GROWING INEQUALITY AND ITS IMPACTS IN BULGARIA

Vassil Tsanov,

Petya Ivanova

Silvia Panteleeva

Bogdan Bogdanov

Country Report for Bulgaria

Table of contents

List of Tables

List of Figures

Executive summary

Inequality Drivers

Income inequality in Bulgaria during the last three decades has grown following periods of increase and decrease. During the 80s, the Gini coefficient decreased from 0.24 in 1980 to 0.2 in 1988. A considerable growth in inequality occurred in the initial years of the transition to a market economy (1990-1997). In this period, the Gini coefficient increased reaching 0.27 in 1997. A period of decrease followed (1998-2002) and later again a tangible increase (in 2010, Gini reached its highest level of 0.36).

The evolution of income inequality is a direct result of economic development, reforms (mostly during the first half of the 90s) and income policy. The increase in inequality during the 90s was mostly owing to the development of the private sector in the economy, the continuous economic recession and the restrictive income policy that was applied. The continuous period of decline in income inequality could be explained mainly by the income policy implemented (a considerable increase in the minimal wage) and a gradual decrease in taxation on wages and social security payments.

Labour market inequalities by gender and education have similar development trends. Gender inequality in employment and payment decreased. The differences in employment in accordance with the educational level attained also declined.

There have been positive changes in the education level of the population in the last 20 years. The number of persons dropping out of school early decreased. The proportion of University graduates, including a large proportion of women, increased. All these positive changes mostly affected the Bulgarian population rather than the other major ethic groups. Ethnic differences in educational attainment are associated with inequality.

Social Impacts

Deprivation in Bulgarian households in the last five years has decreased considerably. A decline in deprivation is evident for all age groups, education and income levels, as well as for all types of households. This process does not correspond to the increase in income inequality, but it is in synch with the increase in incomes of all categories of households. The development of poverty risk is more

closely related to the evolution of income inequality. The periods of decrease and increase are almost identical, while the position of the basic risk for social groups does not change.

The Bulgarian population displays great social activity. Only a minor portion of the population (under 2%) does not have social contact with relatives, friends and colleagues. The level and dynamics of the indicators of social cohesion are not related to inequality dynamics. There is no evidence regarding the impact of inequality on social contacts.

The changes in the basic indicators characterizing family development, are expressed in declining female fertility, a decrease in the number of children in the family, a decline in the number of legal marriages, an increase in the number of divorces, and an increase in the number of families based on co-habitation. There is a relationship between economic development and female fertility.

Life expectancy in Bulgaria is rising, but with periods of increase and decrease. In the last two decades the trend of life expectancy closely follows economic development. A national trend is the growing gender gap in life expectancy. The differences in life expectancy by education level are considerable but without a substantial change over time. Persons with low education have a lower life expectancy.

The majority of Bulgarian households live in their own houses without mortgage loans and credits. The distinctions in the distribution of people according to tenure status and status of poverty are not considerable. This is probably owing to the fact that the property is obtained before falling into poverty.

The crime rate in Bulgaria correlates closely with the economic development in the country. The number of registered crimes by the police significantly decreased in the years of economic prosperity, while in the years of harsh economic crisis (1996-1997 and 2009) criminal activity intensified. Regardless of the decline in crimes, the number of convicted persons rose.

The Bulgarian population demonstrates an extremely low level of satisfaction with life and happiness. Changes in the degree of satisfaction to a certain extent are related to the economic situation and the level of incomes in this period.

The social impacts of inequality are summarized in Appendix 1.

Political And Cultural Impacts

The political activity of the Bulgarian population has decreased in the last two decades. A reflection of this trend is the constant decline in the number of voters at Presidential, Parliamentary and local elections indicating the demonstrative withdrawal of the citizens and their refusal to support the

proposed political formations, regardless of the ideas offered in the pre-election political platforms. There is no link between inequality and political participation in the elections because participation in elections constantly decreased, while inequality fluctuated.

The low political activity is complemented with the lack of trust in the public institutions (Government, Parliament, judicial system). This distrust especially contrasted against the growing trust in the EU structures. The lack of trust, in general, is typical for the Bulgarian society, but it is especially expressed among the low educated, unemployed, and poor people with no perspective for labour and social realization in the future. There is no correlation between inequality and the trust in public institutions.

The 90s are characterized by consecutive alternating of left and right wing government. Following the failure of both the left and the right to achieve the economic development and desired living standards, the second decade saw a more clearly pronounced centre manifested along with participation of ultra-right parties in the Parliament.

The social attitudes expressed by Bulgarians with regards to the EU membership are positive. This is mostly owing to the idea that a higher living standard will be guaranteed. As a result of the economic crisis in the last years, there was a slight decline in the positive attitudes towards the EU, and a more clearly expressed change in the attitudes towards the immigrants.

Bulgarians are extremely sensitive to the unfair income distribution and expressively manifest their opinion about the government involvement in income regulation. A similar strong opinion is expressed about the role of the state for preventing falling into poverty, a question of great sensitivity in society. Despite the great value attribute to equality, freedom as a democratic value is held in greater esteem by the majority of people.

A summary of the political and cultural impacts of inequality is presented in Appendix 2.

Effectiveness Of Policy In Combating Inequality

The income policy and more precisely the increase of the minimal wage significantly affect the income inequality reduction. There is a negative dependency between the growth of the minimum wage and the Gini coefficient in the last two decades.

The wage bargaining system in Bulgaria does not facilitate the reduction in the wage differentiation. The low extension and coverage of the wage negotiations, and the low union density are real prerequisites, stimulating wage inequality.

Taxation policy in Bulgaria is directed towards the decrease of direct and increase of indirect taxes, restricting their impact on inequality. This policy decreases the revenues from taxes and limits the redistribution processes. Moreover, the introduction of the flat tax rate resulted in increased wage inequality, since it favors high wages.

Social transfers exert mixed impacts on inequality reduction. The expenditure on ALMP and especially expenditure on the direct job creation are orientated towards reducing inequality, since the return to employment increased the incomes of beneficiaries. A similar positive effect on inequality is exerted by the expenditure on supporting families and raising children. Social transfers for old age pensions have a positive effect on reducing the inequality between the incomes from labour and pensions. The transfers along the social assistance system have a negative effect on inequality due to their fragile adaptation to the wages.

1. Introduction

The basic purpose of the GINI research project is to investigate the changes and driving forces behind inequality in terms of economic, education and wealth over the last 25-30 years and their social, political and cultural impacts. In the context of this purpose, the current report is focused on presenting the basic patterns and trends in the development of inequality in Bulgaria and how these reflect on the social, political and cultural spheres. In addition the role of institutions and policies for neutralization or reducing the negative effects on the social life of the country is analyzed.

The study mostly involves the period following the start of the reforms (1990), ensuring the transition from a centrally planned to a market economy. This restriction is a result of the disposable statistical information and its limited comparability with the information of the past regime. Despite these limitations, Bulgaria presents an interesting case due to the considerable economic and social transformations of this period of transition and their influence on inequality.

In the respect of presenting a more comprehensive picture of the evolution of inequality in Bulgaria, we present a few basic socioeconomic macro indicators, characterizing the overall development in the period 1985-2011. Table 1.1 illustrates the demographic, educational, and economic development of the country.

In the last 25 years two strongly pronounced negative trends in the demographic development appeared in the country: population reduction and aging. The total number of the population between the Censuses of 1985 and 2011 has decreased by, close to, 1.58 million people – presenting a reduction by 18%. The intensity of the decrease has been stable during the last 20 years (about 7% per decade). The basic reasons for the demographic collapse are the consequence of the decrease in the fertility and birth rate, comparatively high mortality rate and emigration. These negative processes developed alongside a slight increase in life expectancy.

This depopulation is accompanied by a permanent aging of the population. The share of the population in the two age groups (children up to 14 years and adults over 65 years) is mostly restructured as young generations are replaced by older. For the last 25 years the share of children (0-14 years) decreased more rapidly (by 8.2 percentage points), compared to the increase in the share of the adult (65+) population (6.9 percentage points). In 2011 the population up to 14 years of age comprised of a little over one tenth (one fifth in 1985), while the adult population reached one fifth (near 11.6% in 1985).

The negative demographic trends directly reflected on the size and composition of the Bulgarian households. Though the total number of households remained relatively stable, their size constantly decreased. This process of decline has been especially evident during the last decade. The structure of households has seen changes as well. The share of one member households considerably increased at the expense of multi-member households. This household structure is a result of a number of factors, amongst which are the greater age at first marriage and the extended life expectancy for both sexes.

The education level of the population in the last 25 years marks a stable trend of increase. The positive changes affect all educational levels.

Table 1.1 Social and economic background statistics of Bulgaria, 1985-2011

	1985	1990	2001	2011
Total population (x 1000)*	8949	8487	7929	7365
Age structure*				
%, 0-14	21.4	19.0	15.3	13.2
%, 15-64	67.0	66.7	67.9	68.3
%, 65+	11.6	14.3	16.8	18.5
Education levels of the 7+ population*				
%, at least primary	63.6	55.0	48.1	37.0
%, at least secondary	30.2	37.0	37.9	43.4
%, at least tertiary	6.2	7.9	14.1	19.6
Living patterns*				
No. of hholds (x 1000)	3030	2965	2923	3006
Average hhold size	3.0	2.8	2.7	2.4
%, one person hhold	18.2	19.7	22.7	30.8
%, 2 person hhold	26.7	28.0	28.4	28.4
%, 3 person hhold	20.3	20.4	21.6	20.2
4-5 person hhold	28.8	26.9	23.8	17.8
% 6+ person hhold	6.0	5.0	3.5	2.8
Employment composition of the population*				
%, employed	51.7	38.7	32.8	44.4
%, unemployed	-	7.6	15.9	7.7
%, inactive	47.6	53.6	51.1	54.8
Economy				
GDP/cap, PPS				
%, GDP/1990		100	92.4	134.6
%, CPI/1990 (x 1000)		100	137	238
%, Real wages/1990		100	48.2	82.1
Wages (% GDP)		53.7	36.4	37.2
%, Employment rate (15-64)		52.2**	49.2	58.5
%, Unemployment rate (15-64)		1.7	19.5	11.3
%, real income, 1990		100	37.2	51.1
Budget deficit/ surplus (% GDP)		2.1***	1.1	-2.1
Government debt (% GDP)		77.6***	66.0	16.3

Sources: Census 1985, 1992, 2001, 2011; NSI; Eurostat

Note: * data for 1990 refers to the Census

** data refers to 1993;

*** data refers to 1996.

According to data from the Censuses after 1985 the share of people with primary and lower education decreased by close to 2 times and in 2011 reaches a little over one third. A considerably higher growth is evident in the population with tertiary education (over three times). People with secondary education have the greatest share in the educational structure of the population at 7+ years.

The structure of the Bulgarian population in respect to the status at the labour market has also changed during the last 25 years. The share of economically inactive people tends to increase. More than half of the population 7+ years in 2011 is inactive. This trend is a result of economic and demographic factors. The economic development of the country in the period of consideration determined the employment and unemployment rates.

The prolonged recession in the early 90s had a negative effect on employment figures. The unemployment rate reached close to 16%, while the number of the employed comprised around one third. The economic growth, actualized after 2001, tangibly improved the macroeconomic characteristics of the labour market.

The economic development of the country between 1990 and 2011 is marked with periods of recession (1990-1997), accelerated and stable growth (1998-2008) and the current crisis (2009-2011). In the period of the seven years long recession, the GDP decreased by a quarter (25.1%) in comparison to the basis year (1990). The realized growth by the end of the 90s, to a considerable extent, recovered the economic potential of the country. The stable economic development of the country after 2001 (with average annual rates of around 4-7%) has lead to a significant improvement in all macroeconomic indicators. In total, for the period 1990-2011 the GDP increased by more than one third.

The development of the wages and incomes tangibly lagged behind the GDP dynamic. Whilst the evolution of GDP gets close to the level of 1990, 'real wages' lost more than the half of their purchasing power and close to 18% by the end of the period. The reasons for this lag are complex but, mostly because of the imposed restriction on the dynamics of wages in the first decade of the period and the decreasing share of wages in the GDP. For the last 22 years the share of employee's compensations in the GDP decreased from 54% in 1990 to a little more than one third in 2011. An important feature of this dependency is that in the years of stable growth (2004-2008) their share constantly decreased. The real incomes per household member decreased more than the wages.

In the last 20 years the labour market in Bulgaria has developed in accordance with the economic dynamic and structural changes. The decrease in employment in the years of continuous recession in the early 90s produced two negative effects in the labour market. The first one is the increase in unemployment, and the second – outflows from the labour market. The structural reforms from the second half of the 90s also negatively affected employment, despite the realized economic growth. The most considerable successes in increasing employment and decreasing unemployment were realized in the period of high and stable growth (2002-2008). The employment rate in 2008 reached its highest value (64%), while the unemployment rate – the lowest value (5.6%).

Regarding the public finance and the government debt, Bulgaria has pursued extremely hard policy in the last decade. During the bigger part of the period after 1998, a budget surplus of 1-2% of GDP was realized. A typical example for a good and continuous budget policy is presented in the period 2004-2008, as in the course of five consecutive years the budget balance was in surplus of 1.2-1.9% of GDP. In the context of the present economic crisis, the budget balance of the country is in deficit considerably below the average EU level. As a result of the government measures taken, the budget deficit decreased from 4.1% of GDP in 2009 to 2.1% in 2011. At the same time the average EU budget deficit declined from 6.9% to 4.5% of the GDP.

Besides, the good budget policy, Bulgaria has taken crucial measures for decreasing the government debt. In the course of a 10 year period, the Bulgarian government drastically decreased the debt. It was reduced from 108% of GDP in 1997 to 13.7% in 2008. During the recent crisis period the government debt has slightly increased reaching 16.3% of GDP.

The presented general overview of the demographic, educational, labour and economic development of the country in the last two decades shapes the social and economic environment and the possible driving forces in income inequality, education and labour market, as well as the influences and interactions.

2. The nature of inequality and its development over time

This chapter explores the evolution of inequalities in Bulgaria in terms of household incomes, earnings, employment/unemployment, and the level of education and wealth. The results of the analysis are used as grounds for the further research on their impact on the social, political and cultural processes in society.

The study of income inequality is focused not only on the total dynamics, but also on the different parts of income distribution (mainly the two ends of the distribution). Besides, the analysis includes different concepts of incomes: primary (market) incomes, incomes before and after social transfers and net incomes. Thus we have the opportunity to evaluate the impact of social transfers and taxation on inequality.

Various indicators are used for measuring inequalities (the coefficients of Gini, Theil and Atkinson, variation of logarithms, and different ratios) which give a more comprehensive picture of inequality in the different parts of income distribution. Since in there is no available official information in Bulgaria regarding the wealth of households, the study is based on existing expert evaluations and research performed by various organizations. For lack of adequate statistical information and relevant studies the part of intergenerational mobility is missing.

The research into inequality in Bulgaria is based on data from various international and national sources. For some of the national sources there is a complete compatibility with the data from Eurostat (Labour force survey, EU-SILC), whilst for others there is a limited compatibility (Household budget survey - HBS).

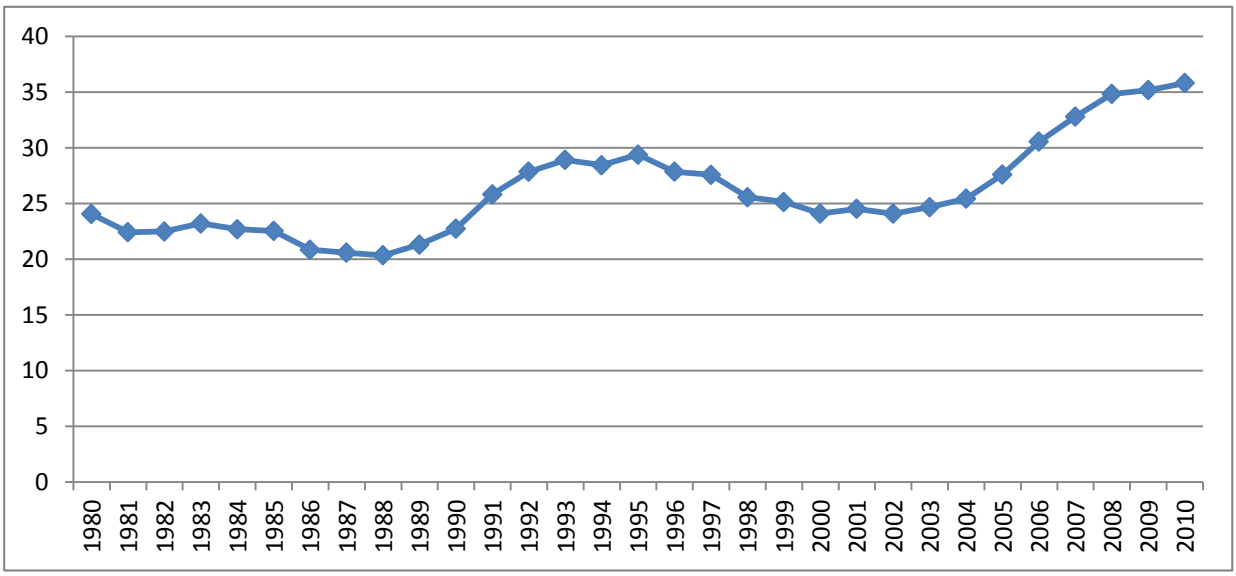
2.1. Has Inequality grown?

2.1.1. Household income inequality

The evolution of income inequality in Bulgaria in the long-term aspect is based on the concept of the equivalent net income per household member (after taxation and social transfers). Fig. 2.1 presents the development of the Gini coefficient according to data from UN-SWIID, Version 3.1. For the last 30 years there have been periods of increase and decrease, but overall there has been an increase in inequality. A similar fluctuation is also evident for the period preceding the 80s, but for lower values of the Gini coefficient. During the 60s and 70s the Gini changed in the ranges of 15-25%.

In inequality development there have been two periods of decrease and two periods of increase. During the 80s the Gini coefficient declined as it reached the lowest values in 1988 and 1989, on the eve of the total changes in the social and political life in the country. After 1990 there has been a sizable increase in inequality reflecting the deepening economic crisis of the early 90s. The impoverishment of vast layers of the population and the establishment of a big scale shadow economy[1] resulted in social re-structuring and differentiation by income and wealth. There was a peak in the increase of differentiation in 1995. In the period 1996-2002 there was a prolonged decrease and a subsequent increase after 2002.

Figure 2.1 Evolution of income inequality, Gini coefficient, 1980-2010



Source: S. Frederick, 2011, SWIID, Version 3.1.

A similar picture in the income inequality dynamics is evident using other measures of inequality and the concept of gross income. Table 2.1 presents various aggregate measures of income inequality

[1] Evaluations of the scale of the shadow economy are subject to a number of studies in the last 10–15 years. The data from these studies indicate that the shadow economy as a percentage of the Gross Domestic Product (GDP) vary in the range from 35% to 40%. The data from the official statistics indicate around 12%. Summarizing the results from all known investigations, I consider that the size of the shadow economy is not less than 25% and not more than 30% of the GDP. In principle the existence of the shadow economy has a negative affect upon the estimations from statistical research. In some studies, the evaluations are underestimated – for example, the estimations of income rate. In other studies the estimations are overestimated – for example, the estimations of the unemployment rate.

(Theil, Atkinson, Gini and the Variation of the logarithms) calculated on the basis of gross income. These coefficients differ in sensitivity to the different parts of the income distribution (the low, average and the highest incomes). The Variation of the logarithms and Theil coefficients are more sensitive towards the low income groups, while the Gini coefficient is sensitive towards the changes in the middle, while the Atkinson coefficient (0.5) is sensitive to top tail of the income distribution.

All four coefficients indicate identical tendencies of development for the last 15 years. Inequality declined in the period 1995-2006, and then later – increased. Nevertheless, over the entire period there has been a decrease in income inequality. This decrease is most prominent for the Atkinson coefficient (-33%) and the Theil coefficient (-28%), that is for the measures indicating mostly the two end intervals of the distribution. A considerably smaller decrease is indicated for the Gini and Variation of Logarithms coefficients; -9% and -11% respectively. Similar trends of income inequality based on Gini coefficient (net and gross) had been received in other studies devoted to poverty and inequality (Nikolova, et al., 2011, Tsanov, et al., 2006).

Table 2.1 The coefficients of inequality by gross income, 1995-2010

	Variation of logarithms	Gini	Theil	Atkinson (0.5)
1995	0.3224	0.293	0.1728	0.0860
1996	0.2720	0.280	0.1419	0.0700
1997	0.2601	0.278	0.1472	0.0728
1998	0.2558	0.264	0.1342	0.0689
1999	0.2478	0.256	0.1278	0.0578
2000	0.2476	0.254	0.1277	0.0574
2001	0.2475	0.257	0.1274	0.0573
2002	0.2885	0.258	0.1405	0.0680
2003	0.2424	0.245	0.1155	0.0552
2004	0.2896	0.264	0.1314	0.0618
2005	0.2530	0.249	0.1187	0.0566
2006	0.2289	0.241	0.1075	0.0514
2007	0.2420	0.253	0.1159	0.0559
2008	0.2508	0.263	0.1147	0.0542
2009	0.2596	0.261	0.1164	0.0548
2010	0.2857	0.268	0.1249	0.0576

Source: HBS, National Statistical Institute.

The evolution of income inequality is a direct consequence of the economic development, the reforms introduced (mostly in the first half of the 90s) and the income policy. Firstly, these were the changes after 1989, when the country abandoned the totalitarian rule for a democratic restructuring and market economy. The initial years after 1990 passed under the sign of the rapid expansion of the private sector resulting in increasing income inequality. Secondly, the severely restrictive government policy introduced regarding wages in the public sector and social transfers produced an additional stimulus for the increase of inequality in this period.

The next wave of the increase in income inequality (2004-2010) involved a period of economic growth and the current crisis. Obviously the economic prosperity , to a great extent, reflected the higher earnings (Zahariev, B., 2011). Besides, the enforced restrictions on incomes in the public sector during the current crisis contributed to an increase in inequality.

The continuous period of a decline in income inequality (1996-2005) can be explained by the dynamics of the economic development, as well as by the income policy and the reform in the pension system (2001). The GDP was continuously rising in the period from 1998 to 2010. Therefore, for example, in 1998 the GDP was 11 756 million EUR (1428 EUR per person), and in 2010 increased to 36 052 million EUR (4803 EUR per person) or over 3 times. Although it is hard to evaluate the direct impact of the economic growth on the decrease of income inequality, it is obvious that it creates favourable conditions for carrying out active reduction policies. This situation could be explained through processes related to the economic restructuring, the conjuncture of the foreign markets, foreign investment in the country, and external migration. The influence of these processes on inequality is not always one dimensional and income differentiation has other internal mechanisms, formed on the basis of social and political factors. Fundamental amongst these are the income policy, employment and taxation. In this period a policy was carried out for a more considerable increase of the minimum wage, as well as for a gradual decrease in the tax burden on wages and social security payments.

Bulgaria is a country with high level of external migration. Around 395,000 people (roughly 5% of the population) left the country during the period 2001-2011. The majority of these were young people (20-49 years of age). The migration process affected the inequality in different aspects. Firstly, it changed the labour force size and structure towards lessening the participation rate and worsening its composition by age and attained education. Secondly it reduced labour market inequality therefore lowering unemployment. Thirdly, most emigrants send money to their relatives and this contributes to inequality decline.

An empirical research on income inequality in Bulgaria pointed at other micro-determinants of inequality (Mintchev, V., et. el, 2010). The study revealed positive net effects in the degree of urbanization and the number of employed members of households, as well as negative effects of the number of unemployed, children, and pensioners on the per-capita income level at all parts of the income distribution. Inequality indices decomposition by subgroups identifies the type of settlement, ethnical group, the number of children and unemployed as substantial sources of income inequality in Bulgaria.

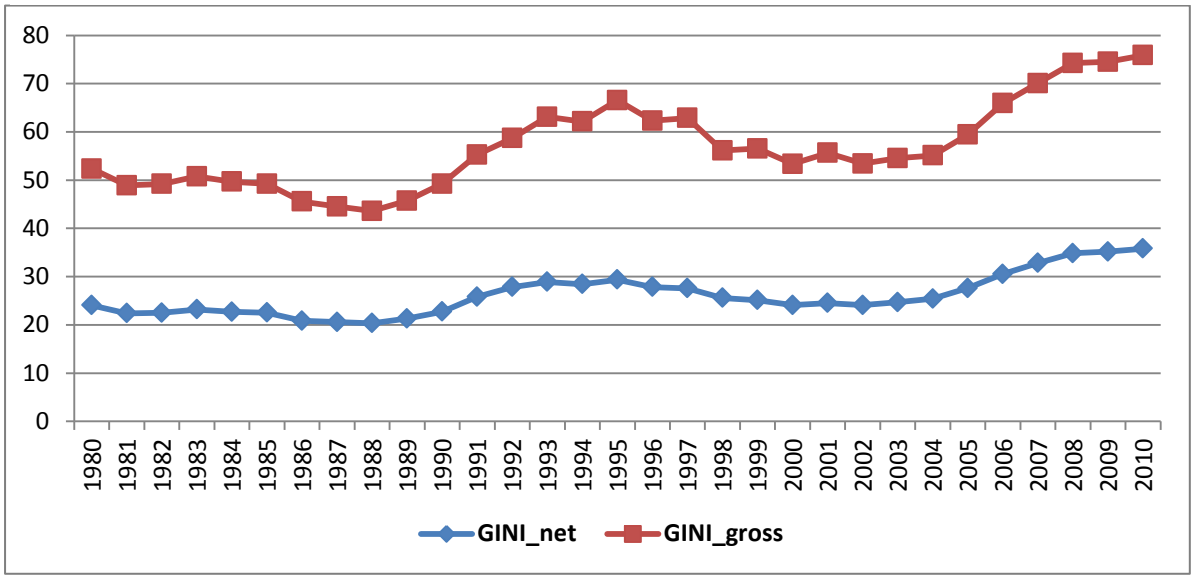
2.1.2. Effects of taxation and social transfers

Social transfers and taxation policy are the basic tools of the government for influencing income inequality. Taxation on personal and household incomes has an immediate impact on the net income. Comparing the income inequality between the gross (market) and the net household income, we can evaluate the impact of taxation on inequality.

Comparing the Gini coefficient according to the concept of the gross and the net income per household person indicate that the taxations on household incomes reduced the inequalities in the last 30 years but to different extents (Fig. 2.2.). The taxation policy from the 80s reduced the income inequality by 12-15% with a clearly marked tendency of decline in taxation effect. This policy was preserved until the early 90s.

The most tangible effect on inequality was observed in the period 1994-2003 in relation to reforms in the taxation system. In this period income inequality decreased, on average, by about 19%. In the conditions of the economic growth and a budget surplus (2004-2008), the taxation policy had a neutral character because of reducing taxes by an equal percentage. As a result the effect on inequality declined and remained constant for a long period of time (about 13%). In 2008 the introduced flat-tax rate of 10% reduced the effect on inequality to 10%.

Figure 2.1 Evolution of the Net and Gross Gini coefficient, 1980-2010



Source: S. Frederick, 2011, SWIID, Version 3.1.

Table2. 2 Effects of the social transfers on the inequality measures

	1995	2000	2005	2010
The Gini coefficient after social transfers:	0.293	0.254	0.249	0.263
- Before social transfers, including pensions;	0.303	0.265	0.257	0.272
- Before all social transfers;	0.353	0.323	0.319	0.367
S80/20 after social transfers:	4.4	3.7	3.7	3.9
- Before social transfers, including pensions;	4.8	4.2	4.0	4.3
- Before all social transfers;	9.8	10.3	12.9	15.4
S90/10 after social transfers:	6.8	5.5	5.3	6.0
- Before social transfers, including pensions;	7.6	6.5	6.0	7.0
- Before all social transfers.	26.6	21.9	35.8	36.1
The Variation of the logarithms coefficient:	0.3224	0.2476	0.2530	0.2857
- Before social transfers, including pensions;	0.3780	0.3030	0.3039	0.3862
- Before all social transfers.	1.0988	1.1565	1.2259	2.7039
The Theil coefficients:	0.1728	0.1277	0.1187	0.1249
- Before social transfers, including pensions;	0.1999	0.1328	0.1336	0.1369
- Before all social transfers.	0.3787	0.4370	0.4442	0.4544
The Atkinson coefficient (0.5):	0.0860	0.0574	0.0566	0.0576
- Before social transfers, including pensions;	0.0950	0.0601	0.0619	0.0650
- Before all social transfers.	0.1898	0.1679	0.1695	0.2968

Source: HBS, National Statistical Institute.

The influence of social transfers[2] on inequality is evident and is considerably stronger than the influence of taxation (Table 2.2.). In cases of excluding all transfers along with the pensions received, income inequality obviously increases. The data indicate that pensions have a crucial significance for reducing the level of inequality and household impoverishment.

The effect of social transfers on inequality is mostly pronounced on the ratios, measuring the inequality at the both ends of the income distribution: S80/20 (the ratio between the incomes of the poorest 20% and the richest 20% of households); and respectively S90/10 (the ratio between the incomes of the poorest 10% and the richest 10% of households). This situation is owing to the fact that social transfers mostly form the low income of households. Thus, for example, without social transfers the Gini coefficient in 2010 was 0.367, and after their inclusion as a household income it declined by almost 40%. The population of low income groups, generally, consists of pensioners, unemployed and other households that receive social aid. Therefore, in case of excluding social transfers, the ratios of S80/20 and S90/10 grow more obviously in comparison to the Gini coefficient. For example in 2010, the value of S80/20 before social transfers is 15.4, after their inclusion in the household incomes decreased to 3.9, which is almost four times reduction. Respectively for the ratio S90/10 the same values and differences are even more sensitive. The social transfers reduced inequality around 6 times.

An important peculiarity of the social transfers is that they obtain growing importance for reducing inequality. All measures of inequality exhibit this quality. For example, according to the Gini coefficient, the social transfers in 1995 reduced the income inequality by approximately 20%, whilst in 2005 by 28% and in 2010 by approximately 40%. The impact of social transfers on inequality reduction is more expressive in terms of the ratios.

In general social transfers prevent the danger of a drastic increase in the ratio between the incomes of the poor and the incomes of the rich social groups in the country. The reasons behind this tendency of increase in the significance of social transfers are the following: aging population, increase in the number of persons of retirement age, emigration of young and educated people growing unemployment rate, and crisis trends in the general economic development. In this sense,

[2] The social transfers include, besides pensions, the following: family benefits, financial assistance for handicaps and sickness; accommodation assistance; education assistance; other benefits.

we can add that for the period under consideration the role of social transfers becomes evident in alleviating and reducing the risk of social tension in the country.

2.1.3. Consumption inequality

The inequality among households in terms of consumption is a consequence of the existing income inequality. As early as the beginning of the transition, the real incomes of the population drastically and gradually decreased. 1999's figures compared to the beginning of the transition (1989) show that real incomes declined by 71.6%. Inflation became so high that it melted down the evident nominal growth of incomes. The total income for the period 1989-1998 increased around 553 times, but eventually the Bulgarian households were impoverished. Only in 1991 (after the price liberalization) – in the course of a year the real incomes decreased by 38.8%. The share of wages in the total income constantly declined – from 55.9% in 1989 to 40.1% in 1998. This result was owing to the annual layoffs of workers and public servants in the closing state industries around the country. This was especially evident in the early 90s.

The data on consumption inequality show similar dynamics with income inequality. All measures of consumption inequality indicate that until 2005 there was a tendency of a decline (Table 2.3.). An exception was observed in 2010, when consumption inequality grew.

Table2.3 Inequality of consumption, 1995-2010

Ratios	1995	2000	2005	2010
S80/20	3.6	3.5	3.4	3.8
S90/10	4.9	4.9	4.8	5.5
Gini	0.251	0.244	0.243	0.260

Source: HBS, National Statistical Institute.

When comparing the polarization of households in terms of consumer expenditures and in terms of disposable incomes, we can conclude that the polarization of households by income is greater. The same conclusion is valid with regards to household differentiation by consumer expenditure (measured by the Gini coefficient).

2.1.4. Evaluation of wealth

National statistics still do not carry out regular surveys on the wealth of Bulgarian households. Nevertheless, research teams from non-governmental organizations have made attempts at estimating the wealth of households in Bulgaria in the last several years. In this sense the purpose of this part is to present the estimations performed for the volume, structure and sources of wealth of

the households in the country. In 2005 the research and consultant group Industry Watch together with "Iconomedia" prepared an analysis indicating that towards the end of 2004 the total wealth of the Bulgarian households amounted to 40.9 billion EUR. The net financial wealth was included in this amount (evaluated at 5.4 billion EUR) and also residential urban real estate. It is interesting that the most part of the financial wealth of households was owing to the bank deposits (around 60%)[3]. The other possible sources of financial wealth of the households (securities, assets in pension funds, assets in investment companies and insurances) had a relatively small share as a whole.

In accordance with the above mentioned data the total wealth per household on average at the end of 2004 was 14 010 EUR (per person – 5 351 EUR). During 2004 the GDP per person was 2 623 EUR respectively[4]. Hence, the ratio between the GDP produced in 2004, and the total wealth per household person was 1: 2.1, and against the gross value added 1: 2.5.

The evaluations of the total net wealth of the Bulgarian households by basic components for the last five years are presented in Table 2.4. There is a tendency towards a certain decrease in wealth. This situation could be explained by the sharpening of the economic crisis on a national scale. Especially indicative in this respective is the decline in residential wealth. In the beginning of the period, a relative share of the residential wealth in the aggregate wealth is 84.5%, which later declines, and by the end of the period reaches 71.9%. In 2011 the aggregate net wealth per household is 20 333 EUR (per person – 8 714 EUR) which means that in comparison to 2004, it increased by 45.1% (by 62.9% per person).

Table 2.4 The aggregate net wealth of households by components (billion EUR in current prices)

	2007	2008	2009	2010	2011
Aggregate wealth	72.0	79.1	61.5	60.3	61.0
Financial wealth	11.2	10.9	12.5	14.4	17.1
Residential wealth	60.8	68.2	48.9	45.9	43.9

Source:"Industry watch" according to data of BNB, CFN, BFB-Sofia and NSI

[3]The data are from a publication in the newspaper "Kapital", (April 2-8, 2005), "80 billion BGN is the wealth of the Bulgarian households".

[4] The total size of the GDP for 2004 according to data from the National Statistical Institute is 20 362 million EUR.

We could note that the wealth of households was mostly created in the service sector where ¾ of the gross value added in the economy was produced. As a ratio against wealth this value is about 1:4. Respectively, we can say that the private sector, representing approximately 77% of the value added in the economy, is the environment where the households can enrich themselves to the greatest extent. The calculations indicate that the ratio between the gross value added, created in the private sector, and the wealth per household person is almost 1:3. The relative share of the marginal consumer household expenditure of the GDP in the last seven years is pretty stable at around 68%. As a relationship to the wealth of household, it is also 1:3. One of the basic sources of wealth for households is their primary incomes (labour incomes and capital). The relative share of the labour incomes in the gross value added reached the level of 41%, and the income form capital – about 61-63%.

Even with a smaller relative share, the financial wealth of households has the most pronounced tendency of increase. Among the basic reasons for the growth in the financial assets of population, the analysis from "Industry watch" indicates relative high revenues (in comparison to other European countries) of households from bank deposits. The deposits form around 70% of the household's portfolio as the effective annual rate on deposits remains over 4%.

At this moment the experts do not expect that the attitudes of people will change from saving to more active consumption. This is not likely until the labour market becomes more active, which is unlikely to occur by the end of 2012. The data from the statistics indicate that employment shrank, whilst unemployment reached almost a two digit number[5].

Residential and vacation homes outside big and smaller urban areas, money not deposited in banks, agricultural land, forests, business and industrial buildings, automobiles and machines, valuables and artwork – none of these are included in the wealth of the Bulgarian households. For various reasons, mostly economic, for the most part this is also material wealth in possession of households, but it does not generate benefits. This situation is predetermined by the lack of a developed market in the country. Therefore, we cannot evaluate this wealth in reality.

[5] NSI estimated 12.9% unemployment at the end of the first quarter of 2012. In comparison to the same quarter from the previous year, the number of unemployed has increased by 4.8%, while the unemployment rate by 0.7 percentage points.

In general the increase in aggregate wealth and its restructuring occur at the expense of the poor and average groups of the population in the country. According to expert evaluation around 80% of aggregate wealth is concentrated in approximately 5% of the population.

2.2. Labour market inequality

2.2.1. Wage inequality

The lack of regular statistical information regarding wage distribution restricts the analysis of wage inequality in Bulgaria over two years. There were two wage surveys carried out by the National Statistical Institute. The first was conducted in 2002 and the second in 2006.

The data from observations carried on employed persons by the size of received gross wage indicate that inequality measured by the Gini coefficient[6] has increased (Table 2.5). In the framework of four years the wage inequality increased by 11%. The quintile ratio (S80/20), however, stays the same. Respectively, the ration of lowest paid 10% of the employed and 10% of the highest paid slightly increased. It is obvious that the inequality and polarization of the employed persons in relation to wages is comparatively greater than in relation to received incomes by the household. The data from the table indicate that the Gini coefficient and the measures of polarization (S80/20 and S90/10) have higher values for men than for women. At same time it is evident that the Gini coefficient and the decile ratio S90/10 grow in 2006 in comparison to 2002 in total and by the sex of the employed persons. For the years between the two surveys differentiation in wages increased for both genders. All things being equal, the wage inequality among women is more pronounced.

[6] The Gini coefficient is calculated according to data from the survey carried out by the NSI "Annual statistics of employment and labour expenditure". The survey is carried out once in four years.

