

WOMEN'S ALLIANCE FOR DEVELOPMENT FOUNDATION
AGENCY FOR SOCIAL ANALYSES

WOMEN IN THE INFORMAL ECONOMY IN BULGARIA 2004

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According to the Constitution of the Republic of Bulgaria "Citizens shall have the right to work. The state shall take care to provide conditions for the exercising of this right.... Workers and employees shall be entitled to healthy and non-hazardous working conditions, to guaranteed minimum pay and remuneration for the actual work performed, and to rest and leave, in accordance with conditions and procedures established by law." (Art. 48: 1-5) The Bulgarian government has the obligation to ensure that women's economic rights are met.

This report analyses the present situation of women in the informal labour market in Bulgaria and calls for developing a gender sensitive strategy to ensure the economic rights of women. The report argues that the informal economy gives women real or illusory opportunities to survive and maintain a decent standard of living in the present day, but it deprives them of prospects and social security in the future.

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FOREWORD

The impact of the transition processes in Central and Eastern Europe (CEE) on both populations generally, and women specifically, continues to cause debate among experts and policy makers. Clearly, many people have benefited from opportunities that have emerged during the transition. It can also be argued that economic restructuring, which has led to a dramatic increase in unemployment, poverty and inequality, has had a negative impact on the economic security of both men and women.

Women in the CEE region continue to suffer discrimination and violation of their rights, most notably in their unequal participation in decision-making and as victims of violence, and according to some evidence, also in employment. However, conclusions about women's position in the labour market are often conflicting due to inadequate data as well as an inadequate understanding of existing data. The United Nations Development Fund for Women (UNIFEM) therefore believes it is important to support initiatives that shed light on women's true situation in economic life through in-depth analysis that applies a human rights lens, particularly in areas that remain hidden behind conventional quantitative measures.

This case study is one of four supported by UNIFEM. All four studies revisit available data, but go beyond, to examine the data limitations and flag the questions to which

available data cannot provide answers. Each study explores a specific aspect of women's engagement in economic life in the national setting: the link between women's lack of economic opportunities and their vulnerability to trafficking in Albania; women's engagement in informal work in Bulgaria; women's low labour market participation and high unemployment in Kosovo, and; women's working conditions in the Former Yugoslav Republic of Macedonia. UNIFEM support for the four case studies was premised on a belief that the process of working on them was as important as the product. Indeed, work on these reports has strengthened the capacity for analysis of women's position in the labour market. Cooperation between gender equality advocates, experts (economists and statisticians in particular), and policymakers has also been strengthened. Finally, the research and consultation process has contributed to greater awareness of the need to improve both the gathering of gender statistics as well as the analysis of existing employment statistics.

The case study *Women in the Informal Economy in Bulgaria* explores the reasons behind women's employment in the informal economy and elaborates on the challenges and limitations of informal employment in the Bulgarian context, in particular with regards to social protection. The report is the culmination of an extensive collaborative process in which experts and women's organisations from across the

country took part. The case study serves to promote a more favorable policy environment that addresses the negative impacts of informal work for women and honors women's rights and economic security.

The findings that emerge from *Women in the Informal Economy in Bulgaria 2004*, as well as the findings from the three other case studies, will feed into a new UNIFEM regional report: *The Story Behind the Numbers: Women and Employment in Central and Eastern Europe and the Commonwealth of Independent States*. These reports will serve to advocate for the integration of gender dimensions within employment and economic development plans, in line with national and international commitments to gender equality and the full realization of women's human rights.

A handwritten signature in black ink, appearing to read 'Osnat Lubrani', written in a cursive style.

Osnat Lubrani
Regional Programme Director
UNIFEM Central and Eastern Europe

INTRODUCTION

The current report reflects findings and recommendations emerging from the project entitled “*Women in the Informal Economy in Bulgaria*,” conducted in 2004 and 2005 by the Agency for Social Analyses (ASA) and the Women’s Alliance for Development (WAD) Foundation, and carried out with the financial and technical support of UNIFEM. The report answers a question that is extremely relevant for Bulgaria and other countries: *What are the benefits and negative impacts of informal work for women?* The project also sought to build the capacity of women in Bulgaria to answer this question themselves.

The project had two major goals. The first goal was to clarify the status of women in the so-called informal economy, also widely known as “grey” or “shadow” economy, by providing an in-depth qualitative research of women’s situation in the informal labour market. This will contribute to a better understanding of women’s motivation behind and attitude towards informal work involvement, and will also explain the consequences and risks of such activities for women informal workers and their families. The second goal of the project was to train representatives of the WAD national women’s network in collecting, analysing, and using qualitative empirical data.

The analysis presented in this publication describes primarily how and why women in Bulgaria are involved in the informal economy. The study shows the differences between various demographic groups of women, the venues where informal activities take place, and the need to address the negative impact of informal employment on women. The data set collected may be used to develop recommendations and strategies that adequately respond to specific manifestations of the informal economy. Generating a public debate based on new and solid data would not only contribute to a better understanding of the situation, but also be instrumental in finding novel and more efficient mechanisms to improve the quality of life of women in Bulgaria. This report makes an important contribution to addressing the issue of informal work in the country.

METHODOLOGY

To achieve the project's goals and objectives, the project team undertook desk research and secondary analyses on the available data and, based on the information found, proceeded with primary qualitative research. Interviews and focus groups were conducted with approximately 100 women from three types of locations – villages, small towns and cities (administrative centres). The selection of respondents was based on a combination of snow-balling¹ and quota sampling² approaches. It included women from different socio-demographic profiles based on age, education, employment status, marital status, and residence.

In addition to collecting and analysing qualitative empirical data on women in the informal economy in Bulgaria, 35 representatives of women's organizations within the national WAD network were trained to conduct in-depth interviews and focus groups, and to analyse empirical results in order to build their capacity to undertake similar studies in the future.

¹ Snowball sample is a social research method in which each person interviewed is asked to suggest additional people for interviewing.

² In quota sampling, the population is first divided into sub-groups and then the interviewer selects the subjects or units from each segment based on a specified proportion.

RESEARCH FOCUS

Based on desk research and discussions with women's organizations, the project team identified several key thematic areas that would shed light on women's involvement and experience in the informal labour market:

- > *Where do women work* – formal jobs (if any), in the family/household, additional informal employment/work, such as private/subsistence farming, cottage-industry employment (i.e. home-based employment), etc.
- > *How widespread is women's participation in informal work?*
- > *Who contributes to the family budget and how* – are there differences by sex in the likelihood and degree of people's engagement in informal work?
- > *What is women's role in working on the family/household plot* – is family farming a business or a survival mechanism for Bulgarian households? To what extent do women want to participate and actually take part in this traditional form of work in Bulgaria? How does it affect their lives?
- > *What are the benefits and negative impacts of informal work for women?*
- > *What are the work conditions of women informal workers?* To what extent are they willing to work under poor work conditions in the informal sector, i.e. without secure labour contracts, labour and social protection, etc.?

> *How knowledgeable are women of the informal sector and how do they perceive it?* – is informal work considered illegal, normal, necessary, etc.? What is the opinion of women engaged in informal work? (considering that many everyday activities regarded as “normal” fall within the informal sector and verge on trespassing the law, sometimes without women’s full awareness of this fact)

> *Are women aware of their economic rights and are they inclined to seek protection in case of violations?* If so, when, how and where? Can women identify the institutions that may help them? Which institutions are deemed most reliable?

> *Does 'nationalism' exist in the informal sector?* Are there preferences for or differences among employers based on their nationality? Do women experience exploitation in foreign owned companies?

TARGET AUDIENCE

The current analysis and recommendations address a wide audience. The issue of women in the informal economy is as much an economic as a political, cultural and social issue. It concerns a considerable part of Bulgarian society and calls for action by administrative and legislative bodies as well as by the non-governmental sector. The project findings and recommendations primarily address:

> *Legislators, policy-makers and politicians*, since developing policies and legislation that affect workers in the informal market and do not perpetuate the negative consequences of informal work requires an adequate and full understanding of the situation.

> *Public administration bodies*, which should be familiar with the reality on the ground and should protect citizens under existing legislative acts guaranteeing workers' and employees' rights.

> *Trade unions and employer organizations*, to help them strengthen their activities in labour rights protection and the creation of more formal employment opportunities.

> *Civil Society and NGOs*, especially women's organizations, in order to raise awareness of the issues and enable them to promote and advocate for women's rights both among stakeholders and women involved in informal work.

> *Women involved in informal work*, in order to make them fully aware of the negative impacts and benefits of informal work and the need to press for adequate policies and measures.

DEFINING INFORMAL WORK

This report is based on the following theoretical and conceptual framework:

> The term 'informal work' used in the report is consistent with 'informal economy' adopted by the International Labour Organization (ILO)³. It covers work both in and outside informal enterprises and is "understood to include all remunerative work – both self-employment and wage employment – that is not recognized, regulated, or protected by existing legal or regulatory frameworks and non-remunerative work undertaken in an income-producing enterprise." (ILO 2002b, p. 12) This is a two-dimensional approach which includes informality in both enterprise and employment relations. The definition of 'informal economy' used in the report also corresponds to what the EC denotes as 'undeclared economy' – "productive activities that are lawful as regards to their nature, but are not declared to the public authorities, taking into account the differences in the regulatory system between Member States" (Renoy et al., p. 7).

³ The original definition of the informal sector was adopted in 1993 in the Resolution concerning Statistics of Employment in the Informal Sector and focused narrowly on the informality of enterprises. The informal sector was defined as a "group of household enterprises or unincorporated enterprises owned by households that includes informal own-account enterprises...and enterprises of informal employers" (ILO 2002b, p. 11).

