

BULGARIA

TOWARDS A SYSTEMIC APPROACH TO SOCIAL PROTECTION

POVERTY WATCH 2024





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POVERTY WATCH
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This publication discusses the state of social policy and social protection in Bulgaria in 2024. It tries to consider a systematic and structural approach to social protection and to focus on its improvement.

This Poverty watch follows the agreed updated guidelines of the European Anti-Poverty Network (EAPN). Previous publications related to poverty monitoring in the country are also available on the website: <https://www.eapn.eu/poverty-watches>

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INTRODUCTION

This Poverty watch presents an overview, analysis and recommendations for the social protection in Bulgaria, trying to consider it in a systematic and structural way.

The first part outlines the state and development of social policy and social protection. A short second part reflects the way people experiencing poverty assess it. The third part presents briefly main dimensions of poverty and inequalities in the country. The fourth part discusses some technologies that support political measures undertaken. The fourth part focuses on the possible way forward.

SOCIAL POLICY AND SOCIAL PROTECTION

There is broad consensus on what is meant by social policy: it relates to rules, principles and activities that shape the processes of distribution in society, access to goods and services, affect living conditions and contribute to human and social well-being.

Implementing actions related to income, employment, education, health care, housing, etc, social policy addresses two main objectives (Jeliazkova, 2024¹):

- a/ support for the socio-economic status and quality of life of different groups of the population;
- b/ maintenance of social cohesion, principles of solidarity and control over inequalities.

The support for vulnerable groups is provided by extending a safety net to prevent people from falling through it. According to Eurofound „Social protection systems exist to protect people against the risks of loss of income associated with unemployment, ill-health and invalidity, parental responsibilities, costs of children and housing, old age or following the loss of a spouse or parent, etc.“².

It is also well-known that social policy and social protection experienced a rapid and significant flowering after the Second World War in developed countries. This process was linked to a broad consensus regarding the view that the recently ended war was also due to internal social tensions, poverty and social disasters and, therefore, ensuring peace, prosperity and stability requires creating an optimal balance between the state, the market and democratic institutions. To achieve such a balance, the state must contribute to raising the standard of living, support the provision of employment, support economic growth and the well-being of citizens. For this purpose, social security systems were intensively built and strengthened - social assistance and insurance, health care, education, etc., policies for distribution and redistribution were developed and implemented, spending in the public sector increased. Institutionalized in this way, social policy and social protection gradually matured and their goals began to permeate a whole bundle of other basic public policies: economic, financial, tax, insurance, etc. The expansion of social policy and social protection provided a social orientation to the entire economy, society and state, contributed to

¹ Jeliazkova, M. (2024), Social Policy: Guidelines, Fluctuations and Deformations, Sofia (in Bulgarian)

² <https://www.eurofound.europa.eu/en/topic/social-protection>

unprecedented economic growth and were in harmony with moral norms of mutual support and solidarity. Thus, it appeared that during the period of the 'golden age' there was a relative parity between economic and social goals. Along with the importance of economic growth and economic dynamism, social policies aimed at welfare and control of inequalities acquired relative autonomy, became an independent value of development and spread opportunities and prospects among broad sections of the population, instead of concentrating them. It could be said that this created a specific zeitgeist, in the center of which were not so much the achieved results as the expectation of gradual and sustainable progress. This spirit was strengthened through cohesion, the 'glue'³ (Minev, 2023: 167). which united groups, communities and societies and presupposed mobilizations around common goals and public interests at the expense of individualism and private interests.

From the late 1970s to the early 1980s, however, enormous changes took place in the developed Western countries, as well as in many other countries that were far from the state of welfare states. Policies, including social ones, fell into the neoliberal trend and, through a revolution from above, were reconstructed according to the basic postulates of neoliberalism. As David Harvey⁴ points out, a turning point has taken place in world political and economic history (Harvey, 2005), as basic institutions (rules, standards and norms) and basic characteristics of societies themselves have been derived from previous trajectories of social dynamics through radical reconstruction.