Table 2.5 Measures of inequality and polarization of the employed persons in total and by sex according to the size of the gross wage in 2002 and 2006

	Gini	S80/20	S90/10
Total			
2002	0.342	6	9
2006	0.381	6	10
Men			
2002	0.361	7	10
2006	0.404	7	11
Women			
2002	0.309	5	7
2006	0.359	6	9

Source: National Statistical Institute.

Though wages for men remains higher than that of women, the differences between them have decreased over the last 15 years. The ratio of the average wage for women to that of men has increased from 69% in 1996 to 76% in 2000 and reached 81% in 2010. The decline in wage inequality between men and women is also confirmed by the evaluation of the so called gender pay gap[7]. According to estimations (Tzanov, 2010), the gender wage gap dropped from 31% in 1996 to 16% in 2006. According to data from Eurostat this indicator reached 15.7% in 2010.

2.2.2. Inequality in employment and unemployment

The change in employment in Bulgaria over the last 3 decades closely correlates with the economic development. In the years before the transition to market economy almost the entire population of work age were employed. This model of employment tangibly changed after 1990. As a result of the market reforms and the continuous economic crisis employment has strongly reduced. For the period 1990-2000 the employment rate declined from close to 100% in 1990 to 58.4% in 2000. The reduction in employment affected all social groups, regardless of their education, gender and qualification.

The development of employment for the last 15 years by gender and by education level is presented in Table 2.6. The data indicates that the number of the employed persons in the age group 25 – 64 began to grow after 2000. This increase in employment was a result of the economic prosperity in

[7] Calculated as a percentage difference between the average gross earnings of male and female employees, as a percentage of male gross earnings.

the country. In the period 2000-2010 the employment rate at age 25-64 grew by close to 10 percentage points. Under the conditions of the current economic crisis in the country, employment again declines. This trend is evident for all employed persons by education level and gender.

Table 2.6 Employment by gender and attained education level, 1995-2011

Gender Education level	1995	2000	2005	2010	2011
Employment persons 25 - 64 years of age - thousands					
Total	2 692.9	2 544.1	2 718.5	2 803.0	2 729.2
University education	610.1	616.5	740.1	799.3	788.0
Secondary education	1 372.9	1 422.2	1 503	1 654.5	1 629.7
Primary and lower	709.9	505.4	475.4	349.2	311.6
Men	1 423.4	1 347.5	1 441.1	1 457.9	1 403.8
University education	276.7	263.9	302.7	315.4	312.4
Secondary education	732.2	780.1	857.6	942.2	913.8
Primary and lower	414.6	303.5	280.8	200.3	177.6
Women	1 269.4	1 196.6	1 277.4	1 345.2	1 325.4
University education	333.3	352.6	437.4	484.0	475.6
Secondary education	640.7	642.1	645.4	712.4	715.9
Primary and lower	295.4	201.9	194.6	148.8	133.9
Employment rate (25 - 64 years of age) - %					
Total	61.4	58.4	64.2	68.1	66.9
University education	80.5	77.8	80.9	83.8	82.7
Secondary education	71.0	66.3	69.8	71.5	70.3
Primary and lower education	41.9	35.7	40.8	41.2	38.6
Men	66.6	63.4	69.2	71.8	69.5
University education	82.3	81.1	85.4	86.3	84.3
Secondary education	75.4	70.8	74.9	75.8	73.3
Primary and lower education	49.9	43.5	48.1	47.6	44.2
Women	56.5	53.7	59.4	64.6	64.4
University education	79.0	75.6	78.0	82.3	81.7
Secondary education	66.6	61.5	64.1	66.6	66.8
Primary and lower	34.2	28.2	33.4	34.9	33.1

Source: LFS. National Statistical Institute.

In the framework of the total development of employment in Bulgaria there are changes, related to employment inequality by gender and by education level. Employment among men is higher than that of women, but likely to become equal. Therefore, there is a process of reducing inequalities by

gender. This is not, however, a steady process thought the separate periods. In the early 90s employment mostly decreases in the sectors with prevailing female employment (apparel, leather, textile and other industries). The result was a tangible decrease in female employment and stronger inequality in labour market. The relative share of men at age 25 – 64 amounts to 52.9% in 1995. In the course of an entire decade the ratio between female and male employment remained relatively stable. As a result of the economic crisis, mostly affecting male employment, inequality reduced. In 2011 the share of employed men decreased to 51.4%.

The employment by education level also marks a development leading to changes in inequality in the labour market. The number of persons with secondary education is relatively the biggest.

The number of persons with secondary education is 2.3 times greater than the number of people with University education and 1.9 times greater than those with primary and lower education at the beginning of the period (1995).

At the end of the period (2011) the persons with secondary education are 2.1 times greater than the employed University graduates and 5.2 times greater than those with primary and lower education. In the course of 16 years the employed University graduates increased by 29%, of the employed with secondary education – by 18%, while the number of the employed with low education decreased by 56%. Therefore the inequality in the labour market, by attained education, is lowering. The group of the low skilled workers is the most vulnerable.

This tendency is observed with the employed men and women by education level. For male employment the relative share of: University graduates decreased for the period from 45.4% to 39.6%; secondary graduates increased from 53.3% to 56.1%; with those with primary and lower education it is almost preserved, as it changed from 58.4% to 57.0%. Obviously the relative share of employed women with University education dominates, which could be explained by their ambition to be more favoured by the employers in the labour market compared to men. The employment rates are much higher for persons graduating from University in the age group 25 – 64. The lowest rates are for the employed with primary and lower education. These values are relatively greater for men. The group of the unemployed as participants in the labour market develops in accordance with the changes in employment. Inequality among the participants in this group is expressed in employment opportunities.

Unemployment among the people at age 25 to 64 marks a volatile trend of development. In the period 1995-2000 it increased, reaching 14.8% of the labour force. Under the conditions of economic growth unemployment decreased to 9% in 2005 and again increased to 10.1% in 2011 (Table 2.7).

This general trend is characteristic for unemployed persons by gender and by education level. The share of unemployed men grows for the period – from 51.5% in 1995 to 57.4% in 2011. Therefore the inequality between men and women has increased in favour of men.

Table 2. 7 Inequality in unemployment by gender and educational level, 1995-2011

Gender Level of education	1995	2000	2005	2010	2011
Unemployment persons at 25 - 64 completed years – thousands					
Total	417.0	442.6	268.5	283.4	305.8
University education	33.6	43.5	31.4	36.1	38.5
Secondary education	175.5	226.4	134.4	150.5	160.9
Primary and lower	207.9	172.8	102.6	96.8	106.4
Men	214.8	232.7	143.7	156.7	175.4
University education	15.4	19.0	13.3	14.8	17.1
Secondary education	90.4	119.0	73.3	86.9	98.5
Primary and lower	109	94.7	57.1	54.9	59.8
Women	202.2	210.0	124.7	126.7	130.4
University education	18.1	24.5	18.1	21.2	21.5
Secondary education	85.1	107.4	61.1	63.6	62.4
Primary and lower	98.9	78.1	45.5	42.0	46.6
Unemployment rate (25 - 64) - %					
Total	13.4	14.8	9.0	9.2	10.1
University education	5.2	6.6	4.1	4.3	4.7
Secondary education	11.3	13.7	8.2	8.3	9.0
Primary and lower	22.7	25.5	17.7	21.7	25.5
Men	13.1	14.7	9.1	9.7	11.1
University education	5.3	6.7	4.2	4.5	5.2
Secondary education	11.0	13.2	7.9	8.4	9.7
Primary and lower	20.8	23.8	16.9	21.5	25.2
Women	13.7	14.9	8.9	8.6	9.0
University education	5.2	6.5	4.0	4.2	4.3
Secondary education	11.7	14.3	8.6	8.2	8.0
Primary and lower	25.1	27.9	19.0	22.0	25.8

Source: LFS. National Statistical Institute.

The most considerable changes in the structure of unemployed are observed by levels of education. The share of unemployed with University education is the lowest and this changed slightly (from 8% in 1995 to 12% in 2011). In contrast there was a tangible increase in the share of unemployed with secondary education (from 42% in 1995 to 53% in 2011). A disturbing trend is observed for the

unemployed with low education. Their share declined by 15 percentage points in the course of the total period. This means that low educated workers outflow the labour market.

Besides, there was certain stability in the share of unemployed men with University education - around 42–45%. Comparatively more pronounced is the increase in the share of unemployed men with secondary education (from 51.5% to 61.2%). A similar development, but to a lesser extent, is observed for the unemployed with primary and lower education (from 52.4% to 56.2%). These changes in the structure of the unemployed by education result in increasing inequality between the unemployed with secondary and University education. The outflow from the labor market of the unemployed with low education decreases inequality but generates other problems, related the opportunity of working in the sphere of the shadow economy.

The unemployment rate marks a trend of decline during the period under consideration. It is at the lowest with the University graduates and the highest for persons with primary and lower level of education. A similar trend is observed with females and males. The existence of certain discrepancies could not be defined as a stable trend of distinction by gender of unemployed persons.

The presented changes in the development of inequality in the labour market could be complemented with an analysis of the inequality amongst people beyond the labour force. This is the group of the 'discouraged workers' (those who don't go to work and don't search for a job), of which Bulgaria has a remarkable share.

Table 2.8 Discourage workers by gender and educational level, 1995-2011

Gender **Levels of education**	**1995**	**2000**	**2005**	**2010**	**2011**
Total	132.0	298.7	265.1	174.6	188.3
University education	7.5	16.7	4.5	9.8	11.0
Secondary education	38.3	110.0	101.5	77.7	89.1
Primary and lower	86.2	172.1	147.6	87.2	88.2
Men	65.0	151.3	136.9	91.4	102.2
University education	(3.0)	6.4	(1.1)	4.3	4.9
Secondary education	19.9	57.6	55.6	41.2	51.8
Primary and lower	42.2	87.3	75.5	45.9	45.5
Women	66.9	147.4	128.1	83.2	86.1
University education	4.5	10.2	(3.4)	5.4	6.1
Secondary education	18.4	52.4	45.9	36.5	37.3
Primary and lower	44.0	84.8	72.2	41.3	42.6

Source: LFS. National Statistical Institute.
Note: The data in the parenthesis have a lower stochastic precision. due to the small volume of the observed sub-aggregates.

In the framework of 5 years (1995-2000) the number of discouraged persons in Bulgaria at age 25-64 doubled (Table 2.8). The economic growth after 2000, considerably reduced their number, but the economic crisis again stimulated an increase. The basic contingent of the discouraged shifted from women in 1995 (51%) to men (54%) in 2011. The education levels are the basic indicator of differentiation. People with low and high school education prevailed. Their share in 2011 comprised 94% and is almost equally distributed among the people with secondary and lower education.

The presented changes in the structure of the discouraged workers by gender and by level of education indicate the increase in inequality by gender and keeping the inequality according to the level of education.

2.3. Inequality in education

There is a tendency of a decline of people dropping out of school or training early[8] in the last seven years (Table 2.9). This could be an indication that conditions are improved and positive preconditions created for accessing education. The level of inequality in the sphere of education has declined, which is considerable and important for the social development and a considerable potential for a positive development of the economy.

Table 2.9 Distribution of persons early dropping out of school or training by gender for the period 2004 – 2010 (Percentages)

Years	2004	2005	2006	2007	2008	2009	2010
Total	21.4	20.4	17.3	14.9	14.8	14.7	13.9
Men	22.2	20.6	17.7	15.2	14.1	13.7	13.2
Women	20.6	20.3	17.0	14.7	15.5	15.8	14.5

Source: National statistical institute

[8] The relative share of persons who early dropped out of school is calculated on the basis of the data from the Labour Force Survey and presents the ratio between persons at age 18-24 who have at least finished primary education and not participating in education and training of the population at the same age.

The relative share of males who early dropped out of school has more considerably decreased. At the same time there is an increase in the relative share of those who completed education by age 30-34.

There is a marked difference between the relative shares of males and the relative shares of females in this age group, graduating from University (Table 2.10). The higher relative share of women, graduating from University can be explained by the requirements of the labour market. The higher education level of women guarantees a better realization of the labour market and higher payment.

The labour market offers men comparatively greater opportunities for realization and payment, without a higher education degree. In this sense we can make the conclusion that the inequality between men and women with regards to labour conditions and payments is to a certain degree reduced by the greater ambition of women to graduate from University. In parallel we notice that during the years the relative share of women in this age group graduating from University is comparatively higher. This situation can also be explained with the higher opportunities for women to get a good job after graduation.

Table 2.10 Distribution of persons by age 30 – 34 completed years with accomplished University education for the period 2004 – 2010 (Percentages)

Years	2004	2005	2006	2007	2008	2009	2010
Total	25.2	24.9	25.3	26.0	27.1	27.9	27.7
Men	18.7	18.3	17.8	18.7	19.7	20.4	20.7
Women	31.8	31.5	32.8	33.2	34.5	35.6	35.5

Source: National statistical institute

There is a considerable inequality with regards to the level of education of the population by ethnic groups. The data from Table 2.11 indicate that the change occurred in the education level of the population in the years of the last three Censuses in Bulgaria. In general there is a positive trend towards an increase in the educational level of the population in the basic ethnic groups of the country. Thus, for example, persons with University education grew in 2011 in comparison to 1992 with 8.9 percentage points and reached 20.2%. People with high school education grew with 10.3 percentage points and reached 43.8%. Comparatively the number of persons with completed basic, primary education and incomplete basic education decreases.

Bulgarians with University education grew by 10 percentage points over the years and in 2011 reach 22.8%. Compared to 1992; the high school graduates increase by 11 percentage points and reached 47.6%. For the Turks these data are respectively: the University graduates increase by 2.9

percentage points and reach 4.1% in 2011, compared to 1992; high school graduates increase by 10.2 percentage points and reach 26.0%. Relatively less are the positive changes for the Roma: the share of University graduates remains the same for all years and is only 0.3%; the Roma with high school education grow relatively little – by 2 percentage points and during the last Census reached 6.9%.

Table 2.11 Distribution of the population at 7 and above years by education level and ethnic groups

Ethnic group	Total	University	High school	Primary	Basic	Incomplete primary	Illiterate
2011							
Total	6 181 766	1 245 785	2 712 547	1 416 685	466 199	272 943	67 607
Structure (%)	100.0	20.2	43.8	22.9	7.5	4.5	1.1
Bulgarians	5 362 737	1 222 511	2 552 240	1 084 290	300 089	181 777	21 830
Structure (%)	100.0	22.8	47.6	20.2	5.6	3.4	0.4
Turks	544 663	22 326	141 359	234 851	85 331	41 173	19 623
Structure (%)	100.0	4.1	26.0	43.1	15.7	7.5	3.6
Roma	274 366	948	18 948	97 544	80 779	49 993	26 154
Structure (%)	100.0	0.3	6.9	35.6	29.4	18.2	9.6
2001							
Total	7 305 398	1 033 188	2 784 921	2 017 479	916 938	423 720	129 152
Structure (%)	100.0	14.1	38.1	27.6	12.6	5.8	1.8
Bulgarians	6 309 986	1 020 107	2 645 456	1 626 672	674 450	300 102	43 199
Structure (%)	100.0	16.2	41.9	25.8	10.7	4.7	0.7
Turks	682 408	12 571	124 830	288 657	148 881	65 521	41 948
Structure (%)	100.0	1.8	18.3	42.3	21.8	9.6	6.2
Roma	313 004	510	14 635	102 150	93 607	58 097	44 005
Structure (%)	100.0	0.2	4.7	32.6	29.9	18.6	14.0
1992							
Total	7 701 487	869 340	2 586 958	2 349 981	1 221 616	522 617	150 975
Structure (%)	100.0	11.3	33.5	30.5	15.9	6.8	2.0
Bulgarians	6 735 540	860 281	2 462 291	1 978 680	969 696	395 113	69 479
Structure (%)	100.0	12.8	36.6	29.4	14.4	5.7	1.0
Turks	708 107	8 321	111 943	287 891	171 741	75 612	52 599
Structure (%)	100.0	1.2	15.8	40.7	24.2	10.7	7.4
Roma	257 840	738	12 724	83 410	80 179	51 992	28 897
Structure (%)	100.0	0.3	4.9	32.3	31.1	20.2	11.2

Source: Census. NSI.

The observed trends of positive changes in educational level affect mostly the Bulgarian population. This explains the low values of the coefficients of structural distinctions during the different periods of time (Table 2.12). Thus, for example, the coefficient of structural distinctions has the greatest value in total for the country in 2011 in comparison to 1992 – 0.240. It is also the highest for the Bulgarians in 2011, compared to 1992. For the Turks the value of this coefficient is the highest in 2011, compared to 2001 that is in this period that there have been more considerable changes in the education level of this ethnic group in comparison to other periods of time. The same result is valid for the Roma, regardless of its number being much less in comparison to other ethnic groups.

Enhancement of the educational level in Bulgaria is strongly connected with augmentation of years of education. According to data, disposal from Meschi and Scervini for Bulgaria[9], the average years of education increased from 9 for the birth cohort 25-29 to over 12 for the 80-84 cohorts (Fig. 2.3, A). Both sources of information (European Social Survey and International Social Survey Programme) show much closer development. The years of education across cohort present a growing trend till birth cohort 60-64 and after that fluctuated around 12-12.5 years.

Table 2.12 Coefficients of structural distinctions by the education level of the population by ethnic groups according to Censuses in 1992, 2001 and 2011

Census	Ethnic groups			
	Total	**Bulgarians**	**Turks**	**Roma**
2001/1992	0.097	0.201	0.058	0.050
2011/2001	0.146	0.243	0.263	0.083
2011/1992	0.240	0.258	0.199	0.067

Source: National statistical institute.

* Note: The coefficient of structural distinctions is calculated by the formula: $\mathrm{K}s = \sqrt{\frac{\sum(\nu_t - \nu_0)^2}{\sum \nu_t{}^2 + \sum \nu_0{}^2}}$. where ν_t and ν_0 are the relative shares of the compared groups in two different periods of time - t and 0. They have norms in the range from 0 to 1.

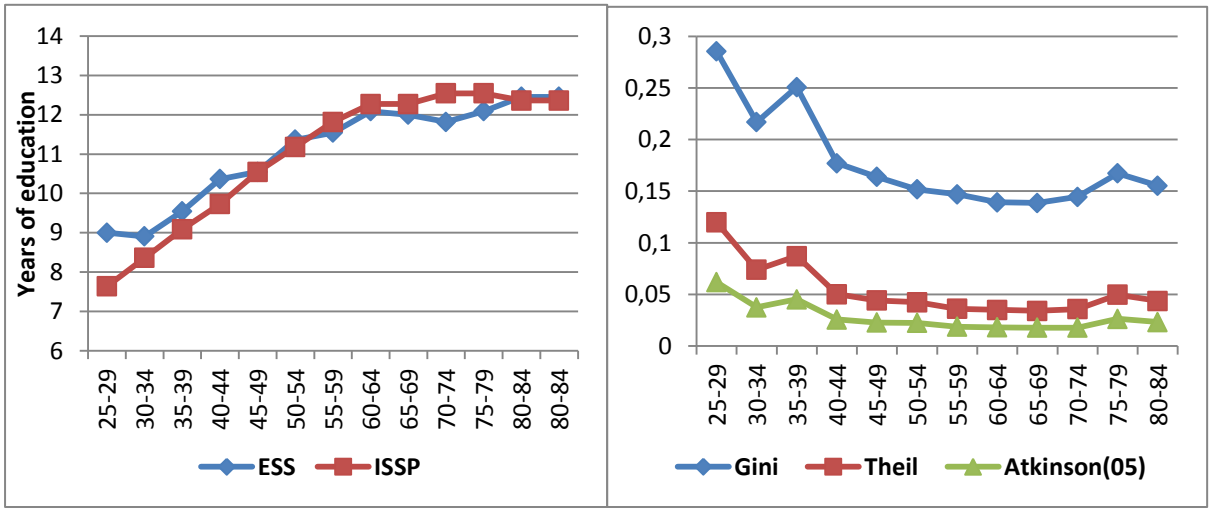
This peculiarity could be explained by the changes in the educational legislation (1947, 1959, and 1991) along with people's aspiration for higher education. Usually the reforms in legislation concern

[9] Meschi, E., Scervini, F. (2010). A new dataset on educational inequality.

the increase of the years of education, introduction of compulsory minimum age of schooling (16 years), and introduction of master degree of higher education (1995).

Figure 2.2 Average years of education and inequality measures over birth cohorts

A. Average years of education B.Inequalityindicators.ESS



Source: Meschi. E.. Scervini. F. (2010). A new dataset on educational inequality. Amsterdam. AIAS. GINI Discussion Paper 3.

All these policies not only help to increase the years in education but also the reduction of educational inequality (Fig. 2.3, B). The calculated measures of inequality (Gini, Theil, and Atkinson), using micro data from the European Social Survey, indicate a downward trend over the cohorts. The reduction of inequality is particularly strong amongst more elderly cohorts and remained stable amongst middle-aged cohorts.

2.4. Whom has it affected?

The development of processes of inequality amongst households with regards to income and wealth mostly affect negatively the risk groups of the population. This situation is particularly common under the conditions of economic crisis and development of the shadow economy.

Firstly, this is that part of the population which is considered as poor (under the poverty line). This group consists of a considerable part of the Roma. According to data from the last Census of the population in 2011, their number is 325,343 people or 4.8% of the entire population in the country[10]. This ethnic group is in the lowest section of the income distribution. The main reason behind this situation is the low education common for this particular ethnic group. The result is a negative attitude from employers to the Roma in the labour market.

Secondly, the pensioners are this group of the population in the country experiencing the negative effects on income differentiation. In 2010 the number of pensioners in the country was around 2,200,000 people. The process is relatively dynamic – the working population constantly decreases, while the number of pensioners increases, that is fewer workers provide for one pensioner.

2.5. Interdependence between inequalities over time

The inequality of population by level of education has a major role with regards to the deep negative processes related to impoverishment, unemployment, and increase in sickness, crime and drug addictions. The development of the national and global economy requires a higher education degree – the labour market conditions are most sensitive towards the education level of the labour force. The high technologic production of commodities and services is an important segment of the labour market, requiring high skills and knowledge. Inequality in education level, followed by inequality within the labour market – this sequence predetermines the interconnection between inequalities in various social spheres.

2.6. Why has inequality grown?

The evolution of inequality in Bulgaria indicates an increase at the beginning of the 90s and also during a period of stable economic growth, and a decrease in the years of growth and active income policy (1995-2002). There are three basic reasons for the increasing inequality: the transition to market economy; the pattern of economic growth and business cycle; changes in politics.

[10] Their number is comparatively greater. The evidence is that approx. 700 thousand people did not respond to the question about their affiliation to any ethnic group. By an expert evaluation, the real number of the Roma in the country is in the range from 650 to 700 thousand people.

The transition to market economy and reforms carried out in this sphere has laid the foundation for a new model of income distribution and inequality in the Bulgarian society. The applied equalizing principles were demolished and the result was the greater differentiation in incomes from labour.

The economic development of the country and favourable business climate before the beginning of the crisis stimulated inequality. In general after 2003 there was an increase in inequality of the population by income. Obviously the improvement of the business climate in the period 2007-2009 reflected upon this tendency.

The policies carried out (see details in chapter 5) and more especially the income policy had a significant influence upon the inequality. In the years of a more tangible increase in the minimal labour incomes, inequality decreases, whilst in the periods of stability or a slight increase, the differentiation grows. The policy of reducing the direct taxation carried out in the last decade and the introduction of the flat tax rate stimulated income inequality.

2.7. Conclusions

Income inequality of households in Bulgaria has grown during the last three decades. The evolution of inequality passed through periods of increase and decrease directly related to the economic development of the country and the reforms from the early 90s. The market economy transition and private sector development stimulated income inequality, whilst the period of economic growth created favourable conditions for its decline. The fundamental issue produced is how growing inequality affects social, political and cultural processes in the country.

The inequality between the two ends of the income distribution, (S80/20 and S90/10); follow the general tendency of development. In the last 15 years the differentiation between the poorest and richest households initially decreased, following the general trend of development and then later increased. Despite fluctuations the gap between them has stayed at a lower level.

Taxes and social transfers have a considerable contribution for reducing income inequality. Transfers such as pensions have especially strong influence. An important peculiarity of social transfers is that they gain even greater significance for decreasing inequality. This is especially valid for the inequality between the marginal income groups. In the context of the connection between social policy and inequality there is an open question about the purpose of the government policy towards the most vulnerable social groups.

Inequality and polarization of employed persons in regards to wages is considerably greater in comparison to household incomes. The inequality between the wages of men and women considerably decreased in the last 15 years.

The inequality in employment by gender is not particularly great. Recent years have seen employment among women increase, resulting in decreasing gender differentiation. The differentiation by education, however, is more sensitive. The evaluations indicate that the inequality in the labour market by education level decreased. Low qualified workers are the most vulnerable.

There have been positive changes in the education level of the population over the last 20 years. The number of people not finishing nominal schooling declines. The share of University graduates, including women increases. Also inequality in education across generations has declined. All these positive changes mostly affect the Bulgarian population in comparison to other major ethnic groups. The big question to be considered is about the quality of education and its relation and adequacy in view of the dynamically changing social-economic reality.

3. The social impacts of inequality

3.1. Introduction

The purpose of this chapter is to examine the extent to which the inequality in Bulgaria and its driving forces determine the development of social processes. The accent is placed on the investigation of social impact of inequality on key social aspects such as deprivation, poverty and social exclusion, family formation, health, housing, criminality and the subjective feelings of satisfaction and happiness. Based on the findings in Chapter 2, the aim is to outline the potential social influences of inequality in respect to these processes.

In this section the study is focused on several social dimensions (educational level, income and household composition). In this way it allows for a greater depth in studying these processes and searching for closer connections to inequality. The used statistical information includes national and international sources with different duration of time series. In some cases the available statistical information considers a relatively short time period (2005-2010), which limits the conclusions about the long-term social effects of inequality.

3.2. Patterns and trends in material deprivation

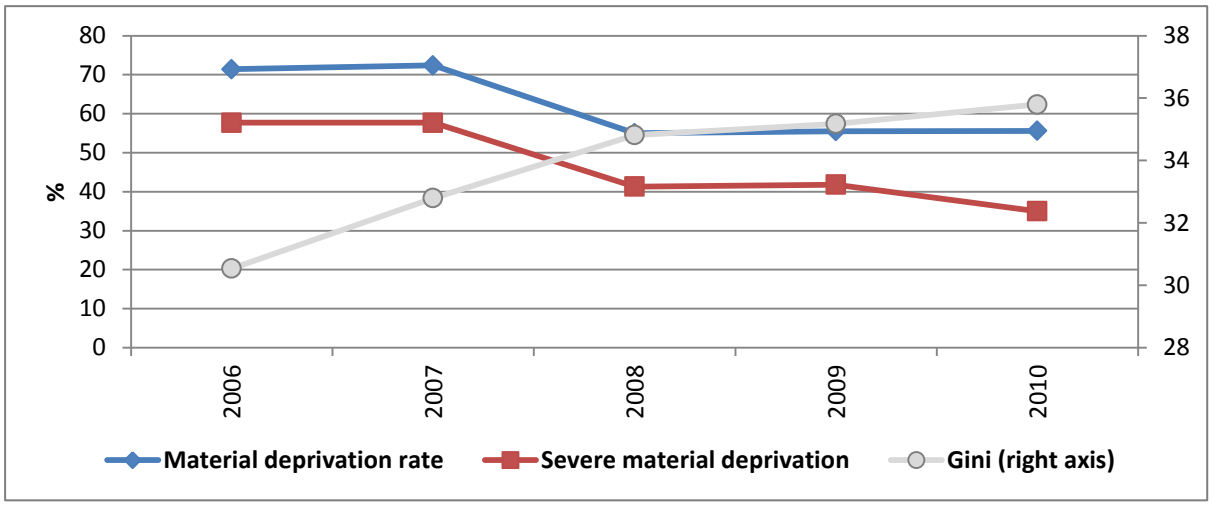
Household incomes are the basic indicator determining household living standard, but they are inadequate in presenting a more extensive and complete picture of living standards. Combining the monetary with subjective assessments, and more specifically with the indicators of the household deprivation, is a basic prerequisite for obtaining a more comprehensive portrait of poverty and social exclusion. The main subjective indicators of wellbeing are the indicators of material deprivation characterizing the deprivation from a certain amount of material goods considered necessary for a normal existence.

The basic source of information on the level of material deprivation in Bulgaria is the annual survey EU-SILC carried out since 2005. The data covers a relatively short period of 5 years (2005-2009). In

the analysis two indicators for defining material deprivation are used: material deprivation rate[11] and severe material deprivation[12].

Bulgaria is among the EU member states with the highest rate of material deprivation (Fig. 3.1). Despite the clearly expressed trend of improvement in both indicators, the material deprivation of the population remains excessively high. In 2006, 7 out of 10 Bulgarians were materially deprived from the satisfaction of 3 or more positions; in 2010 this number was reduced to 5 out of 10. Regarding the severe material deprivation indicator, the decrease is more considerable. The share of severely materially deprived people decreases with close to 22 percentage points, but remains the highest (35%) in comparison to other EU states.

Figure 3. 1 Material deprivation and inequality trends, 2006-2010



Source: Eurostat, EU-SILC.

The positive changes in the material deprivation are not associated with the growing income inequality. They are directly correlated with the income dynamics of this period. In the period 2006-2010, the real monetary household incomes increased by around 19%, whilst in 2008 the incomes increased by 11%. There was even greater dynamics in the real wage in this period. Therefore, the

[11] A percentage of the population, which due to limited financial means, cannot afford 3 out of the following 9 positions: i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish, or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour tv, or ix) have a telephone.

[12] Persons are considered severely materially deprived if they experience at least 4 out of 9 deprivations.

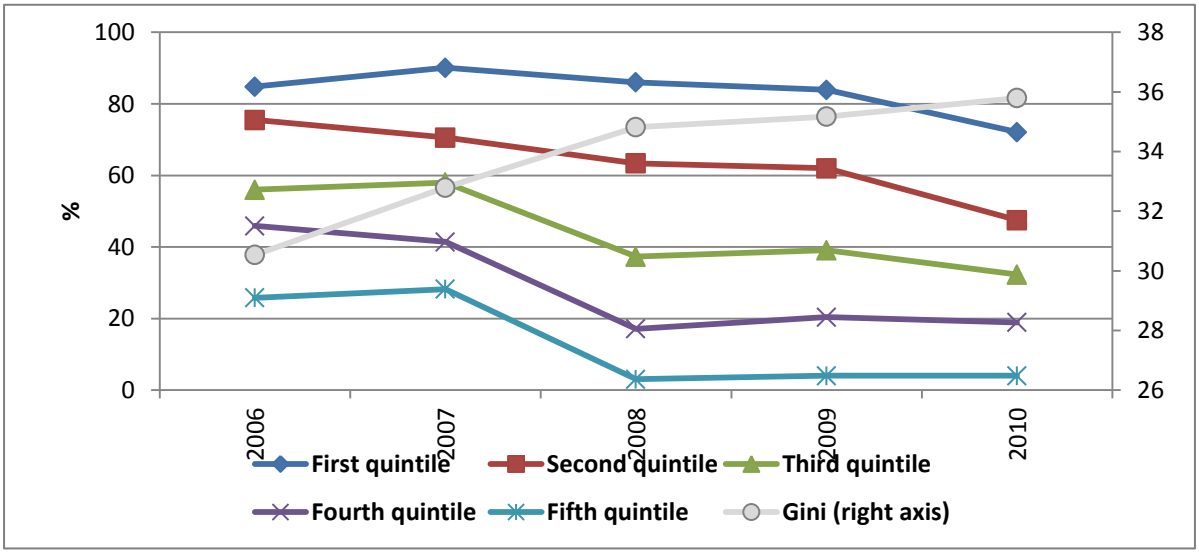
decline in the total material deprivation was mainly due to the increase in the monetary incomes of the population. The effect of inequality in incomes, education and labour market is mostly expressed in the composition of the material deprivation by age, income and education.

The composition of the material deprivation among the different parts of the income distribution indicates considerable differences in terms of the rates as well as the trends (Fig. 3.2). The considerable growth of inequality in the years 2006-2008 provoked a higher divergence of material deprivation rates by income groups. However, this statement is not fully supported by the trend of income inequality after 2008. Material deprivation rate among persons with high incomes (the 4th and 5th quintile) is relatively low and remains constant after 2008, whilst the Gini coefficient slightly grows. In contrast, persons with low incomes (the 1st and 2nd quintile) have excessively high percentage of deprivation which, however, tends towards a continuous decline.

A comprehensive study on poverty of Bulgarian households, conducted in 2003, confirms such big differences in material deprivation by incomes groups. Non poor households lack approximately four items out of fourteen durable goods, whilst among the poor the level of deprivation is double (Tsanov, el. 2006).

Excepting differences in terms of household incomes, there are also differences in the deprivation rates in terms of other social indicators. Data on the dynamics of the severely material deprived in terms of the age structure of population and education level are presented in Fig. 3.3. The adult population (65 years and above) is distinguished with the highest percentage of material deprivation (Fig. 3.3, Panel A). The deprivation among young people under 18 years and among people between 18-64 years does not considerably differ. These differences in the material deprivation by age result from the existing income inequality from pensions and other sources (wages, private business, etc.). In a dynamic aspect the material deprivation rate tends to decline in all age groups, whilst this trend is mostly expressed among the group of the elderly. The impact of income inequality on the deprivation of different age groups is similar to the impact on incomes groups. First, the deprivation gap among generations has increased in parallel with inequality growth, and second, the differences converged after 2008 independently of inequality increase.

Figure 3.2 Severe material deprivation by income quintile, 2006-2010

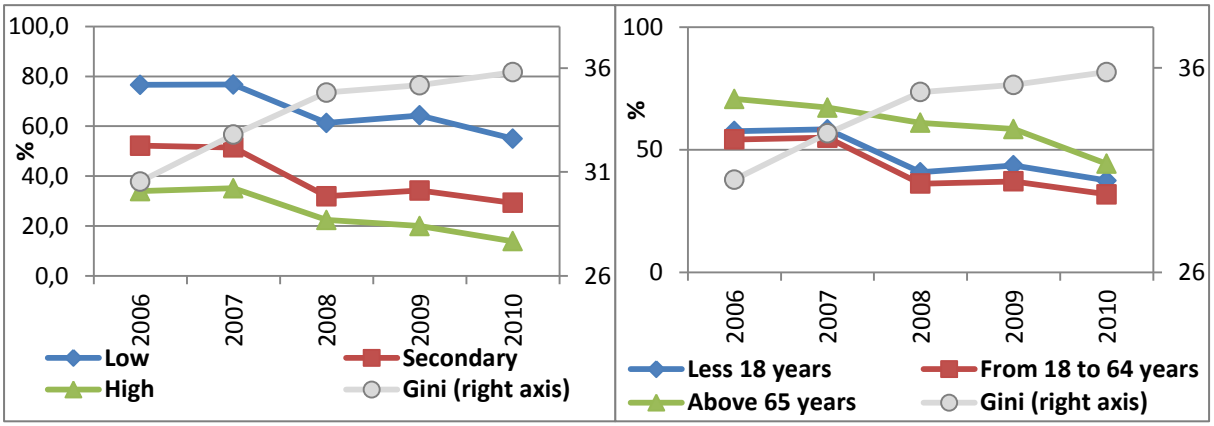


Source: Eurostat, EU-SILC.

Figure 3.3 Severe material deprivation by age and level of education, 2006-2010

Panel A. Severe material deprivation by age

Panel B. Severe material deprivation by education



Source : Eurostat, EU-SILC

The trend of declining deprivation rate is evident for all education levels (Fig. 3.3, Panel B). The differences between trends of the particular educational levels remained stable during the entire period. That could be interpreted as a lack of or low impact of inequality. For all education groups there is a common decrease by 20-22 percentage points.

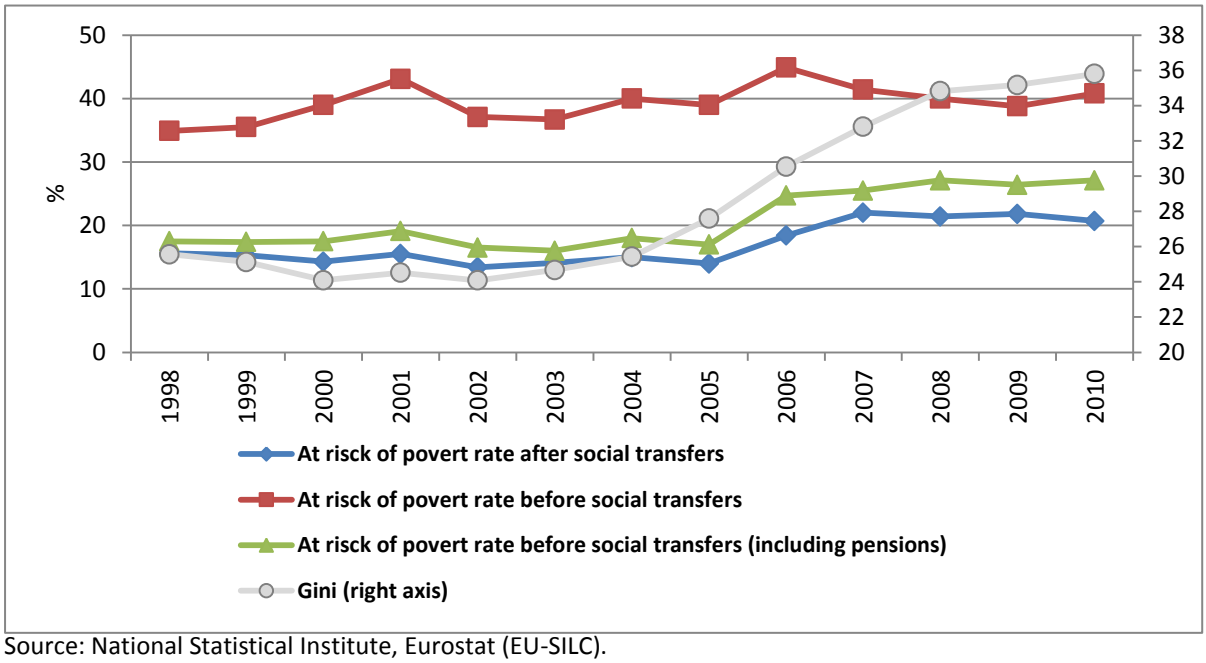
3.3. Poverty risk and vulnerability

In addition to the high deprivation rate, Bulgaria is amongst the states with a relatively high risk of poverty rate. The percentage of population considered to be poor (60% of the median equivalent

income) marks a low dynamic (Fig. 3.4). The two distinguished periods in the development of poverty risk (1998-2004 and 2005-2010) are mainly due to methodological changes. The data until 2005 came from household budgets, and later from EU-SILC. Nevertheless, in the poverty dynamics, periods of decrease and increase take turns with a clearly marked upward trend. This evolution of poverty strongly correlates with the income inequality development. In the period of inequality reduction (1998-2002) the share of the poor declined by 2.2 percentage points (from 15.6% in 1998 to 13.4% in 2002). After 2005 the poverty rate increased which is in line with inequality growth. According to data from EU-SILC the poverty rate in the country (2007-2010) was in the range of 20-22%, which was higher than the average level for EU-27 (16.4% in 2010).