> The informal economy is intertwined with the legal/regulated economy, and its size and manifestation depend largely on the state and development of the latter.

> The report focuses on activities that are not formally observed and registered, and that are not declared or subject to accounting through the National Accounting System. These include **activities that are not prohibited by law and are not deemed criminal under the law, but deviate from the law or simply do not come within the purview of a statute, including operations to conceal such activities. This includes both income generating and non-income generating activities (i.e. subsistence farming).**

> In line with the ILO definition and the goals of this research, the report does not analyse the criminal economy, that is, the production and distribution of illegal goods and services.

> The following discussion will not focus on theoretical formulations but on what Bulgarian women understand by 'informal' and 'undeclared' work and on the role of undeclared work in their lives.

THE INFORMAL MARKET IN BULGARIA

The importance of informal work in Bulgaria

According to the International Confederation of Free Trade Unions (ICFTU), “25% of the world’s working population are active in the informal economy and generate 35% of global GDP” (2004). However, the Women in Informal Employment Globalizing and Organizing (WIEGO) organization, which has done extensive work on the informal economy, believes that official statistics most probably underestimate the size and economic contribution of informal activities (2004).

The difficulty of measuring informal work leads to lack of fully reliable statistics and quantitative analyses concerning the scope of informal activities in Bulgaria or other countries, and particularly regarding the gender dimensions of informal work. According to one of few in-depth studies conducted by the European Commission (EC), *Undeclared work in an enlarged union. An analysis of undeclared work: an in-depth study of specific items*, based on data from the National Statistical Institute Labour Force Survey in June 2003, the size of undeclared work in Bulgaria was 22-30% of GDP (Renoy et al., 2004). This share is higher than for other countries in Central and Eastern Europe (CEE) (Table 1).

Table 1. Scale of undeclared work in selected CEE countries (% GDP)

Country	Year	% GDP
Bulgaria	2002/03	22-30
Romania	2001	21
Latvia	2000	18
Hungary	1998	18
Slovenia	2003	17
Lithuania	2003	15-19
Poland	2003	14
Slovak Republic	2000	13-15
Czech Republic	1998	9-10
Estonia	2001	8-9

Source: Renoy et al, 2004

Similar to other EU countries, women in Bulgaria are less active in the informal market than men. According to the EC study, 44.5% of all men aged 15 and above were found to be engaged in undeclared work, compared to 37% of women (Renoy et al., 2004)⁴. Estimates of the size of the informal economy by the Center for Study of Democracy (CSD) (2004) are in the range of around 25-35% of GDP and female involvement is calculated to be between 30% and 40%.

⁴ It should be noted that information on the gender division of undeclared work in Europe is scarce and that the pattern of higher male representation in informal activities found in the EC study is not confirmed by evidence for developing countries. An ILO study on women and men in the informal economy found that throughout the developing world, informal employment is generally a larger source of employment for women than for men. Other than North Africa, the proportions of women workers in informal employment (outside of agriculture) is larger than for men and constitutes 60% or more (ILO 2002b).

There are a number of important issues related to the prevalence of informal activities in Bulgaria. One of these is the situation in the formal labour market. The period of economic restructuring has led to a large-scale loss of formal and secure sources of employment and a mounting pressure on both men and women to seek alternative ways to support themselves and their families. Since the beginning of the transition to a market economy, the labour market has been characterized by high unemployment rates for both men and women, and relatively low employment and activity rates (Table 2). Whereas unemployment rates do not differ significantly between men and women, employment and activity rates are much lower for women. The sharp drop in female activity since the beginning of transition explains, in part, why unemployment is similar to that of men. However, another important factor could be the engagement of women in the informal market⁵.

Legal or formal job opportunities are insufficient to meet all job needs in the country. According to the statistics of the National Employment Agency, the correlation of unemployed persons to job vacancies was 3:1 in 2003⁶.

⁵ Labour Force Surveys (LFS) usually do not distinguish between the different types of employment, although there are exceptions by country. In Bulgaria there is no such distinction. One way to measure the extent to which these surveys do pick up this type of employment is to contrast it with administrative data on registered work contracts, but this also has statistical difficulties. A typical problem is that respondents to LFS may not give the correct information if there is fear that their informal activity can be punished by the labour inspection or fiscal authorities. Thus, in the case of women, as will be shown below, informal work may be a second or additional job (there is always a question on this in the LFS) but they may not report it; it may also be that they report themselves as inactive if their main job is informal but they choose not to report it.

Table 2. Key employment indicators 2003

Indicators	Bulgaria		
	All	Male	Female
Employment rate (% population aged 15-64)	52.5	56.0	49.0
Activity rate (%population aged 15-64)	60.9	65.4	56.5
Unemployment rate (% labour force 15+)	13.6	13.9	13.2
Long term unemployment rate (% labour force)	8.9	9.1	8.6
Fixed term contracts (% total employment)	6.5	7.0	5.9

Source: European Commission, Employment in Europe 2004.

Although in 2004 the situation improved to 2:1, it remains difficult for people outside employment to find jobs and to maintain a decent standard of living.⁷ In addition, income from formal or declared activities is not enough to guarantee a decent quality of life. In spite of an increase in the minimum wage from 120 to 150 leva per month in 2005 (at the time of publication, BGN 150 equals EUR 75), real salaries are too low to provide financial comfort to employees and their families. Usually people find other income or in-kind sources in order to cope with material

⁶ It should be kept in mind that the unemployment rate in this case refers to registered unemployment which is administrative data. The unemployment figures according to the ILO definition (using a labour market survey) are higher as is the correlation between the unemployed and vacancies.

⁷ http://www.nsz.government.bg/eng/index_en.asp

deprivation. A large part of these sources come from the informal economy. There has been an increasing trend in “other” income sources for the last 10 years (see Table 3). Official statistics show that there is a sharp increase in the number of people whose main income source are pensions, a smaller increase in those living mainly from “other social assistance”, and a decrease in those whose main income comes from family benefits for childcare. Given the low level of pensions and other benefits, pensioners and other people outside the labour market (inactive in the labour market statistics, the majority of whom are women) can also be found working in the informal economy.

The informal economy in Bulgaria has many manifestations. Resourcefulness, especially among employers, appears

inexhaustible. Once the tax authorities began operating at the end of 1990's employers have increasingly used undeclared forms of employment that are more flexible and more easily circumvent the law.

In most cases, this refers to unregulated work (i.e. without secure contracts) and wage payments in cash, whereby social security contributions are either not paid at all or are paid on the basis of a minimum normatively determined wage rather than on the actually received amount. Employers, especially in small firms (2-10 employees), are interested in under-declaring real wages because this helps them avoid or pay lower taxes and social insurance, and arguably to remain competitive. Surveys conducted by the CSD in 2002 and 2003 revealed the prevalence of

Table 3. Structure of the main income sources for the Bulgarian population 1995 - 2004 (%)

Income sources	1995	1997	1999	2001	2003	2004
Income	100.0	100.0	100.0	100.0	100.0	100.0
Wages	55.1	53.3	52.7	47.5	51.4	50.4
Outside wages	4.3	4.1	6.6	6.0	4.9	4.8
Small business activities	4.3	5.0	5.5	5.0	5.4	4.9
Property	0.8	0.6	1.0	0.8	0.7	0.9
Unemployment benefits	0.6	0.7	1.2	1.4	0.7	0.6
Pensions	20.9	22.4	22.3	28.4	26.5	27.8
Family benefits for childcare	2.0	1.7	1.1	0.8	0.7	0.8
Other social assistance	1.5	1.5	1.4	1.6	1.3	1.8
Home economy	5.4	6.1	3.5	3.2	2.8	2.5
Property sales	1.3	0.7	0.4	0.5	0.9	0.6
Other incomes	3.8	3.9	4.3	4.8	4.7	4.9

Source: National Statistical Institute, Statistical Yearbooks for the relevant years

payments “under the table”. According to the business people interviewed, over 18% of the actual wages paid were paid “under the table” on top of those officially declared (CSD, 2004). Consequently, employees were insured on the lower payment than on what they actually received. In this way, they have formed a specific “hidden employees' model” of the informal economy. The research also found that the largest share, 21.1%, of undeclared income was in firms with 2-10 employees, followed by firms with 11-50 employees (18.8%). In large enterprises with more than 500 employees only 6.7% of all wages were concealed. At the same time, comparative analyses showed that employment without any labour contract had decreased from 12% in 2002 to 10% in 2003 (CSD, 2004).

Globally, the analysis and the institutionalisation of mechanisms to address the issue of informal work have made progress over the last few decades. Conceptual and research achievements of the ILO, EC, WIEGO and other institutions are significant. In Bulgaria however, the issue and its gender dimensions has come to the agenda relatively late, but is increasingly the focus of a broadening public debate.

Legal framework relevant to the informal market

Legislation pertinent to informal work has undergone numerous changes in Bulgaria. For example, the legislative framework for performing business activities has been changed more than 200 times over the period 1991-2005 (Renoy et al, 2004). In 1990, there were 39 licensing regimes in business, compared to 360 in 2002, and more than two-thirds of such regimes were introduced not in legislation, but in sub-legislative (ministerial) documents. Despite policy measures to enforce formality that have intensified since 2000, the informal economy and undeclared work activities remain a persistent, substantial, and flexible part of Bulgarian lifestyle. In 2000, compulsory issuance of receipts for all transactions was introduced and companies were obligated to conduct payments via banks (rather than cash) and register under VAT. Since 2001, credit regulations have been gradually decreased with the intention to make it easier for companies to take credit and to reduce their incentive to operate informally. In January 2005, the government launched a policy mix targeted specifically at legalizing employment by raising the minimum wage (on the basis of which insurance is calculated) for the main categories of employment, and by enforcing obligatory registration of all work contracts with the National Insurance Institute, which began operating in 2003.

