer for one day's work or

²⁴ See <https://www.minfin.bg/bg/1297>, accessed on 13 January 2023.

²⁵ Ministry of Finance (2018) Evaluation Report on the implementation of the Single National Strategy for improving tax collection, tackling shadow economy and reducing compliance costs 2015 -2017 (2018), Ministry of Finance: Tax Policy in Figures (minfin.bg), accessed 24 November 2022.

²⁶ [strategicheski-plan-ia-git-2022-2025-g_0.pdf \(government.bg\)](#), Accessed on 24 November 2022.

²⁷ Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach, Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.

²⁸ [Virtual library | European Labour Authority \(europa.eu\)](#)



for four hours work in one day. The employer and worker sign a separate contract for each day worked. For an individual worker, the number of contracts of this kind must not exceed more than 90 working days in one calendar year.

- [Bilateral agreement of cooperation between France and Bulgaria to tackle undeclared work](#) (2019). As part of the fight against undeclared work, France and Bulgaria have ratified a Bilateral Agreement for enhanced cooperation between their labour inspectorates. The aim is to combat fraud in the posting of workers, in particular, through joint and concerted inspections between the two countries.

Other practices are available on the European Labour Authority [website](#).

3.4 Challenges and barriers

While undeclared work in Bulgaria is similar to the EU average, under-declared work is twice the EU average (Figure 2 above). Challenges to tackling this include implementing coordinated approach at national level and across borders. One of the major barriers to tackling this issue is the public’s attitude of acceptance to the problem; therefore, increasing people’s trust in the relevant institutions and raising public awareness of the negative effects of under-declared work can contribute to reducing this problem. While a wide range of deterrence policy measures are used, a narrower range of preventative measures exist to make declared work easier and beneficial and to modernise the formal institutions.

In Bulgaria, the citizens' perceptions of tax morale, horizontal trust and vertical trust is lower than on average in the EU. This is among the key drivers of participation in undeclared work (see Table 4).

Table 4. Level of tax morale, horizontal and vertical trust, Bulgaria and the EU

	Tax morale*	Horizontal trust**	Vertical trust: Tend to trust tax authority***	Vertical trust: Tend to trust labour inspectorate***
Bulgaria	8.26	38%	31%	31%
EU-27 average	8.55	36 %	49 %	49 %

Source: Williams, C.C and Horodnic I.A. (2020). [Trends in the undeclared economy and policy approaches Evidence from the 2007, 2013 and 2019 Eurobarometer surveys](#), European Platform tackling undeclared work. Figures 35, 36 and 37. Retrieved on 28 October 2022.

*Tax morale is an index where respondents were asked to rank five different types of undeclared work on a scale of 1 to 10 (recoded here as 1 representing ‘totally acceptable’ behaviour and 10 representing ‘totally unacceptable’ behaviour).

**Horizontal trust was measured as the percentage of respondents who personally know people engaged in undeclared work.

***Vertical trust was measured as the percentage of respondents who tend to trust the main state institutions tackling undeclared work.

Additional macro-economic and structural conditions of institutions affecting the prevalence of undeclared work in Bulgaria are provided in Annex 2.



Annex 1: Approaches used to tackle undeclared work

Table A.1. Approaches used to tackle undeclared work

Approaches used	Existence
PENALTIES	
Use of penalties and fines to prevent participation in undeclared work	Yes
Use of penalties to transform undeclared work into declared work	Yes
Penalties for people or businesses who buy undeclared work	No
Reclassifying false employment relationships (e.g., bogus self-employment)	Yes
Use of non-compliance lists ('blacklists')	No
Previous non-compliance excludes firms from bidding for public procurement contracts	Yes
'Naming and shaming' lists	No
RISK OF DETECTION	
Workplace inspections	Yes
Online/desk-based inspections	No
Joint inspections with other national inspectorates	Yes
Announced inspections	Yes
Cross-border inspections	Yes
Registration of workers prior to first day at work	Yes
Data matching and sharing to identify risky businesses	No
Use data mining to determine risky businesses for inspection	Yes
Coordination of data mining and sharing across government departments	No
Coordination of strategy on undeclared work across government departments	No
Use of complaint reporting tools (e.g. telephone hotlines) ²⁹	Yes
Certification of business, certifying payments of social contributions and taxes	Yes
Notification letters	Yes

²⁹ [Information and tools for working declared | European Labour Authority \(europa.eu\)](https://european-labour-authority.europa.eu/information-and-tools-for-working-declared)



Mandatory ID in the workplace	Yes
Supply chain responsibility (e.g., joint and several liability, due diligence)	No
INCENTIVES	
Supply-side measures (i.e., to stimulate suppliers to operate declared)	
Simplify procedures for complying to existing regulations (e.g., easier registration procedures; simplify forms; reduce duplication)	Yes
Compliance lists	No
Society-wide amnesties	No
Individual-level amnesties for voluntarily disclosing undeclared activity	No
'Formalisation' advice to start-ups	No
'Formalisation' support services to existing businesses	No
Targeted VAT reductions	Yes
Provide free record-keeping software to businesses	No
Provide fact sheets on record-keeping requirements	No
Provide free advice/training on record-keeping	No
Gradual formalisation schemes	No
Initiatives to ease transition from unemployment into self-employment	Yes
Initiatives to ease transition from employment into self-employment	No
Access to free marketing	No
Demand-side measures (i.e., to encourage purchasers to buy declared goods and services)	
Service vouchers	No
Targeted direct tax incentives (e.g., income tax reduction/subsidy)	No
Targeted indirect taxes (e.g., VAT reductions)	No
Initiatives for customers to request receipts (e.g., Lottery for receipts)	Yes
FOSTERING COMMITMENT TO OPERATE DECLARED	
Campaigns to inform suppliers of undeclared work of the risks and costs of working undeclared	Yes
Campaigns to inform suppliers of undeclared work of the benefits of formalising their work (e.g., informing them where their taxes are spent)	Yes
Campaigns to inform users of undeclared work of the problems of purchasing goods and services from the undeclared economy	No
Campaigns to inform users of undeclared work of the benefits of declared work (e.g., informing citizens of the public goods and services they receive with the taxes collected)	No