The role of social transfers in shaping the poor groups in the Bulgarian society is excessively crucial. Without social transfers the poverty level in Bulgaria would have been twice as high. In this respect the pensions are of defining significance. Their increase or stability plays a considerable role in the poverty dynamics. Other social transfers (social aids, benefits for children, etc.) have a minor influence. Nevertheless, their significance for poverty reduction or increase has grown in the last 5 years.

Figure 3. 4 At risk of poverty rate and inequalty trends, 1998-2010



Source: National Statistical Institute, Eurostat (EU-SILC).

The poverty distribution among the various social groups is quite differentiated. The aged population, whose incomes are mostly from pensions, has the highest risk of poverty rate (Table 3.1).

Table 3.1 At risk of poverty rate by age, education and household type, 2006-2010

	2006	2007	2008	2009	2010
Poverty rate by age					
Less 18 years	25.0	29.9	25.5	24.9	26.8
From 18 to 64 years	16.2	19.4	17.0	16.4	16.0
65 or over	19.9	23.9	33.8	39.3	32.9
Poverty rate by level of attained education					
Low	36.3	44.9	38.5	39.4	41.5
Secondary	10.0	11.1	9.6	9.9	9.8
High	4.0	4.1	3.0	3.5	3.3
Poverty rate by hhold type					
Single person	36.7	45.1	55.4	58.4	50.9
Single person with dependent children	30.6	33.5	38.3	30.9	42.3
Two adults	13.9	16.1	22.8	24.7	19.9
Two adults with one dependent child	10.9	11.6	11.8	12.9	13.7
Two adults with two dependent children	20.8	21.3	14.6	15.5	16.3

Source: Eurostat (EU-SILC).

The share of the poor above 65 years rapidly increased, while in 2008 almost doubled, and in 2010 declined to approximately one third. This reduction was due to the considerable increase in low pensions. Young people also had a significant share amongst the poor. During the studied period it ranged within 25-30%, mostly owing to the high youth unemployment.

In addition the education level is also a substantial factor of poverty differentiation. The basic risk group is formed of persons with low education. The poverty among them increased, especially in the period of economic crisis (2009-2010). The reverse trend is evident among people with higher and secondary education. Among them the share of poor is considerably low (especially among the University graduates) and continually declines.

According to household types there are two basic risk groups. The first and most sizeable are the one member households. Over half of them live in poverty and their share increases. These are mostly elderly people with low pensions. The second group is represented by single parent households. The great and growing poverty among them is due to the fact that one person supports the other household members. The differences with the group of two working adults with one or two dependent children are quite significant.

The new conceptualization of social exclusion, defined in the strategy Europe 2020, involves a number of factors which lead to the isolation of individuals. Social exclusion is characterized as a multidimensional indicator which combines three basic factors: poverty rate, material deprivation and low work intensity of the population in working age. Table 3.2 illustrates the evolution of the social exclusion indicator by income, age, education and household type.

Bulgaria is among the EU states with a high social exclusion rate, but with a marked tendency of decline. Thus in 2006 more than half of the population (4.7 million) was in risk of social exclusion, by 2010 this share declined to 42% (3.1 million). Since the poverty rate remains more or less constant, the basic reason behind this drastic decrease was the decline in the material deprivation of the Bulgarian population. The general tendency towards a reduction is common to almost all social group.

People with low incomes are among the most affected by social exclusion. All people in the group with 20% lowest incomes remain socially de-integrated in the entire period. For them the poverty rate and material deprivation are the highest. A high percentage of social exclusion is evident in the 2nd quintile group, but in contrast to the 1st income group there is a strong tendency of decline. It is obvious that the reduction of social isolation is accelerated with the increase in household incomes. The result is a drastic distinction in social isolation between the marginal quintile groups.

The risk of social exclusion is the highest in the groups with a high percentage of poverty: the aged and young people, people with low education, as well as people living in one member household and single parents with dependent children. The process of reducing social exclusion does not equally affect all social groups. It is slowest in one member households and in households of single parents with dependent children.

Table 3.2 People at risk of poverty or social exclusion by age, education and household type, 2006-2010

	2006	2007	2008	2009	2010
Poverty or social exclusion rate					
Total	62.2	60.7	44.8	46.2	41.6
Poverty or social exclusion rate by income quintile					
First quintile	98.3	100.0	100.0	100.0	100.0
Second quintile	81.0	80.2	85.7	76.6	54.8
Third quintile	70.5	67.4	71.6	27.5	43.6
Fourth quintile	69.3	49.3	31.6	25.9	33.6
Fifth quintile	26.1	28.6	3.5	4.4	4.5
Poverty or social exclusion rate by age					
Less 18 years	62.0	60.8	44.2	47.3	44.6
From 18 to 64 years	59.1	57.9	39.5	40.6	36.9
65 or over	73.9	71.1	65.5	66.0	55.9
Poverty or social exclusion rate by level of attained education					
Low	80.1	80.1	66.6	70.3	66.7
Secondary	55.9	54.9	35.1	38.1	34.5
High	36.4	37.9	24.8	22.7	16.4
Poverty rate by hhold type					
Single person	81.9	79.0	83.2	77.3	71.7
Single person with dependent children	68.1	71.4	65.5	65.0	65.2
Two adults	69.6	67.8	60.7	54.7	47.0
Two adults with one dependent child	45.9	45.6	38.0	34.4	29.2
Two adults with two dependent children	59.2	50.1	33.0	39.7	36.0

Source: Eurostat (EU-SILC).

3.4. Social contacts

The social cohesion is a function of a number of social, economic, cultural and mental factors. Economic inequality, poverty and material deprivation are among the factors limiting social contacts. On the other hand, the mentality of people, lifestyle and other motives of psychological, moral, material nature could oppose inequality factors.

The Bulgarian population does not suffer from lack of contacts with relatives, friends and colleagues. According to data from the regular European Social Survey less than 2% of the population does not engage in social contacts (Table 3.3). This social group could be considered as totally isolated from

the social life in the country. The group of socially inactive, defined as not engaging in contacts and having meetings once a month, comprises of a relatively small portion of the population (around 16%). The prevailing group in the Bulgarian society is socially active (having contacts every day and several times a week). These are the people who lead active social life and regularly meet with acquaintances, colleagues and relatives. If we add the group of people having meetings once a week, then over half of the Bulgarian population could be considered as socially active.

In the dynamic aspect there are no evident changes in the social activity. The share of socially isolated slightly decreased, while the shares of the inactive and active people remained constant.

The variations in the dynamics of the social cohesion indicators could hardly be associated with the rates and dynamics of income inequality, poverty and material deprivation. Income inequality and the tendency of its increase in the most recent years do not correspond to the decline in social isolation and, even further, to the high social activity of the Bulgarian population. A similar statement is also valid about the impact of the material deprivation on the regularity of social contacts, even though its decline leads to rising social activity.

Table 3.3 Social cohesion indicators

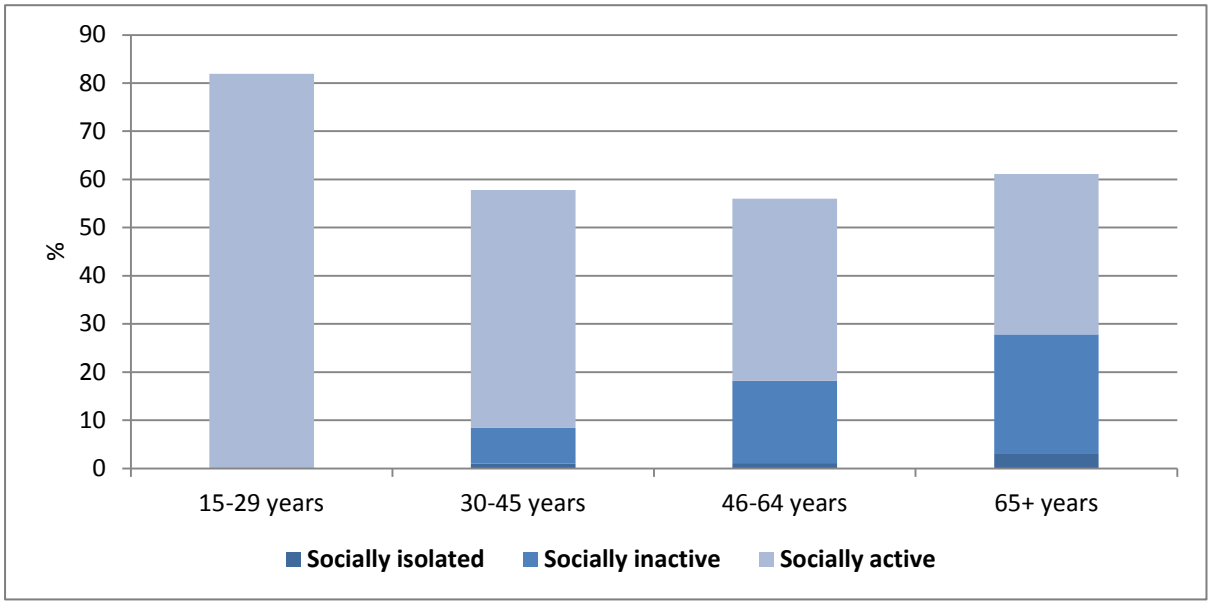
	2006	2009	2010
Socially isolated (never had contacts)	2.5	1.8	1.7
Socially inactive (never, less than once a month)	16.4	15.7	15.9
Socially active (several times a week, every day)	42.9	45.9	43.3

Source: European Social Survey

The regularity of social contacts strongly depends from the age of persons. The distribution of social activity by age groups in 2010 is presented in Fig. 3.5. Distinctions in social activity by age groups are clearly expressed. The basic tendency is expressed in decreasing social activity with aging. The activity of young people is extremely high. More than 81% of the young people, aged 15-29, declare that they have social interaction every day or several times a week. In this age group there were no identified cases of lacking contacts or having contacts with less regularity than several times a week. Among the older generations, there were people who never had contacts and others who had meetings less frequently (less than once a month). The share of socially isolated people in the aged groups 30-45 and 46-64 is in the range of 1%. Among the oldest population (65+) this share reaches 3.2%. Regardless of changes in social contacts the activity remains quite high. Among the elderly population 33.3% declare high activity, while the share of inactive is 24.6%. Taking into

consideration that the young and aged both fall into the low income group, we can conclude that income inequality and poverty have no major effect on the social activity of the Bulgarian population.

Figure 3.5 Social cohesion indicators by age in 2010



Source: European Social Survey, 2010.

3.5. Patterns and trends in family formation and breakdown

The model of the Bulgarian family in the last 30 years indicates a development corresponding to the world trends in this sphere: liberalization of interpersonal relations which leads to a variety of truly functioning family formations. This development is determined by a number of social-economic, psychological, demographic and other factors specific for a given country. The basic trends in development of the Bulgarian family are expressed as follows: a decrease in the number of births and children in the family; a decrease in legal marriages along with an increase in the number of divorces; an increase in the number of births outside marriage and others. These trends outline the profile of the modern Bulgarian family.

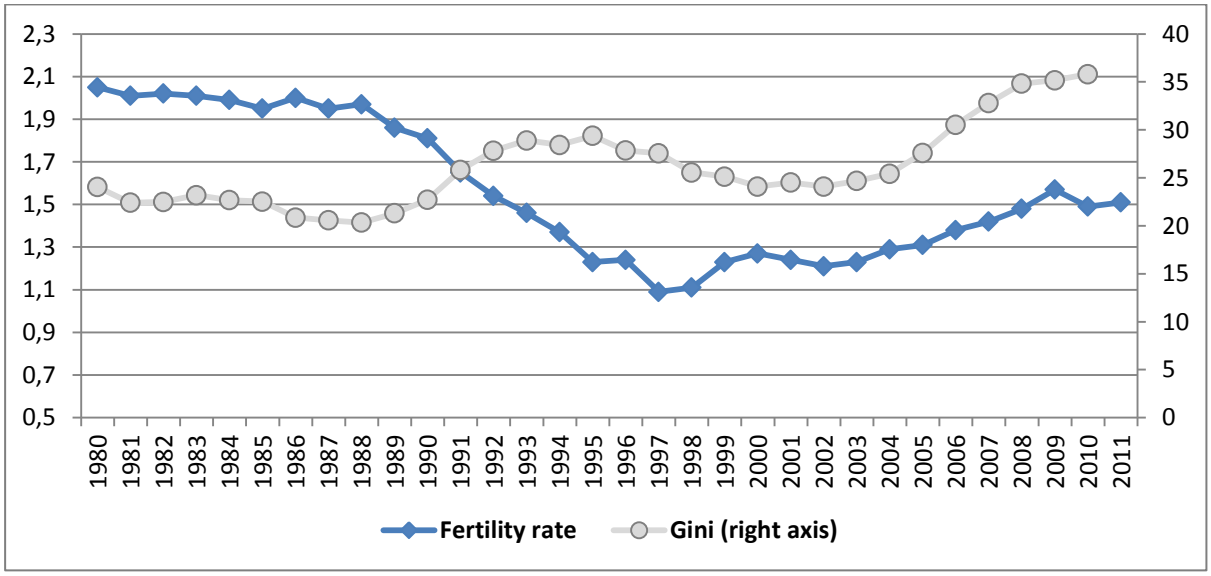
3.5.1 Fertility

The fertility of Bulgarian women in the last 3 decades significantly decreased (Fig. 3.6, Panel A). During the entire period the fertility rate fell from 2.05 in 1980 to 1.51 in 2011. The process of decline proceeds with varying intensity and directions of development. This evolution of fertility rate cannot be explained by the fluctuations of the income inequality. The prolonged periods of decline and increase of the fertility rate of the Gini coefficient changed more frequently and the directions of

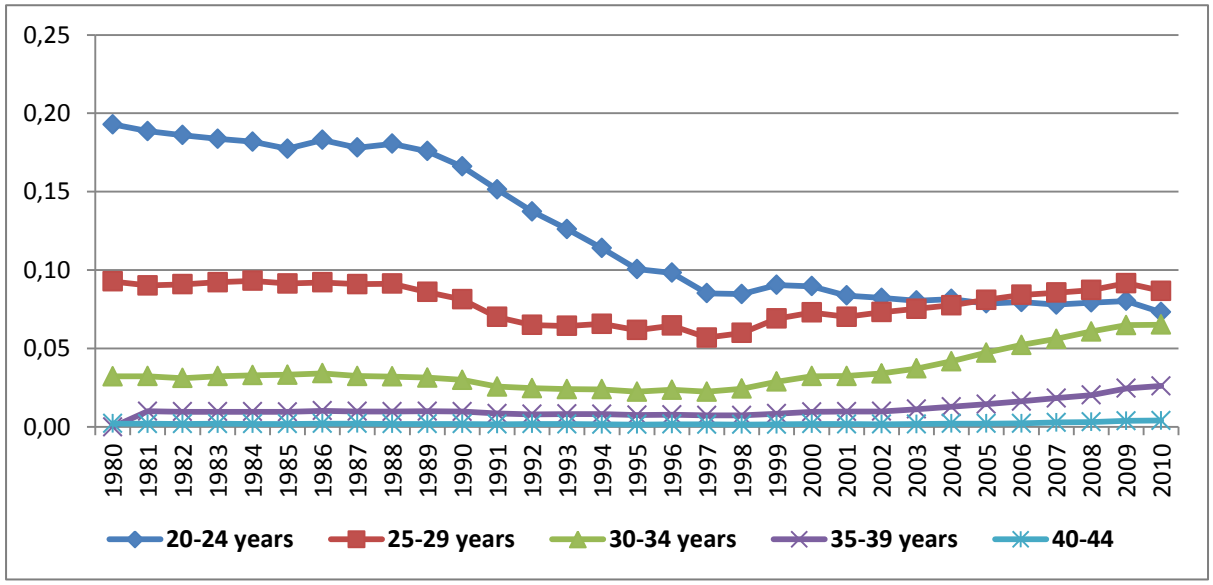
development coincide. Changes in fertility rate dynamics are most likely down to the economic development.

Figure3.6 Fertility rate and inequality trends, 1980-2011

Panel A. Total fertility rate and Gini coefficient



Panel B. Fertility rate by age



Source: Eurostat

During the 80s the reduction proceeded with minor intensity, whilst in general terms the fertility was preserved at reproductive level. Since the early 90s this process accelerated and in 1997-1998 reached the lowest level (1.1 children). Evidently the deterioration of the living standard resulting from the continuous recession in the Bulgarian economy (1991-1997) had a substantial negative

impact on giving birth and raising children. The improvement that occurred in the economic development of the country after 1998 had a positive impact on fertility. The fertility rate in this period continually grew and reached 1.6 children in 2009. The downfall that followed in the years of the present crisis illustrates the strong dependency on the economic development and changes in the living standard.

The data on female fertility by age (Fig. 3.6, Panel B) indicate a clearly marked tendency towards postponing giving birth and raising children. The fertility of young people (between 20-24 years) strongly declines and does not follow the general fertility trend. The age group 25-29 mostly approximates the general model of fertility. In this age group women take the decision to give birth and raise children. The favourable economic conditions after 1998 and the postponement in giving birth over time had a positive influence on the growing fertility of older women (30-39) as well.

A confirmation of these conclusions is provided by the statistics on the age of first time motherhood. The average age of first time mothers increased from 21.9 years in 1980 to 22 in 1990, to 23.5 in 2000 and to about 26 years in 2009.

3.5.2 Couple formation and dissolution

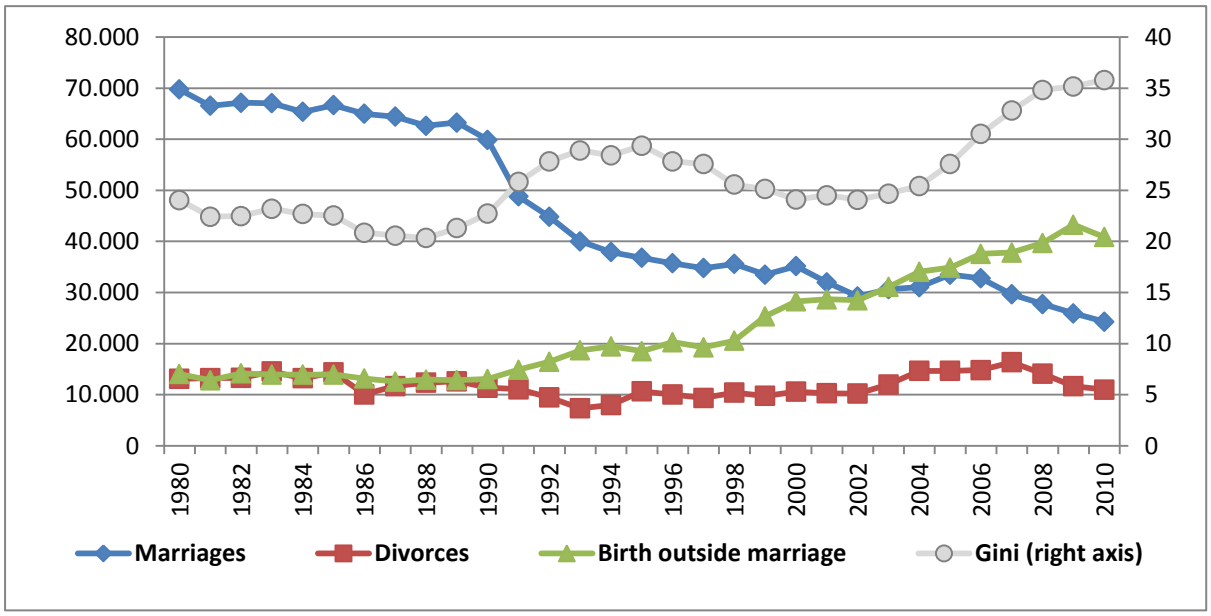
Parallel to this decrease in births, there have been changes in the family formation. There is a transition from families, formed on the marital basis, into families based on extramarital co-habitation. In the 80s this process was quite negligible. The number of legal marriages declined, whilst the number of divorces decreased to a lesser extent. In the period 1980-1990 the number of legal marriages declined by 14%, whilst the number of divorces dropped by 13% (Fig. 3.7).

For the same period the crude marriage rate in 1980 was 7.9 (per 1000 residents), while in 1990 it was 6.9. The crude divorce rate changed in the range from 1.5 in 1980 to 1.3 in 1990. This process was accompanied by a decrease in the number of children born out of wedlock (6.9%).

After 1990 a significant change in the family model occurred. The number of legal marriages persistently declined, while the number of divorces remained stable. Over the last two decades the number of marriages has contracted more than 59%, as within this downturn there were periods of stability and acceleration. The crude marriage rate dropped from 6.9 in 1990 to 3.2 in 2010. The divorce dynamics of this period is considerably more different. Periods of decline (1990-1994 and 2007-2010) were followed by periods of stability (1995-2002) and growth (2003-2007). After 1990 the number of children born outside marriage marks a stable tendency of increase. Their number grew more than three times, as their share in the newborns exceeded the number of the newborns within a legal marriage in the previous years. All these processes seem to be bear no correlated with

inequality (Fig. 3.7). The basic argument is that these changes in family pattern concern all income groups equally.

Figure 3.7 Number of marriages, divorces and live births outside marriage



Source: Eurostat

As a result of the changes in the Bulgarian family formation across the last three decades three basic types are distinguished. The first type is based on the marital relations. According to data from Censuses their share has a tendency to decline. Even though the marital institution of the family loses its significance, it remains the basic dominant form of family life. The second type is families based on co-habitation. According to data from Censuses this type of co-habitation expanded in the last 20-25 years. Between the last two Censuses (2001 and 2011) the number of these families grew almost twice and in 2011 co-habitations without a marriage were 13.7% out of all families in the country. Co-habitation without a legal marriage is the most popular among unmarried people. Out of all persons living in co-habituation without a marriage over three quarters (76.4%) are unmarried, 16.7% are divorced, and 3.2% - widowed and 3.7% - married (persons not interrupting the marriage). The third type is the families of single parents with dependent children (see below).

3.5.3 Lone parenthood

Single parent households have shown a stable tendency of increase. According to data from Censuses in the last 30 years, their share has increased from 7.7% in 1985 to 13.7% in 2001. In 2011 it reached 14.7% of all families in the country. Mothers with dependent children are 80.4% of all single parent households, and in 19.6% of the families the father alone raises his children.

According to the legal marital status of the family head it is determined that in the period 1985-2011 the number of unmarried parents (lone mothers and fathers) continuously increased - from 4,762 in 1985 to 56,963 in 2011. The relative share of these families grew by 15.9 percentage points, and in the last Census they consisted of 18.2% of all families comprised by one parent with unmarried children. The families of widowed parents also increased and in 2011 they represented 35.5% of all incomplete nuclear families. The number of families comprised of a single parent in a legal marriage, but raising children alone has increased in the period 1985-2001 and declined between the last two Censuses about 7 thousand families. In 2011 the share of these families was 14.9% of all incomplete nuclear families. In the period 2001 - 2011 the number of families comprised of divorced parents with children declined. However, their share continued to be high and in 2011 represented 31.4% of all families comprised of a single parent with unmarried children. The changes in the number and type of families are accompanied with changes in their structure according to the number of members.

3.6. Health inequality

3.6.1 Life expectancy

The changes in life expectancy in Bulgaria in the last 50 years are marked with periods of decrease and increase (Table 3.4). During the 60s life expectancy at birth gradually increased and reached over 71 years. This growth was owed to the simultaneous increase in both male and female life expectancy, though the latter was more pronounced. During the 70s and 80s there was a slight decrease in total life expectancy as a result of the decline in male life expectancy. The next lowering in life expectancy was observed between 1990 and 1995. Since the mid 90s life expectancy gradually

increased. Within these 15 years it grew by 2.9 years. A similar development pattern of life expectancy is typical of the population at age 65.

Table 3. 4 Life expectancy by age and gender (years)

	1960	1970	1980	1985	1990	1995	2000	2005	2010
Life expectancy - total									
At birth	69.3	71.2	71.1	71.0	71.2	70.9	71.6	72.5	73.8
At age 65	14.6	14.1	13.6	13.7	14.0	14.1	14.1	14.7	15.4
Life expectancy - male									
At birth	67.5	69.1	68.5	68.1	68.0	67.4	68.4	69.0	70.3
At age 65	13.9	13.3	12.6	12.5	12.7	12.7	12.7	13.1	13.6
Life expectancy - female									
At birth	71.1	73.5	73.9	74.3	74.7	74.9	75.0	76.6	77.4
At age 65	15.2	14.9	14.6	14.8	15.2	15.3	15.3	16.1	17.0

Source: Eurostat

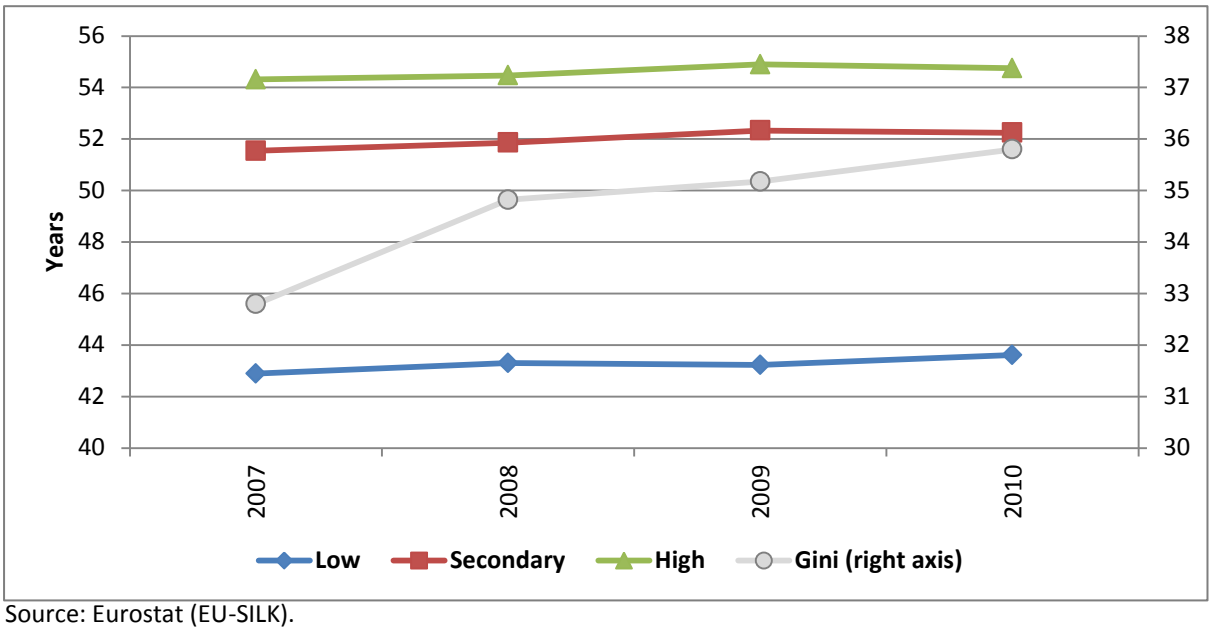
Gender distinctions are expressed in two aspects: in terms of the levels and in terms of the dynamics. Besides living longer than men, women have life expectancy with shorter and rarer periods of decline. For the last 30 years female life expectancy has increased by 3.5 years in total, while male life expectancy has increased by 1.8 years. These distinctions determine the growing gender gap in life expectancy. While in 1980 the gap was 5.4 years, in 1990 it was 6.7 years, and by 2010 it had reached 7.1 years.

The evolution of this life expectancy trend closely follows tat of the economic development over the last 20 years. The period of prolonged economic recession, affecting the country since the beginning of market orientated reforms (1990-1997), coincided with the decline in life expectancy. In this period of fast and stable economic growth, post 1998, the greatest increase in life expectancy was observed. Therefore the economic development of the country significantly affects life expectancy.

The education level appears to be a crucial factor influencing life expectancy in Bulgaria. The inequality in life expectancy by level of education is quite significant. There are especially great differences between persons with low education and persons with secondary and University education (Fig. 3.8). The life expectancy of population with University education is higher by about 11 years compared to the life expectancy of population with low education. There are significantly minor differences between the population with University and secondary education (2.7 years) with a tendency of decline. The evolution of income inequality could not explain the distinction and trends of life expectancy by education.

A plausible explanation could be sought out in several aspects. First, people with high education tend to have better living conditions. They possess resources ensuring better healthcare and access to healthcare services. Second, people with higher education generally have better working conditions, work with less intensity and are affected by less unfavorable stress-related factors. Third, social and psychological factors are very important – highly educated people have healthy lifestyles in addition to greater social and psychological capital.

Figure 3. 8 Inequality and life expectancy by level of education at age 25 years (years)



Source: Eurostat (EU-SILK).

3.6.2 Self-reported health status

The self-reported health status is based on data from EU-SILC and involves a considerably short period of time. A comparatively small portion of the Bulgarian population evaluates their health status as very bad and bad (Fig. 3.9). In the last 5 years their share steadily declines, that is not in line in growing inequality. Whilst in 2006 two people out of ten reported bad/very bad health status, in 2010 one out of ten reported bad health status. The majority of Bulgarians reported good/very good health status. Their share increased and reached over two thirds of the total population.

Figure 3.9 Inequality and self-perceived health status (very good/good and very bad/bad)

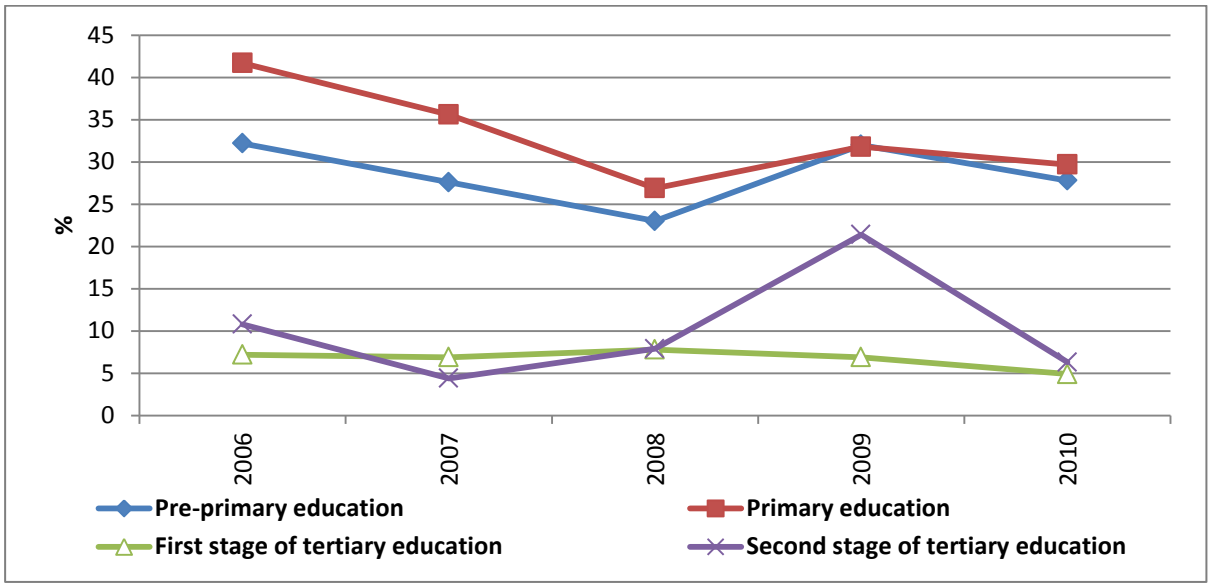
Source: Eurostat (EU-SILK)

The self-perceived health status varies acceding to the level of education. The majority of people with low education report bad health status (Fig. 3.10, Panel A). In contrast, the percentage of highly educated people reporting bad health status is low and remains stable throughout the entire period. Despite the subjective character of these self-perceptions, they have a logical explanation. People with low education have inferior living conditions due to lower incomes, they tend to spend less on healthcare and have less healthy lifestyles.

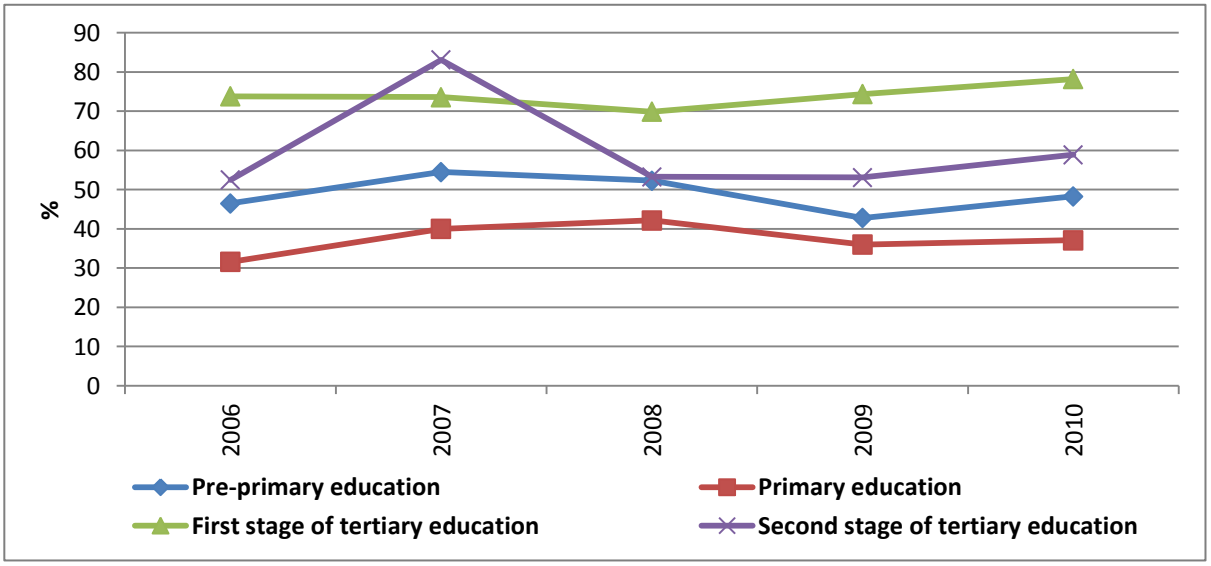
Income inequality is also a crucial factor of differentiation in the subjective health evaluations. People's evaluations, falling in the two marginal quintile groups, are quite differentiated in terms of bad health and to a lesser extent in terms of good health (Fig. 3.11). About one quarter of the population with low incomes evaluate their health status as bad, while for the rich people this share is quite low (4-7%). In both income groups there is a tendency of decreasing bad evaluations of health status.

Figure 3. 10 Self-perceived health status by level of education (ISCED/1977)

Panel A. Very bad/bad



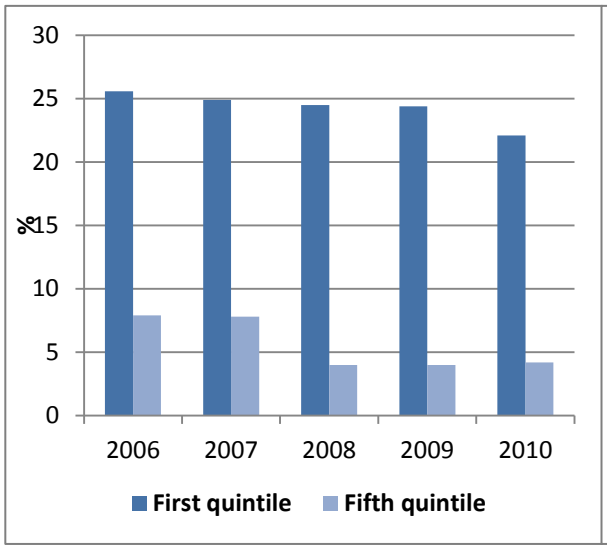
Panel B. Very good/good



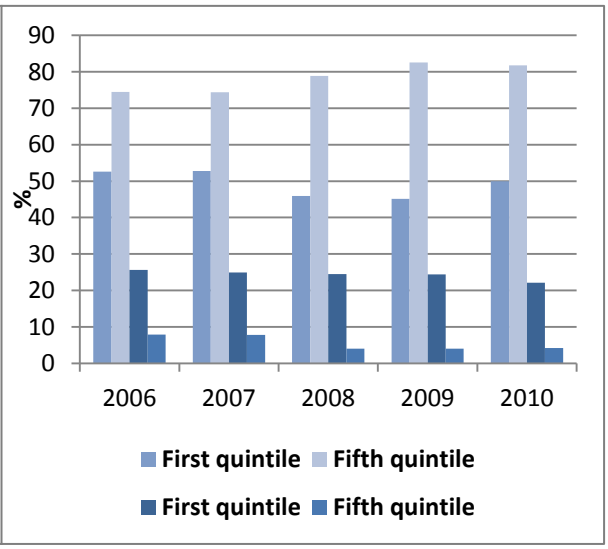
Source: Eurostat (EU-SILK)

Figure 3.11 Self-perceived health status by income level

Panel A. Very bad/bad



Panel B. Very good/good



Source: Eurostat (EU-SILK)

The differences in people's evaluations of good health between the two quintile groups are not quite pronounced. The majority of the populous with high incomes reported good and very good health status (Fig. 3.11, Panel B). Their share continuously rose and reached 82% in 2010. For the low income group the good health reports are in the range of 45-52% with a tendency of decline.