The usual explanations for the reasons why this radical reversal took place are: problems arose in the economy (slowing down of economic growth, emerging constraints on growth, problems in capital accumulation, etc.); emergence of fiscal problems (decrease in government revenues with rising costs); changes in mass patterns of behavior, mainly - labor behavior (refusals from inclusion in the labor market); demographic crisis, etc.

However, the explanations and prescribed prescriptions should produce positive effects in relation to the identified problems. When the 'medicines', instead of solving them, deepen them, the explanations turn out to be questionable. In addition, the expected or unexpected results of the drugs taken can be indicative.

Such results are the growth of poverty and inequalities, a parallel strong reduction of the main functions of social policy and the means for their implementation, through its gradual and deep erosion and loss of meaning. In the collision of social policy with a whole bundle of other policies (economic, energy, environmental, regional), the reduction affected the system of social rights of citizens, and since they are a component of the overall complex of human rights, including civil and political, the latter have also been affected to one degree or another

The general trend produced a strong reduction in social protection, in particular social assistance and various social security benefits; increasing the disciplining nature of social policy through sanctions and an increasing number of access conditions, as well as the marginalization of the poor; pressure on universality, privatization and the growth of private insurance in the pension and health systems. This led to a complete paradigm shift by radically undermining the system of shared

³ Minev, D. (2023). Public Policies – Perceptions and Realities, in: Public Policies and Social Changes. The Difficult Road to a Good Society, Sofia (in Bulgarian)

⁴ Harvey, D. (2005). A Brief History of Neoliberalism. Oxford University Press.

public welfare, social security and social solidarity. Anti-poverty policies - supporting vulnerable groups and alleviating poverty - narrowed their scope and became a peripheral, residual activity outside the center of public policies. There is a process of dropping the fight against poverty from the political agenda.

The institutional strengthening of this process can be traced in key documents at the European Union level: the Lisbon Strategy (2000-2010) was supposed to eliminate poverty; Europe 2020 (2020-2030) would lift 25% (20 million) of people below national poverty lines out of poverty; Europe 2030 (2020-2030) decided to fit into the Sustainable Development Goals of the United Nations against extreme poverty and zero hunger and lift 15 million people out of poverty, of which at least 5 million are children. This consistent minimization of the targets, together with the fact that in none of the specified periods they are achieved and there is no accountability for this, outlines the general picture of the fight against poverty.

Outlined like this, the picture to one degree or another applies to the entire European Union. Analyzes and studies clearly show similarities in the processes implemented, as well as an increase in inequalities and poverty. However, the departure from the previous pro-development path has been different in different countries, based on different paths, and recently, as indicated, processes of revision are underway in at least some countries. The depth and breadth of these impacts varies across countries. The levels of both poverty and inequality in Bulgaria demonstrate at least double deformations. Taking the general direction, it seems that neoliberal principles and norms, the establishment of a neoliberal state, is most intensively established and implemented in Bulgaria. Throughout this process, the very high inequalities created by institutional frameworks are not a by-product of natural processes. They are a major factor and without their review and control, social, economic and political paralysis will most likely continue.

Bulgaria is one of the clearest examples of the loss of direction and the erosion of social policy and social protection: In Bulgaria, they are formed according to the "last resort" model, targeting some of the pockets of poverty, weakly supporting the survival of various vulnerable groups, at the same time putting them in competition with each other. Various benefits, e.g. child benefits, old-age social pension, heating support, disability and integration pension, support in extreme cases, etc., have different eligibility conditions and disciplinary bureaucratic procedures. They provide very little support and have no mobilizing effects to get out of poverty. "Instead of integrating poor people back into society, modern 'poor laws' deliberately marginalize vulnerable citizens and punish them by requiring them to conform to all sorts of activities and behaviors in exchange for the 'poor relief' they receive... Furthermore services are designed to be as unattractive as possible so that citizens are discouraged from seeking help"⁵ (Abrahamson, 2019 : 1)

