Chapter 11

Bulgaria

Tihomira Trifonova and Kamellia Lillova

Abstract This chapter focuses on older workers and extended working life in Bulgaria, considering of ageing biological, chronological, social and mental/cognitive aspects. Key factors involved in the discussion are financial security, pension arrangements and health, social and workplace characteristics. The demographic situation in Bulgaria has recently been defined in national debates as ‘one of greatest challenges facing the country in the 21st century’. The uses a gender perspective on employment, pension and health policies, and reflects on the on-going debate on extended working life.

Keywords Population ageing • Extending working life • Employment policies • Pension reforms • Gender and health implications

Gender and Employment in Bulgaria

Bulgaria’s longstanding experience of fertility rates below replacement level, accompanied by the emigration of young people, has resulted in national population decline since 1989. State demographic policy has been pro-natalist, although those policies have been ineffective. By early 2012 the population aged 15+ neither working nor searching for paid employment was over three million, meaning that nearly half of the national working age population was not included in economic activity, production or income generation, but nonetheless participated in the consumption of income (through pensions, social assistance and other social payments) (Vladimirova 2012). Almost two thirds (57%) of those outside the workforce are female, with particularly high proportions in other social groups such as Roma, people with low education, people with no professional qualifications and people with disabilities (Vladimirova 2011). The increasing rate of disabilities is largely due to the quality of healthcare

T. Trifonova (✉)

Sofia University “St. Kliment Ohridski”, 82 Dunav Street, 1202 Sofia, Bulgaria
e-mail: tiho@gateway.bg

K. Lillova

Institute for Population and Human Studies, Sofia, Bulgaria

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and working and living conditions. For natural reasons of advanced age, over 40% of economically inactive persons are aged 65+.

There are differences in the total working time of Bulgarian men and women (Rangelova 2014). Both men and women in employment are predominantly in full-time employment. Unpaid caregiving and domestic labour is mostly done by women. A frequent reason given to dismiss women from employment is that their partner has a business or employment, while no such justifications is given for men. Young women often have problems getting hired because they have young children or are of childbearing age, while young men do not encounter any difficulties related to (potential) fatherhood. These gendered differences contribute to a deepening gap in income after retirement. Higher work insecurity of women translates into income insecurity after retirement (Rangelova 2014).

The economic circumstances of Bulgaria's ageing workforce are multidimensional: the size of the labour force is diminishing; labour quality is impaired by skills losses resulting from emigration; the impact on the wages paid by employers is negative—all of this disrupts the stability of social systems. These processes have affected women even more negatively than men.

Over years of social transformations in Bulgaria, women's work situations have become stratified. Gender disadvantages are greater at higher age and for those with lower human capital. The greatest differences in earnings between women and men occur among those with primary or lower education level (women earn 69.8% of men's income) and those with basic education (women earn 70.8%); differences are smaller between men and women with higher education at bachelor's or master's-degree level (75.5%), and are lowest between people with doctoral degrees (88.7%) (Stoyanova and Kirilova 2008). Although women's labour force participation increased in recent decades, the gender pay gap persists despite women being more likely than men to attain tertiary education. Given the relative equality that has been achieved between men and women in education, and similar labour market involvement on a full-time basis, the persisting gender pay gap requires further explanation.

The family is subject to special protection by law, with a series of measures to protect working mothers against pre-and post-natal employment dismissal. Various types of paid leave are provided for pregnancy, childbirth, child adoption, raising children up to two years of age, for medical examinations, attending to a sick family and so on. Employers have certain obligations regarding the health protection of pregnant women and mothers of children up to the age of six, and mothers who take care of children with disabilities (LC 1986). Parents of children up to eight years of age are also entitled to unpaid parental leave for a period of six months without losing length-of-working years' time, which counts for the pension contributions.

Limited research has been conducted exploring the interplay of gender, work and retirement topics in Bulgaria. The focus of academic debate is on pension reform and its consequences at a macro-level, and on the economic implications of the demographic crisis. Income inequalities across the lifecourses of Bulgarian women with different educational levels have not yet been investigated, nor have the implications of extended working life.