3.7. Housing tenure patterns

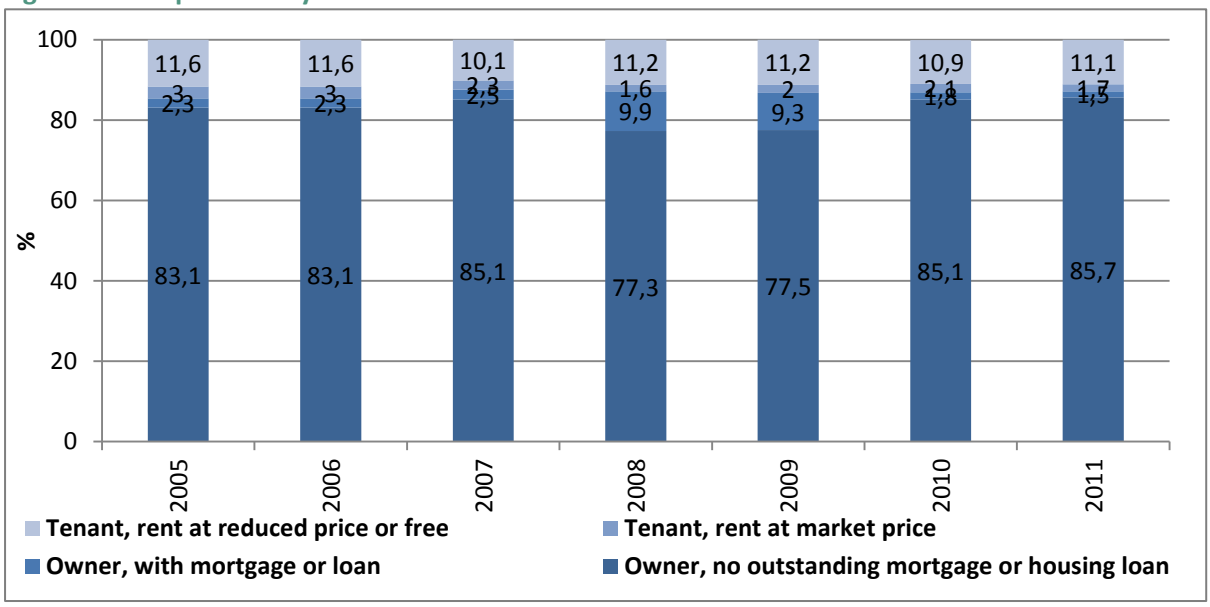
The ambition to have and live in a privately owned housing is a traditional feature of the Bulgarian population. Persisting for decades this ambition was preserved as a primary motivation of the Bulgarian family, regardless of all material and financial difficulties accompanying the purchase of private housing. As a result the share of Bulgarians living in privately owned housing is actually quite high when compared to most EU states. According to Censuses, 80.0% of the population lives in privately owned housing in 1985. In 1992 this share changed to 91.3%, in 2001 to 92.1%, and in 2011 - 87.2%.

In the last decade the structure of population by housing tenure status has slightly changed in the direction of increasing the share of privately owned housing (Fig. 3.12). According to data from EU-SILC, the percentage of population residing in privately owned housing in 2005 was 85.4%; in 2008 it grew to 87.1%, while in 2011 it remained at same level (87.2%). Generally for the period 2005-2011 the share of people having privately owned housing increased by 1.8 percentage points.

The majority of the privately owned housing is not associated with mortgage and loans. Nevertheless, in 2008-2009 there was a significant expansion of mortgage loans. In 2008 the share of people having privately owned housing with a mortgage or loan grew 4 times in comparison to 2005. The economic crisis from 2009 drastically reduced the market of mortgage loans.

Tenants comprise a considerably small portion of the population of the country. Their share slightly decreased. The majority of tenants have municipal or institutional accommodation with regulated rent below market prices in general. Their share in the total population of the country remained relatively stable with a weak tendency of decrease. The number of Bulgarians paying rent at market prices is rather insignificant. Their number varies according to internal migration processes. Usually the migration flow is directed from little towns to big urban areas and is related to job search. The expanding migration flow after 2007 affected the increase in the share of tenants paying rent at market prices.

Figure 3.12 Population by tenure status



Source: Eurostat (EU-SILK)

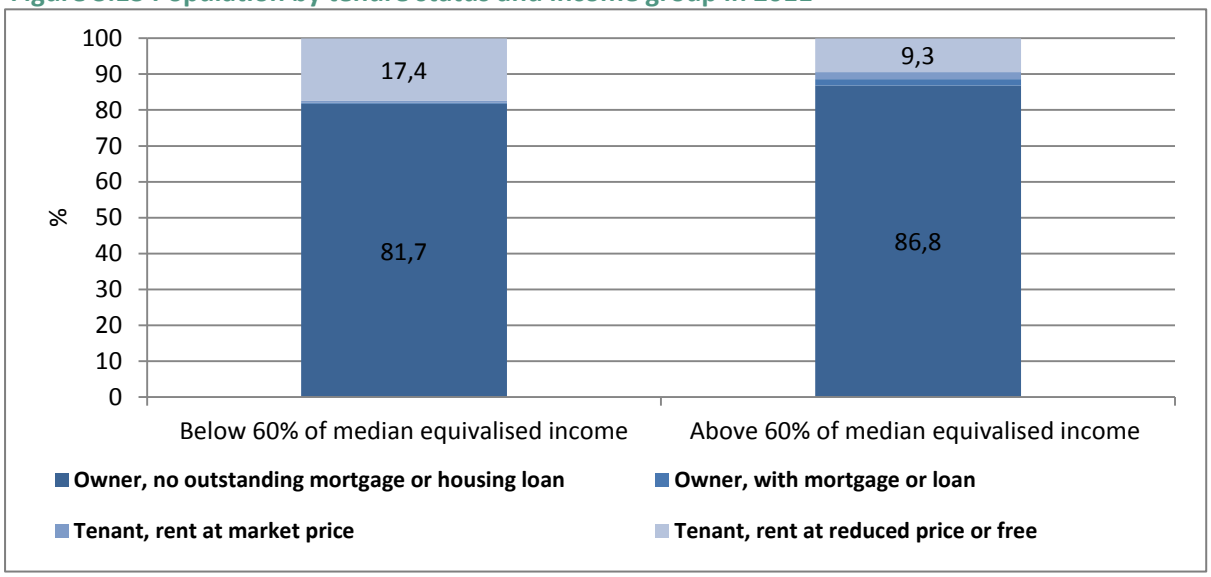
Distinctions of housing tenure status by income are not significant, which does not mean that income level has negligible importance. Fig. 3.13 illustrates the housing tenure structure of population according to poverty status (defined as 60% of the median equalized income). In 2011 the majority of the poor people (below 60% of the median equalized income) owned their housing (82%). In all likelihood this was property obtained before sliding into poverty since 81.7% of the people had no mortgage or credit loans. The share of poor people with mortgage loans is negligible (0.3%). Another distinctive trait of the poor population is the great percentage of tenants paying rent below

market prices. These people have municipal or state accommodation and pay symbolic rent. Only 0.5% of the poor pays rent at market prices.

The population structure by tenure status and incomes over the poverty threshold differs from the structure of the poor, but in general terms approximates it. Besides the greater share of owners (88.6%), the share of people with mortgage loans is considerably higher (2.1%). In addition the majority of people (not considered poor) rent housing at market prices (2.5%). Obviously the higher incomes ensure better opportunities for acquiring property or renting.

The presented distinctions in the tenure status of the poor and not poor indicate that income inequality does not significantly affect the tenure status in Bulgaria. The population from both income groups is mostly in possession of housing, as their share remains stable in time. Probably the impact of inequality is expressed in terms of the size and quality of the housing.

Figure 3.13 Population by tenure status and income group in 2011



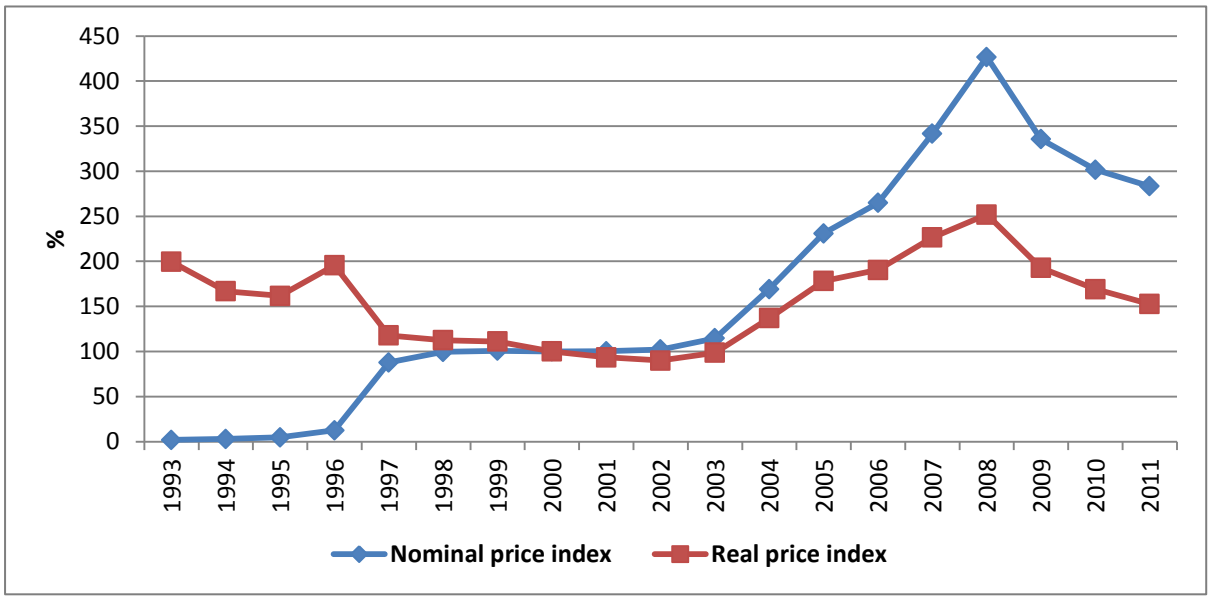
Source: Eurostat (EU-SILK)

3.7.1 Housing prices

The market prices of housing in Bulgaria developed in a direct relationship to the demand and supply during the last two decades. Periods of acceleration, stagnation or decrease are observed in their dynamics (Fig. 3.14). An accelerated growth of prices is observed in the period 2003-2008. In this period the demand and supply of housing marked an exceptional growth. Similar rapid development was characteristic for the mortgage market as well. Even though the supply exceeded the demand, the prices rose with significant annual rates (20-35% per year). Generally for the period of the

construction boom the prices in nominal terms increased over 4 times, and in real terms – close to 3 times.

Figure 3.14 Dynamics of housing prices in nominal and real terms (Index, 2000=100)



Source: National statistical institute.

In the early 90s the housing prices in Bulgaria varied mostly under the influence of high inflation. The prolonged recession and the weak development of the mortgage market limited the demand and supply of housing. In this period the dynamics in housing prices followed the progress of inflation, but to a lesser extent. As a result housing prices, in real terms, dropped. The tendency towards a decline in the real prices extended over a decade (1993-2002). In real terms housing prices decreased by half (-54.9%).

A second drastic decline in housing prices is observed in the circumstances of the present economic crisis. The housing demand falls exceptionally fast. It is hard for people to decide in invest in housing due to the future insecurity of the housing market and expected difficulties at servicing mortgages and loans. The effect of these processes is expressed in the rapid and considerable decline in housing prices in both nominal and real terms. For the period 2008-2011 housing prices in nominal terms decreased about one third (33.5%), and in real terms – about 40%.

3.7.2 Housing costs

Housing costs comprise a relatively low percentage of the total household expenditure in Bulgaria. According to data from the HBS for the period 2000-2011, their share in the total expenditure varied

within the range of 12-15%, but with a tendency of increase (Table 3.5). Only in the years of high income growth (2007-2008) did their share fall under 14%.

Table 3.5 Housing expenditures (% of total expenditure)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Housing expenditures	12.3	12.1	13.6	14.1	13.8	14.0	14.0	12.5	13.6	14.5	14.3	14.1

Source: National Statistical Institute.

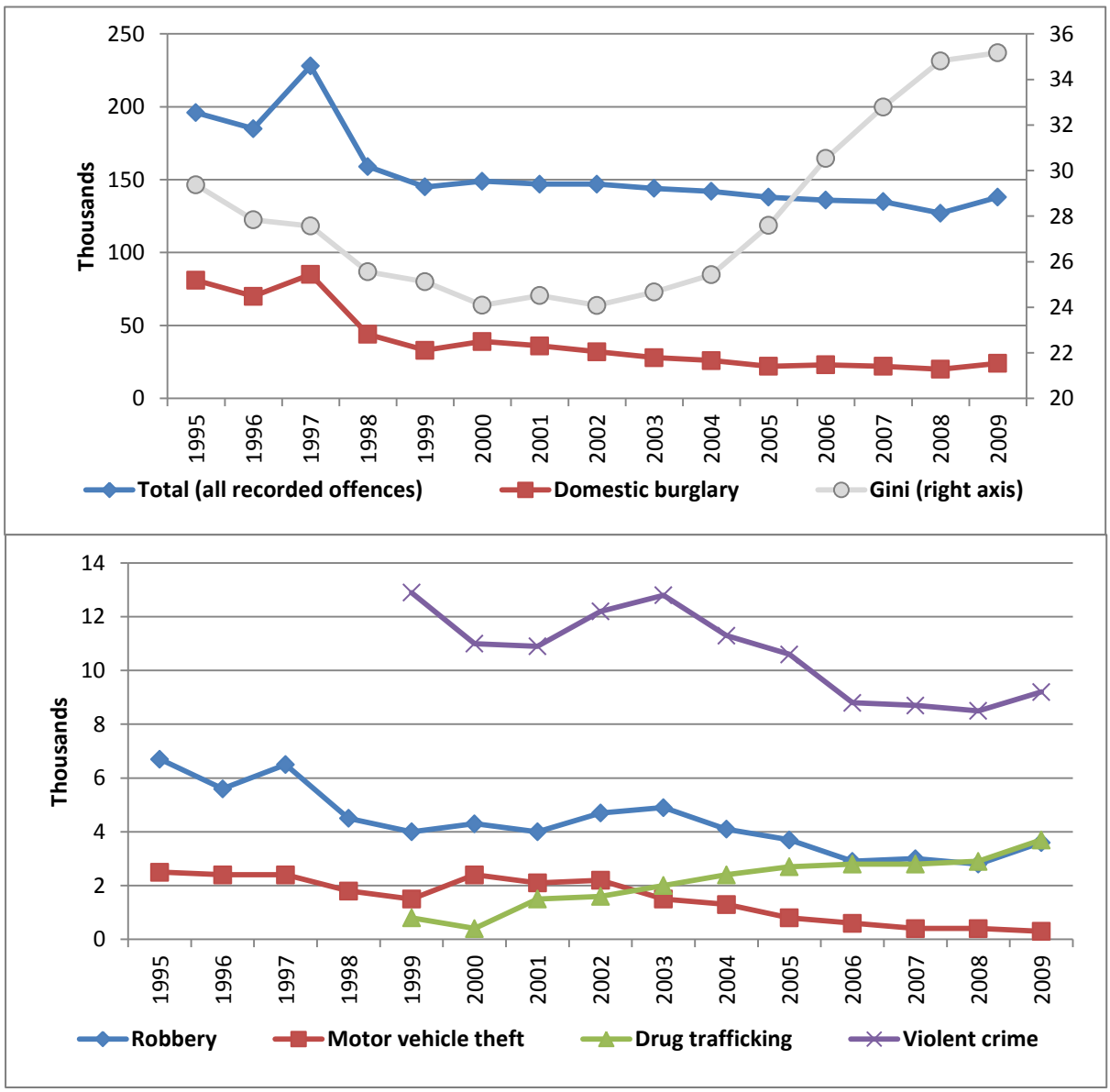
The overburden weight of housing expenditures, measured by the indicator 'housing cost overburden rate' defined as a percentage of the population whose total housing expenditures exceed 40% of their disposable net income, indicates that a relatively minor portion of the Bulgarian population has housing expenditures above 40% of the disposable net income. According to EU-SILC, the housing cost overburden rate for 2010 is 5.9% at average EU-27 level 10.1%. Considerable differences in the burden of housing expenditures on the household budget are observed in terms of property ownership. Owners of housing have fewer difficulties than tenants. For tenants paying rent at market prices, the housing cost overburden rate for 2010 is 30.8%, while for owners with a mortgage it is ten times lower (3%). Income inequality is an additional basic factor of differentiation. The share of the poor population with overburden housing cost (20.2%) is 10 times greater than the share of those not considered as poor (2.2%).

3.8. Crime and punishment

The statistics of the crimes registered by the police spans a relatively short 15 year period. Since the late 90s the number of registered crimes noticeably decreased (Fig. 3.15). The criminal rate declined mostly in the years of high economic growth and falling income inequality. The total number of registered crimes declined by 12% over the period of 2003-2008. In the years of harsh economic crisis (1997 and 2009) there was an observed expansion of criminality – thus confirming the correlation between growth and crime.

The reduction of registered crimes affected almost all types of crimes. The greatest decline was typically for home robberies (70%) and vehicle thefts (84%). Only the crimes related to drug trafficking steadily increased. In the framework of a ten year period their number rose by more than three times.

Figure 3.15 Number of crimes by types



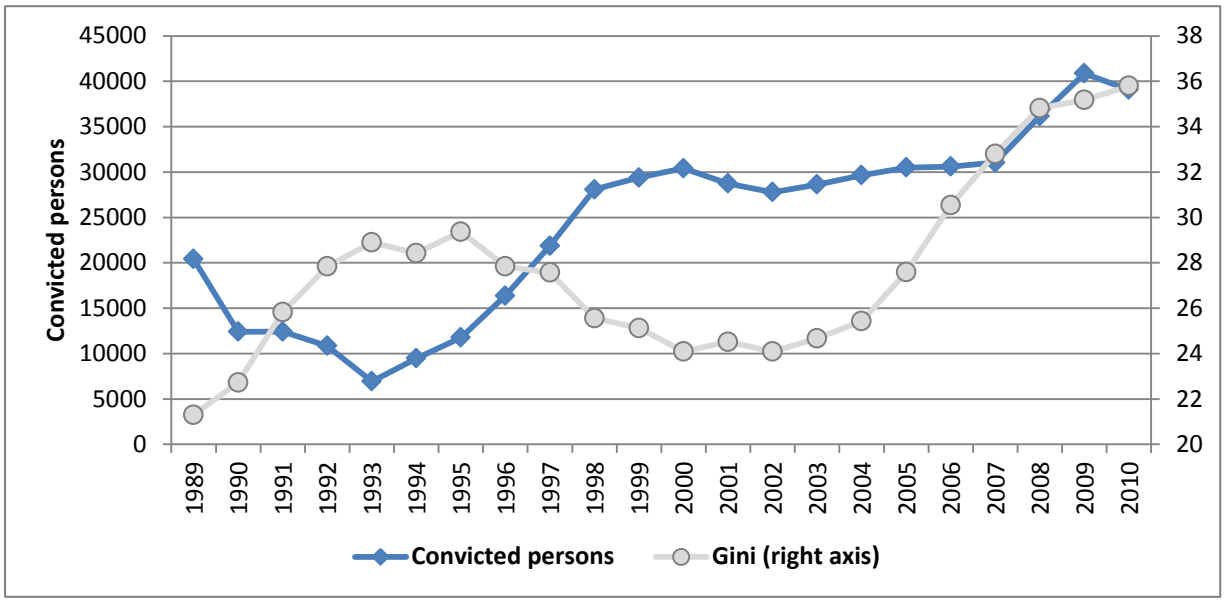
Source: Eurostat.

Despite declining criminality over the last 15 years, the number of convicted persons grew (Fig. 3.16). In the early years of transition this increase was particularly intensive. For the period 1993-2000 the number of convicts increased by more than 4 times (from 6,935 in 1993 to 30,405 in 2000). The number of convicts in the period of economic growth was preserved at the level between 27-30 thousand people.

People convicted for robbery were the majority of the convicts. In the 90's their share in the total number of convicts grew from one third to more than a half and then decreased. After 2000 the share of convicted persons for other crimes (crimes related to transportation and communication as

well as crimes related to owing and trafficking drugs) increased. The general tendency of declining criminality influenced the decreasing number of crime victims. According to data from the European Social Survey[13] around 21% of the population reported to be the victims of burglary in 2006. In 2008 and 2010 this percentage declined correspondingly to 15.2% and 15.7%. Obviously public safety was improved.

Figure 3.16 Trends of inequality and convicted persons



Source: National Statistical Institute

3.9. Patterns and trends in the subjective feelings of satisfaction and happiness

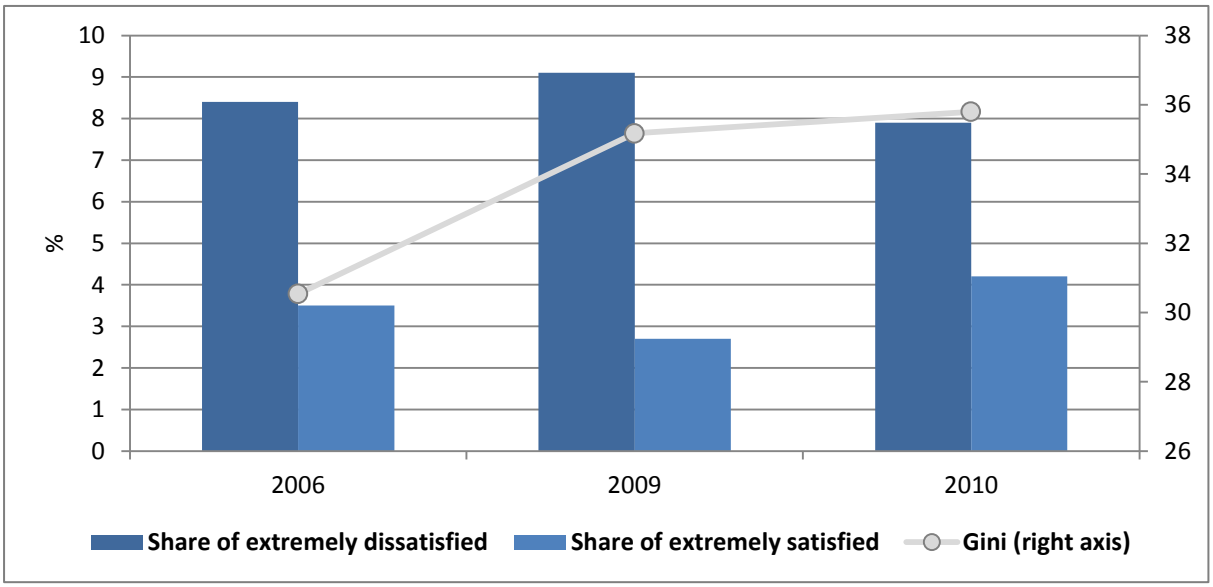
Sociological researches in the last decade demonstrate that the majority of the Bulgarians shows an exceptionally low level of satisfaction with life and happiness. The subjective feelings of well-being, satisfaction and happiness are shaped under the influence of socioeconomic, cultural and material factors. Inequalities in incomes, education and labour market affect these feelings, but could hardly be accepted as domineering. According to data from the European Social Survey the Bulgarians indicate a relatively low level of satisfaction with life[14]. The average score in the ten point scale (0-10)

[13] European Social Survey (ESS). Question wording: "Have you or a member of your household been the victim of a burglary or assault in the last 5 years?".

[14] ESS. Question wording: “All things considered, how satisfied are you with your life as a whole nowadays?”.

is 4.7 for 2006; 4.3 for 2009 and 4.7 for 2010. The changes in the degree of satisfaction in the period, although negligible, could be explained with the economic crisis. The high unemployment, decrease in incomes and insecurity of employment enlarge the pessimism among people. Comparing the two extreme situation of satisfaction (extremely dissatisfied and extremely satisfied), it is obvious that the percentage of the extremely dissatisfied people is considerably higher than the percentage of the extremely satisfied (Fig. 3. 17). Also the growing inequality between 2006 and 2009 contribute to lowering the peoples' satisfaction.

Figure 3.17 Inequality and life satisfaction

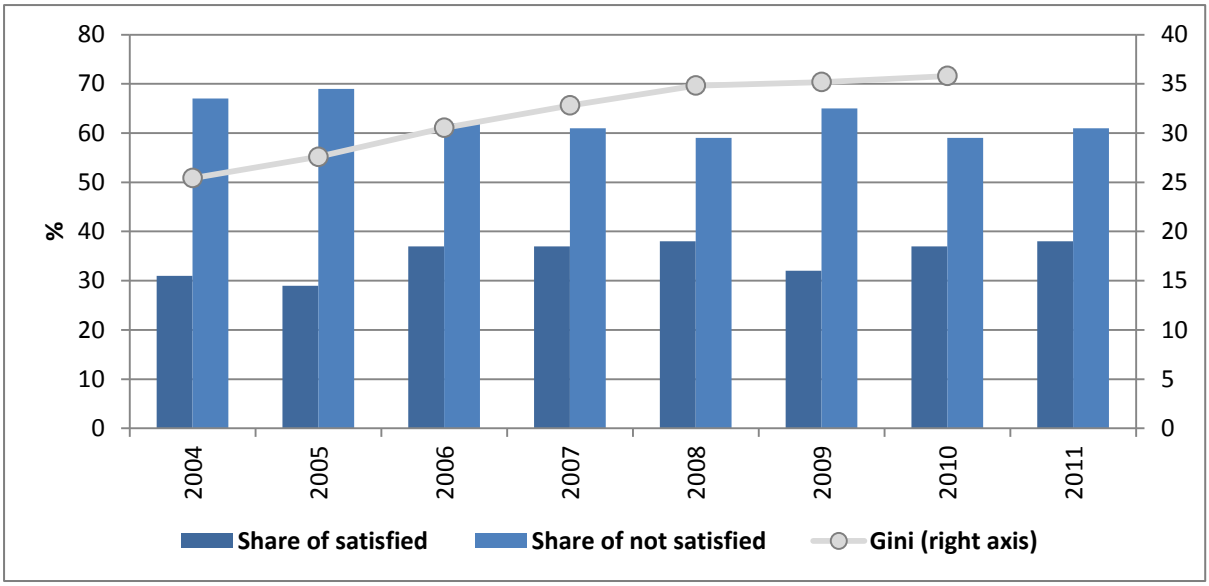


Source: European Social Survey.

Data from the Eurobarometer presents a similar picture of life satisfaction (Fig. 3.18). Over half of the Bulgarian population is dissatisfied with life. Changes in satisfaction strongly correlate with the economic situation and income dynamics in this period.

The high economic growth and the corresponding raising in incomes during the period 2004-2008 significantly contributed to people's feelings of satisfaction with life. On the other hand, the crisis negatively affected people's satisfaction with life. The impact of inequality on changes in life satisfaction over time is not so clear. Inequality growth is not in line with raising proportion of satisfied people. Dissatisfaction of the Bulgarians is more pronounced among those over 40 years of age. Almost two thirds of them expressed dissatisfaction with their lifestyles. Greater satisfaction with life was expressed by the young generation as over half of them were satisfied with their way of life.

Figure 3.18 Satisfied and not satisfied people with their life and inequality



Source: Eurobarometer.

The feeling of happiness among the Bulgarians[15] does not differ from the feeling of satisfaction with life. The average score of happiness according to a 10 point scale are a little over 5 points; only in 2010 is there a slight improvement (Table 3.6). In contrast to the extreme evaluations of satisfaction, the situation with the evaluations of happiness is different. The share of people reporting "extremely happy" is greater than the share of "extremely unhappy" and indicates a faster improvement. These changes in the perception of happiness can hardly be explained solely with the economic situation and inequality.

Table 3.6 Levels of happiness in Bulgaria

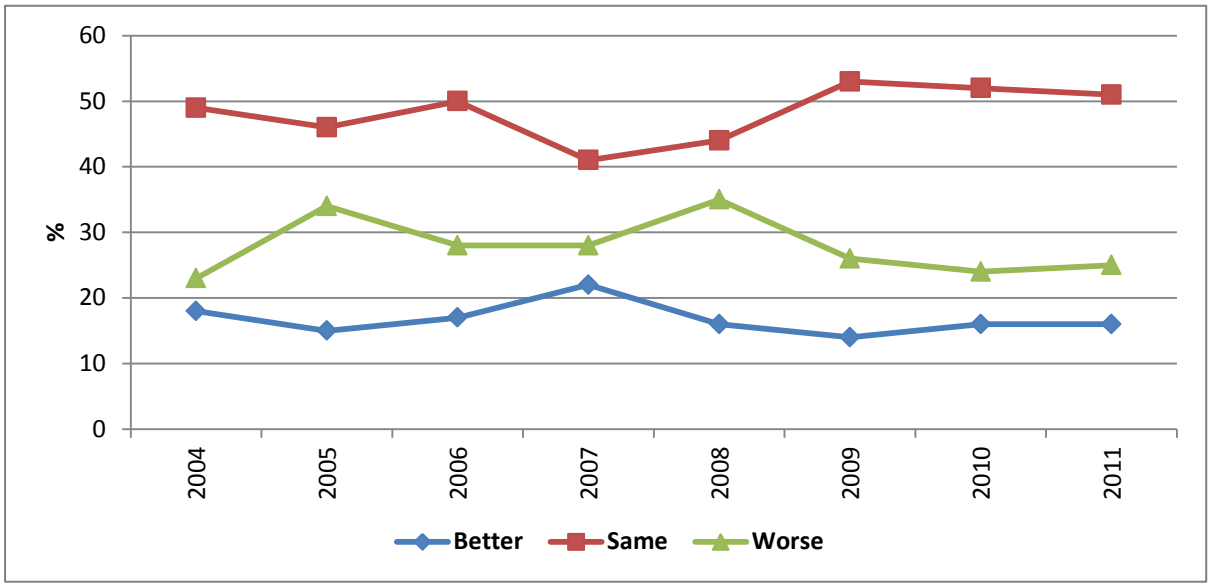
	2006	2009	2010
Mean level of happiness (score)	5.2	5.2	5.4
Share of extremely unhappy (% of population)	5.1	5.1	5.2
Share of extremely happy (% of population)	5.3	6.4	6.2

Source: European Social Survey.

[15] ESS. Question wording: "Taking all things together, how happy would you say you are?".

It is likely that the influence of other factors has a determining role. Nevertheless, the happiness evaluations of the Bulgarian population are amongst the most pessimistic in the EU.

Figure 3.19 . Financial expectations for the next 12 month (% of total population)



Source: Eurobarometer.

The pronounced pessimism in respect to life satisfaction and happiness to a great extent determines the short-term (year long) future expectations about the financial situation of households. According to data from the Eurobarometer[16] the share of pessimistic evaluations exceeds the share of optimistic (Fig. 3.20).

The dynamics in people's expectations for a "better", "worse", and "same" financial situation of households are directly related to the economic situation of the country and to a lesser extent to

[16] Eurobarometer. Question wording: "What are your expectations for the year to come: will [next year]...

be better, worse or the same, when it comes to... the financial situation of your household?".

income inequality. Under the conditions of economic growth prior to the crisis (2004-2008), people's optimism gradually increased, whilst pessimistic evaluations remained high and almost constant. The beginning of the crisis altered people's expectations. Optimistic expectations stayed at a relatively low level, whilst pessimistic attitudes, contrary to expectations, decreased.

3.10. Conclusions

Deprivation and poverty. Material deprivation of the Bulgarian households marked a decreasing trend over the last five years, which is not in line with growing income inequality. This decline in deprivation can be observed in all age groups, education and income levels, as well as for all types of households. This process is mainly due to the economic prosperity preceding the crisis and respectively to the raise in incomes. The effect of income and education inequality is expressed in significant differences among the respective groups. While the distinctions in deprivation by levels of education are preserved, convergence is observed for the different age groups. Divergence exists only between income groups (particularly pronounced in the period 2005-2008) – a direct result of the growing income inequality.

In contrast to deprivation, the poverty risk development is more closely related to the evolution of income inequality. The periods of decrease and increase are almost identical, and the position of the risky social groups remains unchanged. Among them are outlined one member households, households of a single parent with dependent children, and people with low education.

Social contacts. Bulgarians demonstrates a high social activity. Only a relatively minor portion (under 2%) does not engage in social contacts with relatives, friends and colleagues. In a dynamic aspect there are no considerable changes in social activity. Differentiation in social contacts by age is strongly expressed. There is a tendency towards limiting the frequency of contacts with aging. The level and change in the indicators of social cohesion are not related to inequality dynamics. There is no evidence of any impact of inequality on social contacts.

Family formation. For the last three decades the model of the Bulgarian family has developed in the direction of liberalizing the interpersonal relations and fast expansion of new family formations. The trends in the basic indicators, characterizing the family development, presented decreasing female fertility, reducing the number of children in the family, limiting the number of legal marriages, and increasing the number of divorces as well as increasing the number of families based on co-habitation. The evolution of these indicators is mostly defined by the influence of a number of socioeconomic, psychological and demographic factors.

The trend in the economic development and income inequality amazingly correspond to the evolution of female fertility. In the early 90s female fertility dramatically declined in correspondence to the deep economic depression and growing inequality. In the period of economic prosperity (1998-2008) and decreasing inequality, fertility indicated a moderate growth. These correspondences in the periods of development hint at a relatively strong interconnection.

Health. For the last 50 years the life expectancy in Bulgaria has progressed with periods of increase and decrease. In the last two decades the life expectancy trend closely followed the trend of the economic development. During the period of prolonged economic recession (1990-1997), life expectancy decreased, while in the period of fast and stable economic development (after 1998) the greatest peak in life expectancy was observed. Almost certainly economic development in Bulgaria considerably affects life expectancy.

The differences in life expectancy by education level are considerable, but constant in time. People with low education generally have lower life expectancy by about 11 years.

Housing. Traditionally the Bulgarian population inhabits privately owned housing and this share gradually increases. The majority of privately owned housing is without a mortgage or loan. Nevertheless, in 2007-2008 there was a significant expansion of mortgage loans for new private housing, regardless of the price growth. The economic crisis from 2009 drastically reduced the functions of the mortgage market in purchasing property, even though prices radically decreased. The differences in the distribution of people by tenure status and poverty status are not essential, most probably because housing was acquired before falling into poverty. Housing expenditures comprise a relatively low percentage of the total household expenditures in Bulgaria, but have shown a tendency towards increasing in the last years.

Crime. The crime rate in Bulgaria correlates closely with the economic development of the country. The number of registered crimes significantly decreased in the years of economic prosperity. In the years of harsh economic crisis (1996-1997 and 2009) criminal activity intensified, thus confirming the correlation between economic growth and criminality. Regardless of the decline in crimes, the number of convictions rose. This growth was particularly intensive in the early and late 90s. Changes in the structure of committed crimes are observed. While in the early 90s people convicted for robbery were dominant, in the late 90s the majority, were convictions for crimes in transportation and communication, as well as crimes related to drug possession and trafficking.

Subjective perception of life satisfaction and happiness. The Bulgarian people demonstrate exceptionally low levels of satisfaction with life and happiness. The changes in the degree of

satisfaction to a certain extent are related to the state of the economy and income levels in this period. Dissatisfaction of the Bulgarian is pronounced mostly among the population above 40 years. Greater life satisfaction is expressed by the younger generation. The pessimism of the Bulgarian is additionally transferred to the short-term expectations about the financial situation of households. The share of pessimistic evaluations exceeds the share of the optimistic.

4. Political and cultural impacts

4.1. Introduction

In the context of the obligation to reach the basic goal of the study and trace the social impact of income inequality – it is necessary to explore and summarize the political and cultural influences of inequality in the Bulgarian society.

In the literature it is not clear whether social inequality would increase or decrease political participation, and what sort of interaction would be seen between inequality and all the possible factors. Some theories focused on other, „more sociological or psychological factors" (Werfhorst, H.G. van de et al. 2012, p.8). It is important to emphasize how inequality effects on political and cultural participation in the concrete country. An analysis on the link between social inequality and political and cultural participation is not only interesting on its own right but also as part of a larger topic of governmental redistribution (Bram Lancee et al. 2011, p.134).

In this section the fundamental research interest is focused on measuring the political and cultural impacts of inequality, considered in educational and income aspects. The impact of inequality is successively traced in terms of certain political and cultural dispositions and attitudes of the Bulgarians, measured through an analysis of the election activity, the level of trust in the public institutions, attitudes towards political parties (left-right) and attitudes towards the EU and EU membership. In the section the following information sources have been used: European Values Study (EVS) – 1999, 2008; European Social Survey (ESS) – 2006, 2008 and 2010; Eurobarometer (2004-2011).