The trend was supported with changes in the insurance system, pension system, tax system, etc. following the rejected ideas of the Washington Consensus and resulting into specific social structuring hardly resembling social structuring in the other EU states. Some well-established political tools, such as official calculations on incomes necessary for survival were abandoned,

⁵ Abrahamson, P. (2019). Viewpoint: the Danish Welfare State – Securing the Middle Classes, Leaving the Poor Behind. Discover Society, 5 June, <https://archive.discover society.org/2019/06/05/viewpoint-the-danish-welfare-state-securingthe-middle-classes-leaving-the-poor-behind/>

while poverty was growing, its problems were largely marginalized and usually discussed as individual failures. Little or no political attention was addressing poverty issues and the “invisible hand of the market” was supposed to provide solution.

The integration of the country in the EU, provided some political tools, as for example official poverty line, development of national anti-poverty strategies, attempts to better address basic needs of different vulnerable groups, etc. Perhaps and more important were the widely shared hopes and confidence that the EU integration will stimulate well-being of the society. Meanwhile, however, different developments have contradictory impact on the processes.

An official poverty line was adopted in 2007, following EU guidelines and measuring poverty as a share of the population with an income below 60% of equalized median income. However, the low equalized medium income is hardly a sufficient tool to honestly calculate cost of living and necessary incomes. In this regard there is need to establish and use a nationally adapted poverty line, which is related to the cost of living. Instead, the so-called "guaranteed minimum income" remained completely unargued for more than ten years within the range of BGN 65-75. Only now, it is abandoned and social assistance is committed to connecting to the poverty line, but, again unargued, insisting on a 30% of her. Thus, instead of a clear commitment to a living wage, the previous guaranteed minimum income has in fact been roughly doubled. The relative poverty line used is an important guide, but it cannot be the only one. This poverty line measures poverty as a distance from a recalculated, based on the specified equivalence scale, median income. But, in highly unequal societies, median income can and usually is squeezed downward. Furthermore, due to its limitations, this poverty line induces statistical illusions – e.g. when the crisis increased unemployment in Portugal, the decline in median income produced seemingly lower poverty levels, while poverty actually increased. Therefore, the relative poverty line needs corrective additions, which are usually adequate reference social standards.

Gradually, coherent national poverty reduction strategies started to be elaborated as well as national action plans for their implementation, official statistics on poverty and social exclusion expanded and improved providing comparative basis with the other EU Member States. National bodies were set up also, that include various stakeholders, e.g. National Consultative Council for Social Inclusion at the Council of Ministers.

However, the limited understanding of the scale of poverty in the country and the restrictive vision of social policy led to the development of strategies and programs with minimalist goals. An example of this is the National Reform Program (NPR 2011), as well as the National Strategy against Poverty in the horizon 2010-2020. This strategy essentially promised in the coming years to maintain the country's last place in the EU, while increasing the distance from the average level. However, despite the minimalist goals, they were not met, and poverty increased, as indicated in the strategy for the next ten-year period.

The new strategy - "National strategy against poverty and promotion of social inclusion 2020-2030"⁶ includes an abstract goal of reducing inequalities through the Gini index, but does not specify how this will be achieved. It is assumed that “the main goal of the planned measures and

⁶ MLSP (2020), National strategy against poverty and promotion of social inclusion 2030 (in Bulgarian)

activities is to improve the quality of life of vulnerable groups and create conditions for their full realization through adequate income support, labour market inclusion and access to quality services”. According to the Strategy’s vision (p. 28) “By 2030, Bulgaria is a country in which social inequalities and poverty are limited and prerequisites and conditions for inclusive and sustainable growth and opportunities for improving the quality of life of vulnerable groups are created.” It is envisaged that any government policy - health, social, educational, etc. will aim to reduce poverty or inequality in society.