The legal frameworks that are most relevant to undeclared activities in Bulgaria are the tax regime regulations and the Labour Code. Among the tax regime legislation in the

country are the Corporate Income Tax Act; the Personal Income Tax Act; the Excise Tax Act; the Government Collections Act; the Value Added Tax Act; the Tax Procedure Code; and the Taxation of the Income of Natural Persons Act (TINPA).

The Taxation of the Income of Natural Persons Act (TINPA) gives a detailed definition of all persons liable to taxation⁸ and stipulates the sources and kinds of income, both taxable and non-taxable⁹. In defining these types of income¹⁰, the law determines the formal boundaries of the reward system. Failure to report activities or income specified in the Act and to pay taxes on taxable income leads to breaking of the law and relegates all such activities to the sphere of the informal economy. In view of the definitions of 'income' and 'source of income' stipulated in the law, a part of the income that people receive and perceive as 'small or insignificant' is not declared as will be seen in the following data analysis.

⁸ Liable to taxation are all citizens who, as a result of their economic and/or business activities, are obligated to pay the respective taxes to the state.

⁹ Taxable income, as envisaged by TINPA, refers to gross annual income in a (calendar) year (Art. 3 and 4, par. 1). Gross annual income is the sum total of monetary and non-monetary incomes received by a natural person in a fiscal year (Art. 13). Under this act, taxable income applies to: gross annual income following claims on allowable deductions; tax-exempt income by virtue of other laws; income levied with annual (patent) tax; single taxed income pursuant to Art. 40; and income taxed with single tax pursuant to the Corporate Income Tax Act, (Art. 14).

¹⁰ Art. 11 clarifies that the taxable income could be monetary and non-monetary.

The Labour Code regulates the legal labour market relations between employers and employees/workers in the Republic of Bulgaria. Any kind of labour relations that are not specified in the law and that either circumvent or violate the law fall within the scope of the informal economy. The Labour Code includes provisions on a number of important aspects of labour relations: overtime work and pay, working hours, various forms of earnings, types of leave, the rights of women, mothers and students, safe and healthy working conditions, etc.

Labour relations begin when a labour contract is signed between an employee/worker and an employer prior¹¹ to commencement of work activities. Labour contracts are signed in written form (Art. 62, par. 1) and within three days of signing or amending the labour contract, or within seven days of terminating it, the employer is obligated to notify the respective territorial subdivision of the National Social Security Institute (Art. 62, par. 3). There are also provisions for labour disputes arising under the Labour Code and disputes that determine the length of service (Art. 357). Legal proceedings on labour-related matters are free of charge for workers and employers (Art. 359). Overall control and supervision of the labour laws in all branches and spheres of the economy is entrusted to the Labour Inspectorate under the Ministry of Labour and Social Policy (Art. 399, Labour Code).

¹¹ The law defines as 'employer' any natural or juridical person, as well as any other organizational or economic formation (enterprise, institution, organization, co-operative, farm, place of entertainment and/or restaurant, household, partnership, etc.) that is entitled to employ workers/employees under existing labour laws.

Some legislative provisions related to social security benefits are directly or indirectly linked to the informal sector: unemployment benefits, maternity and childcare benefits, disability benefits and pensions. In general, these benefits suffice to provide basic means for survival but cannot guarantee a decent standard of living. For example, the Act on Family Allowances (adopted in March 2002) repealed the former Birth Promotion Decree of 1968 and sought to target assistance more appropriately and differentially. However, it resulted in a decrease in the number of recipient families due to the heavy and discouraging application procedure, while there was no tangible increase in allowances. Family allowances became more a kind of social assistance than a part of the social security scheme (Marinova and Gencheva 2003). This was one of the reasons for changing the scheme: as of 4 April 2005, all families with children under 18 years of age receive cash benefits for childcare. However, the amount received is still symbolic (on average 9 EUR monthly per child) and can hardly address the demographic crisis in the country or reduce the scope of undeclared activities.

The pension system also underwent a radical reform under the sign of a broad reform of the social security system. In the previous Pension Act, the retirement age for men and women varied according to the category of job performed. In most cases the retirement age was 55 for women and 60 for men. The current Pension Insurance System in Bulgaria (as of January 1, 2000) includes an establishment of new philosophy and principles of the insurance three-pillar pension model, renewed legislation and normative order,

institutional organization of the representatives of the new insurance relations - National Social Security Institute (NSSI), the pension insurance funds and associations, and the State insurance supervisory body. This scheme is governed by the Social Insurance Code (SIC) and is based on a point system - 90 points for women and 100 points for men, calculated according to the age and labour experience necessary for pension eligibility. In 1999, the Law for the Additional Voluntary Pension Insurance was adopted, regulating the third pillar of the pension system which legalizes the activity of private pension funds. As of 2000, the Code for Obligatory Pension Insurance settles the pension insurance in the first and second pillars as well as all other insurance schemes such as sickness, disability, old age, survivors and since 2002 – unemployment. However, in spite of this modern pension model, pensions are insufficient to guarantee a decent standard of living. According to NSSI, the average monthly pension in June 2005 was BGN 138.10 (about EUR 70). Due to the gender pay gap women's pensions are on average lower than those of men.

In general, all changes in social legislation that took place over the transition period have been restrictive ones. Currently, social policy is better managed financially, but is much less generous than in the pre-transition period. This is an important reason behind the existence of large-scale undeclared activities in Bulgaria.

Approach of public institutions to the informal market

Overall, public institutions in Bulgaria have shown interest in the informal economy and take an active stand when there are gross violations of labour rights. However, public activity does not go further than that. There is a need for targeted policies and measures that can address the negative aspects of informal employment and the whole broad spectrum of undeclared work, in particular those focusing on the current and future risks for women's social security. Successive Bulgarian governments have declared their commitment to combat informal employment and enterprises. However, the emphasis has been on punishment rather than on prevention through the use of incentives or other measures. Laws and institutions created to fight the 'grey' market have focused on tax evasion. So far these **corrective measures have been rather piece-meal and lack a holistic vision or a strategy on the part of the Government**. As a result the informal economy continues to expand.

The legislature also shows neither particular nor systematic interest in the problem. There is no law regulating the conditions of work for people involved in the informal economy, or determining their status, obligations, and rights. The other side of the coin is that enforcement of present law that could avoid some of the informal situations also has many shortcomings, not least because of the usual ignorance about rights by employees but also because of the fear of losing jobs which are in severe shortage. Only

when the media reveals information about grave infringement of labour rights, particularly harsh working conditions, is public or legislative interest in the issue triggered. Usually instances of violation of human rights in a given town or a particular firm are treated on a case-by-case basis.

Given this situation, **one of the most important political efforts needed is to differentiate between informal activities which help people to cope with economic hardship, and informal activities that have largely negative impacts on the economy and on the welfare and rights of people**. Such differentiation is crucial in situations when the state cannot take full responsibility for social support and human development because of shortage of funds and weak capacity (CSD 2004). On the other hand political efforts to reduce informal activities without serious in-depth assessments of the main positive and negative consequences would increase the risk of poverty and social exclusion.

Despite the recognition by public institutions of the informal economy as an important issue, there is a lack of knowledge about it, which leads to some negative impacts, such as exaggerated data and questionable authenticity of information which is passed 'down the grapevine' and distorted. Understanding the issues of informal work is important because it is a mode of survival: in some cases it plays a poverty alleviation role and provides a supplement to the family budget for a sizeable part of the Bulgarian

population. Only by knowing what the real situation is, can a preventive strategy be built to ease the social price that people involved in the 'grey' economy have to pay. Increasing knowledge among policy makers about the peculiarities and structure of informal employment and in particular of its gender dimensions in Bulgaria is, therefore, an urgent task.

Understanding the parameters and variety of work in the informal sector, acknowledging its prevalence in everyday life, and taking it into consideration in policy formulation will contribute to better conditions within it and to the legalization of some undeclared activities.

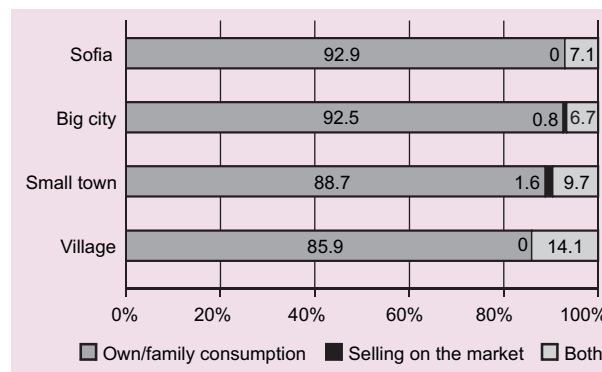
Additional aspects of the informal market in Bulgaria

An important feature of the informal economy in Bulgaria is the widespread incidence of small, private family farms or 'household plots' where people grow fruits and vegetables and breed livestock for their own consumption. A relatively small part of the produce grown is sold on the market. The extent to which subsistence farming falls within the scope of the informal economy is controversial, but since the produce cultivated in family plots has a market value, it can be included in the market economy.

A substantial part (86%) of production in the household plot, garden, or yard in villages is for family consumption (Figure 1). In small towns, the share is 89%, in big cities 93% – i.e.

a large part of Bulgarian households produce food for their own final use. Both women and men work on the family plot in Bulgaria. Traditionally, there is a division of obligations and activities, which mostly depends on the burden of work performed.