4.2 Political and civic participation

The pattern of political participation of the Bulgarian population has significantly changed in the last three decades. The dividing line marks the democratic changes of political life in Bulgaria after 1989. They are expressed in the introduction of a multi-party system, presidential institution and modifications in suffrage. The current suffrage in Bulgaria declares that the right to vote is granted to every Bulgarian citizen who has completed 18 years by the Election Day (including), who is not prohibited and who is not imprisoned. At electing members of the European Parliament from the Republic of Bulgaria, there is an additional requirement – the voter must have lived at least 3 months in the country or in other member state of the European Union. Regarding voting rights in elections

for members of Municipality Councils and mayors of Bulgarian municipalities, the required residential period is 6 months in addition to the aforementioned conditions.

Under the conditions of the totalitarian political regime, the election activity of the Bulgarian population was distinguished with high activity (over 90%), which could not be accepted as a free choice, but rather as obligation and responsibility. The political changes after 1990 introduced free political choice and free will in voting. In the last two decades there has been a considerable decline in the election activity at Parliamentary, presidential and local elections (Table 4.1).

Table 4.1 Election activity of the population in Bulgaria (% of active voters from the election lists), 1991-2011

Year	Parliamentary elections	Presidential elections	Local elections	EU elections	GINI net Coefficient
1991	81.50%		83.87%		25.8
1992		75.90%			27.8
1994	74.20%				28.4
1995			57.80%		29.4
1996		61.70%			27.8
1997	62.90%				27.6
1999			56.03%		25.1
2001	66.60%	54.90%			24.5
2003			57.45%		24.7
2005	53.80%				27.6
2006		54.90%			30.5
2007			43.26%	29.20%	32.8
2009	60,60%			38.40%	35.2
2011		48.09%	54.29%		-

Source: Todorov, 2010; Central Election Commission. Elections 2011. http://results.cik.bg/tur2/aktivnost/index.html; Central Election Commission. Local elections 2007. http://www.mi2007.org/activity2/index.html; Central Election Commission for local elections. Local elections 2003. http://izbori2003.is-bg.net/rez; Low election activity at local elections 2003. http://www.econ.bg/article34303/niska_izbiratelna_aktivnost_na_mestni_izbori_2003. National Statistical Institute .

The modifications in activity during elections for the separate Bulgarian institutions significantly vary. The general tendency of decline in activity at Parliamentary elections is additionally related to a certain cycle. Election activity considerably rises in the case of a new political subject appearing on the political scene (2001 and 2009). Nevertheless, there is a total decline in voters at the Parliamentary elections with 20.9 percentage points in comparison with the elections in 1991. At the

presidential and local elections there is noticeably stronger decline in election activity. The total decline, valid for the presidential elections, is 27.8 percentage points, and for the local elections – 29.6 percentage points.

In general this data indicates the political indifference of a major section of Bulgarian citizens resulting from disappointment with failed pre-election promises on the part of those in office or owing to the growing number of uneducated people and people with low education who are politically apathetic in general. An explanation can be sought in the established tradition, according to which "the politicization and additionally the political mobilization grow in times when democracy is unstable and limited" (Todorov, 2010). In the initial years following 1989 there was no stable democratic system in Bulgaria. The democratic stabilization that followed and the lack of serious political cataclysms could be viewed as one of the reasons behind the observable decline in election activity.

The profile of the election activity at elections for the EU Parliament, carried out in Bulgaria in 2007 and 2009, is not exceptionally optimistic. In 2007, only 29.2% of those eligible to vote had actually voted, which is the lowest result possible in comparison to other elections carried out to date – presidential, Parliamentary and local. Such low election activity, however, is typical for the first EU elections in the remaining post-communist countries of Central and Eastern Europe as well, immediately after their accession to the EU. For comparison, the relative share of voters in the first European elections from the total number of eligible voters in the Czech Republic is 28.3%, in Estonia – 26.8%, in Slovenia – 28.3%, in Poland – 20.9%, while in Slovakia – only 17% (Todorov, 2010).

Explanations could be sought in the still initial stage of Bulgarian membership in the EU and the inadequate information about the duties of the elected members to the European Parliament. Political scientists think that the Bulgarian voters aim to punish the government by voting for parties in opposition to the triple coalition. This situation is expressive of the disappointment in the Bulgarian society arising from the low standard of life and the inability of governors to combat criminality and corruption (Todorov, 2010; Liberal Political Science Institute, 2007).

A positive trend is evident at the second European elections as the relative share of voters increased. Approximately 39% of voters had cast their vote for Bulgarian representatives to the leading European institution. This state could be interpreted as a manifestation of political re-mobilization favouring the evident winner at the following Parliamentary elections – CEDB (Citizens for European Development of Bulgaria). The great number of people who voted for this party does not reflect the fact that voters identified with the party and appreciated its political platform, but rather that of the party emerging as the winner.

The link between inequality and election activity is not clear. While the Gini coefficient fluctuated during the period (Table 4.1), the participation in elections constantly decline. Election activity decreased even when inequality increased. This situation suggest for lack of correlation between inequality and activity in elections. Changes in turn-out for the different Bulgarian institutions are very different and are characterized by a cycle that depends on other factors.

In the context of the necessity to investigate the relationship between the level of political activity and the education level there is a positive dependency observed. According to the so called "model of available individual resources" (Todorov, 2010), in the political elections, the most conventional form of political participation, the especially active groups are the people with higher education, more affluent people who are more entrepreneurial and active. All these people have the key factor – education. The explanation lies in their expectations for future social and economic benefits from their more expressive political participation. This conclusion, however, is not valid for all, because it is possible for the political attitudes of educated people to be expressively passive – thus being an expression of a clear political statement of discontent with the entire political class. Another option is the political participation by a vote cast in favour of unconventional, or considered as marginal, political formations – as an expression of disagreement with the representativeness of the political class and its discord between promises made and kept.

There is still a considerable contingent with low education in Bulgaria (the average of 20.6% for 2010). It directly corresponds to the limited and lacking political activity of Bulgarian voters. The contingent with low education, comprising of a still sizable portion of the general number of eligible voters, could help explain the overall tendency towards political apathy.

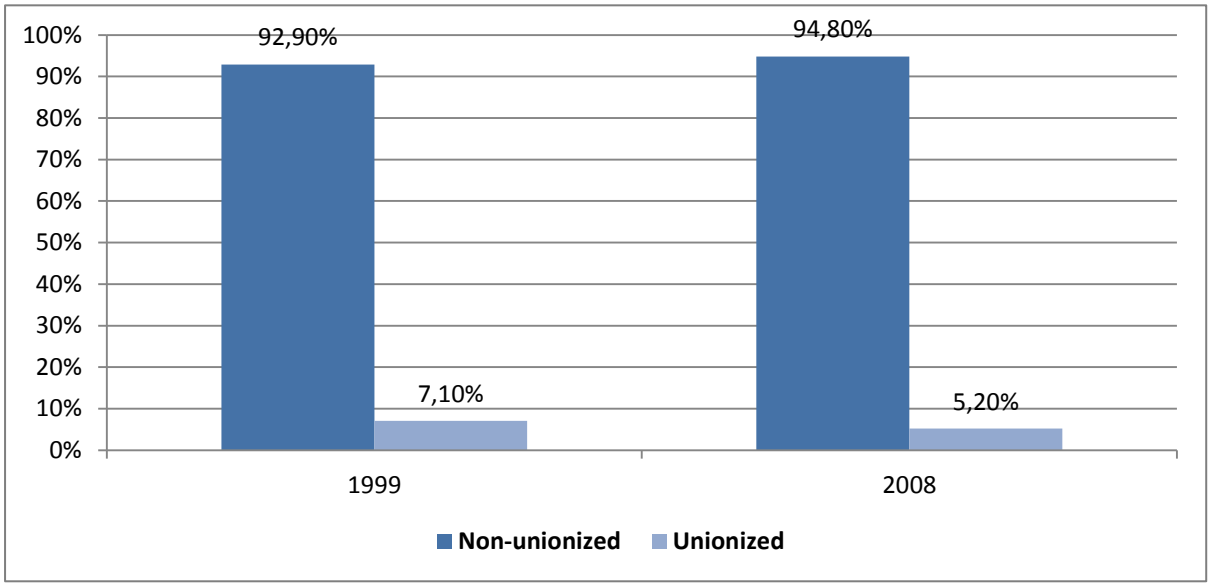
An explanation could be sought in the isolation of low educated people which results from the difficulties they encounter in the process of social integration and adaptation. The fact that they are perceived as outsiders to the entire social community transforms them into passive subjects, who could hardly be identified as observers (National Democratic Institute for International Relations of the US, 2003). For example, the Roma community in Bulgarian society is almost entirely excluded from the political and economic events in the country due to wide-spread poverty, low education, isolation, miserable living conditions and language barriers. All these problems obstruct the integration of the Roma and the expression of their active position regarding the occurrences in the political arena. It is necessary for the Roma community to demonstrate their active political engagement and participation – and education is the essential condition for this to occur.

In comparison with political participation, social participation is perceived as a broader field on which individuals could manifest their performance. Related forms include voluntary work, participation in

projects, education, union membership, and cultural events, participation in ecological and other nonpolitical social organizations.

Until the beginning of the transition to a market economy (1989) the membership in syndicate structures in Bulgaria was almost 100% or there was a full coverage as an essential element of the planned economic organization. After 1989 there was a significant decline in union membership. According to data from the self-produced survey of syndicate members – their share in the total number of the employed in 2007 was just 18%. The insignificant participation of workers in union organizations is additionally confirmed by data from the survey - the European Values Study (Fig. 4.1). Over 90% of the surveyed declare non-affiliation with unions. In the last decade there has been a decline in union membership.

Figure 4.1 Union membership in Bulgaria (1999,2008)



Source: European Values Study (EVS) – 1999, 2008. Question wording: "Do you belong to trade unions?"http://zacat.gesis.org/webview/index.jsp?object=http://zacat.gesis.org/obj/fCatalog/Catalog5.

The tendency of shrinking coverage is common for the two nationally representative syndicate organizations in Bulgaria – the Confederation of Independent Trade Unions in Bulgaria (CITUB) and the Confederation of Labour "Podkrepa" (CL Podkrepa), as well as for minor unions, independent from the representative, but not particularly active. The major factors for the inadequate coverage of workers in those structures are the following: the privatization and economic restructuring; a considerable reduction of production and public sector; growing unemployment; expansion of the petty and medium business employing almost half of the labour force; declining social trust, etc.

(Daskalova, 2010). In general the Bulgarian case does not deviate from the general European tendency for limited coverage of the labour force in unions.

There is a marked positive relationship between the membership in various civil organizations and associations and the level of political participation. Membership indicates a higher level of political participation, actualized by way of voting or direct participation in a political formation. It is generally accepted that membership in organizations and associations of this type makes people aware of the benefits from associating, accumulating knowledge and skills or that is in general termed as "social capital" (Todorov, 2010). Participation in charitable, ecological, research, union and other organizations, as an expression of organized participation in social life, induces the feeling of being "part of the whole", which results in more expressive political activity.

The data from the European Values Study indicates relatively stable participation in civil organizations in the last 10 years (Table 4.2). There has been a reduction in the membership in religious organizations and political parties, while the participation in cultural and ecological organizations and movements has expanded.

Table 4.2 Participation of the Bulgarian population in civil organizations (1999, 2008)

		1999	2008
Membership in:	Charities	1.50%	1.60%
	Religious organizations	2.10%	1.30%
	Cultural organizations	4%	4.90%
	Political parties	4.70%	4%
	Organizations for environmental protection	1.50%	1.80%
	Organizations for human rights protection	0.40%	0.30%
	Voluntary health organizations	1.10%	1.10%

Source: European Values Study (EVS) – 1999, 2008.
http://zacat.gesis.org/webview/index.jsp?object=http://zacat.gesis.org/obj/fCatalog/Catalog5

The analysis of the data on the participation of the adult population in Bulgaria in this type of organization indicates a nearly symbolic engagement (Table 4.3). There is a tendency for a decline in the relative share of members in such organizations for 2008 in comparison to 1999. The exception is the share of members in charities, cultural organizations and organizations for environmental protection for which the discrepancy is between 0.1% and 0.9%.

The performance in political and other organizations and associations, as well as in legal demonstrations in the last 12 months before the study, could not be defined as characteristic for the

Bulgarian population. In addition this restraint directly corresponds to the limited political engagement and participation in elections. In general the Bulgarian population is encapsulated in resolving personal problems and is markedly passive in expressing political and civil positions.

Table 4.3 Participation of the adult population in Bulgaria in political and other initiatives (2006, 2008, 2010)

		2006	2008	2010
	Political parties or groups			
	In the last 12 months	3.30%	3.60%	2.70%
Participation in:	Other organizations or associations			
	In the last 12 months	0.90%	1.70%	1.40%
	Legal demonstrations			
	In the last 12 months	2.20%	3.60%	2.60%
GINI net Coefficient		30.5	34.8	35.8

Source: European Social Survey (ESS) – 2006, 2008, 2010. http://ess.nsd.uib.no/

During the examined period the inequality sharply increased, while the participation in political and other initiatives remained practically constant. This means that the growing inequality does not provoke tensions and high activity in political and other social initiatives.

4.3. Social and institutional trust

At first glance trust is a social category which does not have much in common with inequality, poverty, degree of political participation and activity. A closer inspection, however, makes possible the identification of such a connection.

Trust could be viewed as social and institutional. Social trust is trust existing between the separate individuals in a given family, professional or other context, while institutional trust is related to the extent to which people believe in public institutions – Parliament, government, political parties, judicial system, educational system, police, social security system, media, etc. There is a close relationship between social and institutional trust as indicated by the results from the data analysis on the degree of trust in some European states. The high level of trust at the workplace, in the work team, between citizens is related to "keeping up the social climate of cooperation, facilitating collective behaviour and encouraging respect for the social interest" (ESS, Exploring public attitudes, informing public policy, Selected findings from the first three rounds). Trust considerably facilitates the association of people in various civil organizations, the expression of opinion on mainstream political issues having to do with the common good and the future of the state. Trust is a prerequisite for a more active election standing and unification of separate interests in the name of

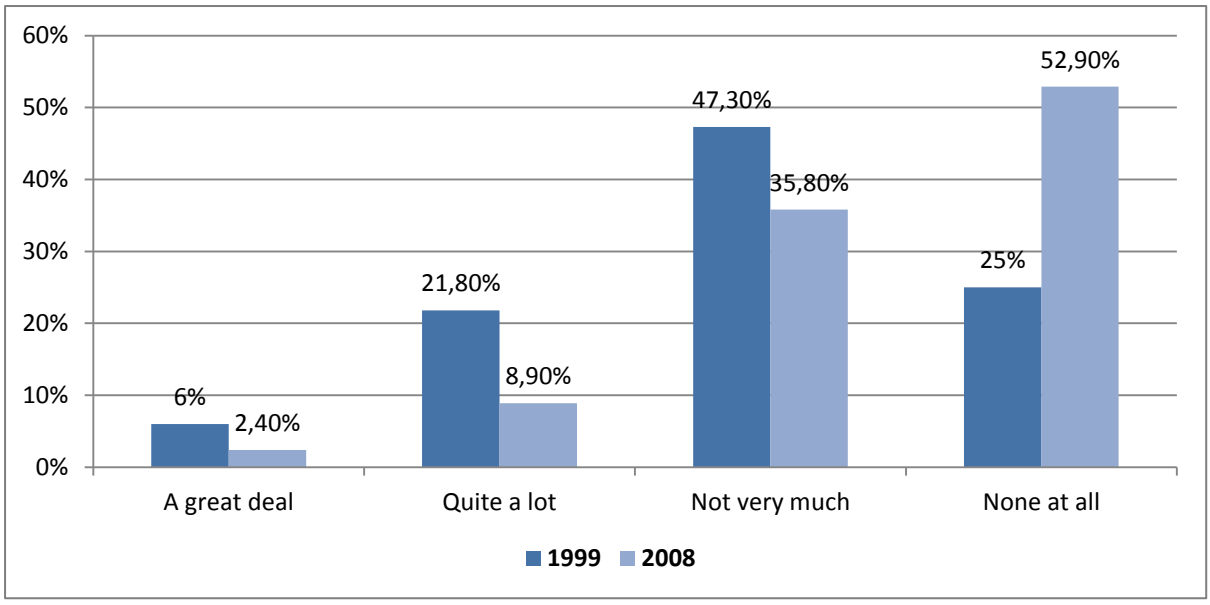
the national interest. People who trust each other demonstrate trust towards the public institutions – hence "social trust and institutional trust go hand in hand" (ESS, Exploring public attitudes, informing public policy, selected findings from the first three rounds).

Under the contemporary democratic conditions it is necessary to continually study the degree of social trust towards the institution, because trust appears to be "a key factor for the stability of the social system and a kind of projection of the people's satisfaction with the development of society and their way of living in this society" (Boyadzhieva, 2010).

Trust in the Parliamentary structure and judicial institutions are a blatant expression of the general attitude and opinion of the Bulgarians towards the effectiveness of the government in the Bulgarian state. The motivation behind the political, social, cultural performance depends on this type of trust.

The Bulgarian Parliament is known for its relatively low trust. In the last decade the trust in the Parliament has declined. The differences in the values reflecting the lack of trust in this institution are especially obvious (Fig. 4.2).

Figure 4.2 Trust in the Bulgarian Parliament (1999, 2008)



Source: European Values Study (EVS) – 1999, 2008. Question wording "How much confidence do you have in Parliament?" http://zacat.gesis.org/webview/index.jsp?object=http://zacat.gesis.org/obj/fCatalog/Catalog5

The relative share of respondents who declare no trust at all in the Parliament has risen by close to 28 percentage points for 2008 in comparison to 1999.

All respondents, regardless of their education level, declare low trust in the Parliament institution (Table 4.4). Nevertheless, there is a dependency expressed through the decline in trust and increase

in distrust with raising the level of education. People with primary education tend to trust the Parliament more in contrast to people with a University education. Perhaps this situation is owing to the belief common among these social groups that the Parliament could facilitate the resolution of their problems. Lack of confidence in the Bulgarian parliament from people with University education is explained by the failure of their expectations about the adequacy of legislative power in Bulgaria. They can monitor and analyze the activities of the parliament, form specific expectations and make an evaluation of the effectiveness of low. Their lack of confidence corresponds directly with lower assessment of the work of the Bulgarian parliament.

The judicial system in Bulgaria is similarly associated with low trust (Fig. 4.3). The share of respondents declaring full confidence is too small and declines during the period under consideration (1999-2008). The decrease in confidence is also evident among these groups of the population who declare weaker confidence and distrust. The lack of any trust in the judicial system is widespread among the Bulgarian population. While in 1999 less than one third of the persons declared full confidence, in 2008 their share reached almost half of the respondents, hence there is an increase in the range of 15.5 percentage points.

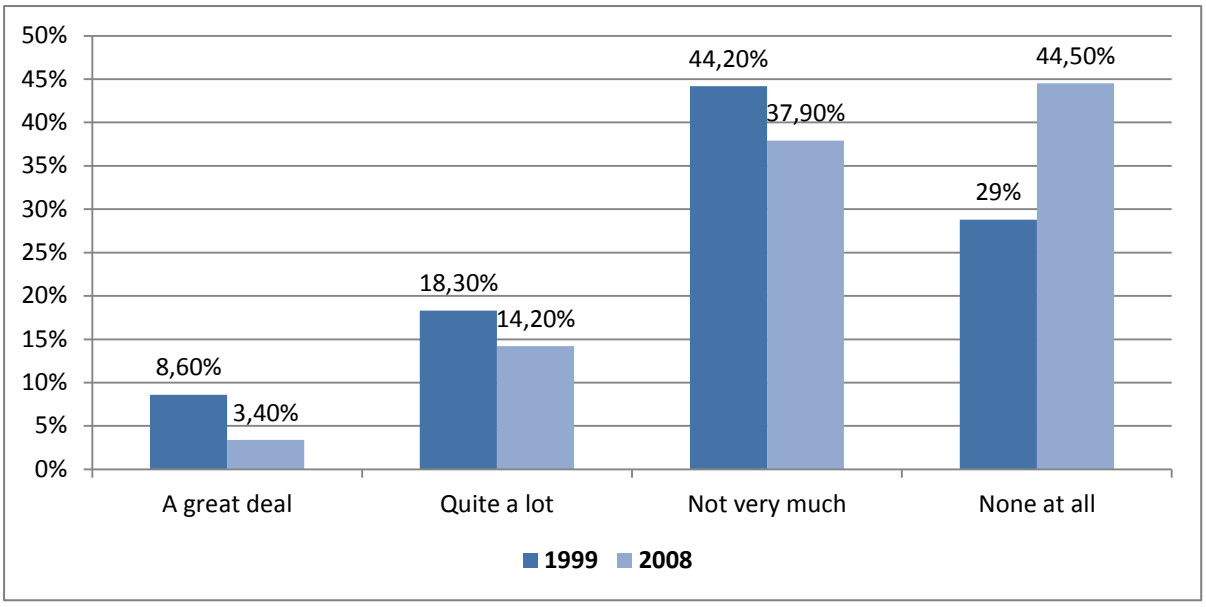
Table 4.4 Trust in the Parliament by the level of education in Bulgaria for 2008 (% of respondents)

Level of education	**Confidence in Parliament**			
	a great deal	**quite a lot**	**not very much**	**none at all**
Primary	8.5	21.3	35.1	35.1
Lower secondary	2.9	8.7	35.5	53.4
Secondary (general,vocational,college)	2.3	8.1	32.0	57.6
Higher education	0.8	3.7	39.9	57.6
Total	2.4	8.7	35.5	53.4

Source: European Values Study (EVS) – 2008.
http://zacat.gesis.org/webview/index.jsp?object=http://zacat.gesis.org/obj/fCatalog/Catalog5

This tendency is not quite surprising in view of the inadequate effectiveness in finalizing court cases – a situation persisting in the following years. This problem is crucial for the lack of confidence in the judicial institutions declared by the Bulgarian citizens.

Figure 4.3 in the Bulgarian judicial system (1999, 2008)



Source: European Values Study (EVS) – 1999, 2008. Question wording "How much confidence do you have in the Justice system?"
http://zacat.gesis.org/webview/index.jsp?object=http://zacat.gesis.org/obj/fCatalog/Catalog5

Regardless of the level of education, the lack of confidence in the judicial system is obvious, manifested in high values for almost all groups of respondents, separated by the level of education (Table 4.5). There is a tendency of declining confidence with raising the level of education in similarity to the case with the Parliament. The population with the lowest level of education tends to have a great deal more confidence in the judicial system in contrast to persons with University education. Persons with University education are more critical to the efficiency of the judicial system. They can make an assessment and conclusions about the inefficiency, corruption in the judicial system, lack of transparency, bureaucratic procedures etc. This explains their low level of trust to the Bulgarian judicial system.

In contrast to the serious crisis of confidence declared by the Bulgarians towards the National Parliament and judicial system, the confidence in the European Parliament is a great deal high (Fig. 4.4).

The general European tendency manifested in increasing levels of confidence in the European Parliament in contrast to the decline in confidence in the National Parliaments was valid for Bulgaria as early as the pre-accession period. In contrast to the low confidence declared for the national institutions, the Bulgarians increase their support for the EU and its structures since their expectations are for a better way of life and better justice. During the pre-accession period a total of 59% of the Bulgarians think positively about the EU (Eurobarometer 62). They hope that the EU will

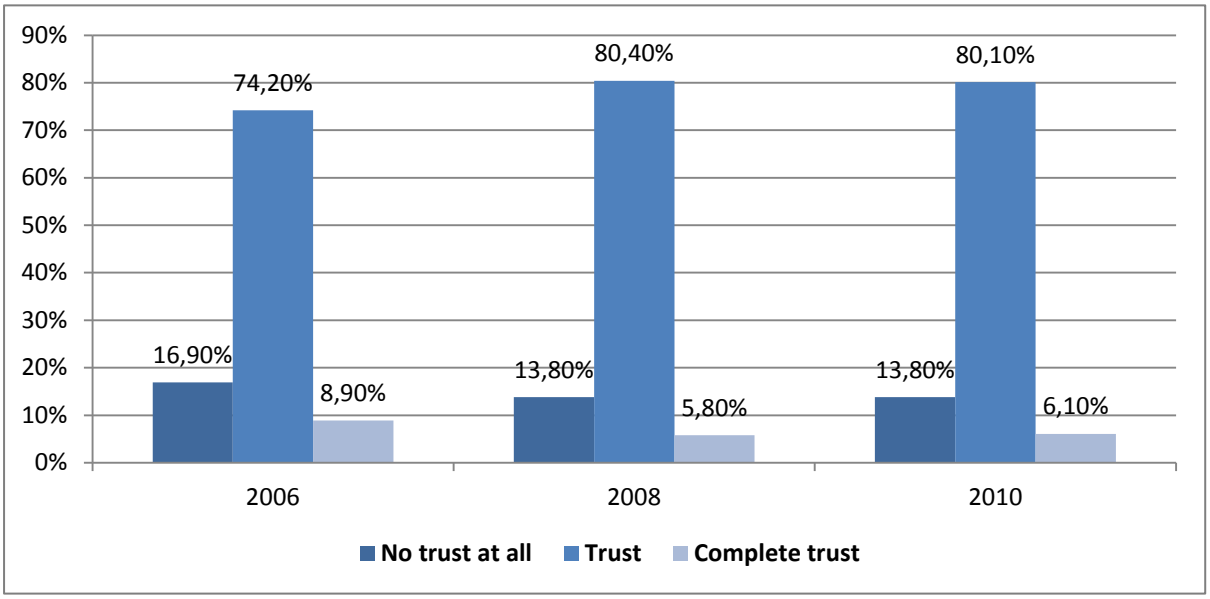
play primary role in managing the sharp political and social-economic problems in Bulgaria – corruption, criminality, unemployment, poverty, etc.

Table 4.5 Confidence in the judicial system by the highest level of education of the respondents in Bulgaria for 2008 (% of respondents)

Level of education	Confidence in Justice system			
	a great deal	quite a lot	not very much	none at all
Primary	6.6	38.2	35.5	44.9
Lower secondary	5.1	19.9	34.7	40.4
Secondary (general,vocational,college)	2.0	11.4	39.2	47.4
Higher education - bachelor	2.3	7.3	43.1	47.3
Total	3.3	14.0	37.8	44.9

Source: European Values Study (EVS) – 2008.
http://zacat.gesis.org/webview/index.jsp?object=http://zacat.gesis.org/obj/fCatalog/Catalog5

Figure 4. 4 The confidence of Bulgarians in the European Parliament



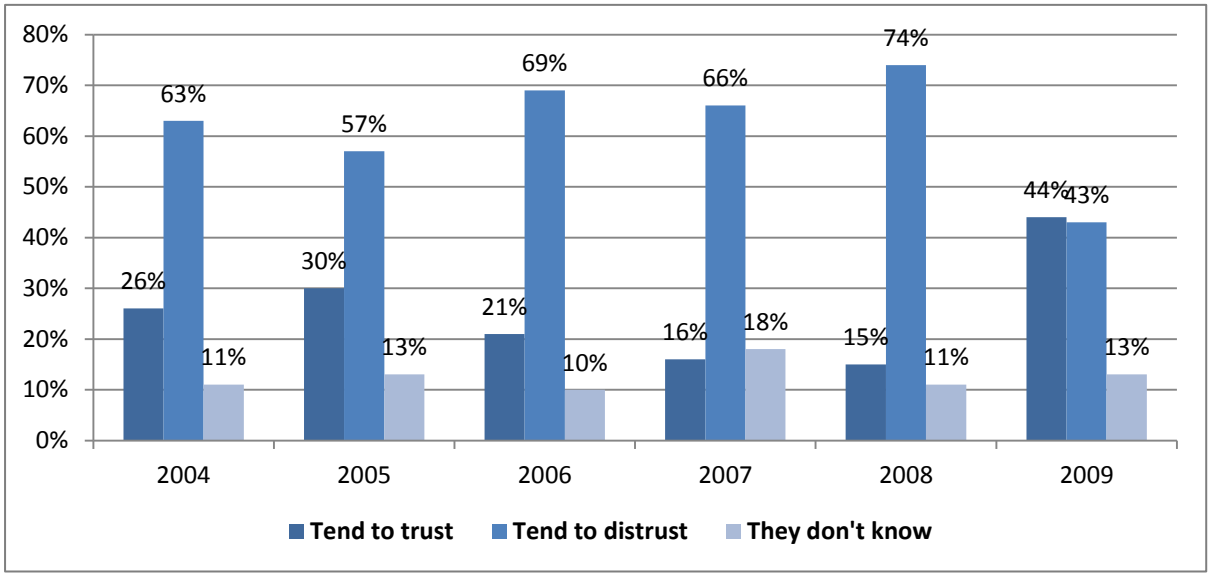
Source: European Social Survey (ESS) – 2006, 2008, 2010. Question wording: "Trust in the European Parliament" http://ess.nsd.uib.no/

The level of trust in the Bulgarian government is directly related to the years of the Parliament elections (Fig. 4.5). In the years of government elections (2005, 2009) there was a slight increase in the trust declared by the Bulgarian citizens, in contrast to years which coincide with the middle and end term of previous governments. In 2005 during the Parliamentary elections, resulting in the triumph of the triple coalition (the National Movement Simeon II, the Bulgarian Socialist Party and the Movement for Rights and Freedoms), the relative share of persons tending to trust the new

government was 30%, which was more in comparison to 2004 – the last year of the government headed by the National Movement Simeon II.

A similar situation is evident in 2009 as well, when the Parliamentary elections resulted in the victory of the party of the Citizens for European Development of Bulgaria. For the same year 44% of the surveyed Bulgarians had trust in the new government - a considerable relative share in contrast to years 2006, 2007 and 2008 for which the lowest level of trust is evident from the entire period under consideration. Only in 2009 the relative share of persons tending to trust exceeded the persons who tended to distrust. Obviously with the election of a new government the hopes and expectations of people for a better life and better social and income status rise.

Figure 4.5 Trust in the Bulgarian government, 2004-2009



Source: Eurobarometer, 2004 – 2009. Question wording: "Trust in the Government"

The level of education, employment, the degree to which households have difficulties and social status are basic factors predetermining the extent to which people trust the government. Table 4.6 illustrates the distribution of trust/distrust by age, attitude towards the labour market, financial situation and social status according to data from the survey of Eurobarometer carried out in the autumn of 2009.

The risk groups in the population declare a high level of distrust. These persons are less educated, dropping out of the education system prior to completing 15 years of age (54% of them tend to distrust), unemployed persons (57%), persons who frequently experience financial difficulties (49%), as well as persons with low social status (47%). Even pensioners, who also fall into the risk groups, do not declare such a high level of distrust (45%). Therefore people with low education, bad financial

status, with no employment options have no trust in the Government – owing to their failed expectations towards the state – in terms of creating employment and good living conditions, improving the social and economic environment, etc.

A great deal of trust in the government is declared by students and people finalizing their education at 20 and above years, managers and public servants; people with no financial difficulties as well as people with average and high social status.

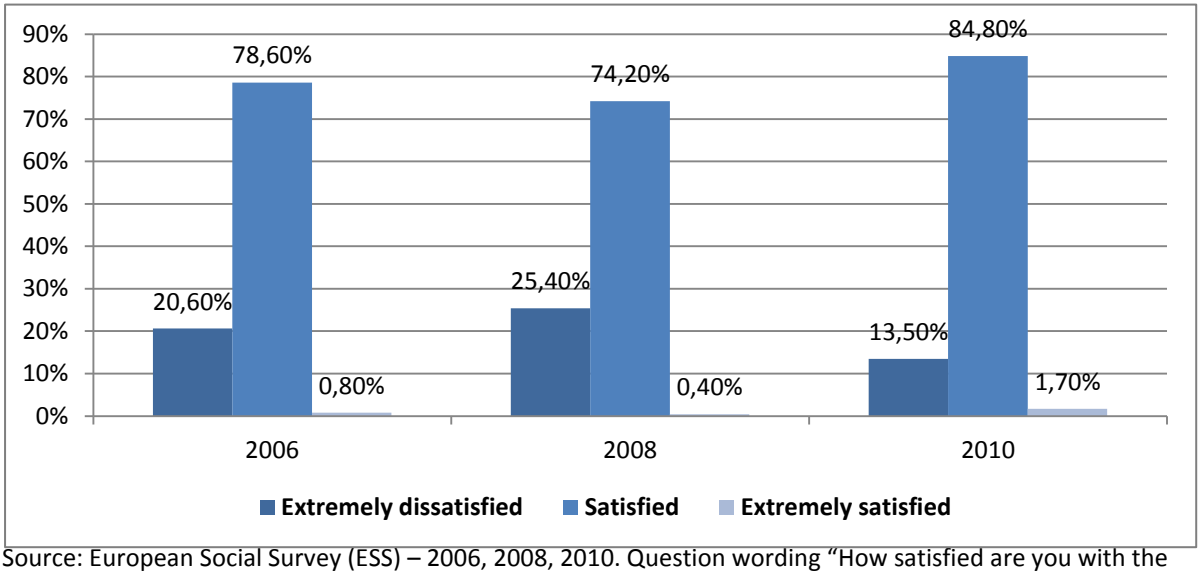
The Bulgarian population thinks positively about the work of the government (Fig. 4.6). The data from ESS (2006-2010) cover the activity of two governments. For both of them there is a high level of satisfaction (over 74% of the population is satisfied with the government activity). As the term of the government of the triple coalition (2006-2009) ended, the level of satisfaction with the government declined and rose again in the beginning of the term of the new government (2009-2010).

Table 4.6 Tendency to trust/distrust the Bulgarian government by age, labour market, social status and financial situation in 2009

		Tendency to trust	Tendency to distrust
	Prior to 15 years incl.	33%	54%
Age at finishing	16-19 years	43%	44%
education	20 years and above	49%	38%
	Still studying	49%	31%
	Self-employed	37%	49%
	Managers	60%	27%
Employment	Servants	50%	35%
	Workers (manual labour)	44%	43%
	Housewives	48%	52%
	Unemployed	35%	57%
	Pensioners	40%	45%
Financial	Most of the time	36%	49%
difficulties	Sometimes	40%	45%
of households	Almost never/never	58%	35%
	Low (1-4)	38%	47%
Social status	Average (5-6)	52%	39%
(self-evaluation)	High (7-10)	56%	34%

Source: Eurobarometer 72. National report on Bulgaria.

Figure 4.6 Level of satisfaction with the activities of the Bulgarian government,(2006, 2008, 2010)



Source: European Social Survey (ESS) – 2006, 2008, 2010. Question wording "How satisfied are you with the national Government?" http://ess.nsd.uib.no/

These alterations in the social evaluations of people are explained with the above described tendency towards increasing level of confidence in the current government. The high share of persons having negative evaluations are associated with the high expectations for such social policy carried out by the government which to a great extent includes measures for reducing the gaps in income and social status.

4.4. Political values and legitimacy

According to classical understanding of political left-right the Left is represented by the poorer people and groups struggling for social justice, while the Right involves the more affluent people who defend the traditional Christian values and market relations. In reality even in the West European states it is hard to observe these models in such ideal versions. In Bulgaria the Right supporters are oriented towards the new and desire a pro-Western orientation for the country; the Left supporters are nostalgic about Russia and the Russian support of the Bulgarian independence. In other words, besides the traditional characteristics of the Left and Right, in our country these in addition are carriers of geostrategic attitudes and orientation.

The Bulgarian party structure could be represented, according to the party division, in two scales (Table 4.7). The first one is Left-Right and represents the parties on the basis of economic and political values. The second one illustrates the authoritarian-liberal base and manifests the orientation towards certain cultural and social values, including ethnic tolerance.

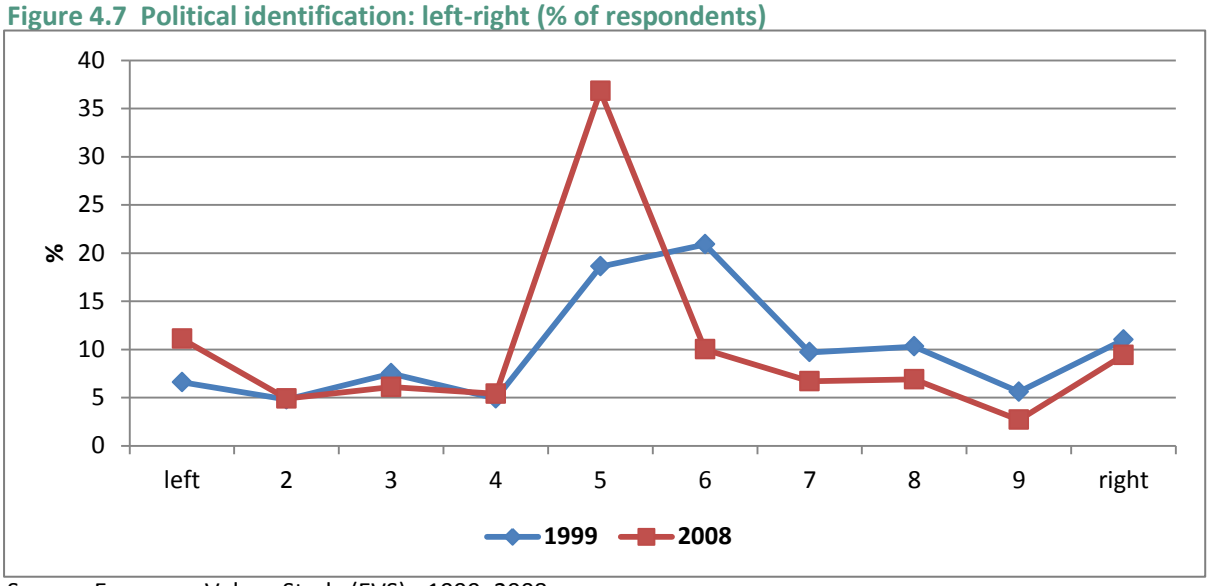
Table 4.7 The division of political parties in the Bulgarian political arena (2009)

	LEFT	RIGHT
LIBERTY	Social democratic	Union of democratic forces (UDF) National movement Simeon II (NMSS) Democrats for a strong Bulgaria (DSF) Movement for rights and freedoms (MRF)
ORDER	Bulgarian socialist party (BSP) Bulgarian communist party (BCP)	Farmers Citizens for the European Development of Bulgaria (CEDB) Order, law and justice (OLJ) "Ataka"

Source: Todorov, A. 2010.