Specific aims include:

- Through the inclusion in employment and training of persons from vulnerable groups in the labor market
- Promotion of the social and solidarity economy with a view to improving access to employment, training and social inclusion
- Limiting the intergenerational transmission of poverty and social exclusion (with a focus on child poverty and social exclusion)
- Ensuring equal access to quality services in order to prevent social exclusion and overcome its consequences
- Increasing the adequacy and sustainability of the social protection system
- Improving coordination and interaction and promoting social innovation with a view to the active inclusion of vulnerable groups.

There are plenty of unclear concepts and steps in the vision, main aim and the specific aims. For example, how equal access is ensured in deeply polarized society; how the intergenerational transmission is limited with high and growing impact of social origin; how working poor growing numbers address inclusion; what are the steps to decrease social inequalities, etc. Thus, this political document also retains the logic of the previous years based on “adapting social inclusion policies and ensuring the sustainability of the results achieved” (op. cit. p. 8). There are essentially no measures and/or clear envisaged tools to reduce inequalities in terms of distributive and redistributive policies, although various stakeholders – trade unions, civil society organizations – undertake various campaigns in this direction: for adequate minimum incomes, for progressive taxation, etc. It is not clear either how the promised equal access to education and health will be achieved.

Translated into the language of the state budget for 2024. with a forecast until 2026, this is associated with a lack of mobilizing revision of basic parameters of socio-economic processes. The budget represents a clear message that can be summed up in expectations for more of the same. Regarding the issue under discussion, instead of being categorical about extremely high inequalities, the 2024-2026 forecast explains that it should introduce (under external pressure) a national additional tax in accordance with Directive (EU) 2022/2523 and proposes minimal changes to the Gini index . The described deformations find a place in the entire political decision-making cycle: from the identification of problems, through political measures to solve them, to the evaluation of policies. In this way, opportunities are missed for developing adequate indicators, reasonable and development-oriented goals aimed at a strategic vision with a mobilizing effect.

In a similar framework, defining 'energy poverty' has become a huge problem, not because of cognitive limitations, but because its adequate identification would show the need for support for

huge groups of people. Detailed calculations by Teodora Peneva⁷ show that, depending on the definition, the level of energy poverty in Bulgaria ranges from 7.5% to 54.7%. (Peneva 2023: 53-54). Like the "guaranteed minimum income", the choice of definition is highly dependent not so much on condition as on political preference and convenience.

Linked to a series of access conditions, social assistance has become more about disciplining and sanctioning rather than protecting social rights. Active labor market policies, in the upsurge of activation, refused any reference to job quality requirements and had as their main goal to discipline the poor and unemployed. The whole process is intensively supported by the sorting of people into 'deserving' and 'undeserving'. Individualistic explanations proved to be without limits, although, even from a common sense point of view, if individualistic explanations were true, they should at least not apply to children and the working poor. However, the reflex to blame and blame is so powerful and convenient that common sense doesn't matter. Thus, the broad dimensions of poverty and social exclusion, instead of adequate responses, led to a strong contraction and extreme flexibility of basic concepts such as poverty and social exclusion, in the provision of residual measures with very weak income support.

In essence, social policy is strongly dependent on other public policies (economic, financial, energy, etc.). It must either be able to influence them through demands for social cohesion (as in the so-called "welfare states") or it must adapt to them while they are tuned to produce poverty and inequality (in the neoliberal consensus). Institutionally entrenched, the limitation of social assistance simultaneously with exclusion-oriented broad systems of social security - pension, health, education led to the dropout of well-being and social cohesion from social policy.

THE GAPS FACED BY PEOPLE EXPERIENCING POVERTY

Under the conditions of weak social protection, many meetings and discussions with people experiencing poverty outline different problems faced by them

They could be summarized as follows:

- The income support as well as pensions and minimum salary are considered highly inadequate to cost of living;
- Job is not providing opportunities to escape from poverty
- Public policies are not considered to be engaged with people. The assumption is that they are mainly interested in business and profits, while politicians work for themselves and not for a common good.
- Different areas – especially healthcare and education are basically linked to high and inadequate costs instead to provision of quality services
- Children are not sufficiently supported
- Inequalities are considered very high and not addressed by public policies

⁷ Peneva, T. (2023). Energy poverty in Bulgaria: dimensions and factors, Sofia, (in Bulgarian).