Figure 1. Reasons for production of goods at household plots by residence (%)



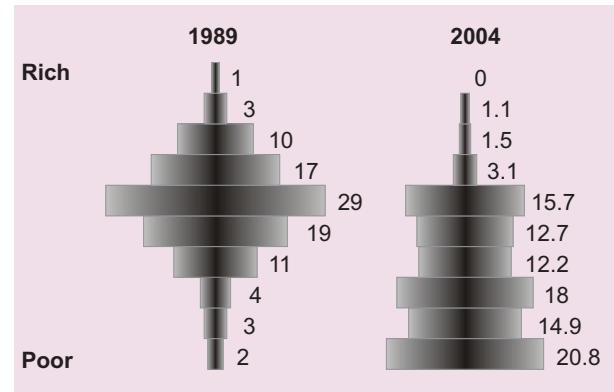
Source: National representative social survey (N = 1 160), conducted by the Agency for Social Analyses (ASA) within the International Social Survey Programme (ISSP) in 2002

Very rarely is produce grown on the household plots sold on the market. In these cases, production is tied to processing industries (dairy or meat), which requires agricultural producers to work together with intermediaries and dealers. This, in turn, substantially reduces the profits from agricultural work. Subsequently, over time people's incentives to consider it as a business opportunity diminish and they use what they cultivate only for own consumption.

Many households in big cities rely on support in the form of food products from relatives living in the countryside.

This situation is favourable for politicians and the government because it helps them estimate an artificially low poverty rate, when applying a consumption approach to poverty measurement. Using consumption levels to determine poverty means that agricultural goods produced for subsistence count in household consumption in the same way as agricultural goods bought on the market. In this way, the poverty of households involved in subsistence agriculture might be underestimated. The poverty monitoring in Bulgaria implemented by the National Statistical Institute and supported by the World Bank in 2003 registered a poverty rate of 14% according to this approach. At the same time, analysis by ASA based on nationally representative samples indicated that 20.8% of Bulgarians in 2005 think of themselves as poor: they locate themselves and their households on the very bottom of a 10-point rich–poor scale. (Figure 2). The changes in subjective poverty over the transition in Bulgaria, which can be seen in the following figure, clearly illustrate a dramatic process of impoverishment of the population (the number of people who identify themselves as poor in 2004 is more than 10 times higher than in 1989) which inevitably impacts on people's participation in informal activities.

Figure 2. Subjective poverty pyramids of the Bulgarian adult population (18+)



Source: National representative data ($N > 1000$), collected by the Agency for Social Analyses (ASA) within the International Social Survey Programme (ISSP)

SITUATION OF WOMEN IN THE INFORMAL MARKET IN BULGARIA

Main areas of work and profile of women informal workers

This analysis reveals that women informal workers in Bulgaria are primarily engaged in the following areas of work:

- > *Manufacturing* – undeclared or semi-declared employment especially in the sewing, garment, food-processing, crafts industries;
- > *Services* – private teaching and language-related services, hotel and restaurant services, hairdresser's and cosmetic services, home- and office-cleaning services, services providing for the care of children, old, sick or disabled people;
- > *Subsistence farming* – production of goods for own final use by the household (in few cases these goods are sold on the market);

Depending on their employment status, the main groups of women involved in the informal economy are:

- > women who have employment relations with employers but are involved in some deviation from the labour standards, such as no proper labour contracts, lower than required or no social insurance, 'under the table' payments in order to declare less than actual wages, etc.;
- > women who have legal employment but receive additional income through different types of undeclared activities;
- > unemployed or economically inactive women, who do not report the work they are involved in (mostly home-based activities but also other undeclared income-generating work);
- > women whose employment status is unclear, i.e. those who have temporary or seasonal work, and who fall within the scope of the informal economy when their contractual relations expire;
- > women involved in undeclared production for self-consumption i.e. subsistence farming.

Analysis of the demographic profile of women informal workers provides interesting insights as to the groups of women that participate in the informal sector, their motivation, and the forms of informal employment they are involved in (see Table 4 for a summary of research findings). It should be noted that in most cases characteristics such as age, education, and place of residence have a significant combined effect on the likelihood for and reasons behind women's engagement in informal work, as well as on types of informal work they perform.

Table 4. Demographic profiles of informal workers

Sex	The study shows that sex is not a determining factor in establishing the degree of informal employment; rather it influences the forms and areas of such employment. Informal activities are differentiated largely on the basis of women's and men's biological features, and the extent to which they can work under stress. Women usually perform activities requiring less physical strength but more precision, while men are primarily involved in more physically demanding work.
Marital status	The forms and degree of women's participation in the informal economy depend largely on whether they have children. Women with children are more likely to work informally in order to provide higher standard of living for their children. The time burden on these women is very high because they usually hold formal in addition to other jobs. There are numerous examples of women working at home 'on the side' while they are still on maternity leave.
Place of residence	The place of residence is an important factor in determining the ambitions and expectations of women working informally. The main reason behind informal employment for women living in villages/small towns is to secure basic income to sustain their families. It is more common for women living in big towns and especially in the capital to join the informal workforce because of a desire to satisfy social and cultural needs apart from improving their material wellbeing. Education is an important contributing factor.
Education and experience	Education is a decisive factor determining the opportunities women have on the labour market and their possible areas of employment. Highly educated women are in a much better position to find realization on the formal labour market. At the same time, they usually have many contacts and experience which allows them to find ways of applying their skills in the informal sector, should they decide to engage in such form of work. Women with low levels of education are less competitive on both the formal and informal markets and usually do not have a choice as to the kinds of employment they can undertake. Work experience is another factor that helps women to find jobs in addition to their formal occupations. For example, it is common for women working in garment firms to also work as seamstresses at home under unregulated conditions, or for teachers to give private lessons to high school or university candidates.

Personal qualities, skills and talent	<p>Specific knowledge and skills that differentiate them from others significantly help women to find realization in the competitive informal sector. Applying talent or skills acquired at a technical or vocational school (i.e. drawing) is a common way to generate additional income. An increasing demand for traditional Bulgarian craftwork creates opportunities for some women to use their skills and an incentive for others to develop specific skills – knitting, sewing, embroidering, etc. It is still a tradition in some Bulgarian families for girls to learn such skills from their mothers and grandmothers. They are now being reassessed by younger women who seek various ways to supplement their incomes.</p>
Social networks	<p>There are women who would like to join the informal sector, but are not aware of the “rules” and how and where to find informal work. They often seek advice from relatives and friends with more experience. Sometimes, women have been known to “swipe an idea,” because the ones who came up with it are not able to carry it through further competition. Networking is important for finding realization on both the formal and informal labor markets. Many women are offered an informal job after being recommended by a friend or through informal contacts with employers.</p>
Resources	<p>Resources (such as physical space, machines, tools, land) necessary for the production of certain goods are important for women’s ability to engage in informal work, particularly for own-account workers, micro enterprises, or home-based work. Women tend to invest some of their funds in such activities only if they are reasonably confident of consistent financial return. This more risk-averse approach guarantees stability even though it can limit women’s entrepreneurship. The majority of women living in small towns and villages find it inadmissible not to cultivate the land they own and to miss the opportunity to produce something that can help their families.</p>

Informal work – economic constraint or a free choice?

Why do women in Bulgaria engage in informal activities? Is joining the informal sector a voluntary choice, a result of economic necessity, or an expression of following certain cultural norms and fulfilling societal expectations? This research attempts to provide answers to these questions. In the brief analysis above it is already clear that economic necessity is one of the main drivers. Results from this study are presented in a matrix which outlines four groups of reasons for women's participation in the informal economy (Table A1 in Annex):

- > *Economic necessity/lack of alternative* – women need income (main and/or additional) to satisfy their personal needs and/or the needs of their families;
- > *Socio-cultural practice* – women follow established cultural norms and traditions of working 'on the side';
- > *Free choice* – women have the choice whether or not to join the informal work and they decide to do so because it benefits them in various ways, not just financially (i.e. more flexibility in using their time and reconciling work and family life);
- > *Mistrust in the state* – women choose informal over formal employment because they prefer immediate benefits (not taxed income) over future promises (social security benefits, pensions) that they are not sure the state could provide.

It is important to note that these reasons are not completely distinct and can reinforce or complement each other in explaining women's motivation to be involved in informal work.

The main finding based on analysis of the qualitative data is that women participate in the informal economy mostly for economic reasons. They perform informal work either because their formal sources of income are insufficient or because they cannot access employment in the formal economy and informal work is the only way to maintain a decent standard of living and often to survive. It can be concluded that income provided by informal activities is an important poverty alleviation strategy for many individuals and households. For many of the interviewed women, the only possible option for paid employment is in firms and organizations that do not strictly abide by the labour laws or openly violate them. Workers do not have a choice but to agree to the conditions of informality such as lack of contractual labour relations and lack of tax or social security payments. There is a widespread opinion among women informal workers that they would not be working informally if they had a legal job that generated income sufficient to guarantee a 'normal' way of life¹². **This has important implications for various aspects of government policy including revenues (both taxes and social security contributions), quality business creation, corporate social responsibility, and social dialogue.**

¹² The minimum monthly wage was BGN 120 (EUR 60) in 2004 and BGN 150 (EUR 75) in 2005 – amounts that many Bulgarians see as insufficient for maintaining a decent standard of living.

After all, I earn this (undeclared) money with my own two hands – I don't steal it. I use my spare time to make some extra money because my regular salary is not enough. If the government were to offer me a good enough job and salary, I would not work in this manner; in violation of the law so to say... But as long as I cannot live a good life on my regular salary, I'll keep on working on the side.

Female worker in a factory, 36 years old, small town, married

In some cases, women are the sole breadwinners in the family and they feel a strong pressure to accept 'any' kind of job in order to contribute to the household budget.