The Pension System and Extended Working Life Policies in Bulgaria

The pension system in Bulgaria has undergone many changes since the 1990s, but the current model was introduced in 2000 (SIC 2000). The main objectives were to ensure pensions reflect the individual contributions made to the social security system, to strengthen and stabilise the Pensions Fund, and to introduce a new structure comprising three pillars—one solidary (state-based on social insurance) and two capital (market-based). The opportunity for early retirement of workers in precarious and physically demanding or risky work (the first and the second labour categories) was preserved, and also for some specific professions (military and police officers, teachers, ballet dancers and so on). For these groups, the required retirement age is gradually increasing (from 53 to 55 for the military and police officers, from 42 to 45 for ballet dancers starting since 1 January 2017), while the length of service has remained the same. People who have accumulated the required length of service may retire up to one year earlier with a reduced pension. The July 2015 amendment allowed employers to dismiss workers at retirement age and completed length of service with one month's notice.

Public pension contributions fell twice since 2000 (from 32% in 2000 to 16% in 2010), and remained at a low level of 17.8% for the next six years. People born after 1959 make reduced contributions of 12.8% to the state pension fund. The remaining part of the contribution (5%) is transferred to the second pillar. Cohorts born after 1959 will receive reduced state pension benefits at their retirement (NSSI 2015, 2017a; SIC 2000) but they will have second pillar pensions.

Contributions are determined on the insurable income, between lower and upper limits. The minimum insurable income is set according to economic activities and professional groups but is no less than the minimum monthly salary for the country (460ЛВ or €236 for 2017); the maximum insurable income is the same for all professions (2600ЛВ or €1329 for 2017) (SSSBA 2017).

Pension reform in Bulgaria aims to achieve a pension age of 65 for both women and men—by 2029 for men and 2037 for women, up from 64.2 for men and 61.2 for women since 2018. In 2027 the number of years of contribution from employment to earn a full pension will be fixed at 37 years for women and 40 years for men. Currently, women can retire at 61 with 35 years and four months of work. For specific professions with an early retirement option, the retirement age will also gradually increase (by two years on average). Overall, the frequency of retirement aged people employed is growing. The most important reason by far given for this decision is economic (86.6% of working pensioners), that is, to maintain an income that can provide a good standard of living. Avoiding isolation is also important (13.4% point out reasons such as opportunities for social contact, satisfaction with the work activity, and so on) (NSI 2012).

Leading economic analysts at the Institute for Market Economics define the pension instalments as having the same effect as a tax on labour market supply and demand (IME 2013). An extended working life pension policy introduced in 2007

changed the formula for pension calculations. With this new formula, if a person is entitled to a pension and continues working, the accrual rate for each year of contributable service increases during the post-retirement age period. Before 2012, the accrual rate was 3%, and was later increased to 4% (NSSI 2015). In 2012–2013 the retirement age and the required years of work were increased by four months. If people lost their jobs, older workers were obliged to register at the labour bureau as unemployed. The result was an increase in the number and rates of unemployed people age 50+ and especially 55+. A programme entitled ‘Assistance for retirement’ of the Employment Agency was developed to provide matching employment for unemployed older workers until they reach retirement age. No data or conclusions have been published on the impact of this programme.

The number of people receiving pensions has been increasing in absolute terms over the past ten years. This is partly due to pensions (such as disability payments) that are actually a form of social assistance because they complement the main pension. Some pension categories are not related to labour activity. Those include social pensions for old age, granted to people aged 70 when the annual income of a member of their household is less than the guaranteed minimum income established in the country in the previous 12 months. This social monthly pension is 120.98ЛВ, (€62), one-third of the amount that is set as the poverty line (314ЛВ or €160 for 2017); and social disability pension, granted to adults (16+) with more than 71% disability (NSSI 2017b).

Extended Working Life Employment Policies

Public policy for extended working life, i.e. postponing retirement, is often nullified by the practice of business organisations dismissing older employees after the age of 55. The actual reason is not so much the officially claimed reduced labour productivity of older workers (Vladimirova 2012) but the higher price of their labour due to supplements for longer years of professional experience. On the positive side, family policies exist. The availability, provision and accessibility of kindergartens, and the quality and diversity of service provision is a public policy (mostly at local government level) but also increasingly part of the corporate policies. Together with opportunities for parental leave provided to both parents, this creates better conditions for achieving equality in the working lives of men and women.