In 2008 in comparison to 1999, there is an increase in parties evaluating themselves as central in the Left-Right political scale (Fig. 4.7) as a result of the collapse of the two-pole model dominating in the 1990s. The demarcation of a more clearly defined centre in the political space in Bulgaria after 2000 is a result of the unsuccessful attempts of the changing left and right governments to achieve the desired economic development and improvement in the living standard. Those identifying themselves as extreme Left and extreme Right are in the range of 5-10%.

Figure 4.7 Political identification: left-right (% of respondents)



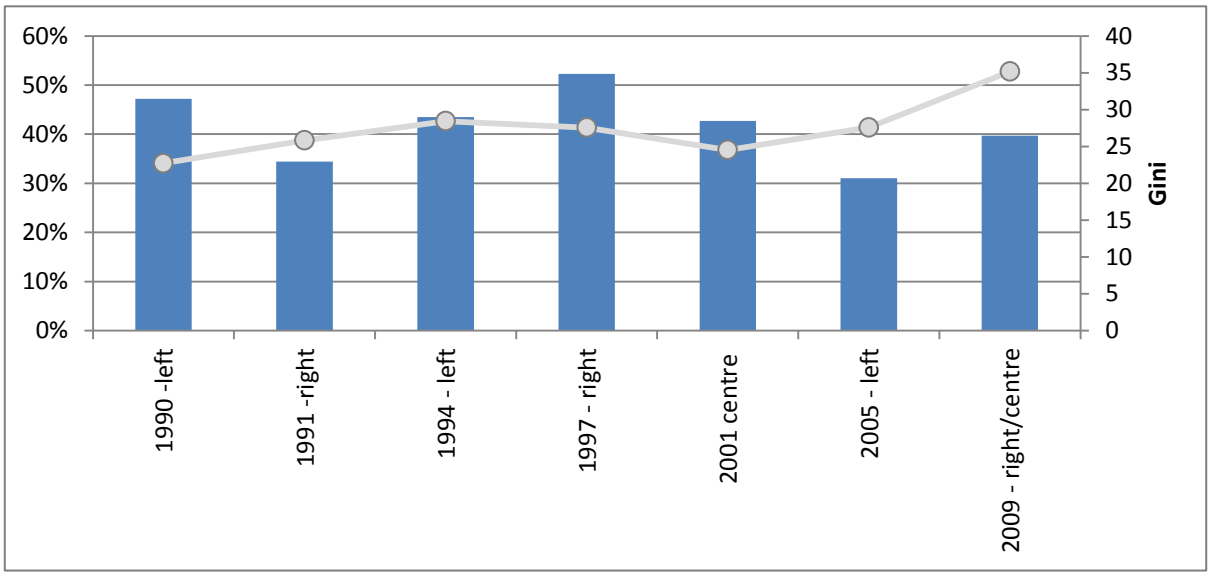
Source: European Values Study (EVS) - 1999, 2008.

According to data from the European Values Study in 1999 the extreme Right supporters exceeded the extreme Left, while in 2008 there was a greater share of persons identifying themselves with the

extreme Left scale. At the same time there was an out flow from the Right to the centre, while the Left remained relatively stable.

It is obvious from Fig. 4.8 that changes of left and right governments are typical in the first decade of the post-socialist period. In the context of the research it is necessary to note that the high percentage of votes in favour of the Bulgarian Socialist Party (BSP) at the Parliamentary elections in 1994 is owing to the dissatisfaction among the vast majority of the Bulgarian population with reforms and their nostalgia for the security and higher living standard of most Bulgarians before 1989. The voters' expectations are associated with the decline in insecurity and restoration of justice. The "oscillation of the pendulum" from one to the other extreme is typical for Bulgaria and is generally natural for transition periods.

Figure 4. 8 Percentage of votes for the winners in elections, 1990-2009



Source: Cental Election Committee. Results from the elections in Bulgaria.

The early elections in 1997 reflected the processes of amplified social inequality. Some experts *(Daynov, E., 2000)* take this year as the start of the transition, rather than 1989. The agreement on the early elections reached in February 1997 pacified the society and resolved the deep political crisis. This crisis resulted from the collapse of trust in the government of BSP leading to a serious economic crisis in Bulgaria.

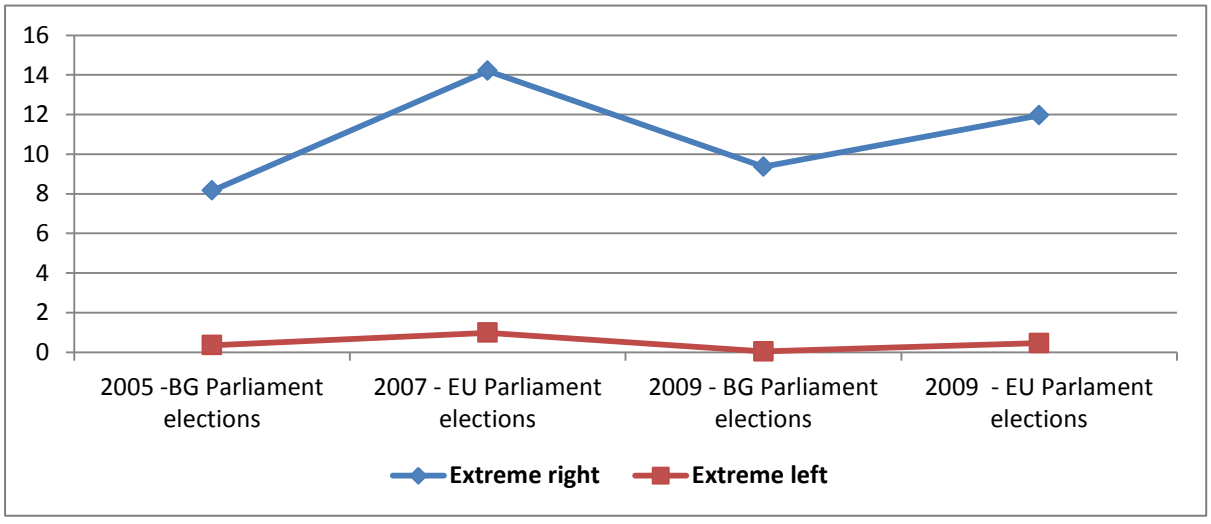
From the beginning of the transition until 2001 there had been less opposition between the two mainstream parties of the transition – BSP (left) and UDF (right). Their significance in the political space declined in absolute as well as relative aspect.

Comparing the votes to the left, right and centre parties with dynamics of inequality (Fig. 4.8) it seems that there is a relationship between them. In the period of growing inequality (early 90s) the vote in elections to the left parties dominates. In opposite, when inequality decreased the right-oriented parties and parties in the centre win elections. Consequently, the income inequality in some extent affected the choice of the left-right-centre oriented government.

According to some specialists, this situation marks the end of the transition. The public opinion refuses to measure and consider the wrongdoings of the agents from the State Security in terms of illegal property privatization and illegal enrichment during short-term appointments in power positions. These elections are defined as the end of the mobilizing role of the communism theme. The focus of political impact has changed; voters are interested in other issues such as corruption, unemployment, incomes and personal safety. While the general tendency of transition is declining activity during elections, in 2001 voters are evidently remobilized.

The novelty at the Parliamentary elections in 2005 was the appearance of the ultra right party in the Parliament ("Attack") and the splitting of the Right. More than 40 parties and coalitions participated, but only 7 crossed the entry barrier of 4%. "Attack" is a coalition of parties, involving people who criticize the external influences upon the post-socialist transition in Bulgaria and are sometimes openly racist. At the elections in 2009 the ultra right party "Attack" remained in the Parliament, and another ultra right party – "Order, law and justice" entered (Fig. 4.9).

Figure 4.9 Votes for the ultra right (Attack and Order, Law, Justice) and ultra left parties (Bulgarian Communist Party) (% of the voters)



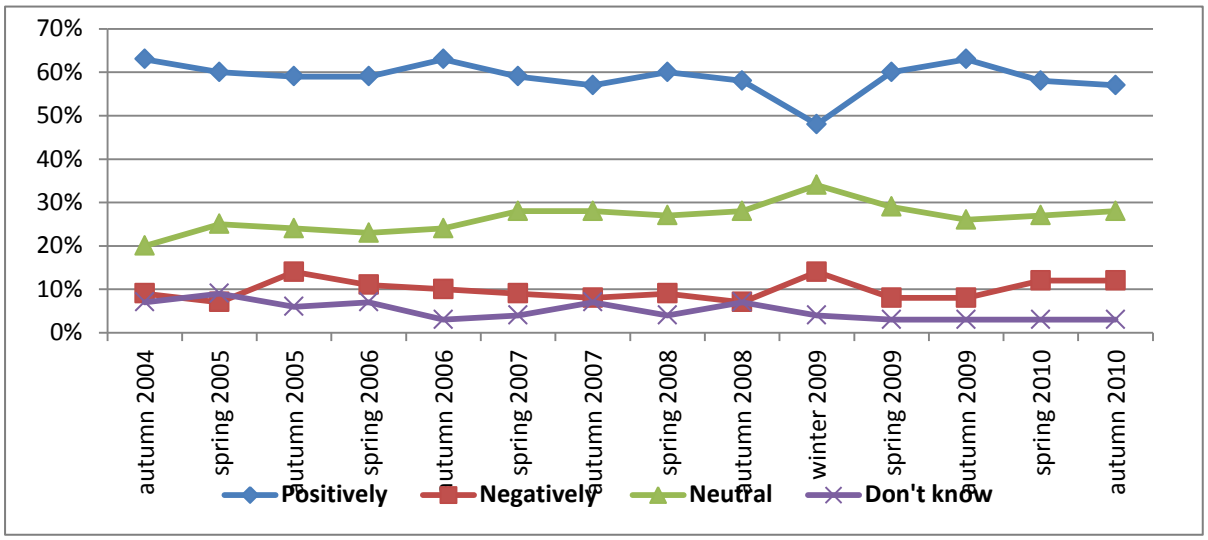
Source: Central Electorial Commission. Results from elections in Bulgaria.

The presence of ultra right parties in the Parliament such as "Attack" and "Order, law and justice" is a manifestation of the fierce resentment and dissatisfaction with the transition. These political formations are characterized with ultra nationalism, xenophobia and rhetoric directed against the minorities in Bulgaria (the Roma and the Turks). They consider that strong authority could put an end to chaos and punish the criminals, so that harsh measures can limit the organized crime.

In view of the European perspective, there is a consensus in Bulgaria. The public attitudes of the Bulgarians towards membership in the EU are positive (Fig. 4.10). Nevertheless, there is one debatable and controversial issue related to the accession of Bulgaria to the EU. This issue concerns the possible shutting down of the 3rd and 4th block of the NPS "Kozloduj" which turns into a symbol of national pride. Nevertheless, the membership of Bulgaria into the EU is attractive and desirable by the Bulgarians. In the relations between Bulgaria and the EU, the most relevant topics for the Bulgarian society are indeed the functioning judicial system, control and reduction of crime and corruption. The major dominant thesis is about the local ambition for the EU accession which presumably will provide higher economic standard of living.

Bulgaria is second after Luxemburg among the countries in the EU with a positive attitude towards the EU. The positive attitudes of the Bulgarians are almost 20% from the EU average (38%). The young people, people with University education, students are the most positive about the EU. The highest share of the positive vote (80%) is cast by people of the right political orientation, those at government positions and those self-evaluating their social status as high. Older Bulgarians, pensioners, people with primary and secondary education are more negative towards the EU. A decline in the positive attitudes is notable during the crisis period in 2009.

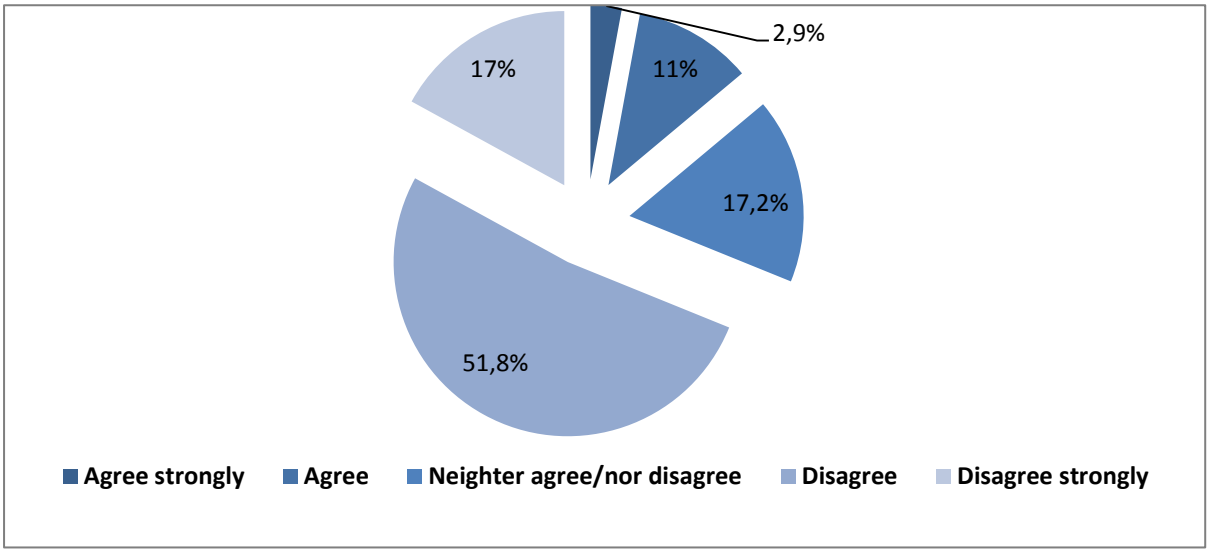
Figure 4.10 Attitudes towards the membership of Bulgaria in the EU, (% of the respondents)



Source: Eurobarometer.

According to data from the European Values Study for 2008 more than half of the Bulgarians refer negatively to the immigrants in the country (Fig. 4.11). In recent years these are the people from the Western Europe, mostly coming from the UK, Ireland, the Netherlands, who come to permanently reside in the country, due to considerably cheaper living expenditures in comparison to their countries of origin.

Figure 4.11 Tolerance to immigrants



Source: European Values Study (EVS) – 2008. Question wording: "Are there too many immigrants in the country?"

According to Gallup International survey carried out at the end of 2011 (Grigorova, 2012), only 14% of the Bulgarians consider immigration as favorable for the country. On the contrary opinion – immigration is bad for the country is 29% of the interviewed. This change in the attitude towards the immigrants could be explained with the rising unemployment in the country, caused by the world economic crisis during the last years and the difficulties in providing full employment at the labour market. Hence the Bulgarians perceive immigrants as a threat in the competitive struggle for job positions.

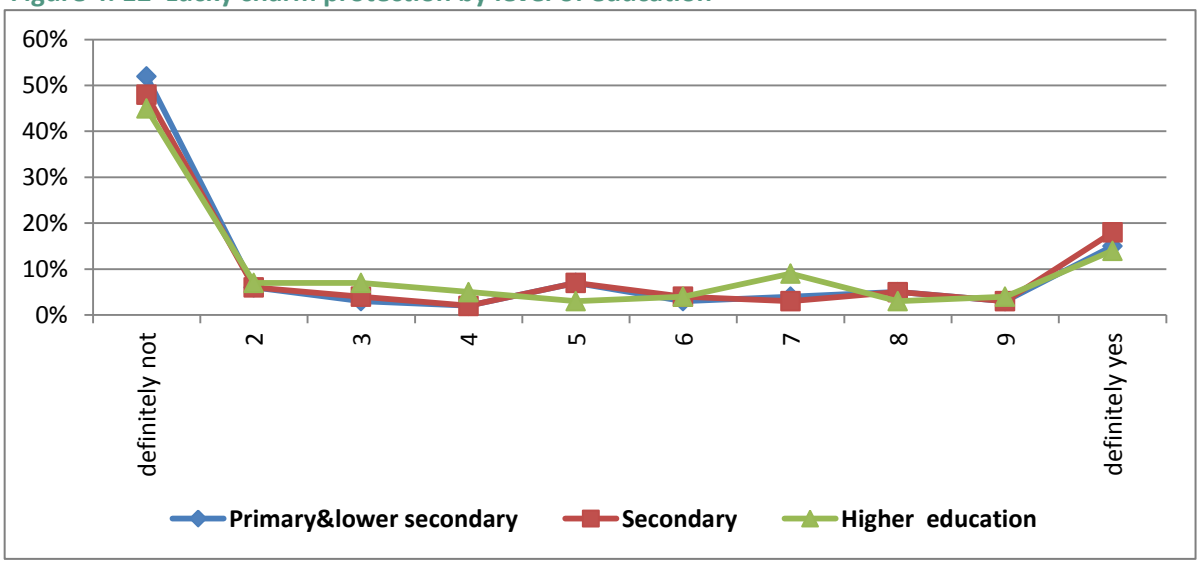
An additional problem of the nation is the emigration which during post-socialism resulted mostly from economic constraints. The emigrants in the initial period of transition were generally University graduates, while in the recent years young people emigrate.

According to official data for the period 2007-2010 the monetary transfers from the Bulgarian emigrants abroad are equal to about 2% of the Gross National Product (GNP). This fact has a limited

macroeconomic effect, but a huge effect on micro level in relation to the recipients of these funds (*Nikolova, 2010).* The recipients of monetary transfers use them mostly for buying food, clothing and medicines, and to a lesser degree – for education, renovation, purchases of durable commodities and real estate. Even though these transfers are turned into immediate consumption of first necessity commodities, they make a considerable contribution to the living standard of the recipients who are often unemployed, pensioners, children and students, housewives. Hence they help improve the quality of life of the poorest population, and in this sense, have a serious social function.

Bulgarian citizens do not belive that luck is an important aspect of advancement. This opinion is shared by almost half of the interviewed. The statement is valid for people of all education levels (Fig. 4.12). This situaiton could be explained by the Bulgarian belief that there are more important factors such as, for example, knowledge, skills, pertinence, hard work, contacts, economic environment, etc. Among people with University eduation there are slightly less explicitly expressed opinions by the respondents who do not believe in luck.

Figure 4. 12 Lucky charm protection by level of education



Source: European Values Study (EVS) – 2008. Question wording: "Do you believe that a lucky charm protects you? "

One portion of the people does not agree with the statement that the basic problems in the country are resolved by the EU accession, because there is no improvement in the living standard. Still people are confronted with social injustice, bureaucracy, crime, connections between state authority and private interests, bad healthcare and a deteriorating quality of education.

It seems that the period under consideration in Bulgaria resulted in numerous and novel social distinctions. Some people gained, while others lost social status and prestige. In contemporary

terms in general the Bulgarian citizens are aware about the idealistic vision of a society of equal opportunities and freedom of choice. The hope for more justice, wealth and freedom in society has drastically declined for the present generation. This manifestation of disillusionment and realism coincided with the EU accession of Bulgaria. For the Bulgarian citizen it means a loss of social hopes in life, which some observers define as "Euro skepticism".

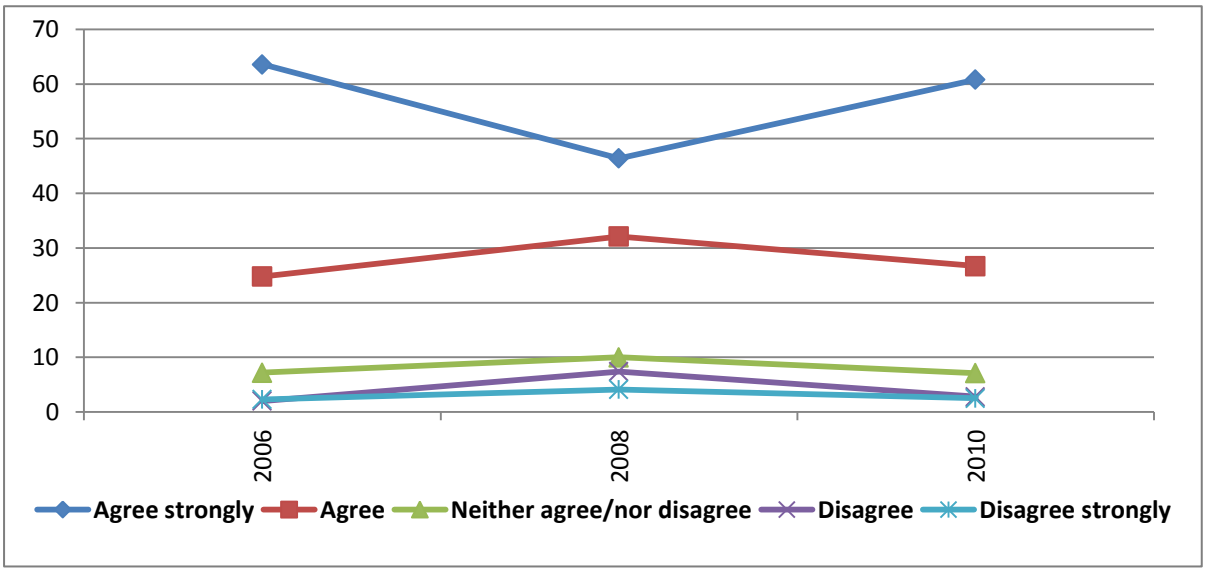
The many difficulties in Bulgaria during the last 20 years have been overcome with the hope that improvements would follow. The great project of directed efforts in the last years – namely the accession to the EU is now factual and there is no new strategic priority, related to the belief in the social progress.

4.5. Values regarding social policy and the welfare state

In Bulgaria during the post-socialist period the high expectations of people towards the social policy in the country are completely logical. The transition towards market economy changed all subject matter related to the social policy thus predetermining the great interest in this policy.

In times of unstable economic situation, characterized by a strong decline in the production and nonproduction sphere and limited opportunities for employment, the social policy of the state gets much more in the focus of attention as a basic mechanism for carrying out intensive distribution and re-distribution actions for the benefit of the poor and vulnerable social groups (Fig.4.13).

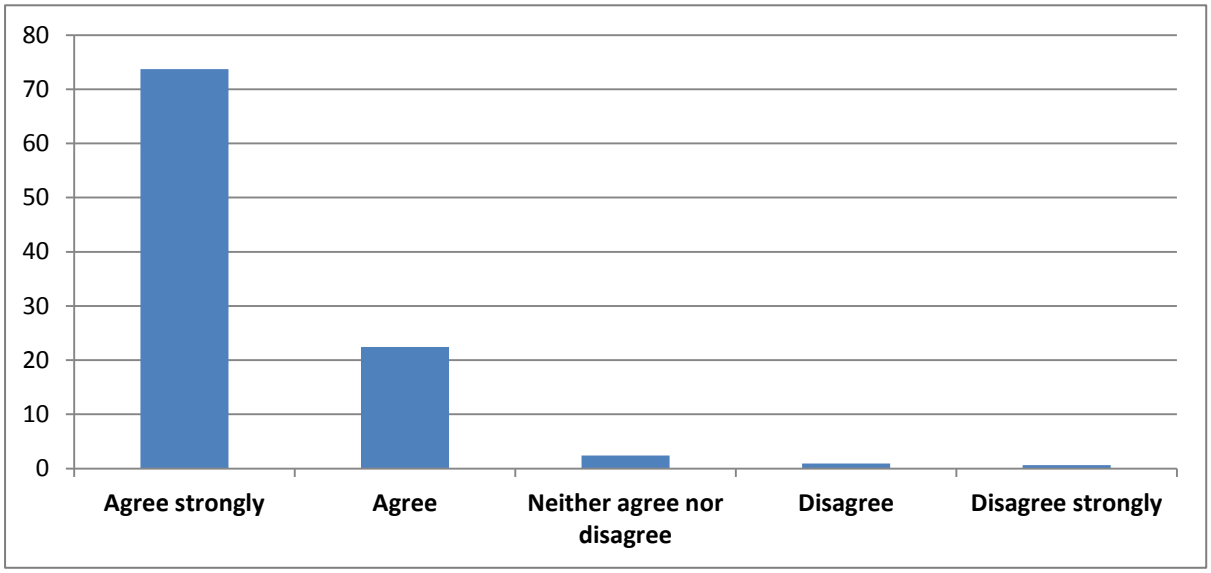
Figure 4.13 People's perception of income inequality (%)



Source: European Social Survey (ESS) – 2006, 2008, 2010. Question wording: "Do you Agree that income inequality is high? "

In the period under consideration in Bulgaria the behaviour of incomes and their regulaiton was a basic problem. The dominant opinion shared by the Bulgarians is that the government shoud regulate income differences (Fig. 4.14). The majority of them (above 80%) think that the government should take measures for reducing income inequality. This opinion is a manifestation of the growing inequalities after 2006. The strong feeling about the injust income distribution among the Bulgarians is explained by the fact that income inequality has a negative structure. It is expressed in a big accumulation of employed people with labour wages around the minimal, while the increase in imcomes affects a small portion of the employed (Tomova 2008). This situation results in little social distace between the low paid employees, and at the same time it makes the emerging highly paid middle class visible. Hence, this is reflected upon the perception for injust income distribution.

Figure 4.14 Public opinion on the role of the Government to prevent people falling into poverty in 2010 (% of the voters)



Source: European Social Survey (ESS) – 2010. Question wording: "Can the government do more to prevent people falling into poverty"

The Bulgarian population is highly sensitive to the problems of poverty. This sensitivity is owing to the low level of incomes and the high risk of falling into poverty, especially relevant for people with low incomes. The consensus on the function of the state for preventing falling into poverty is especially emphasized.

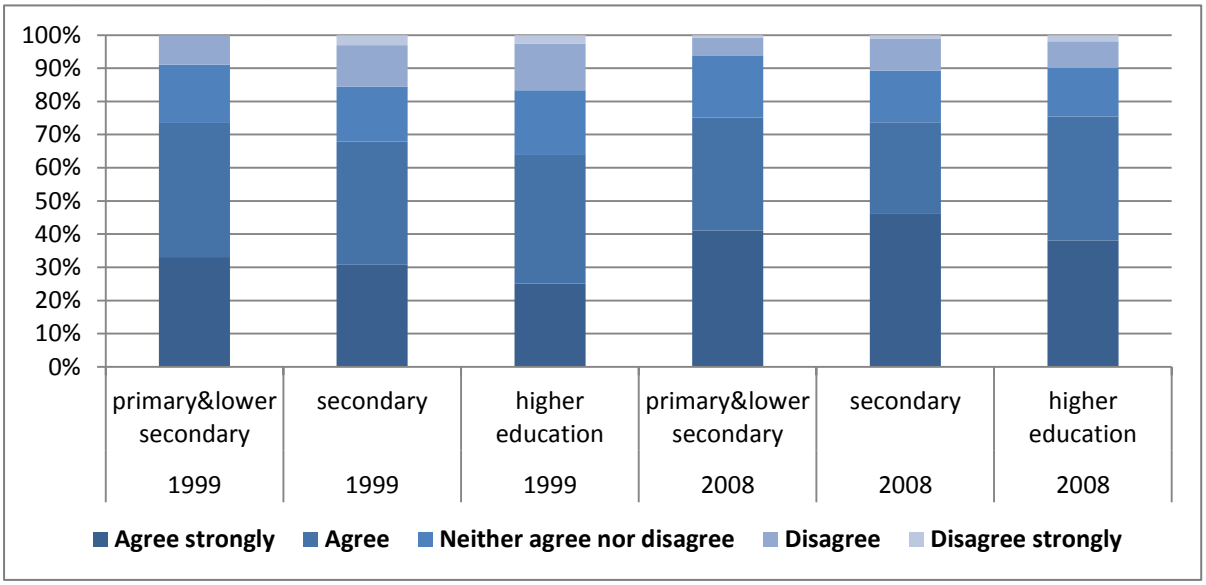
Bulgarians consider that government involvemnt for preventing them from falling into poverty is extremely necessary. Over 90% of the population makes this statement. Labour incomes and providing employment are considered as a besic result of the government. That is why they are preceived as grounds for evaluating the actions of state authorities in general. Despite the prevailing

market dependency of incomes, the poverty risk is regarded as a public problem which compels and defines government involvement.

The expressed statement in favour of a more active state involvement in income formation does not correspond to the real government potential. The state has at its disposal limited tools for influencing labour incomes. The state has kept the control over the minimum payments, defining their growth in the context of economic logic and stability of public finances. By introducing the flat income tax, the government has lost some of its power to regulate income inequalities.

There is a classic understanding that poverty is a result of a lack of knowledge, or a fear of failure or laziness (Fig. 4.15). The data indicate that the Bulgarians share the opinion that laziness is a reason for not going to work. In 2008 in comparison to 1999 there is an increase of people who consider laziness as a reason for poverty, especially for people with primary and secondary education.

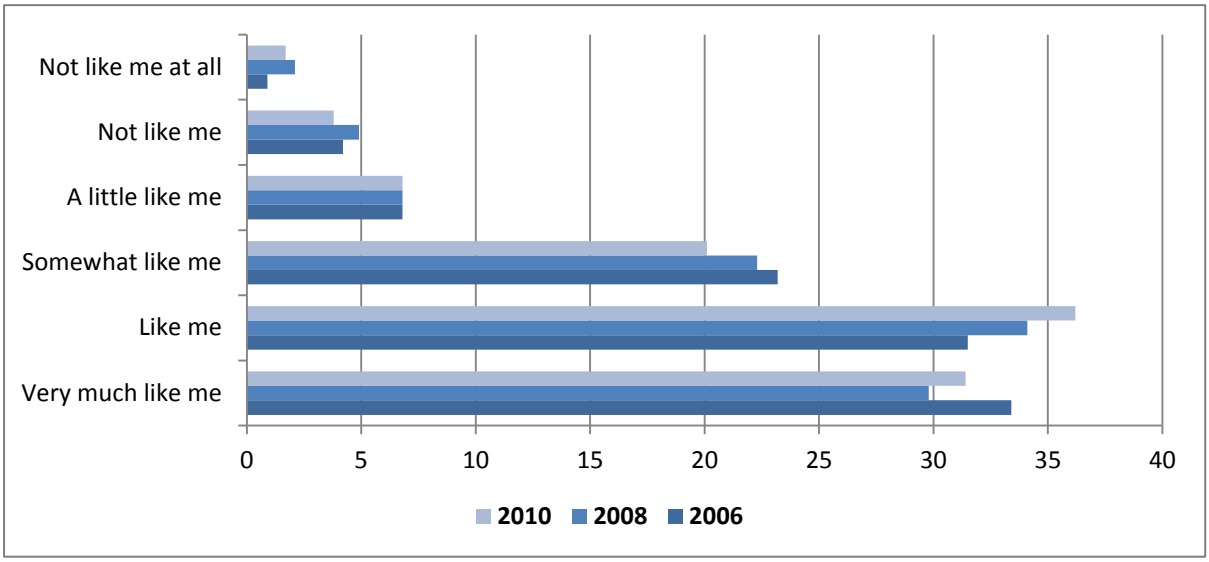
Figure 4.15 Public opinion on the role of the Government to prevent people falling into poverty in 2010 (% of the voters)



Source: European Values Study (EVS) – 1999, 2008.

The idea about the principle of equality is old as the history of mankind. This concept is based on the general universal system of values and it is dedicated to the inviolability of human life. The total system of human rights, secured and organized through accepted and established international norms and standards, is based upon this concept. The issue about the equal treatment and equal opportunities in the Bulgarian society is of extreme significance (Fig. 4.16). It is part of the understanding that a measure of the democratic development in society is the insurance of conditions for human rights protection, equality and preventing discrimination in social relations.

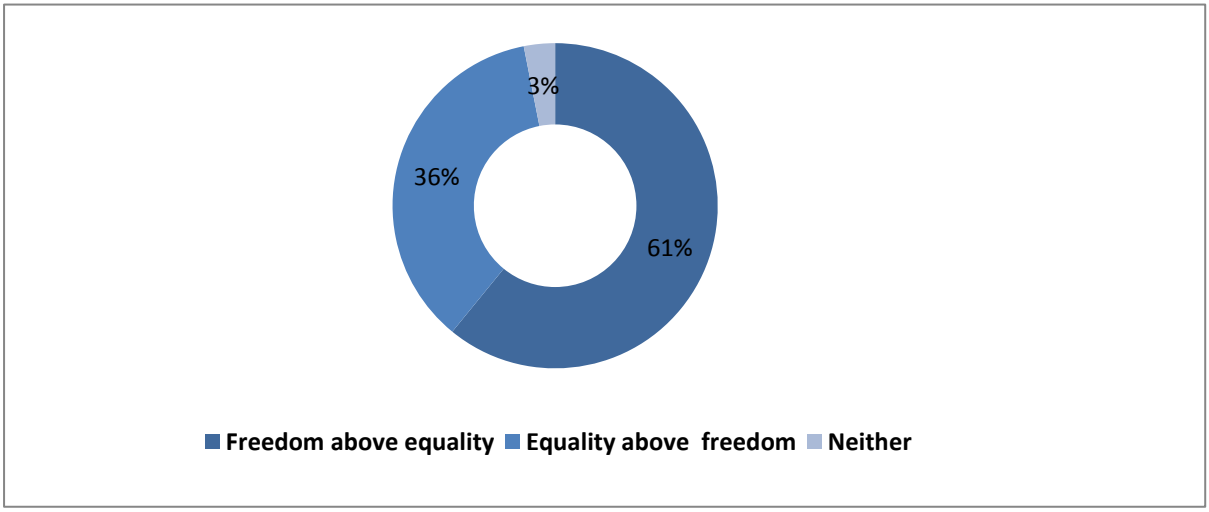
Figure 4.16 Importance of people being treated equally and having equal opportunities (% of the respondents)



Source: European Social Survey (ESS) – 2006, 2008, 2010.

As a post-socialitst state, in Bulgaria there are nostalgic feelings about equality as an ideology. In certain groups of the populaiton this attitude is additionally emphasied by the low levels of incomes. Nevertheless, despite the importance of issues about equality, the majority of the Bulgarians give priority to democratic values. For the prevailing majority (61%) freedom is placed above equality (Fig. 4.17).

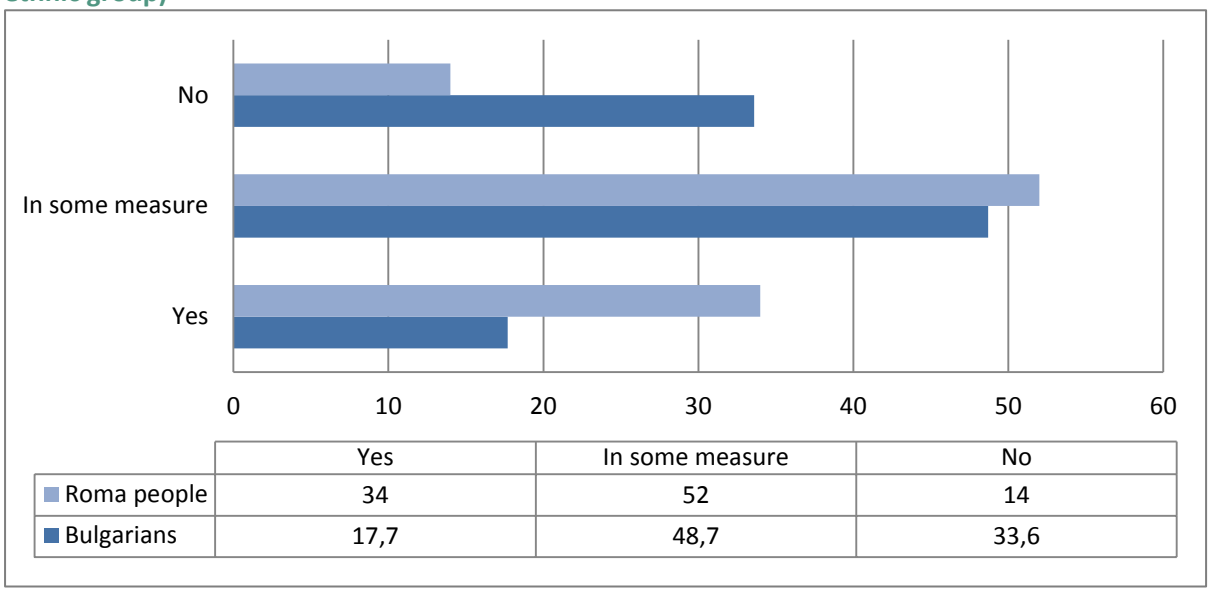
Figure 4.17 Public opinion about freedom or equality in 2008



Source: European Values Study (EVS) - 2008.

The basic ethnic groups in Bulgaria are: Bulgarians, Turks and Roma[17] . The results of the questionnaire on the topic "Popular attitudes related to the distinctions between people, based on origin, faith, traditions and customs", carried out in December 2011 by the agency "Afis", indicates that only 9% of the Bulgarians think that the relations between the ethnic groups in the state have improved (Fig. 4.18). More than one third declares that intolerance to different ethnic groups grows. Almost half of respondents define the interethnic relations as "neither good, nor bad", while 14% consider them as "bad", one fourth regards them as "good".