Yes, this is strictly a matter of necessity. Women have no choice whatsoever. They graduate from high school. And even if they were to graduate from an economics secondary school, there's nothing they can do, they can't find a job. And most of these young women enter the restaurant trade or other such businesses. They start working in small cafes and restaurants without a guaranteed labour contract; they are paid cash. Moreover, they work a full 8-hour working day; they work shifts, including the night shift. And they go on working in this way for years.

Woman, university professor, 50 years old, Sofia

At this stage, I don't know if there's anyone who can choose where they want to work, or in what to work for that matter. In most cases, you work because you have to, so that you can have some income to pay your bills and to live. It's impossible – at least for most people it is – to say

"This is not what I want to do; I want to be a writer..." No way. No matter how good a writer she or he may be, she or he still has to work to make a living. So, people take whatever jobs they can do and whatever jobs they can get in as many places as they can. They may be university graduates, and yet they may not be able to get a job in the subject they graduated in – if they get a job at all, they're prepared to work at anything they can find.

Female nurse, 51 years old, small town, widow

Regardless of relatively good macroeconomic indicators for the past few years, in-depth analyses, including the present research, find that the quality of life in Bulgaria has not improved over the course of transition. On the contrary, there is empirical evidence for impoverishment and economic deterioration for large segments of the population. This situation inevitably generates new forms of informal activities and contributes to their resilience.

During the past 15 years of socio-economic reforms, economic hardship has become so widespread that reliance on undeclared income has turned into an inseparable part of people's way of life. Participation in informal work cuts across all social and economic categories: both the economically active population (employed and unemployed) and the inactive groups (housewives, retired, students, disabled, etc.) participate in informal work. Informal work also covers almost the entire range of occupations in Bulgaria. **With the possible exception of some managerial jobs, the entire job classification list may be represented in both formal and informal spheres.**

Interviewed women share an almost unanimous opinion that taxes are too high, since people do not receive the expected services and protection by the state. Informal employment provides additional cash that can be spent in a way that women deem appropriate in satisfying their personal or family needs. Thus, they avoid having the state determine the size of contributions to 'hypothetical' personal funds or healthcare and social service accounts.

This research also finds that a group of Bulgarian women perceive 'working on the side' not only as a source of additional income, but also as a way to rebel against a state that demands but does not care to give. They justify this by saying to themselves: 'well, I can get away with it, after all I haven't stolen anything'. The women who were interviewed see their informal work as an opportunity to break away from the guardianship of the state to which they must pay taxes that constitute a significant share of their legally earned income. In general, the report's findings confirm the widespread phenomenon of alienations from the political class and the **gap between the government and the citizens.**

I don't want to pay anything to the state because it is robbing me all the time – through taxes, through compulsory healthcare and retirement contributions; and then you have to pay again, both for medical services and for a decent life once you retire. I have no faith whatsoever in the social security system in Bulgaria, because it's like a fathomless abyss benefiting people other than the ones who regularly pay their social security contributions.

Female psychologist, 38 years old, large town

Many participants in the project seminar even contended that 'the government benefits from the informal market'. In other words, women are suspicious that there is a **'formal informality'** of the informal sector in the country. The arguments are that the state has both political and economic interest in maintaining the 'shadow' economy mainly because: a) *'the informal economy absorbs unemployment'*, b) thus *'saves the governmental social spending'*, and c) *'many governmental officials are corrupt and the informal economy feeds them economically'*. There were also views that 'the informal activities are a necessary evil because they assist people in coping with the crisis'. In general, public mistrust of the government is high in Bulgaria and there is a strong **'US'** vs. **'THEM'** division in society which the informal market clearly reinforces (Dimova et al, 2003).

These findings point to the need to strengthen good governance in Bulgaria, as transparency and accountability of public spending, including its gender impact, can be conducive to combat these attitudes. This is of utmost importance in particular if fiscal instruments are chosen to combat informal market activities. Fiscal instruments, such as subsidies or rebates on social security payments for hiring certain types of workers (including women), can only be effective if there is a higher level of trust while the enforcement of rights is strengthened. Other policies in the area of social protection, such as increasing social benefits for self-employed persons, also require a high level of trust and enforcement.

The negative impacts of informal work

Additional time burden

Informal work has a significant impact on women's social and personal lives. Interviewed women were unanimous in their view on one of the main disadvantages of working informally – the additional burden that informal work placed on their personal time and time spent with their families. That women shoulder a 'double burden' of paid work outside the household and unpaid domestic work, has been recognized as a fact of life for women globally. As this analysis argues, when formal work is unavailable, women take on any available form of informal employment, even when they have to work excessive working hours for meagre pay and to perform degrading tasks not required by their job. At the same time, the gender division of labour in the household has hardly changed – women continue to perform the majority of domestic chores and to take care of children and older relatives' activities that consume much of their leisure time and that still largely fall outside the 'male domain'.

The interviewed women indicated that usually their workday was 12 or more hours long. Women's daily routine consists of performing numerous jobs at the same time and fulfilling a series of obligations. These include primary full-time employment (when and if they have paid job), secondary/multiple employment, home-based work, unpaid domestic work including work on the household plot, and care activities such as raising and looking after children and

old/sick relatives. Examples where husbands take on some of the household work, especially in villages and small towns, are rare. Generally, men's view of the gender division of labour in the household is based on a male breadwinner model where domestic work is devalued and considered a sole responsibility of women. In big cities and among the younger generation, there are signs that these gender stereotypes are breaking down, but they are still strong in smaller towns and among the older generation (Dimova et al, 2003).

It is not surprising then that interviewed women admitted being stressed, tired, and lacking time or opportunity to continue their education or improve their qualifications. Leisure time is a luxury that many women can hardly afford. This results in the so-called '*exhausted housewife syndrome*' where women mechanically perform one activity after another and switch between roles, often without questioning the situation and analysing how it affects them.

I have no time to rest the way people understand this – i.e. to lie down and rest – when I get home from work I rest by doing or making something. Because there's no one I can depend on, I can rely only on myself. On the other hand, I am young; I'd like to lead a carefree life. I too would like to have nice clothes, go out with friends, be able to go on holiday – even for just five days during the summer, or get some designer garb – just so I can feel like a human being, not like a guttersnipe, not just look at shop windows.
University graduate, working full time on labour contract, 28 years old, Sofia, single

Women generally do not perceive unpaid domestic work as 'work' or as work with economic value. It is normally considered as part of a woman's responsibilities as a wife and a mother. Public opinion reinforces the notion of unpaid household work as 'non-work' by downgrading the efforts that go into it, and by nourishing strong expectations that women would be 'naturally' able to multitask and perform their multiple roles in the best way possible. However, the study found a shift in women's attitude towards the gender division of labour and the value of unpaid work at home. Older women and women living in small towns and villages still attach low status and value to household work. Young women, on the other hand, are inclined to view unpaid domestic labour and care activities as a form of work, which can be performed for pay (usually on the informal market) and therefore has an economic value.

It is also important to note that women in different age groups have different attitudes towards the informal economy and its impact on their lives. Undoubtedly, informal work exerts additional pressure on women in general as it 'eats up' their leisure time and time spent with their families. There is evidence that young women consider this as something natural – both common and necessary – while older women and women living in small towns and villages think of this additional burden as a stressful situation which forces them to compromise personal freedom and time devoted to their children. The differences in these attitudes may be understood from the productivity and returns to informal work that the different age groups experience¹³. On the one hand women who grew up in a system providing full

employment, full social security coverage and extensive social services may be finding the returns to their labour in the informal economy "not worthwhile" considering the costs (in terms of leisure, personal time, family time, etc.). On the other hand, women of the younger generation growing up in the new realities of the country (high unemployment, lower or lack of coverage in terms of social security and services, etc.) are more willing to accept any opportunities.

This situation also has important implications for the planning and impact of social services, which have gravely deteriorated during transition. As in other developed and developing countries, women's unpaid work in Bulgaria is not accounted for in the national accounts, but is relied upon when cuts in social spending take place. In other words, when households are expected to internalise these changes, there is an implicit assumption that women will provide these services privately to their families. If women must also work under informal conditions or do additional paid work, the negative effects of such cuts are multiplied. Indeed, raising men's participation in these chores can have a stabilising effect, but designing budgetary policy in gender neutral terms given the present state of gender relations in Bulgaria will have a negative impact on overall social welfare, as we will examine now.

¹³ We would like to thank Simel Esim for pointing out these important considerations. It is also important to stress that these differences have implications for the intergenerational transfer of poverty. Women who have only informal labour market opportunities will want to see their daughters working in the formal market and may make greater efforts to ensure schooling as a way out; those with formal jobs and higher education may also emphasize education as a tool by which to avoid poverty. In any case, this issue needs to be further investigated in the case of Bulgaria.

Inadequate social protection and reproduction of poverty

Women's informal activities generate much needed income, either as a main source or in addition to other sources. Generally, this income is undeclared. In the few cases when it is declared, it is either reported under the name of a retired family/household member whose status will relieve the tax burden, or the contract stipulates only part of the wages received. 'Concealing' income in this way leads to negative consequences for women mainly related to their social insecurity. Very often, their social insurance contributions are only partially paid or not paid at all.

No, I'm not afraid I have to manage with taxes and social security contributions on my own... And I don't agree I'm doing anything 'illegal'. To begin with, I'm not afraid because I observe the law in as much as I pay social security, and because as can be seen from all contracts that have my name on – and I mean all contracts – I have paid up the money. The documents show everything's the way it must be. What cash I am paid for work that I've done is my business. I don't sign any papers for that and there's no way the tax authorities can catch it. I agree this verges on trespassing the law. But if I must do this to lead a normal life, well, I'll continue doing it.