Normative appeals to businesses to operate on a declared basis	Yes
Measures to improve the degree to which customers of the enforcement agencies believe they have been treated in a respectful, impartial and responsible manner	No
Measures to improve labour, tax and/or social security law knowledge	No
Public information on the work and achievements of the enforcement authorities	Yes

Sources: Williams, C.C. and Horodnic, I.A. (2022). [Progress of national authorities towards a holistic approach. Study using a common assessment framework May 2022](#). European Platform tackling undeclared work.



Annex 2: Dashboard: overview of key indicators relevant to undeclared work

The dashboard below provides an overview of the key structural conditions that are associated with undeclared work. The trends in each driver display whether it improved ('green') or worsened ('red') in Bulgaria. For comparative purposes, the trends in each driver of undeclared work are also presented for the EU-27.

Table A.2. Trends in key structural drivers of undeclared work

BULGARIA				
INDICATOR	YEAR:		TREND 2009 vs. 2019	EU-27, 2019 ****
	2009	2019		
A. FORMAL INSTITUTIONS				
I. FORMAL INSTITUTIONAL RESOURCE MISALLOCATIONS AND INEFFICIENCIES				
1. Level of modernisation of government				
Government effectiveness (-2.5 to 2.5 (strong performance))	0.07	0.20	■	-
2. Formal institutions acting in a corrupt manner				
Corruption Perceptions Index (CPI) (0-100 (very clean)) *	41	43	■	-
Control of corruption (-2.5 to 2.5 (strong performance))	-0.23	-0.16	■	-
II. FORMAL INSTITUTIONAL VOIDS AND WEAKNESSES				
1. Modernisation Explanation - Level of 'development'				
GDP (current prices, euro per capita)	4 930	8 820	■	31 300
Human Development Index (HDI) (0-1 (highest development))	0.785	0.810	■	-
Social Progress Index (SPI) (0-100 (high)) **	73.24	76.26	■	-
Self-employment (% of total employment)	11.2	9.9	■	13.4
2. State intervention				
Burden of government regulation (1-7 (best))	3.1	3.7	■	-
Business flexibility index (0-10 (high))	7.89	7.81	■	-
Expense of government (% of GDP)	33.9	32.2	■	36.6
Research & Development expenditure (% of GDP)	0.49	0.83	■	2.23
Tax revenue (% of GDP)	18.6	20.5	■	19.7
Social contributions (% of revenue)	22.5	25.2	■	33.0
Impact of social transfers on poverty reduction (%)	17.42	23.65	■	32.38
Labour market policy (LMP) expenditure (% of GDP)	0.61	0.57	■	1.65
Unemployment rate (% of active population)	7.9	5.2	■	6.8
People at risk of poverty/social exclusion (% of total population)	46.2	32.8	■	20.9
Severe material deprivation rate (% of total population)	41.9	20.9	■	5.5
Inequality of income distribution (income quintile share ratio)	5.91	8.10	■	4.99
Gini coefficient (0-100 (perfect inequality))	33.4	40.8	■	30.2
Labour productivity (% change on previous period)	-1.7	3.7	■	0.7
III. FORMAL INSTITUTIONAL POWERLESSNESS				
Reliability of police services (1-7 (best))	3.0	3.9	■	-
Judicial independence (1-7 (best))	2.9	3.3	■	-
Rule of law (-2.5 to 2.5 (strong performance))	-0.04	-0.01	■	-
Regulatory quality (-2.5 to 2.5 (strong performance))	0.69	0.54	■	-
Voice and accountability (-2.5 to 2.5 (strong performance))	0.56	0.36	■	-
Trust in Government (% tend to trust)	44	28	■	35
Trust in Parliament (% tend to trust)	27	19	■	34
IV. FORMAL INSTITUTIONAL INSTABILITY AND UNCERTAINTY				
Democracy Index (0-10 (full democracy)) ***	6.84	7.03	■	-
Political stability (-2.5 to 2.5 (strong performance))	0.35	0.58	■	-
B. INFORMAL INSTITUTIONS				
Social capital (0-100 (high))	39.4	45.7	■	-
Tax compliance (0-10 (high))	3.10	5.06	■	-
	Year:	2013	2019	

Acceptability of undeclared work (% total 'unacceptable')



Firm hires worker on undeclared basis	82	75	■	82
Undeclared work by firm for firm	83	77	■	85
Undeclared work by individual for private household	60	61	■	67
Undeclared work by firm for private household	81	76	■	82
Someone partially or completely conceals their income	80	69	■	78
<i>Personally know people engaged in undeclared work (% 'yes')</i>	33	38	■	36

TREND (2009-2019): ■ = positive ■ = unchanged ■ = negative

Notes: * 2009 data not available; 2012 data used instead; ** 2009 data not available; 2014 data used instead; *** 2009 data not available; 2010 data used instead; **** EU-28 average for Expense of government (% of GDP); Tax revenue (% of GDP) and Social contributions (% of revenue)

Source of methodology: 2022 update by Horodnic, I.A. of the study by Williams, C.C. and Horodnic, A.I. (2020). [Horizon scanning: early warning signals of future trends in undeclared work](#), European Platform tackling undeclared work. Extraction date: 30 October 2022.