Figure.4.18 Evaluation of the ethnic tension between Bulgarians and Roma (% of the respective ethnic group)



	Yes	In some measure	No
Roma people	34	52	14
Bulgarians	17,7	48,7	33,6

Source: Mediana Agency, 2006. Question wording: "Do you think that as a hole in the country has ethnic tension between Bulgarians and Roma ? "

People think that the crisis is to be blamed for deteriorating communication, while political struggles have contributed. Around 34% consider that the ethnic minorities are integrated, but only partially, while 29% think that the integration has occurred to a minor degree. Almost all respondents are convinced that the basic problems of minorities will be resolved if more of their representatives go to work. Close to one third (31%) admit to constant interaction with representatives of other ethnic

[17] According to data from the National Statistical Institute, the total number of the population in Bulgaria towards 01.02.2011 is 7 364 570 people, as those who indentified themselves as ethnic Bulgarians are - 5664624, ethnic Turks – 588318, Roma – 325343, other - 49304, and the rest did not identify themselves.

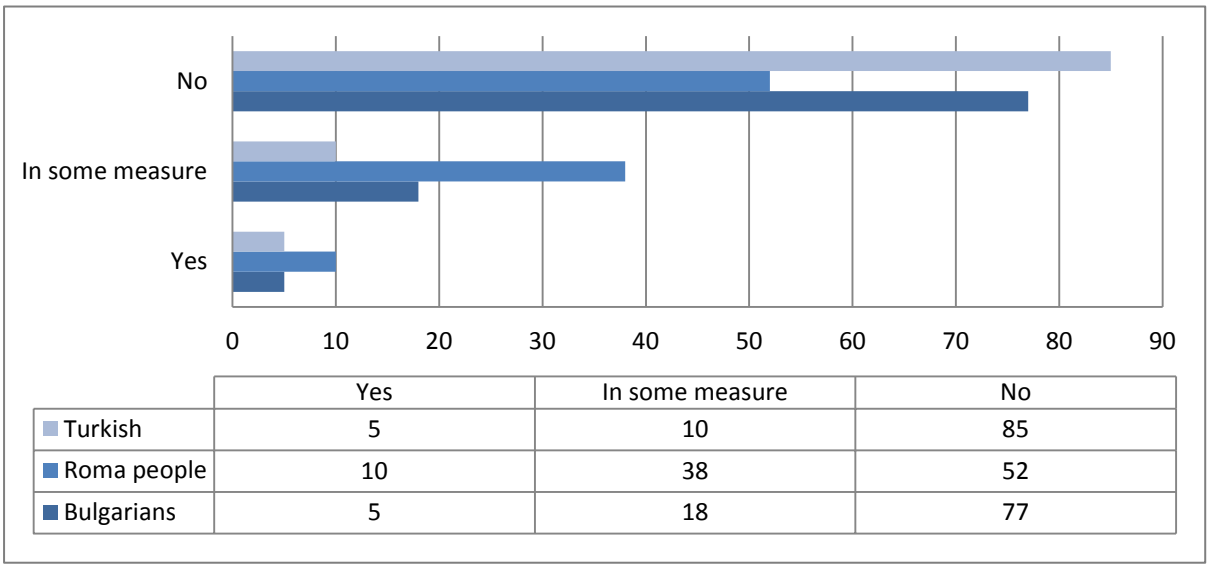
groups, almost every fifth person socializes with such people 2-3 times a week, while 38% do it less frequently.

The Roma community in Bulgaria, similar to elsewhere in the wold, consists of various subgroups. For many of them there are characteristic social problems – poverty, unemployment, low educaiton, bad health, bad living conditions. Among them there are as well rich people and "middle" class which works, pays bills and sends their childern to school. This portion of the Roma populaiton is no longer perceived in society as Gipsies.

It is evident from the data that the Roma notice the tension between the Bulgarians and the Turks, more that the Turks do. This situation is explained by their perception of existing discrimiation directed against the minorities. According to analists the existing ethnic tension between the Bulgarians and the Turks is inginted by nationalistic political parties and movements (Fig. 4.19).

We can conculde that the existing ethnic tension in the country is not so much between the Bulgarians and the Turks, but rather between the Roma and everyone else. The Roma do not blame themselves, while all their responses point to discrimination: "The state is obliged to guarantee us a normal life, we are unemployed, social benefits should be increased". In the shpere of educaition the data are also alarming. In the Bulgarian and Turkish ethnic groups almost 100% of the children are in primary course of educaiton, while in the Roma community – around 40% of the students drop out of school.

Figure 4.19 Evaluation of the ethnic tension between Bulgarians and Turks (% of the respective ethnic group)



	Yes	In some measure	No
Turkish	5	10	85
Roma people	10	38	52
Bulgarians	5	18	77

Source: Mediana Agency, 2006. Question wording: "Do you think that as a hole in the country has ethnic tension between Bulgarians and Turks ? "

The emerging group of illiterate Roma will not get integrated into the labour market in the future which will finally result in more poverty and gettoes. Hence this situation is conducive to ethnic tension.

At the same time the intolerance of the other ethnic groups towrds the Roma grows. This situation results in various forms of intolerace. In combination with the rising nationalistic movements in the country, the ethnically based conflicts are evident and appear more probable.

4.6. Conclusions

The analysis of the political and cultual influences of inequality in the present section of the study allows us to make the following more essential conclusions and summaries in the principal directions.

Political and civic participation. For the studied twenty year period there is a tendency of a constat decline in the political activity of the Bulgarian voters, expressed in participation during elections – Parliamentary, presidential, local and European. Provoked by the failed pre-election promises and the failure to handle the harsh social-economic problems such as unemployment, poverty, crime, corruption, etc., the Bulgarian citiezens are harder to mobilze and officially declare their vote. This is their way of expressing dissatisfaction with the active policies and making the government more effective in carring out social-economic and political activities. The civi participation as a broader base of initiative is not necessarity bound to the political, but overall the factors which predetermine the inclination to become engaged in political and social aspect do not differ much. The alomost symbolic engagement of the Bulgarians in syndicate, cultural, charity and other civil organizations points to that conclusion.

Social and institutional trust. Not only groups which experience poverty or are at risk of falling into poverty are skeptical towards the government and other public institutions in Bulgaria. The general attitudes and expectations of the Bulgarian population are related to the state (the public structures) making more efforts for ensuring respectable living conditions, employment opportunities, social adaptation and integration. The disappointment which grew out of the failed expectations has been transformed into negative attitude and distrust in public structures – Parliament and judicial system. This situation is even more evident against the background of the growing trust demonstrated in regards to the European structures as early as the pre-accession period. This trust is related to the Bulgarian expectations for an improvement in the quality of life, better security and protection.

Political values and legitimacy. The civil model of democratic society could offer a different distribution mechanism, and hence lead to a completely different profile of inequality and poverty.

On the other hand, this model is a function of the political government. The essential characters of the Left and Right model of government presuppose different conceptually acceptable levels of inequalty in income distribution. This understanding is reflected in the government changing from the left to the right, followed by the decline of their influence in the political life in contrast to the rising centre and ultraright parties. The high appreciation of the Bulgarian membership in the EU is related to the hopes for a better standard of living, while the evident decline in tolerance towards the immigrants is a result of the problems in the labour market.

Values regarding social policy and welfare state. The attitude dominant in Bulgarian society is that that government should regulate incomes and control the risk of falling into poverty. This attitude results from the perception of strongly expressed income inequality in the country and nostalgic feelings for the socialist ideology of equality. However, when comparing equality to freedom as a choice, almost two thirds of the respondents give priority to freedom as a democratic value. A serious negative effect of the inequality in Bulgaria is expressed by the ethnic tension which is likely to increase in the future.

5. Effectiveness of policy in combating inequality

5.1. Introduction

In this chapter the subject of investigation is the evaluation of the impact of policies and political decisions in the spheres of incomes, taxation and social transfers on the income and social inequalities in the country. We attempt to answer the question as to whether, and to what extent, the particular polices result in reducing or increasing inequality. With regards to the disposable information the study analyses a number of political variables and their impact on inequality.

5.2. Labour income

For the majority of households wages are a basic source of income. The mechanisms for wage formation, as well as the government policy in this sphere are directly related to income inequality. The minimum wage and the system of collective wage bargaining being the main channels of state influence. The increase of the minimum wage reduces wage inequality, when this growth does not provoke a respective increase in higher wages. In the opposite case the effect on inequality will be minimal. On the other hand, the characteristics of the negation system (union density, coverage and coordination level) have an immediate effect on wage inequality. The high degree of centralization in the negations usually results in a lower level of inequality and vice versa.

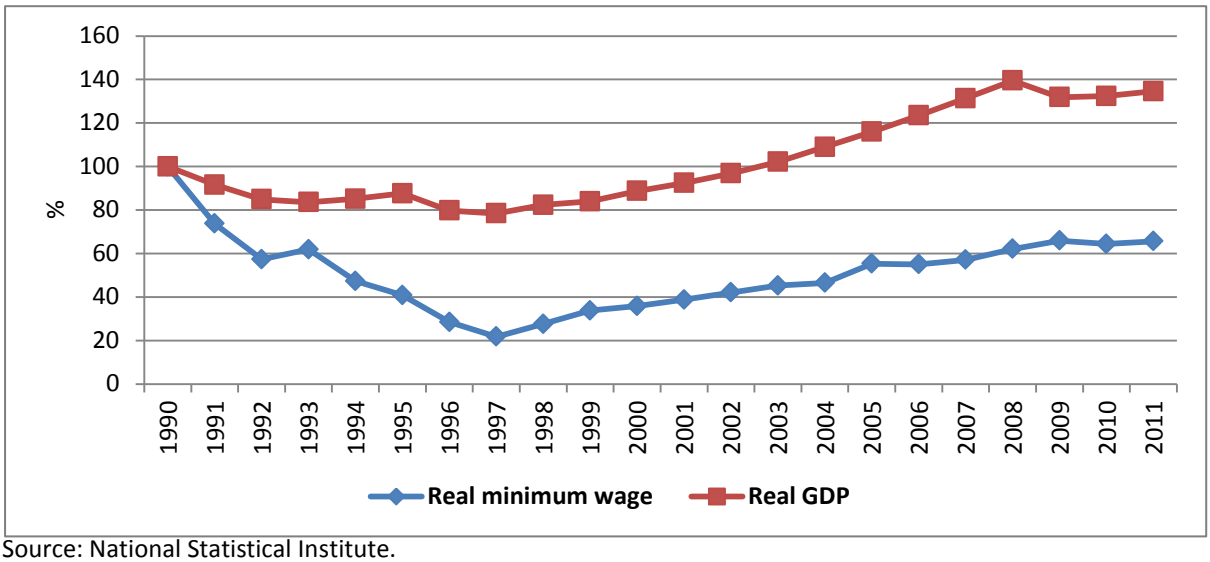
5.2.1 Minimum wage

The minimum wage for the country is determined by the government after consultations in the National Council for Tripartite Cooperation. Hence its size and dynamics is subject to regulation by the government. There is no widely accepted mechanism for determining the minimum wage. Usually it is formed under the influence of inflation, the economic dynamics, macroeconomic policy, the situation of the state budget and other economic factors (Tzanov, 2010).

In the dynamics of the minimum wage after 1990 there are two basic periods of development which are directly dependent on the state wage policy (Fig. 5.1). During the first period (1990-1997) a strict restrictive policy is applied with regards to wages in view of reaching economic stability and reducing inflation. The effect of this policy is expressed in a powerful erosion of the real minimum wage. Its purchasing power decreases by 78% in comparison to the beginning of the period. Besides which, the development of the real minimum wage greatly lags behind the dynamics of GDP. The gap between them constantly rises, reaching 56 percentage points by the end of this period.

The change in wage policy after 1998 has laid the foundation of a long period of growth in the minimum wage. Very often the growth rates of the minimum wage run ahead of the growth in the average wage and GDP. Generally for the period 1998-2008 the real minimum wage increased more than twice. Regardless of this growth, it did not reach the level of 1990 and once again lagged behind the development of GDP. In the conditions of the present economic crisis there were again restrictions on wages imposed. The minimum wage was frozen until the middle of 2011.

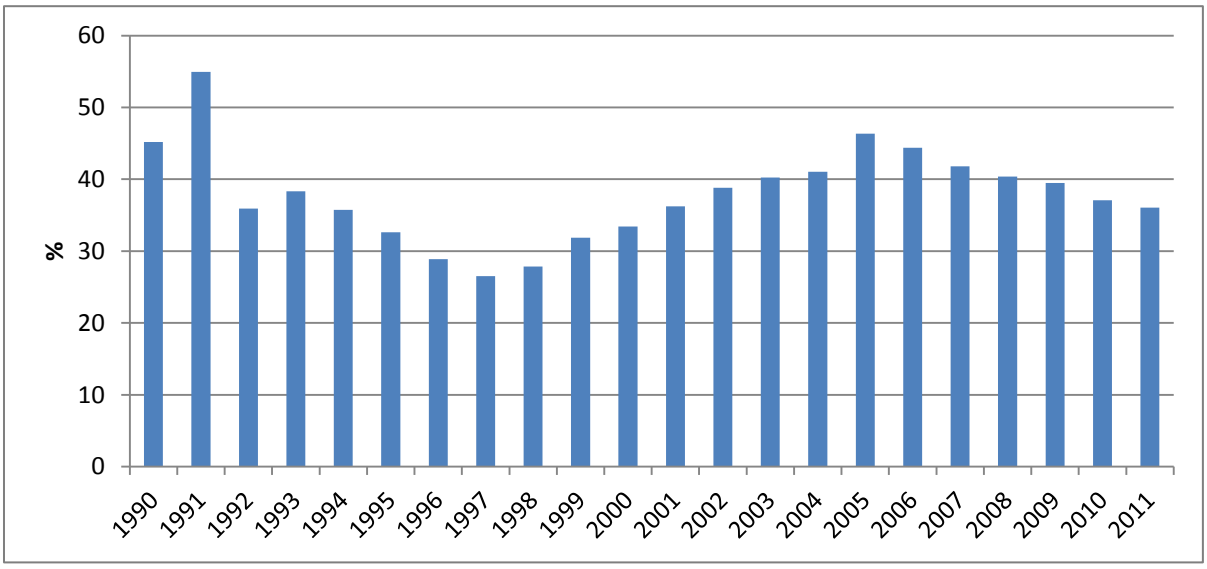
Figure 5.1 Dynamics of the real minimum wage and real GDP, (1990=100)



Source: National Statistical Institute.

The changes in the minimum wage policy reflect on its protective function and relation to the average wage. The ratio between minimum and average wage is presented in Fig. 5.2. The affect of the more rapid increase in the minimum wage above the average in the period 1998-2005 are mostly expressed in a gradual increase of its protective function as a minimal labour compensation. Besides, the gradual increase in the ratio towards the average wage indicates a weak effect on the higher wages. The increase in the minimum wage probably compressed the wage distribution at the bottom, contributing to the decline in the wage inequality (Tzanov, 2010, 2011).

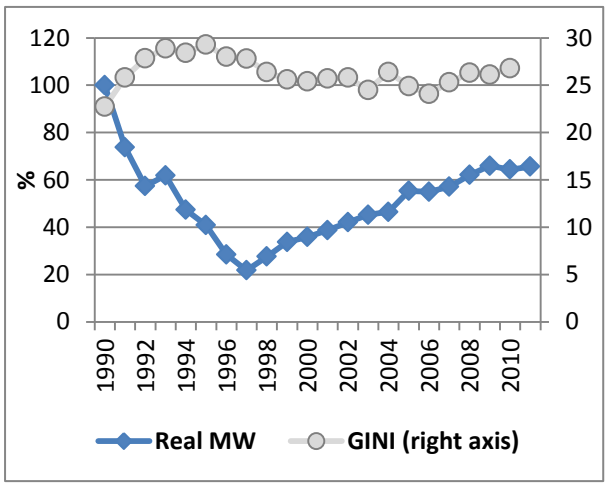
Figure 5.2 Gross minimum wage relative to average wage of full-time workers



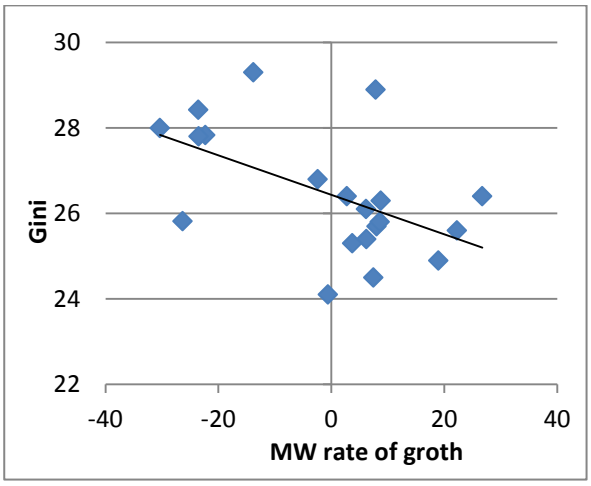
Source: National Statistical Institute.

Figure 5.3 Dynamics and relationship between minimum wage and income inequality

Panel A. Dynamics of real MW and GINI



Panel B. Relationship between real minimum wage rate of growth and GINI



Source: National Statistical Institute.

Comparing the dynamics of the real minimum wage with the changes in income inequality of households[18], measured by the Gini coefficients, indicates a remarkable interaction (Fig. 5.3). The period of accelerated growth in the minimum wage (1998-2005) was accompanied by a decrease in income inequality. In the frameworks of this period a few years stand out for the extremely high growth of the minimum wage (1998, 1999 and 2005), accompanied with a more considerable decrease in the income inequality. A more negligible rising of the minimum wage after 2006 and its freezing after 2009 probably contributed to the increase in inequality.

The interaction between the real minimum wage growth and the Gini coefficient for the entire period is negative (Fig. 5.3, Panel B). The interpretation is that the higher rates of minimum wage growth correspond to lower levels of income inequality. It becomes clear that this relationship does not take into account the impact of other factors reducing inequality (e.g. taxation policy). Nevertheless, the minimum wage appears to be an effective instrument for inequality reduction in Bulgaria.

5.2.3 Wage bargaining

The impact of bargaining on the wage dynamics and inequality depend, to a great extent, on the features of the negotiation system and the relative power of the negotiating parties. The basic characteristics are related to the type of the system, coverage, coordination between negotiating parties, and degree of unionization.

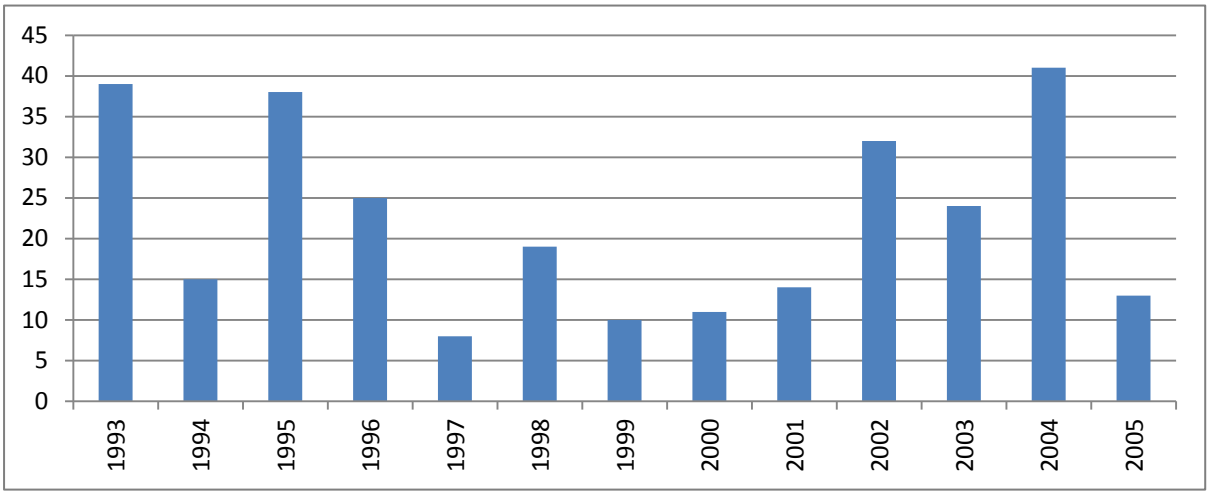
1991 saw the introduction of the system of collective bargaining, which is different from the traditional understanding about the centralized and decentralized system. In its essence it could be defined as a system of the national-centralized type. The wage bargaining is realized at two levels: branch and firm. An important peculiarity of branch negotiations is that the agreements made are valid for these organizations, participating in the negotiation process. The legislation, however, provides the opportunity to extend it to all organizations of the branch. Until now this opportunity is seldom used, thus limiting the distribution of branch agreements.

The collective wage bargaining is not widespread in the country. It is most common in the public sector. The dynamics of the registered collective agreements indicated clearly marked fluctuations in

[18] This comparison is not completely precise, but it gives an approximate idea about the connection between the minimum wage and income inequality.

the development (Fig. 5.4). It is evident that their number during the years does not exceed 40 agreements annually.

Figure 5.4 Number of registered collective agreements



Source: Stoyczeva, at el., (2008).

The weak distribution of the collective bargaining corresponds to the low union density. Despite the incompleteness of the existing statistical information regarding the number of the union members, the data does indicate a significant decrease in the period 1998-2007. The number of union members decreased almost 6 times for the period 1990-2007, and the union density dropped from 37.3% in 1998 to 17.9% in 2007 (Daskalova, 2008).

The coverage of the collective negotiations is also low. According to expert estimates, the relative share of the employed covered by collective contracts changes as follows - 33% in 2007; 30% in 2008; 32% in 2009 and 35% in 2010 (Dimitrov, 2011).

The degree of coordination (vertical and horizontal) is relatively low. During negotiations it is not necessary to take into account (coordination) the agreements made at other higher levels. Between the collective negotiations in the separate organizations at a given level there are no connections and interconnections. Bulgaria is unlike other countries in the EU (Italy, Netherlands, Belgium and Denmark), in which there are various forms of coordination between the negotiations of the separate branches.

The presented characteristics of the system of wage negotiations in Bulgaria do not facilitate the reduction of wage differentiation. The low degree of distribution, coverage and union density are a real prerequisite of stimulating wage inequality.

5.3. Taxes

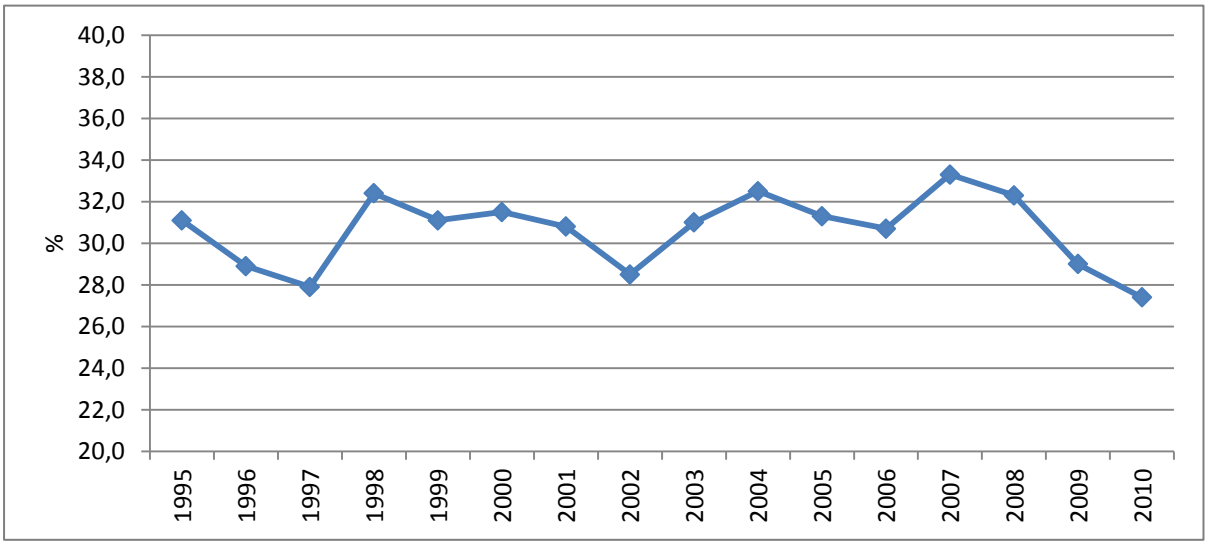
Taxes, as a prime instrument of the distribution state policy, have a direct relation to the income inequality of households. On one hand, they form the disposable income of households, yet, on the other, they are a basic source of revenues for pursuing various social policies. Therefore the tax system and its development are of considerable importance to the re-distribution processes in the country.

The development of the tax system in Bulgaria over the last decade is directed towards a decrease of direct taxes at the expense of the indirect. In 2008 the flat rate system was introduced, which changed the tax revenues structure towards that of a more expressed decrease in the direct rather than the indirect taxes. The basic purpose is to reduce the tax burden on labour in order to stimulate employment and attracting new investments.

5.3.1. Tax revenues by origin

The dynamics of total tax revenues as a percentage of GDP indicates a cyclical development, which followed the changes in the taxation policy and the economic development. The total tax revenues in Bulgaria are relatively low. Over the period 1995-2010 they fluctuate within the range of 28-33% from GDP with a strong decline after 2008 (Fig. 5.5). For example, in 2010 the tax revenues in Bulgaria comprised of 27.4% of GDP, which, compared to 2000, is a decline by 4.1 percentage points, and against 2008 the decrease is 4.9 percentage points. In comparison with other countries of the EU, the tax revenues of Bulgaria are much lower. In 2010 they were lower by 12.2 percentage points against EC-27 and lower still in comparison to EU-15 (12.9 points).

Figure 5.5 Total tax revenue as % of GDP, 1995-2010



Source: Eurostat.

In the tax revenues structure, the indirect revenues prevail (VAT, excise duties and other taxes on production). Their relation to GDP in the last ten years has grown by 1.4 percentage points (Table 5.1). At the same time their share in the total revenue has increased from 44% in 2000 to 55% in 2010.

As a result of the pursued taxation policy, revenues from direct taxes (PIT, CIT and others) constantly decrease. The direct taxes as a ratio to GDP declined by 1.8 percentage points against 2000, and as a structure in the total revenues fell from 22% to 18.6% by the end of the period.

The contribution of the social security payments also marks a tangible decline during the period under consideration. It is a result of the reduction of social security payments after 2004. The data from Table 5.1 indicates the greatest decline in relation to GDP (3.7 percentage points). As a share of the total tax revenue the lessening is in the range of 8 percentage points, that is from 34% in 2000 to 26% in 2010.

Table 5.1 Structure of tax revenue by types and tax base in Bulgaria, 2000-2010 (% of GDP)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Structure by type											
Indirect taxes	13.8	13.4	12.6	14.5	16.3	16.6	17.2	17.0	17.8	15.4	15.2
Direct taxes	6.9	7.5	6.4	6.2	6.0	4.9	5.2	8.2	6.7	5.9	5.1
Social contributions	10.8	9.8	9.6	10.3	10.2	9.7	8.3	8.1	7.8	7.7	7.1
Structure by type of tax base											
Consumption	13.2	12.8	11.9	13.8	15.5	15.9	16.6	16.5	17.2	14.7	14.5
Labour	14.0	12.5	11.9	12.7	12.5	11.6	10.1	10.4	9.7	9.8	9.0
Capital	4.4	5.5	4.7	4.5	4.5	3.8	4.1	6.5	5.3	4.5	3.9

Source: Taxation trends in the European Union, 2012.

The taxes on consumption progressively grew over the period 2000-2008 and slightly declined afterwards owing to the high share of the final consumption in GDP. In total for the last decade the share of tax revenues from consumption in the total tax revenues has increased from 42% in 2000 to 53% in 2010.

Revenues from taxes on labour as a percentage of GDP and as a share in the total revenues decreased. Among the EU member states, Bulgaria is distinguished with having one of the lowest labour taxes. While the average EU level of labour taxes as a percentage of GDP amounts to 17.1%, in the country this percentage is by 8.1 percentage points lower. Apart from the government's

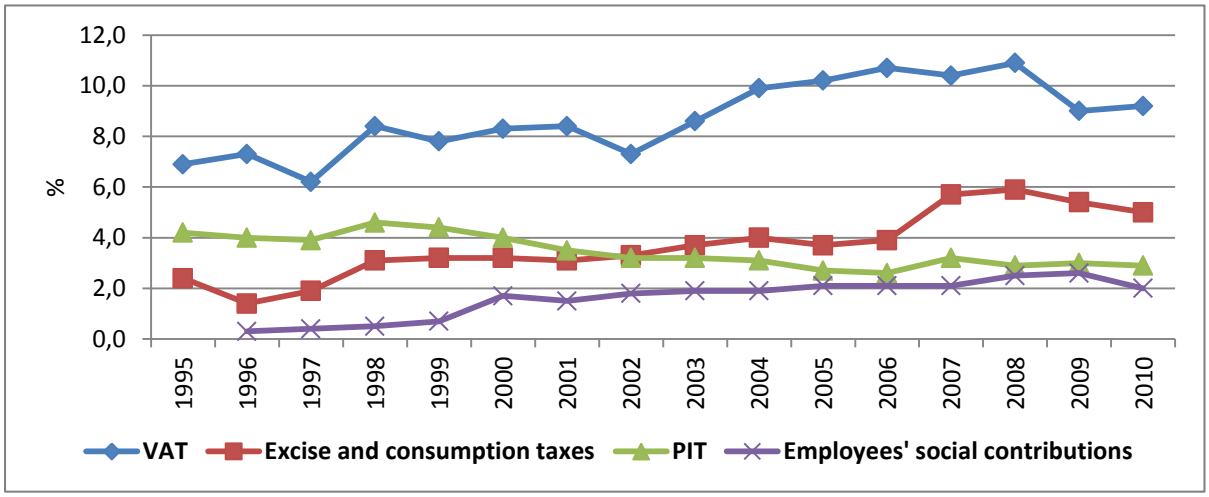
ambition to reduce the tax burden on labour, a significant influence on this reduction has the decreasing share of the compensations of the employed in GDP (about 37% in 2010). The reduction of revenues from taxes on labour as a percentage of GDP is considerable (5 percentage points for the entire period). At the same time the share in the total tax revenues dropped by around 10 percentage points and reached 33% in 2010.

The tax revenues from capital in Bulgaria are not great and as a percentage of GDP they decline after 2007. This is a result of the government policy orientated toward reducing the corporate income taxation. Almost every year the CIT rate declined until it reached 10% in 2007. The unfavorable economic conditions post 2008 contributed to receiving less tax revenues from capital by 1.4 percentage points.

The development of the tax revenues in the last 15 years, which to a great extent affect household incomes, is presented in Fig. 5.6. Revenues from VAT and excise consumption taxes, mostly affecting household consumption, have a stable tendency of increase as percentage of GDP. The VAT system has existed in Bulgaria since 1994. The standard rate is 20% of all products with the exception of the hotel accommodation, where it became 9% in April 2011. The increase in revenues from VAT is directly related to the level of consumption. In the conditions of the current crisis the revenues from VAT decline by 2 percentage points.

The revenues from excise also depend on consumption and excise rates, which in Bulgaria are periodically changed in order to adapt to the EU regulations and for getting to the minimal EU level. The revenues from excise as percentage of GDP increased from 2.4% to 5.9% in 2008. After 2008 these revenues reduced considerably less (0.9 percentage points), than the revenues from VAT.

Figure 5.6 Evolution of tax revenue by origin as % of GDP, 1995-2010

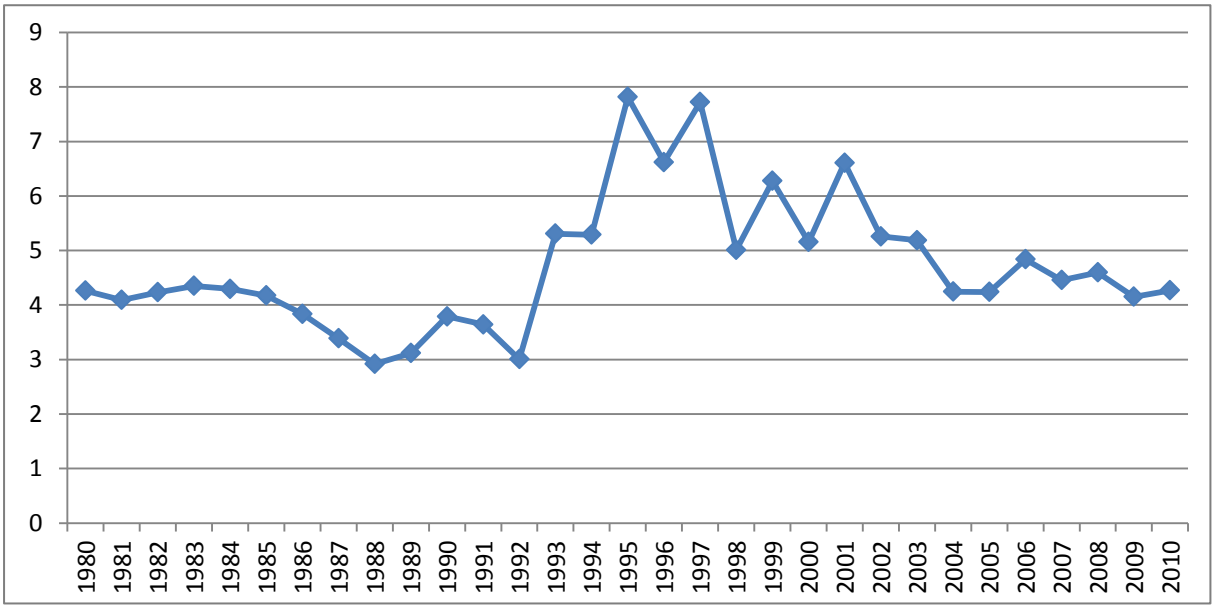


Source: Eurostat.

In contrast to revenues from taxes on consumption, the revenues from the personal income tax steadily decreased. Their share in GDP declined from 4.2% in 1995 to 2.9% in 2010. Since 2008 Bulgaria has had a 10% flat-rate tax on personal incomes, replacing the progressive scale (20%, 22% and 24%). With the introduction of the flat-rate tax, the wage inequality increased, since it favoured high wages. The flat income tax system also eliminates the possibility for influencing income inequality. Separate household members are individually taxed. Pensions and some other social security payments are not taxed.

The revenues from social security payments made by the employed for the retirement and healthcare systems; for maternity and unemployment compensations, have a relatively minor percentage of GDP. Bulgarian legislation determines the social security payments of the employed at 40% of the total social security payments. The remaining 60% is contributed by the employer. In the period 1996-2010 the employee's social contributions have increased from 0.3% of GDP in 1996 to 2.0% in 2010.

Figure 5. 7 Difference between Gini gross and Gini net coefficient, 1980-2010



Source: Own calculations.

The impact of taxation on inequality (see Chapter 2) can be traced as a difference between the gross and net Gini coefficient (Fig. 5.7). The dynamics of the difference between the two coefficients indicates that the taxation policy in the period 1992-1997 strongly decreased inequality, while afterwards the effect gradually declined. The downward trend of the effect of taxes on inequality corresponds to the policies of decreasing the direct taxes and introducing the flat-rate tax.

An analysis based on the Bulgarian Household Budget Surveys shows that the tax burden in Bulgaria, although increasing in the upper quintiles, declined between the beginning of the transition period and the year before the EU accession and contribute to some extent for inequality reduction (Nikolova, S., et al., 2011).

5.4. Social expenditures

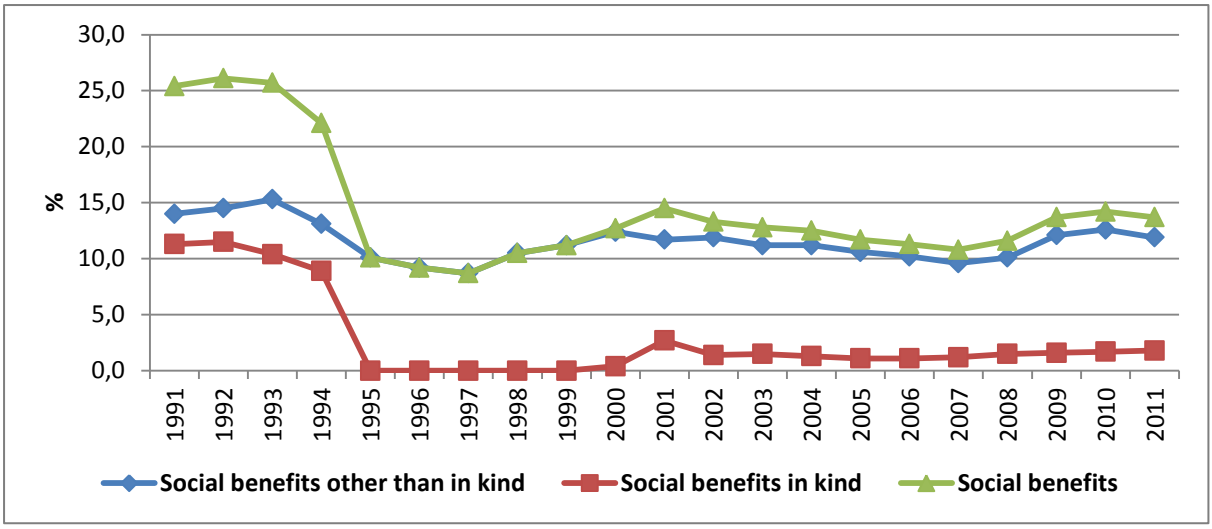
It is not possible to define the social expenditures in Bulgaria in the context of the definitions used in OESD-SOCX, since Bulgaria is not included in the database. Due to these reasons, the present study is based on data from Eurostat, regarding the total public expenditures by their function and relation to the social security system (old age, health, disability, family and children, unemployment, housing, etc.). In this way we have partly achieved a level of comparability with the OESD-SOCX definitions.