Female translator/interpreter, 33 years old, university graduate, Sofia, cohabiting

This research also revealed that many women, who live in small towns and villages with high unemployment rates, and those who have poor health, are unaware of the principles,

rights and obligations under the national healthcare and social security systems. Social security is paid under formal labour contracts and additional informal income is normally not taxed. Women think that the social security deductions from their formal salaries are high enough and do not want to make any additional contributions to the social security scheme.

Well, why should we report the extra money we earn and why should we pay social security contributions on that money – half of it will go toward paying taxes. Besides, why should I pay the state – what has it done to help me – everything connected with the state leaves a hole in my pocket. Here's a recent example – I have full social security as I work on a labour contract at the secondary technical school; well, suppose I was to go for a medical check-up - the doctor will expect me to pay her. And if I don't do so, she will either pay no attention to me or will give me a perfunctory check-up and say 'There's nothing the matter with you', and I simply can't let that happen. I've had some problems after I gave birth to my second child, and I'm very strict about my check-ups. So, what can I do – pay the state more and then pay again should a need arise.

Female teacher, 38 years old, town, married, two children

I don't agree I should report the additional income I earn or pay social security on that income. My employer makes all social security contributions to the full amount of my salary; practically half my salary goes towards paying taxes and social security. I don't think I should be paying more to the state.

Seamstress, 36 years old, small town, married, no children

When asked about how they would support themselves after retirement, women hold different opinions. The majority of them, however, share the view that *'there is still time till that day comes'*, or *'let's live to see the day'*. This lack of longer time perspective is especially typical of younger women. They are much more likely to think narrowly in terms of the 'here and now' and how to guarantee economic comfort for their children and families in the present, than to be concerned about post-retirement days. To them, retirement is far ahead in the future and they would rather not think about the consequences of having inadequate social protection in the present.

This 'day-to-day' life philosophy can be seen as a typical feature of the so-called 'poverty cultural model'. People who have to deal with poverty on a daily basis tend to have a narrow time horizon: they care little about tomorrow's prospects and focus on being able to cope with today's problems. Many people involved in the informal economy in Bulgaria hold this view. Therefore, it is very important to reveal and **emphasize the entire range of negative impacts which informal sector employment entails. This includes not only the disadvantages of working informally that women experience today, but also the negative consequences of inadequate social insurance for their future.** In addition, lower taxation and social security contributions undermine the capacity of the state to provide quality services to its citizens.

The survey participants were asked to indicate the negative impacts that women involved in informal activities face and to evaluate them according to their impact on women's current and future situation and quality of life. The results are presented in Table A2 in the Annex. **The respondents indicated that the risk of becoming trapped into poverty in the future is one of the most significant negative impacts of working in the informal economy for women.** The lack or insufficiency of pension contributions increases the risk of poverty for women once they retire from the labour market. Most retired women can only rely on meagre social pensions or on their children's support. **Lack of opportunities to receive good healthcare services and lack of good education for children are also among the most important disadvantages that affect women in the informal market in Bulgaria.**

Poor working conditions

Lack of a safe and healthy work environment and excessive working hours are among the most frequently practiced types of 'labour exploitation' or poor work conditions that women identified.

... about the [working] conditions – what can I tell you. It's winter now and they use stoves to heat the place. Solid fuel, in other words. Right now, they're using compressed slack. There are rooms where there're no stoves, because it's easier to work with the chocolate, for example. On the other hand, by the afternoon, you can barely breathe because of these stoves...

Employed woman, 28 years old, small town, married, one child

It is difficult to analyse the working conditions for women and men separately in order to identify gender differences or discriminatory practices. The specific working conditions depend on type of employment and labour performed, on the location and size of the enterprise, on the probability and frequency of inspections by the Labour Inspectorate and other public bodies, etc. However, it can be argued that poor conditions (including lower wages) are more often found in sectors of the economy where female labour predominates.

The conditions were very bad until about a year ago. The conditions and attitude were extremely bad. It was really a slave work; they really make you work hard. There's no automation whatsoever. Everything was done manually... In the summer we worked during the night because there's no air conditioning, and because of the heat the chocolate spilled all over the wafers and we couldn't work properly ... In winter, they use stoves to heat the place. When there was no wood, we worked in unheated workshops.

Unemployed woman, 54 years old, village, single

The working conditions in the informal sector very often depend on the employer's personal approach to the workers/employees. There is significant evidence indicating that firms deviating from the labour standards are primarily small enterprises involved in production of final goods or export products (e.g. food products, garments, souvenirs, knitwear, etc.).

... you could say conditions are normal, for the time being, mind you. We work 8 hours a day, or a maximum of 10 hours, when there are orders. When there are orders to be completed for export. The working conditions are normal – it's well lit, it's warm during the winter. In the evenings, there are women who come in to clean up after we've left. There are vacuum cleaners. Yeah, you could say the conditions are normal.

Seamstress, 35 years old, small town, married, two children

There is a view in Bulgaria¹⁴, which is widely discussed and reinforced by the media, that poor working conditions prevail in foreign-owned companies. However, our research could not find support for this belief. Some women did report working under harsh working conditions and suffering gross violations of their rights, but those cases were not limited to foreign-owned firms. The employer's nationality was not established as a factor that determines the existence of poor working conditions in the informal market, including outsourced work. In any case, the recent EU and ILO recommendations on social corporate responsibility extend to foreign companies working in countries where the labour standards may not be very high as well as in cases of outsourcing or subcontracting.

Similarly, subject to public discussion in Bulgaria have been the garment firms, which are notorious for poor working conditions, violations of regular working hours, irregular payment, etc. Many of the women interviewed in this study asserted that a significant part of this information is either exaggerated or distorted, even though some such cases were reported.

At the moment, because it's raining and it's wet, the roofs are leaking. They put buckets to collect the water from the leaky roofs. You could say the working conditions are next to nothing. It's very cold. And it stinks - because of the glue ... I can barely feel my fingers in the evening. Besides, I have terrible headaches from the glues; and then, there's the psychological pressure, the working day itself, especially when the boss starts scolding and shouting at a fellow worker; that fact itself, along with the shouting, puts you in a stressful situation because you too expect to be shouted at for no reason at all ...

Seamstress, 31 years old, small town, remarried, two children

There are efforts in Bulgaria (such as those by Home Workers Worldwide in collaboration with the local branch of the Clean Clothes Campaign in Bulgaria) that point to problems experienced by home-based workers who are sub-contracted by garment firms. Examples include impersonal treatment by supervisors/managers or the use of price differentiation as a strategy to increase competition among workers.

Finally, women working in the informal economy as employees usually perform only those tasks included in their job descriptions, but this is not always the case. There are numerous examples of women employed by informal enterprises who are forced to perform work not included in their job description. These additional tasks are usually direct orders from the employee's supervisor or manager.

¹⁴ For the mapping exercise in various countries including Bulgaria on home-based workers, please go to <http://www.homeworkersww.org.uk>.

Well, what I mean is ... you do what the boss tells you to do... Even if you have to go and get him a cup of coffee – well, you do so. You go wherever he tells you to go, and you do whatever he tells you to do. You do his shopping, you clean his house, you wash his car. [You do that] during your working hours.

Seamstress, 31 years old, small town, two children

I've heard people say there're some women who takes care of his garden for him... or men who work on his house... while at the same time they are said to be at the workshop.

Female worker, 42 years old, city, married

It's difficult to keep your job here. There are people who are not very good at their work, but they are either relatives or friends of the boss or the supervisor of the shop. I personally have kept my job by doing it well; I do my best. I'm not complaining. I do whatever work there is to be done. I understand what the situation is, and I can't ask for more.

Female worker, 31 years old, village, married

While examples of harsh working conditions for women in the informal economy abound, it is difficult to conclude that they are typical in the informal sector or that there are significant gender differences. This is one of the areas where more research, including more reliable data, is needed.

The benefits of informal work

Means to survive and maintain a decent standard of living

As evident from the reasons behind women's involvement in informal work, the greatest benefit of working informally is that it helps alleviate, at least partially, economic hardship and poverty in the household. Occasionally, informal employment allows women to develop certain skills and talents, in addition to securing income essential for the family standard of living. This is an important aspect from the skills-market point of view since some of these skills are not offered by formal educational systems. Even when surveyed women asserted that informal work allowed them to develop their artistic talents, they stated that such work was required rather than voluntary. It is required because the income generated complements formal income sources, which are insufficient to maintain a good standard of living.¹⁵ It is also important to point out that the income from informal activities is not a continuous and reliable source of income, but that it is subject to strong seasonality. From the point of view of statistics needed on employment in the informal economy, this also has implications on understanding the dynamics of this type of employment or the entry and exit from informal employment into other labour market states.

¹⁵ This strategy by households is commonly known in economic literature as income smoothing.

So that I shouldn't be eating only bread, pickles and mayonnaise during the last 10 days of the month, as I used to, I started making various things, such as small figures, cards... I sell them to souvenir shops. [In the past] my secondary education is such ... I am good at drawing, so I decided that as long as I have some talent I might as well make use of it. Not that it's anything much. I don't think I can afford to go to Greece for my summer holidays on what I earn. But it brings in an extra 50 or 80 leva a month, and up to a 100 during the holiday season, so that I can pay for my English lessons or go out with friends two or three times a month. Or, during the winter months, I can pay my heating bill, especially with the way bills are raising. For example, I used to make martenitsi – nice, cheerful ones – they were in demand at the time. Generally speaking, the hardships of life and the fact that I have to manage on my own have taught me to make various things - to use my talent to earn some money, if you wish. It's true this takes up my free time, but [I make these] while I watch television, or spend several hours during the weekend.