Over the last decade, the economic activity and employment of the older workforce has increased, especially for women (Rangelova 2016; Borissova-Marinova 2016). Older age employment increases mainly in the age group 55–64 years (58.2% in 2017) and is lowest for people aged 65+, mostly due to the increase in the statutory age and the minimum length of working years for retirement. As quoted in the Eurostat database (Eurostat 2017; NSI 2017), the employment rate for men aged 55–64 is higher than for women of the same age (62.5% and 54.3% respectively for 2017). About 40% of the unemployed and about 50% of long-term unemployed

are over 50 years of age (EA 2016). To promote the employment of people over 50, measures are being implemented, such as encouraging employers to create new jobs and hire the unemployed and long-term unemployed; flexible employment; promoting entrepreneurship; motivational training; adult education and so on (EPA 2002; EA 2016).

According to the results of the 'Transition from work to retirement' survey, the main reason for continued work after reaching the retirement age is to earn enough income for oneself and one's family. Respondents reported that safer and healthier work conditions would increase the motivation to continue one's active work life. People in pre-retirement age are more conservative in their attitude to the employment of retired persons because they perceive them as an imminent threat to their own jobs. There are two main reasons for the studied cohort's support for extended working life: salaries are generally higher than pensions, and longer working life means higher future pensions (NSI 2012). In Bulgaria, as elsewhere, women dominate in sectors with lower pay levels, while men generally work in those with higher pay levels and on management and governance positions. Gender disparities in pensions are consequently high.

Employment Obstacles Faced by Older People

Employers are generally unwilling to invest in the training of people over 40 and especially over 50, despite still having at least 10 years of expected economic activity. At the same time workers' qualifications were acquired decades ago and the technology level of modern production has changed skill requirements dramatically. Discrimination often occurs on this basis. Although older retired people are not those at the highest poverty risk in Bulgaria, they nonetheless represent more than a quarter of those in poverty and nearly one seventh of those in deep poverty.

Bulgarian legislation regarding anti-discrimination and equal treatment is fully harmonised with European regulations and international norms. Nevertheless, cases of unequal treatment and direct or indirect age discrimination exist and are quite widespread. The results of a national representative survey of the Research Institute of Societies and Knowledge show that women (60.5%) more often than men (55.4%) perceive being over 50 as problematic in the context of continued employment. In the capital city, this share is 73% for women. Older age is an obstacle from the perspective of 19% of employers and is among the most frequently quoted (15.5%) reasons for rejected job applicants. Discrimination against people over 50 on the labour market is double that experienced in younger age groups; in the case of multiple discriminations, age is one of the significant accompanying criteria. There are still employers who include an age limit in recruitment announcements, excluding part of the workforce from the opportunity even to apply for a job. As human rights organisations' surveys show, this discrimination at entry is facilitated by individuals' low awareness levels and poor legal knowledge of their rights, uncertainty as to which

institutions to address to defend their rights, and not least by the passive behaviour of the institutions that tolerate age discrimination.

Health Policies

Population ageing has serious public and economic consequences for Bulgaria's healthcare system. Higher costs are not due to ageing alone, but also due to unhealthy ageing. Many Bulgarians still lack necessary health promotion knowledge and preventive care. The efforts of general practitioners and specialised medical professionals, so far, seem ineffective, but their efficacy cannot currently be assessed because no toolkit exists for registering the results in the National Framework Agreement. There are no programmes for early detection of diseases before the emergence of clinical symptoms.

Several diseases such as cardio-vascular, cerebrovascular and cancer are much more frequent among older people compared with younger counterparts. The fear of competition and employment dismissal increases stress and stress-related diseases. Stress rates are especially high for those aged 45+ who have been trapped in unemployment, creating serious barriers to returning to employment and even greater problems relating to having interrupted careers.

Morbidity from chronic diseases is high, despite its downward trend since 1996. Among older Bulgarians there is particularly high frequency of cardiovascular diseases, respiratory system diseases, digestive system diseases, and neoplasms. Cardiovascular diseases and neoplasms are the main reason for chronic reduced work capacity and disabilities (34.2% and 20.8% respectively in 2016). These diseases are related to risk factors that include lifestyle (smoking, alcohol consumption, poor diet and lack of physical activity), and are the main causes of death and account for over 80% of all deaths (78.6% for men and 84.5% for women in 2016). The mortality rates of middle-aged men (40–65 years) are considerably higher than those of women (Lillova 2018) and the average life expectancy is 71.2 years for men and 79.2 years for women (7 years more).

Adapting Bulgaria's healthcare system to the needs of its ageing population requires optimisation, modernisation and rationalisation. Predictable problems are increasing healthcare costs, accounting for the needs of an older workforce, financing and development of additional health services, provision of complex health services for senior citizens, increasing health knowledge among all age groups, and promoting healthy lifestyles, in particular among people over 50.