The public social expenditures, viewed under the form of social benefits developed (as percentage of GDP) in the last twenty years characterized periods of increase and decrease (Fig. 5.8). In the early 90s the social benefits comprised of around a quarter of GDP, due to the high share of the benefits in kind. After reducing the benefits in kind, the share of social expenditures of GDP changed to within the range of 10-20%. The share of expenditures in kind over the last 10 years remained relatively stable, in the range of 1-2%.

The dynamics of the social expenditure by function is presented in Fig. 5.9. The total decline of social expenditure in the period 2001-2007 was mostly due to the decrease in expenditure for the older population. Their share dropped from 9% in 2002 to 6.4% in 2008. At the same time healthcare expenditures remain relatively stable within the range of 4-5% of GDP.

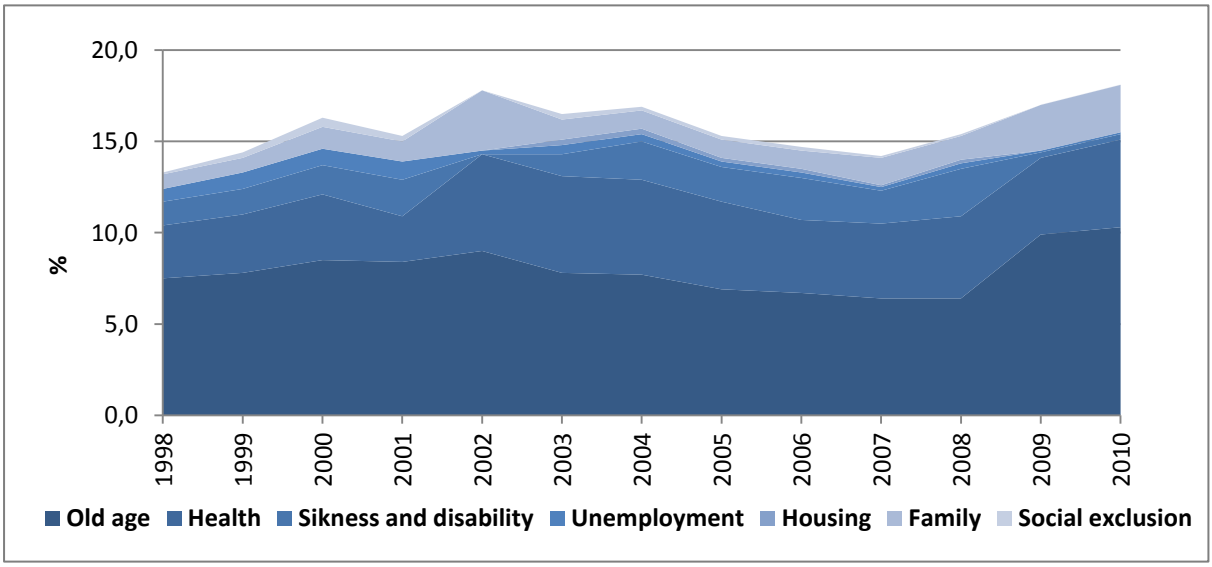
Expenditures on sickness and disability have a considerable share of social expenditures (1.5-2.5% of GDP). This remained constant until 2008, and then later sharply decreased to 0.3% of GDP. The reason for this is down to the imposed stricter control on the procedures for categorizing disability. Another important category of social expenditure is the expenditure on assisting families and children. Their share of expenditure in GDP increased from 0.8% in 1998 to 3.3% in 2002 and remained stable within the range of 1-1.5% until 2008. The measures of protection taken during the crisis increased expenditures on family assistance to 2.6% of GDP.

Figure 5.8 Public social expenditures as % of GDP, 1991-2011



Source: Eurostat.

Figure 5.9 Social expenditure by expense category, % of GDP



Source: Eurostat.

The size and trend of unemployment expenditures develop in relation to the changes in the unemployment rate. This is to say, they grew in parallel to the increase in the number of the unemployed reaching 1% of GDP in 2001 and later declined to 0.3% in 2008. The rising unemployment in the present economic crisis does not affect the expenditure and they remain, unchanged, at 0.1% of GDP.

5.4.1. Labour market policy

The protection of the unemployed occurs through a wide range of labour market policies aimed at securing incomes for those who have lost their jobs (passive labour market policies - PLMP) and assisting the return to employment (active labour market policies - ALMP). The social protection of the unemployed in terms of unemployment benefits is limited. Access to compensation is restricted to persons hired under a labour contract or other legal order, and for those who have been secured in the fund "Unemployment" for at least 9 months in the last 15 prior to terminating their security. The size of the monetary compensation, according to the normative legislation in Bulgaria, is set at 60% of the received average monthly[19] security income for the last 9 months during which the person has been secured. Therefore we could accept that the replacement rate of wages by unemployment benefits is about 60%. All persons registered in employment bureaus have access to the active labour market policies.

The total assessment of the social protection of the unemployed is based on the analysis of two basic indicators: expenditures on labour market policies (passive and active) and the coverage of these measures. The total size of the expenditures on active and passive labour market policies amounts to less than 1% of GDP (Fig. 5.10). This low percentage was also typical for the 90s (Beleva, et al., 2005). Bulgaria spends less that the EU average for protecting the unemployed and encouraging employment. The share of the expenditures on labour market policies in the EU is approximately three times higher.

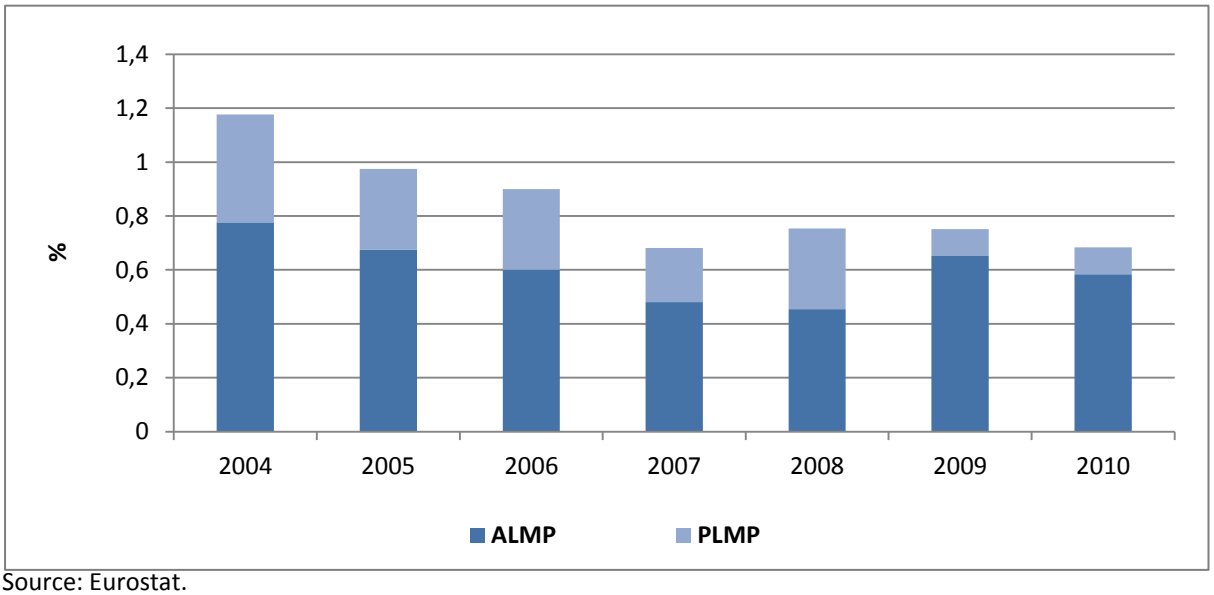
In a dynamic aspect, the share of expenditures on labour market policies in GDP marked a tangible decline (from 1.2% in 2004 to 0.7% in 2010) as a result of the considerable reduction in unemployment during the period 2004-2008 and the preservation of the existing level of social protection. Therefore the advancement achieved in the economic development in this period had not been used for improving security and protection of the unemployed.

Expenditures on both labour market policies have declined. The share of expenditures on active policies in GDP marks a stronger trend of decrease. For the period 2004-2008 their share dropped by 0.3 percentage points, but in total for the entire period the decline was only 0.1 percentage points.

[19] Since 2008 the daily security income has been accepted as a base.

Despite this downward trend, Bulgaria remains among the EU countries with an average share of the expenditures on active labour market policies in GDP. This share is higher in comparison to other newly accepted member states in the EU. For example, in 2007 the share of expenditures on active labour market policies in Bulgaria was 0.5%, whilst in the Czech Republic it was 0.1%, in Hungary – 0.2%, Rumania – 0.08%.

Figure 5.10 Social expenditures on LMP, 2004-2010 (% of GDP)



Source: Eurostat.

In the structure of the ALMP expenditures observed considerable changes can be observed over the last years. Among the active labour market policies the most sizable is the share of the programs for subsidized employment. The expenditures on direct job creation comprise of 46% of the total expenditures on ALMP, and during the period dropped to 12.1% in 2010. The expenditures on out-of-work income maintenance and support significantly increased. Their share jumped from 32% in 2004 to 77% in 2010. The reason behind this jump was due to using the resources from the program "Human resource development". The expenditures on training significantly decreased (from 12% in 2004 to 1.4% in 2010).

The replacement of wages by unemployment benefits tended to permanently decline in the period 2000-2008. For the entire period the ratio between the average unemployment benefits to the average wage fell by 5 percentage points (from 31% in 2000 to 26% in 2008). Hence unemployment benefits replaced a relatively small portion of the wages (about a quarter in 2008), thus leading to an increase in inequality between labour incomes and incomes from unemployment benefits (Tsanov,

2011). Therefore the low level of the unemployment compensations in comparison to wages is likely to stimulate the income inequality between employed and unemployed.

5.4.2. Social assistance

The social assistance system in Bulgaria is based on three approaches: income based approach, assistance for risk groups (parents having no security, people with disabilities, mothers of many children, etc.), a special purpose assistance for meeting specific needs (heating, electricity, water supply, etc.).

The *Income based approach* involves monthly benefits, presented to people having income below the guaranteed minimum income (GMI). The size of GMI is defined by the state and is differentiated according to the size and composition of families through a system of coefficients. Larger families have a greater guaranteed minimum income. Generally access to social benefits depends on the income situation of the family (wage incomes, pensions, unemployment benefits, etc.), properties, and opportunity to receive incomes from labour or property. Their total income has to be lower than the designated differentiated minimum. The rule concerning property involves the size of the house and savings. The size of the monthly assistance is defined as a difference between the minimum income differentiated for the family and the total income owned.

Bulgaria has a well detailed system of rules and access rights. These criteria have the role of limiting framework in defining assess to social benefits. Besides, they contain other requirements as well as, for example – active job search and nonparticipation in the shadow economy. The unemployed, who are economically active, have to be registered at the employment bureaus and have no right to refuse a job offer.

Assistance for persons in risk is a form of universal social assistance, whose criteria for access include demonstrated affiliation to a specific risk group (parents with children, single mothers, and mothers with many children, people with disabilities) regardless of their employment and security status. They have to meet urgent needs such as healthcare abroad or other specific requirements. The size of this assistance is defined subjectively and it is possible for it to depend on income as a secondary criterion. In other cases, assistance is used as informal compensation of the low benefits.

Purpose-oriented benefits for energy are introduced in 1994 as a result of the liberalization of energy and fuel prices. The income, defined for getting access to energy benefits is larger than the level of GMI. It is calculated by adding the expenditures on energy during the heating season (1 November - 30 April) to GMI. The criteria for access by families with children and people with disabilities are less exacting by introducing greater coefficients. For this reason the number of people in receipt of

energy benefits is greater than the number of those getting monthly assistance. A large number of families with unemployed members getting unemployment compensations, as well as low paid workers and pensioners with low pensions all remain under the access boundary.

The expenditures on social assistance as percentage to GDP is relatively low (0.1-0.3%). During the 90s its share increased from 0.2% in 1991 to 0.3% in 2000, and later tangibly reduced, reaching 0.07% in 2009. The data on the number of people receiving benefits indicate that the basic contingent is people of work age. The total number of social benefit recipients at work age varies in the range of 220-230 thousands. These numbers are very close to the number of the registered unemployed not receiving unemployment compensations. Another conclusion is that a small contingent of inactive population meets the criteria for accessing to social benefits. Hence, not all inactive people of work age are completely covered by the social security system.

5.4.3. Old age pensions

Pensions due to old age are a basic source of inequality among generations. The retirement system in Bulgaria was totally modified in 2001. The old scheme of expenditure-cover type was replaced by a modern three pillar system combining the expenditure-cover and capital models. The first pillar of the system is expenditure-cover and obligatory for all having security. In order to get this pension, people have to make payments in a size, defined by the state and the pension is formed on the basis of criteria related to the security income, security tenure and other factors. The second pillar is capital-cover and is mandatory for persons born after 1960. It involves pensions, paid with the means accumulated in universal private professional pension funds, managed by licensed pension security funds. The financing comes from security payments made by employers and employees. The size of the pension received depends on the payments made to an individual party, the achieved return on investments of the fund and the established biometric tables. The third pillar is voluntary and is of capital-cover type. It accumulates means, stocked in voluntary pension funds. It is financed by security payments made by choice.

There is a minimum size of the pension for security tenure and age set annually since January 1, 2007 by the law on budget of the state social security. On the basis of the minimum pension for the security tenure and age – the minimum size of the remaining contribution pensions are designated. People over 70 years of age, having average household incomes lower than the guaranteed minimum income, for the preceding 12 calendar months get social pension for old age. The size of the pension is defined by the government each year, and it is paid from the state budget. There is also a

maximum boundary about the size of pensions, without complementary payments, paid by the expenditure-cover column – 35% of the maximum security income for the preceding calendar year.

The dynamics of the average pension in real terms lags behind the GDP development with a tendency of overcoming the gap at the end of the period. The greatest lag was in the early 90s. In the period 1990-1997, GDP declined by 21%, while the real average pension fell by almost two thirds. After 1998 the process of recovering the purchasing power of pensions began. This recovery occurred under the conditions of accelerated and stable economic growth. In this period the growth of the average pension got closer or ran ahead of the GDP growth.

5.4.4. Family benefits

Family benefits consist of monetary compensations on pregnancy and giving birth, and for raising children and childcare outside the family. The share of these expenditures in GDP has grown in recent years owing to the changes in the normative regulation. The increase in financial security of maternity and childcare is accompanied by expanding the duration and size of these benefits. The duration for receiving compensation on pregnancy and birth has increased from 135 calendar days in 2006 to 315 days in 2007. Since 2009 this duration has been enlarged to 410 calendar days. The size of received compensations has also grown with regards to the wage (90% of the average daily remuneration or security income). The size of the compensations for raising children after maternity has also grown. For the period 2004-2009 it rose from 120 to 270 BGN.

The resource certainty of childcare outside the family can hardly be traced due to lack of data. According to data from Eurostat for 2007 and 2008, the share of children below 2 years who are receiving care outside of the family (in crèche) is too small. About 2% of all children at this age are covered by outside care for around 1-29 hours per week, and 6% of the children are receive more than 30 hours per week. In 2008 this share rose insignificantly (from 6 to 9% for the children receiving care more than 30 hours). On average for the EU-27 this share was respectively 16 and 12% in 2007. The low share of children receiving care outside the family in Bulgaria results from the long duration of the maternity leave. In this respect Bulgaria offers one of the most long-term duration of maternity compensations.

Childcare for children between 3-7 years (up to school age) is significantly greater. For half of them outside care is more than 30 hours per week. This share is larger than the EU average (40%). Nevertheless, in the bigger cities there is a lack of specialized kindergartens for raising children.

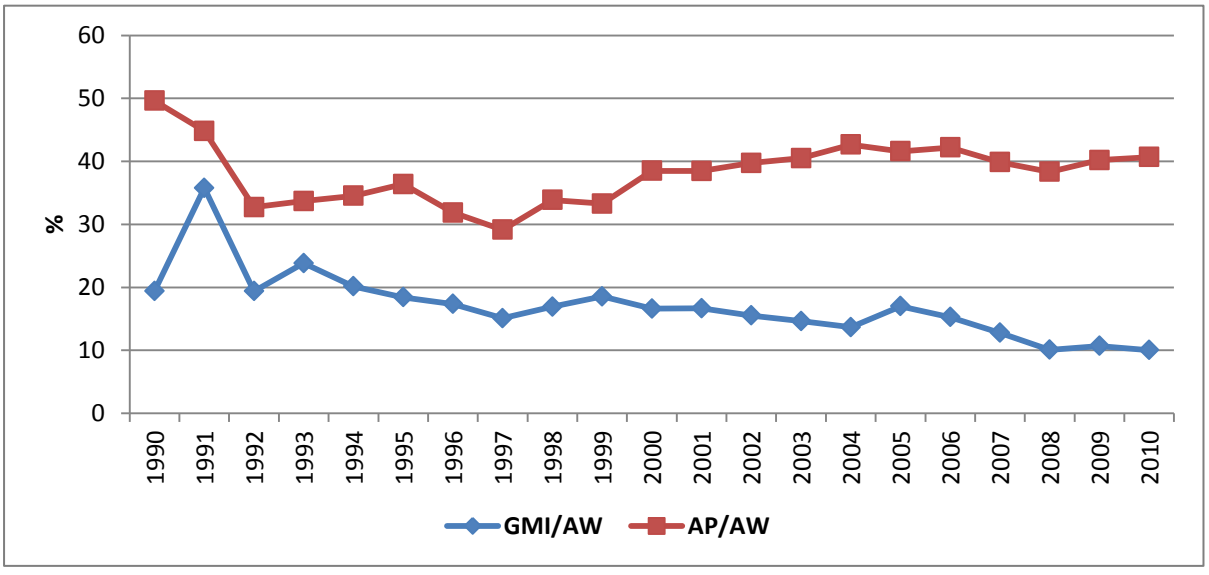
5.4.5. Effects of pension and social assistance policy on inequality

Differences in labour incomes and incomes from pensions and social benefits to a great extent determine the income inequality. The evolution of the ratios between the average pension and GMI to the average wage gives a general idea about income inequality in two aspects: 1) with respect to the average labour incomes and 2) with respect to the incomes of some social groups.

The first indicator presents the relationship of the average pension to the average wage (AP/AW), showing the difference in the incomes of pensioners and the average labour income. The second indicator represents the ration of the guaranteed minimum income to the average wage (GMI/AW) and explains the distinction between the average wage and the income defined by the state, on the basis of which social benefits are determined. Of course, the latter indicator is conditional because it does not provide the average size of the received social benefit.

The dynamics of both indicators is presented in Fig. 5.11. Their development during the studied period is quite different. The trend of the first indicator (the relation of the average pension to the average wage) is cyclical corresponding to the two major economic cycles: the economic decline in 1990-1997 and the progress in the period 1998-2008. The development of the second indicator (the relation of the guaranteed minimum income to the average wage) had a decreasing trend with periods of stabilization.

Figure 5.11 Evolution of ratios "AP/AW" and "GMI/AW", 1990-2010



Source: National Statistical Institute.

The cyclical economic development strongly affected the income inequality amongst the considered social groups. During the period of economic recession (1990-1997) incomes from pensions and

social benefits considerably deviated from the labour incomes, thus leading to increasing inequality between employed, pensioners and social benefits recipients. In comparison the differentiation is strongest between the employed and the social benefits recipients. Therefore the social transfers in this period did not decrease inequality but, on the contrary, the imposing restriction on social transfers stimulated inequality between these social groups.

The period of accelerated and stable economic growth is only favorable to pensioners. They experience a considerable decrease in inequality with respect to the average wage. The opposite is the case with social benefits. The relation of GMI to the average wage continued to decline as in 2004 it reached 13.7% and grew to almost 17% in 2005. Hence the gap in inequality between the incomes of the pensioners and the social benefits recipients significantly increased[20].

Therefore the social transfers for retirement positively affect inequality, reducing the difference between the labour incomes and pensions. Transfers for the social assistance, however, have a negative effect on inequality. The weak adaptation of the GMI to the average wage stimulates the income inequality with respect to both employed and pensioners.

5.5. Education

The rising education level of the population is the basic objective of the education system. Over the last 30 years the education structure of the Bulgarian population considerably improves. According to data from the last Census (2011) around 20% have completed University education, whilst the share of the population with low education is 37%. These long-term changes are related to the expansion of the education system and the increase in the number of participants in education. According to data from Eurostat the participation in education of the population at 18 years grew by 29 percentage points, reaching 76.8% in 2010 (EU27 – 79.1%).

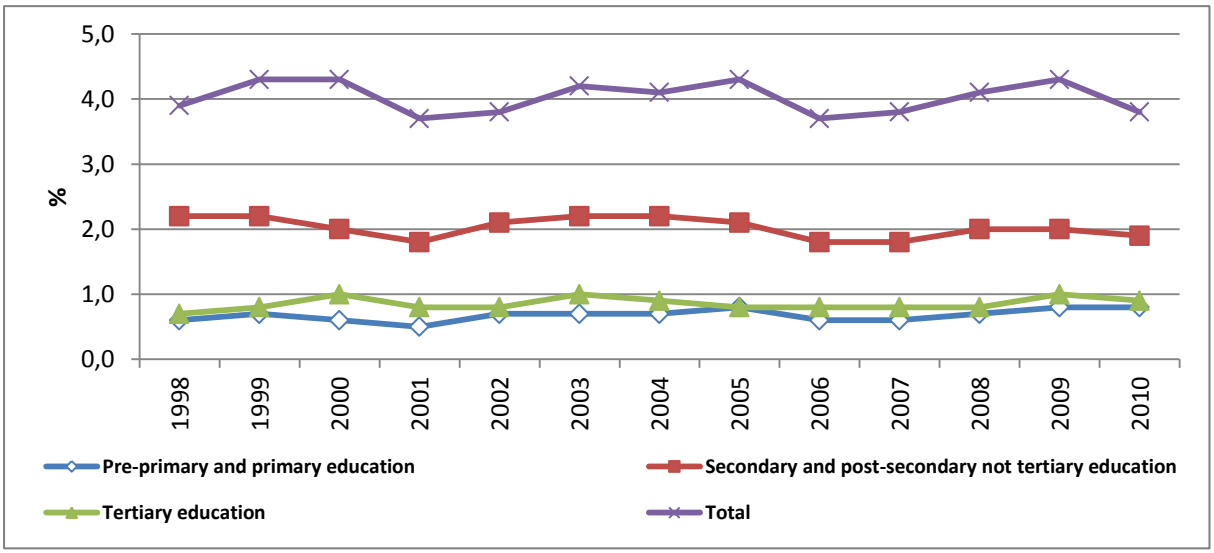
The development of the education system is directly related to its financial provision. For the last 10 years the expenditures on education as percentage of GDP are relatively stable and have a clearly expressed cycle (Fig. 5.12). In total they vary in the interval of 3.7-4.3% of GDP. In comparison to the

[20] The difference between the relations of MW and GMI to the average wage increased from 21.9 percentage points in 2000 to 28.3 percentage points in 2008.

average EU-27 level, this is lower by 1-2 percentage points. The reduction in expenditure in 2010 is related to the pursued general restrictive budget policy in regard to reducing the budget deficit.

In the structure of the expenditures by education levels there are no considerable changes. The most significant is the share of the expenditures for secondary education. They form around half of the expenditures on education. Their share in GDP varies by about 2%, whilst for 2010 the decline is only 0.1 percentage points. The expenditures for pre-primary and primary education comprised less than 1% of GDP. During the studied period, these expenditures do not considerably change and preserve their share in GDP in 2010. The financial provision of University education reaches close to 1% in GDP.

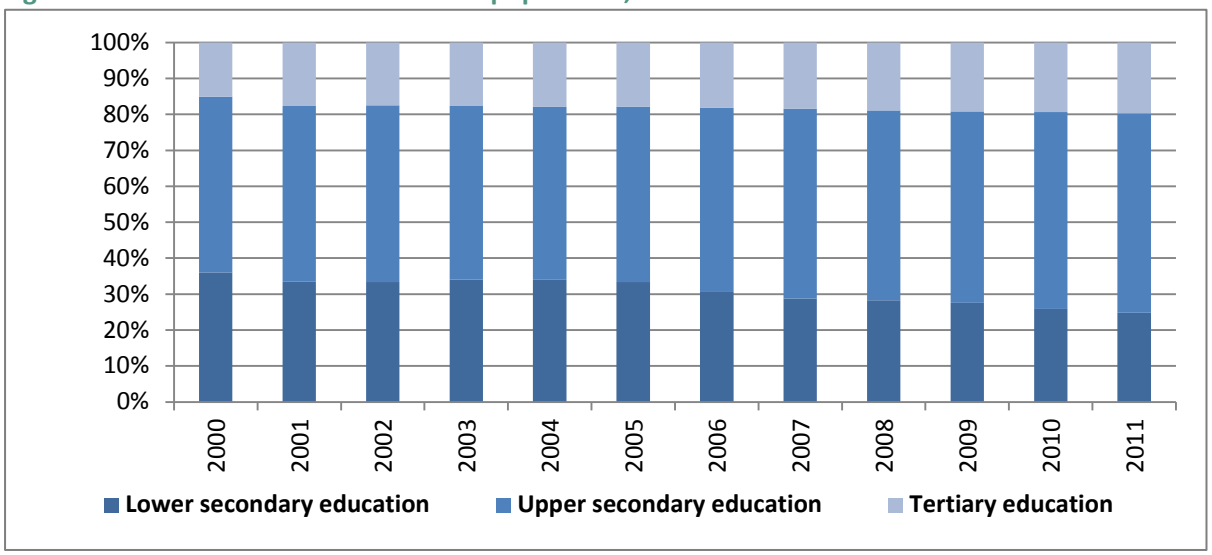
Figure 5.12 Expenditures on education by level, 1998-2010, % of GDP



Source: Eurostat.

Regardless of the relatively low share of the expenditure on education in GDP, the effect on the educational structure of population is evident (Fig. 5.13).

Figure 5.13 Educational structure of the population, 2000-2011



Source: Eurostat.

The share of population with low education considerably decreases over the last 10 years (from more than one third (36%) in 2000 to a quarter (24.8%) in 2011). As a result of these changes the share of people with low education is below the average EU-27 level (30%). This decline of the low educated is transformed into increasing the population with secondary and University education.

The population with upper secondary education has mostly increased. In 2011 close to 55.5% of the population had high school education. This share is bigger by 9 percentage points from the average EU-27 level (46.4%). The population having tertiary education also grew, but at a slower rate. Over the last five years, the share of people having University education held in the range of 19-20%, meaning that one of every five people had higher education.

In the Bulgarian education system there are forms (grants) for assisting high school and University students from poorer families. In this sense the expenditure on education to one degree or another affect income inequality and education. The access to grants is limited and depends on the academic success of the student and the income situation of parents. There are no precise data on the number and the size of grants; making qualitative assessments on their impact on inequality difficult.

5.6. Conclusions

On the basis of the presented facts and evaluations in this chapter, the following summarized conclusions could be made about the effect of the pursued policies with regards to inequality:

Labour incomes. Minimum wage significantly affects the reduction of income inequality. There is a negative dependency between the minimum wage growth and the Gini coefficient over the last two

decades. This dependency is especially strong during the periods of its more considerable increase. In contrast to the minimum wage, the system of wage bargaining in Bulgaria does not facilitate the reduction of wage inequality. The weak spreading of wage bargaining and the low coverage and union density are real preconditions for stimulating wage inequality.

Taxation policy. The taxation policy in Bulgaria is aimed at decreasing the direct and increasing the indirect taxes, which is ultimately reflected in the introduction of the flat tax rate system. This policy decreased tax revenues and limited the re-distribution processes. Besides, with the introduction of the flat tax rate the wage inequality grew, since it favours high wages. In addition the flat tax rate eliminates the opportunity for influencing income inequality.

Social expenditures. It is hard to present an explicit evaluation regarding the effectiveness of social expenditure for reducing inequality because of their multi-purpose role, range and function. The expenditure on ALMP and especially the expenditure on direct job creation are orientated at reducing inequality, since the return to employment increased incomes. A similar positive effect on inequality is produced by the expenditure on family assistance and childcare. The social transfers for pensions positively affect inequality, reducing the difference between labour incomes and pensions. The transfers for social assistance have a negative effect on inequality due to the weak adaptation of GMI to the average wage.

References:

Ballarino, G., Bogliacino, F., Braga, M., Bratti, M., Checchi, D., Filippin, A., Maestri, V., Meschi, E., Scervini, F. (2012). Drivers of Growing Inequality. AIAS, GINI Intermediate Work Package 3 Report. http://www.gini-research.org/.

Beleva, I., V. Tzanov, G. Tisheva, 2005, Flexibility and Security in the Labour Market: Bulgaria's Experience, ILO.

Boyadzieva, P., (2012), The confidence – unobservable axis of the society, Institute "Open society", Policies, Issue 01/2012. http://politiki.bg/?cy=135&lang=1&a0i=223273&a0m=readInternal&a0p_id=463

Bram Lancee, Brian Burgoon, Giacomo Corneo, Dбniel Horn, Mбrton Medgyesi and

Herman van de Werfhorst. Political and Cultural Impacts of Inequality. Salverda W., editor (2011). Inequalities' Impacts. GINI State of the Art Review 1. http://www.gini-research.org/.Central Electoral Commission.

Daskalova, N., Trade union strategy to recruit new groups of workers – Bulgaria, European Foundation for the Improvement of Living and Working Conditions, http://www.eurofound.europa.eu/eiro/studies/tn0901028s/bg0901029q.htm

Daynov, E., (2000), The political debate and the transition in Bulgaria, Sofia.

Dimitrov, P., Annual Review 2010 on Labour Market Relations and Social Dialog in South East Europe: Bulgaria, Friedrich-Ebert-Stiftung, 2011, p. 12.

European Social Survey, Exploring public attitudes, informing public policy, Selected findings from the first three rounds.

Eurobarometer 62, (Autumn 2004), Public opinion in European union, National Report for Bulgaria.

Eurostat statistical book, (2012), Taxation trends in the European union. Data for the EU Member States, Iceland and Norway, European Union.

Gatev, K., D. Koseva, A. Spasov, (1999), General statistical theory, Sofia, Publishing house "Science and art".

Grigorova, M., (2012), The world is split on the question if the immigration is for good or for harm, Newspaper Klassa, 11.06.2012. http://www.klassa.bg .

Household budget survey, (1995, 2003, 2010), NSI.

Liberal Political Science Institute, (2007), The first elections for European Parliament in Bulgaria – outside look. http://www.lpi- bg.org/?page=analysys&lng=bg&action=show&aid=51

Marx, I., Van Rie, T. (2012). Growing Inequalities' Impacts (GINI) Work package 6: Policy analysis. AIAS, GINI Intermediate Work Package 6 Report. http://www.gini-research.org/.

Mintchev, V., V. Boshnakov, A. Naydenov (2010), "Sources of Income Inequality: Empirical Evidence from Bulgaria", Economic studies, Issue 4, 2010.

Nadezhda D., (2010), Institute for Social and Trade Union Research (ISTUR).Trade union strategies to recruit new groups of workers – Bulgaria. http://www.eurofound.europa.eu/eiro/studies/tn0901028s/bg0901029q.htm

National Statistical Institute. http://www.nsi.bg/otrasal.php?otr=41

National Democratic Institute for International Relations of the US, (2003), Political participation of the roma in Bulgaria. . http://www.cik.bg

Nikolova, D., (2010), Who send more money – Bulgarian immigrants or EU?, Institute for Market Economy, Issue 493/17.09.2010; http://ime.bg/bg/articles .

Nikolova, S., N. Markov, B. Nikolov, N. Dochev, (2011), Inequality and Public Policy: A Country Study for Bulgaria, Working Papers, 095, Centre for Economic and Strategic Research. The wiiw Balkan Observatory.

Richard, C., The principle 80/20, (1997), Publishing "Exclibrist™", Sofia.

Solt, Frederick. 2009. "Standardizing the World Income Inequality Database." *Social Science Quarterly* 90(2):231-242. SWIID Version 3.1, December 2011.

Stiglitz, D., (2003), Globalization and its discontents, Sofia, University publishing "Stopanstvo".

Stoycheva, B., E. Milcheva, (2008), Industrial relations and human resources, Foundation "Friedrich Ebert", Sofia.

Todorov, A., (2010), Citizens, parties, elections: Bulgaria 1879-2009, Sofia.

Tomova, T., M. Stefanova, E. Kalfova, S. Petrov, (2008), The labour incomes in Bulgaria: private or public problem, Sofia.

Tsanov, V., B. Bogdanov, I. Beleva, M. Kotseva, K. Stoyanova, D. Mircheva, A. Tzvetkov, (2006), Bulgaria: the challenges of poverty, 2003, NSI.

Tzanov, V., (2010), "Bulgaria: A shift in minimum wage policy", in "The Minimum Wage Revisited in the Enlarged EU", ed. by D. Vaughan-Whitehead, Edward Elgar Publ.

Tzanov, V. (2011), Inequality at work emerging in the current crisis in Bulgaria, in Work Inequalities in the Crisis, ed. by D. Vaughan-Whitehead, Edward Elgar Publ.

Tsanov, V., (2011), Social protection and security on the labour market, in "Flexicurity on the labour market in Bulgaria – situation and prospects. Compendium of reports", MLSP.

Werfhorst, H.G. van de, Tóth, I.G., Horn, D., Medgyesi, M., Notten, N., Haas, C. and Burgoon, B. (2012). Political and cultural impacts of growing inequalities. AIAS, GINI Intermediate Work Package 5 Report. http://www.gini-research.org/.

Zahariev, B., (2011), Economic situation of households – tendencies, expectations, arrangement, Open Society, Policies, Issue 08/11, http://politiki.bg/?cy=222&lang=1&a0i=223804&a0m=readInternal&a0p_id=872 .

Appendix 1. Log table to Chapter 3

	1980-1988	1989-1996	1997-2002	2003-2010	Figure/ Table
Income inequality	↘	(s) ↗	(s) ↘	(s) ↗	Fig. 2.1
Variables					
1. Material deprivation	n.a.	n.a.	n.a.	(s) ↘	Fig. 3.1
2. At risk of poverty rate	n.a.	n.a.	↘	↗	Fig. 3.4
3. Poverty or social exclusion rate	n.a.	n.a.	n.a.	(s) ↘	Tab. 3.2
4. Social cohesion	n.a.	n.a.	n.a.	→	Tab. 3.3
5. Fertility rate	↘	(s) ↘	↗	↗	Fig. 3.6
6. Number of marriages	↘	(s) ↘	↘	↘	Fig. 3.7
7. Number of divorces	→	→	↗	↗	Fig. 3.7
8. Life expectancy	↘	↘	↗	↗	Tab. 3.4
9. Very good and good self-perceived heath status	n.a.	n.a.	n.a.	↗	Fig. 3.10
10. Very bad and bad self-perceived heath status	n.a.	n.a.	n.a.	↘	Fig. 3.11
11. Privately owned housing	n.a.	n.a.	n.a.	↗	Fig. 3.12
12. Privately owned housing of the poor	n.a.	n.a.	n.a.	→	Fig. 3.13
13. Number of crimes	n.a.	n.a.	↘	↘	Fig. 3.15
14. Number of convicted persons	n.a.	↘	(s) ↗	(s) ↗	Fig. 3.16
15. Share of satisfied people	n.a.	n.a.	n.a.	↗	Fig. 3.18
16. Share of not satisfied people	n.a.	n.a.	n.a.	↘	Fig. 3.18

	1980-1988	1989-1996	1997-2002	2003-2010	Figure/ Table
Impacts of income inequality					
Impact 1	n.a.	n.a.	n.a.	→	Fig. 3.1
Impact 2	n.a.	n.a.	↘	↗	Fig. 3.4
Impact 3	n.a.	n.a.	n.a.	→	
Impact 4	n.a.	n.a.	n.a.	→	
Impact 5	↘	→	→	→	Fig. 3.6
Impact 6	→	→	→	→	Fig. 3.7
Impact 7	→	→	→	↗	Fig. 3.7
Impact 8	↗	↘	↗	→	
Impact 9	n.a.	n.a.	n.a.	→	
Impact 10	n.a.	n.a.	n.a.	→	
Impact 11	n.a.	n.a.	n.a.	→	
Impact 12	n.a.	n.a.	n.a.	→	
Impact 13	n.a.	n.a.	↗	→	Fig. 3.15
Impact 14	n.a.	→	→	↗	Fig. 3.16
Impact 15	n.a.	n.a.	n.a.	→	Fig. 3.18
Impact 16	n.a.	n.a.	n.a.	→	Fig. 3.18

Note: (s) means significant.

Appendix 2. Log table to Chapter 4

	1980-1988	1989-1996	1997-2002	2003-2010	Figure/ Table
Income inequality	↘	(s) ↗	(s) ↘	(s) ↗	Fig. 2.1
Variables					
1. Election activity	n.a.	↘	↘	→	Tab. 4.1
2. Union membership	n.a.	↘	↘	↘	Fig. 4.1
3. Participation in political and other initiatives	n.a.	n.a.	n.a.	→	Tab. 4.3
4. Trust in the government	n.a.	n.a.	n.a.	↗	Tab. 4.5
5. Vote for left parties	n.a.	↗	↘	↗	Fig. 4.8
6. Vote for right parties	n.a.	↘	↗	↘	Fig. 4.8
Impacts of income inequality					
Impact 1	n.a.	→	→	→	Tab. 4.1
Impact 2	n.a.	→	→	→	
Impact 3	n.a.	n.a.	n.a.	→	Tab. 4.3
Impact 4	n.a.	n.a.	n.a.	→	
Impact 5	n.a.	↗	↘	→	Fig. 4.8
Impact 6	n.a.	↘	↗	↗	Fig. 4.8

Note: (s) means significant.