University graduate, female cartographer, 27 years old, Sofia, single

In the past, while my husband still had a job, I used to do this only for pleasure, but now it's one of the basic activities that we actually live on. Besides, both our parents are ill, and you probably realize that we can't possibly live on my salary and my husband's welfare benefits. With two small children, it's practically absurd...

Female teacher, 38 years old, small town, married, two children

In rare cases the income earned at the informal market allows families to afford more than basic goods and services, such as holidays, food and clothing of better quality, entertainment and toys for the children, access to cultural events, etc.

No, I can't say I've really been compelled to, not in the real sense of the word, anyway. What I mean is that even if I don't work for a few months, even if I don't take on any orders – we won't die of hunger. Still, it's saving money for a rainy day – money that's spent mainly on the children and me. As a rule, if it weren't for this money, I wouldn't be able to buy any cosmetics, or new lingerie, every couple of months. Or anything to pamper the children. Having this money, however, I can do as I please.

Seamstress, 34 years old, town, married, two children

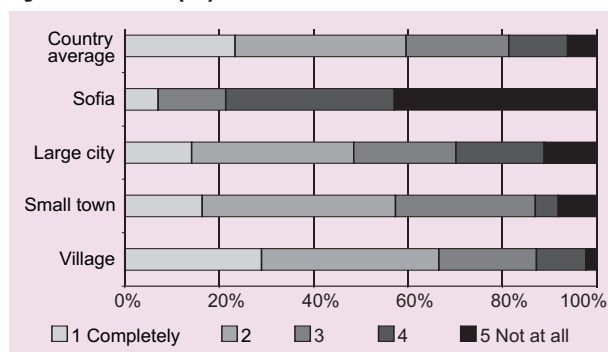
Informal activities in subsistence farming also provide a mechanism to escape poverty and economic need.

Now the conditions are such that it is impossible to live without something additional, without food production. It is impossible to buy everything we need with the money we receive. And what we produce is ecological, not artificial. In spite of that, I would rather buy some of the things we produce ourselves, if we were able to. It is very hard and labour-consuming.

Female employee, married mother of 2 children, small town

Subsistence agriculture is not only a widespread practice in Bulgaria but it also has a strong impact on both rural and urban standards of living. The ASA survey showed that two-thirds of Bulgarian households that own household plots, regardless of location, rely entirely or significantly on their farming plots for subsistence (see Figure 2 below). In villages and small towns the share is higher, but even in big cities people survive on what they produce on their plots. In rural areas, 29% are entirely dependent on subsistence farming. For people living in urban areas who own plots in the countryside, these plots have become a 'reservoir' of food supply. Therefore, it is extremely important at the political level to clearly distinguish between informal subsistence agriculture and other types of informal activities. The survey also indicated that women are more actively involved in work on the family plot than men.

Figure 3. Reliance on subsistence farming by residence (%)



Source: National representative social survey (N = 1 160), conducted by the Agency for Social Analyses (ASA) within the International Social Survey Programme (ISSP) in 2002.

Women's knowledge and exercise of their economic rights

Very few of the women interviewed (mostly better educated and/or working in big towns) are aware of their economic rights as specified in the national labour legislation. Even among the better informed women, knowledge is specific only to certain rights and obligations. **Most respondents are unaware of their rights and entirely rely on the integrity of their employers or business partners.** Usually they are unlikely to undertake steps to pursue their rights except in cases of gross violations.

Some women working in the informal sector realize the semi-legal nature of their employment but are not in a position to demand change. They are likely to tolerate and disregard violations of their economic rights in order to maintain good relations with their employers and most importantly, to keep their jobs. Fear of losing their jobs is the major reason why women put up with certain infringements of the law and forms of exploitation. The women who work informally and are the only wage earners in the household are particularly likely to make compromises and accept poor work conditions. Fear of being fired is also the reason why women in general show no interest in knowing more about their legally guaranteed labour rights. Women feel that their labour rights matter only as far as what their employers consider as 'rights,' which is a clear sign of their mistrust in the law and in its ability to 'discipline' employers.

In many cases, women in Bulgaria are uncertain how and where to seek legal and other forms of protection if their economic rights are violated, as well as what exactly constitutes such violations. In general, legal assistance would be used only as a last resort. In such cases, women are most likely to turn to lawyers and legal advisers who they know. The pursuit and protection of their economic rights are believed to entail financial expenses that further burden the family budget. Moreover, women are concerned that getting involved in a lawsuit might make it hard for them to find another job if 'the word spreads around' that they actively opposed and stood up against the illegal activity of their employers.

I'll seek help from a lawyer (if need). I know some people who're lawyers. I'll ask them to help me, to recommend a colleague of theirs, for example. I don't know – to tell you the truth, I haven't really thought about it.

Female translator/interpreter, 33 years old, university graduate, Sofia, cohabiting

As a rule, we should turn to ... there's something like trade unions, isn't there. But even if I were to turn to them, I'd be the one to bear the negative consequences. Because, if you just complain about something from your employer, you might as well know you'd be sacked in 24 hours; you won't even get the last salary you're entitled to.

Seamstress, 31 years old, married, two children

Passive acceptance of infringement on their rights is typical for women working in small manufacturing firms in smaller towns and villages where unemployment is high.

None of the women here dares say anything harsh or biting because her contract won't be renewed. And when you don't have a job, how can you find money for your children? Most of these women's husbands work, but in order to support their children they all need two salaries ... not that these salaries come to much.

Seamstress, 29 years old, small town, married, one child

Young women with low levels of education who have moved from small towns and villages to bigger cities in search of employment are also most likely to tolerate violation of their rights on the informal labour market. They usually have no prior work experience, and have not completed high school or have recently left school. They are not adequately prepared to enter and be competitive on the labour market. This disadvantage together with their desire for a higher living standard makes them less critical of their working conditions. They are also the most likely to go beyond the bounds of the informal economy and to join the criminal sphere (e.g. prostitution) or to fall victim to trafficking. In this regard, education is a very important factor: young women with higher levels of education are more likely to stand up for their rights and to seek a career that corresponds more closely to their qualifications. Similar differences according to age and education were found in another survey on women, work and globalization performed by ASA. (Dimova, 2003)

In the case of women who engage in informal activities as a way to earn additional income, it can also be argued that they are forfeiting their rights to decent salary and guaranteed employment benefits and are trying to compensate for that on their own.

For the women's rights groups, entrepreneurial associations and worker's unions both types of engagement in the informal economy raise challenges related to raising awareness of the rights that are violated and of the duties involved.

SUMMARY OF MAIN FINDINGS

- > **Both women and men participate actively in the informal economy**, but they perform different types of activities based on their physical ability and established gender role. Women are primarily occupied in activities demanding less manual strength, but more precision and patience. Examples include sewing and knitting, care of children and old or disabled people, cleaning, teaching and tutoring, etc. However, women are also actively involved in home-based production and subsistence agriculture, often to a greater degree than men.
- > The main reasons for women's participation in the informal economy in Bulgaria are **economic hardship and the need to secure income for sustaining themselves and their families**. Sometimes the only possible choice of paid employment is to find work in firms or organizations that do not observe the labour laws strictly. This is especially valid for regions where unemployment rates are high, border areas, or regions where there are no large-scale enterprises. It is also the case when women are the sole breadwinners in the family or household.
- > Women believe that **it is not necessary to declare their informal earnings in cases when these represent additional income**. Since income earned on the informal market usually provides for the basic needs of their family, they do not perceive it as an illegal act and are strongly against any interference by the government

that might limit these earnings. In this case, it can be argued that women forfeit some of their economic rights.

> In general, the **main challenges women (and men) face in the informal sector** fit within a framework developed by Ascoly (2004):

- *No recognition and/or protection under legal frameworks* – informal employees and self-employees work either without labour contract or are not in a position to push for the enforcement of their contracts. This inevitably leads to social and legal insecurity - they receive little or no protection and reproduce their current insecurity into the future. This is relevant also to those working on family plots.
- *No work organizing* – in the informal economy there are no trade unions or work organization. It is almost impossible for workers to get organized. Mostly for fear of losing their jobs, they avoid discussing their work conditions with others, including possible organizers. At the same time, some of them are sceptical of unions' ability to achieve formalization of their jobs or to defend their labour rights.¹⁶

- *No visibility* – 'invisibility' is among the basic characteristics of the informal economy, even though its existence in Bulgaria is a public secret. That makes social protection, as well as enforcement of the rights and duties of all stakeholders involved, extremely difficult.
- *Mobile and unstable labour status* – informal workers are not sure for how long they can keep their jobs and what will happen when they lose them. That is why women are often willing to accept 'any job' and to be 'blind, deaf and dumb' in order to support their families.
- *Risk of social exclusion* – informal workers have limited access to credits and social benefits, health care and other social services.

> The **'day-to-day' life philosophy** is prevalent among women with low levels of education, women living in the countryside, women performing manual labour, as well as among a relatively high percentage of young women. They chose to focus on their immediate, daily problems, rather than think about the future. This attitude can lead to an increased risk of them getting trapped in the informal market. Many of these women do not have adequate or sometimes any pension contributions, which will inevitably cause problems in the social benefits system and increase the number of people living on social pensions in the future. Therefore, it can be concluded that the informal economy generates reproduction of the cultural model of poverty at least among part of the population.

¹⁶ It is important to note that an ILO (2000c) study points out that in many cases informal activities are seen as entrepreneurial activities and it is women's entrepreneur associations rather than unions giving shape to the demands and addressing the problems that women working in the informal economy in the self-employment mode may make.