Debate on Extended Working Life

The public debate on extended working life is dominated by what is understood as a demographic crisis and the stability of the pension system. Demographic ageing is

regarded as a major challenge for Bulgaria (Voynova 2013). There is a widespread belief that social security is failing in its purpose today but will do so much more in the future. The fear of losing future pensions weakens intergenerational solidarity. Arguments that future pensions cannot be guaranteed dissuades people from paying contributions now.

A leading argument in ongoing public discussions is that pension reform is allegedly leading to informal employment without social protection and higher unemployment among older people. Pension reform was based on the assumption of longevity in good health, preserved productivity and possible access to employment for most people. However, a large proportion of both employers and employees do not support the idea of extended working life. The attitude of the employees is due to fear of insecurity and impoverishment. Employers explain their reluctance to hire older people due to the cost of higher social security contributions and perceived diminishing productivity and qualifications of older workers (Slavyanska 2017).

Public surveys show that people up to the age of 65 are more inclined to work than cease their economic activity earlier because they (1) feel fit enough to work; or (2) wish to avoid reducing their income (NSI 2012; Mihova 2013). The desire for early retirement is driven by fatigue, deteriorated health, or having a safe income in the form of a pension. In the case of early retirement, only one third of early retirees intend to live only on their pensions; the rest intend to continue earning. The main preferences are for flexible employment and the majority are not ready to accept any job available. Only 30% express readiness to get involved in formal employment programmes (National Employment Action Plans).

Gender and Health Implications

The trend of employment growth among the adult labour force is mainly due to the extended retirement age and fear of income insecurity. One explanation is that the active employment policies pay more attention to providing employment to the unemployed in pre-retirement age than to stimulating more prolonged and productive employment. Since women form the majority of people outside the workforce, active employment policy can have a positive influence on them, in particular on women with low or no qualifications who could potentially provide paid care and thus secure some income after retirement. However, no systematic research has been done so far on the health implications of extended working life in the country.

Increasingly, Bulgarian workers want to develop in their professions, improve their qualifications, stay at work longer, have higher incomes and be secure in their old age. Yet women are still the first choice at times of mass dismissal of workers and, combined with a persistent pay gap, therefore suffer from greater income insecurity during both work and retirement. Older people and pensioners are a substantial group among impoverished Bulgarians. Merging social assistance with the social security system lays a burden on the latter and prevents the implementation of an adequate

policy to the groups most at risk. The differences between men and women's financial situation after 60 are very substantial. While the poverty rate among men aged 60+ is around 20%, it is 30% among women of the same age. This gap widens in the age group 75+, but that is not reflected in policies. Extended working life without accompanying complementary policies is likely to have negative implications specifically for women, with unknown health consequences but clearly negative psychological consequences.

The socially significant gender differences grow with age and so does the pay gap. Although they have longer life expectancy, women more often suffer from fatigue and various chronic health problems, which reduces their ability for extended work (Zlatanova 2015). However, very low pensions have led to very high proportions of retired women living in poverty in Bulgaria. At the same time, employers are not willing to retain older employees in the workforce except in isolated cases (e.g. the national shortage of teachers). Understanding the complexities of shaping responsive policies will necessitate further research on the topic.

Policy Recommendations

Policies for integration and support of older workers should assist their participation in the economy to stop the loss of their knowledge and experience. The specific measures to implement this policy may vary, but should include both national level policies and the efforts of both public and private sector organisations.

Pension reforms have contributed to insecure employment and greater unemployment of older workers. Reforms were based on the hypothesis of longer life in good health, preserved productivity and access to employment for the majority of this population, which for many older Bulgarians are invalid assumptions. It is important to preserve the option of earlier retirement for some workers, for several reasons: it may be impossible for them to remain at work contrary to their wish (dismissal or performance difficulties); when they are unemployed with slim chances of finding a job or the job they are offered is low-qualified and low-paid, and would reduce their future pension substantially etc. Those who opt for early retirement can receive employment income, but at the expense of social security instalments in proportion to their years of service and legally established retirement age. This arrangement will not decrease expected levels of contributions to the social security system. The benefit will be the right to make a choice and reduced morbidity because of stress and cardio-vascular diseases. The right to an informed and supported choice when considering retirement would be a huge step towards true democracy and control over one's own life.

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