> Work in the informal sector often adds to the **time burden** of women who have to perform most of the unpaid domestic work in addition to their formal jobs (if any). As a result, women's leisure time and time for their families is severely constrained. If the total income they earn is not sufficient to secure a standard of living for their children that they deem acceptable, women seek yet additional sources of income, which further deprives them of time with their children and family. This has specific impacts on general social welfare, given the present gender distribution of caring activities.

> Women are **likely to put up with poor working conditions and violations of their rights** in order to support their families, except in cases of blatant infringement of their rights, health or dignity.

> Women working in the informal economy as employees are mostly **not well aware of and do not exercise their labour rights**. The main reason is fear of losing their jobs and not being able to find alternative employment, which might expose their families to economic deprivation. Other reasons for lack of resistance to rights' violations are fear of financial sanctions (any protest against the manager/employer is often followed by reduction in wages), fear of demotion, transfer to a job requiring less qualification, or negative consequences for friends or relatives employed by the same employer, etc.

> Interviewed women expressed concern that the informal economy in the country is a result of a 'silent arrangement' between the state, employers and workers – what can be expressed as **'formality of informality'**. The state benefits because the informal economy absorbs the

unemployed and reduces unemployment rates, social payouts are lower as less people work in formal employment, and poverty levels do not appear as high when measured in terms of household consumption. Employers are in favour of undeclared activities because in this way they can keep part of their profits that would otherwise be paid out as taxes or social insurance. To workers undeclared incomes are a means to survive and maintain a more or less decent living standard. Therefore, for the time being at least, the informal economy is generally perceived as a 'necessary evil.'

> There is a **steady process of de-qualification** resulting from women's employment in the informal sector. This concerns middle-aged women who have lost their jobs as a result of structural reorganizations in the economy and who have no chance of remaining competitive. It also affects younger women, who find it difficult to restore any knowledge they had previously acquired because they do not pursue careers in their fields of study. The informal economy in general leads to a large mismatch of skills to jobs. On the other hand, skills acquired informally are also shown to be used by women in order to make a living.

> **Women are increasingly relying on their artistic talents**, creative ability, or knowledge and skills acquired at home, school or at previous jobs to take advantage of informal work opportunities. A positive aspect of this could be that they are stimulated to develop their initiative and skills. It should be kept in mind, however, that the main reasons for involvement in more artistic forms of informal employment are also economic. The official recognition of these skills is one of the policies that can

reduce the scope of informal activities, together with enhancing different kinds of entrepreneurship (i.e. cooperative type arrangements).

> **Family farming and subsistence production** are not seen as a form of 'informal work' but as a traditional feature of the life of the Bulgarian people, for both rural and urban households. Any policy conducive to reducing the informal economy should take this activity into account so that the policy does not harm its contribution to household consumption, which at the moment is of critical importance to many Bulgarians.

> **Young girls and women**, in particular those with lower levels of education, find it difficult to escape the informal economy. They are eager to achieve a higher standard of living, similar to what is often portrayed in the media. They are also willing to work without regular contracts, without social security contributions and under harsh working conditions. Finally, young women rarely think about pensions or healthcare and social benefits in a long-term perspective.

RECOMMENDATIONS

Based on the research findings, the following steps and measures needed to address the problems of informal employment for women have been identified:

> *government* – differentiate between forms of informal employment which help people to cope with economic hardship and maintain a good standard of living (such as subsistence farming, private tutoring or casual engagement in handicrafts), and those that have negative impact on the economy as a whole and on the welfare and rights of both women and men; monitor the work of regulatory bodies (tax authorities, labour inspectorates, etc.) and ensure transparency in their work to prevent corruption practices; pursue policies that help the creation of regular jobs in the formal economy (tax policies and other incentives for employers to hire employees) and improve the working conditions in the informal sector; implement strong anti-discrimination policies and measures; stipulate or strengthen rules and relations between employers and employees, which at present are either unregulated or have too many loopholes;

> *legislature* – simplify legal and tax procedures relevant to small businesses, self-employed and home farming;

> *civil society* – raise women's awareness about their economic and labour rights and about the full spectrum of negative impacts that informal work entails;

> *trade unions* – include informal employment and its gender dimensions as part of their agenda and advocacy

work; develop women-friendly schemes of activities for protection of women's rights in the informal sectors and for provision of work alternatives which secure a decent future for women;

> *enterprises* – introduce social corporate responsibility practices and make them extensive to outsourced and/or subcontracted partners in accordance with ILO and EU recommendations;

> *statistical offices* – include a module in the Labour Force Survey, using ILO definitions of the informal economy, to contribute to a more comprehensive analysis of the issues related to informal work, including its gender aspects.

The research presented here clearly points to an urgent need to develop and implement a **broad political strategy** for reducing violations of women's rights in the informal sector and addressing the negative impacts of informal employment. The informal economy in Bulgaria is expanding to include more and more economic sectors, geographic areas, and social groups. As a mechanism to cope with economic hardship and poverty, it has turned into an almost inseparable part of Bulgarian economic life and business environment. Undeclared work on family plots continues a long-standing Bulgarian tradition, but has increasingly played a crucial role in avoiding poverty and food deprivation for many households.

A political strategy on dealing with the informal economy should be based on a wide public debate involving decision-makers, politicians, employers, trade unions,

representatives from civil society and women's organizations, researchers, academics, experts, and the media. The strategy should include a political vision about reducing the scope of the informal sector over the next 20 or more years, specific policies and measures for achieving this vision, recognition of the costs and benefits for the people involved in informal work, and the parties who would be responsible for implementation and monitoring. The strategy should focus on improving the business climate in the country by appropriate tax and legislative reforms. Thus, short-term, medium term and long-term policy objectives and instruments should be put in place.

Women's organizations should play an active role in the development and implementation of the strategy. They need to focus specifically on increasing women's awareness about the current and future negative impacts of informal employment and its impact on women's quality of life and social security.

In general, we strongly recommend that all forms of informal economy and their gender dimensions be addressed by policy-makers in the country as a priority issue on the political agenda. This is a crucial and urgent step on the eve of Bulgaria's accession to the EU on January 1, 2007. Given that there are on-going processes concerning employment and social inclusion linked to EU accession, it would be important to articulate and include specific policies and the corresponding indicators for monitoring progress on the informal market in general, and on women's participation in it in particular, such as the ones suggested above.

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ANNEX

Table A1. Reasons for women's participation in the informal economy

	OVERALL ASSESSMENT	By place		By age			By marital status			By education			
		Urban areas	Rural areas	Young	Middle aged	Retired	Married	Single	With children	Low level	High level	Specialized skills	
1 – low level of influence 2 – medium level of influence 3 – high level of influence													
Basic groups of reasons:													
Economic necessity (E)	3	3	3	3	3	3	3	3	3	3	2	2	
Socio-cultural practice (S)	2	1	3	1	2	2	2	2	2	2	3	2	3
Free choice (F)	1	1	2	1	1	2	1	2	1	1	1	1	2
Mistrust in the state (M)	2	1	3	2	2	3	2	3	3	3	2	3	
In particular:													
Need personal confidence/income (E)	2	3	1	3	2	1	1	3	1	1	3	2	
This is the only possible way to earn money (E)	3	1	3	2	2	3	1	2	2	2	1	1	
Need additional income for the household (E)	2	2	2	1	2	2	2	1	3	2	2	2	
The only working member of the household (E)	1	1	2	1	2	1	1	2	1	1	3	2	
Everybody does it (S)	2	2	3	3	2	2	2	1	2	1	2	3	
Can and have the opportunity (F)	2	2	2	3	1	2	2	2	3	2	1	2	
Have free time (F)	1	1	2	3	1	2	1	2	1	1	2	2	
To help the children/old parents (S)	3	2	3	1	3	2	2	1	3	2	1	2	
It is a tradition to 'work on the side' (S)	2	2	3	1	2	2	2	1	3	1	2	2	
The family demands this (S)	3	2	3	1	2	2	3	1	3	1	2	2	
Silent approval by the state – a 'formal informality' (M)	2	2	3	3	2	2	2	1	3	2	1	2	
Incomes are higher than in the legal economy (E)	3	3	3	3	2	2	2	3	3	2	3	2	
Do not wish to be dependent on the state (M)	1	2	1	3	2	1	2	2	2	1	2	2	
Do not trust the social security system (M)	2	2	2	3	2	2	2	3	2	3	2	2	
Can plan the own time (F)	2	3	2	3	2	1	2	3	3	1	2	2	
Secure financial resources for children (E)	2	2	3	1	2	2	2	1	3	2	2	2	

Table A2. The negative impacts associated with employment in the informal economy

	OVERALL ASSESSMENT	By place of residence		By age			By marital status			By educational level		
		Urban areas	Rural areas	Young	Middle active age	Pre-retired / Retired	Married	Single	With children	Low	High	Specific
The social security funds are not duly provided for, which accounts for the low level of social services	3	2	3	3	2	1	2	3	2	3	2	2
Worsened health condition of women	3	2	3	3	2	2	2	2	2	3	1	1
Loss of chances to return to natural/legal forms of employment	2	2	3	3	2	3	2	1	3	3	2	2
Insecurity about future generations of women – employers become accustomed	2	1	3	3	2	2	2	2	3	3	1	1
Reproduction of poverty	3	2	3	3	2	1	3	1	3	3	1	2
Inability to fully perform the role of mother, wife and housewife	2	2	2	1	3	2	2	1	3	3	2	2
Export of workforce/guest-workers	2	2	3	3	2	1	2	3	2	2	3	3
Worsened upbringing of children	3	1	3	3	2	1	2	2	3	3	1	1
Disintegration of families/single parents	2	3	1	3	2	1	2	1	2	2	3	3