- Electricity and heating and expected price increases are among the basic concerns
- Blaming the poor for their state of affairs is considered a wide practice.
- Justice and fairness are not seen as a feature of society and public policies.
- Ethics is seen as a characteristic of small groups of significant others and friends, but not as a characteristic of society
- Expectations and hopes for improvements are rarely shared. People mainly rely on themselves and their close groups of relatives and friends.

Although the above mentioned is common for different groups, there are dividing lines among different groups also:

- Roma people consider that there is high and increasing discrimination against them;
- Some Bulgarian share the idea that poor Bulgarians are poor due to the social conditions, while Roma people „are lazy“ and should not be supported;
- Families with children focus the necessity mainly and only children to be supported;
- The idea on deserving and undeserving poor could be found out among poor people also. The need limited funds to be distributed among different „deserving“ groups is related to this.
- People experiencing poverty seem to be also fragmented

MAIN DIMENSIONS OF POVERTY AND INEQUALITIES

The parameters of poverty in the country and its constant presence in unfavorable rankings in this regard are widely known. Here I will briefly outline only some of the most important of them:

a/ breadth of poverty

Many well-known data (in Eurostat)⁸ outline the presence of very high levels of poverty in Bulgaria. According to available official data, among the most important of them can be mentioned:

- Distinctly high values of shares of the population living below the poverty line, defined as people with incomes below 60% of the equivalent median income. According to this indicator, slightly more than a fifth of the Bulgarian population lives at risk of poverty - 20.6 in 2023. For comparison, measured by this indicator, poverty in the Czech Republic is 9.8%; in Denmark – 11.8; in Ireland - 12%. These are the three countries with the lowest values and, with different distribution and/or redistribution rules than Bulgaria.

⁸ <https://ec.europa.eu/eurostat>, database

- Very high values of the share of people at risk of poverty and social exclusion, which is a main indicator for measuring poverty in the EU.

It is important to note that the fact that the share of risk of poverty jumps by 10 percentage points when transitioning to risk of poverty and social exclusion reminds us that, most likely, the estimated poverty line in our country, which is calculated only by the first indicator, is not adequate.

- Extremely high values of children living at risk of poverty and social exclusion – the value for 2023 according to Eurostat data is 33.9%. The EU average is 24.8. Romania and Spain have higher values than Bulgaria. In a country that is widely acknowledged to be in the process of depopulation, a demographic crisis and a declining number of children, that a third of children live in poverty and misery is probably among the most important indicators of the state of society and its "social qualities".

- A very high proportion of people living in material deprivation, considering that the EU average is 9%.

Many other data on poverty could be added. However, these four main ones seem to be sufficient for the statement that poverty in Bulgaria is widespread and covers about a third of the population. Such a state should engage public policies and be a clear focus of policy measures. In addition, the prevalence of poverty in a society is certainly an important criterion for choosing between individualized and structural explanations. Low prevalence may reinforce the importance of individualized explanations. But a wide distribution in countries of the "club of rich societies" should prompt a search for structural causes of the condition. Before turning to this question, I will briefly consider two other characteristics of poverty in our country.

b/ depth of poverty

When in a society about a third of the people live in poverty, they are further highly internally stratified and their distance from the poverty line is different.

Some data on distances from the so-called equivalent disposable income can be found in Eurostat. More specifically, in addition to the share of the population living at and below the official poverty line (of 60%), there are also data on the share of the population with incomes of 40%, 50% and 70% of the equivalent disposable income. An essential reason for considering here the total share of people living on income at and below 70% of the equivalent minimum income is the fact mentioned above that the official poverty line is not a sufficient indicator to identify poor and non-poor.

The data shows:

Share of population with income:	Bulgaria, 2023, %
Up to 70% of the equalized medium income	29,4
Up to 60% of the equalized medium income	20,6
Up to 50% of the equalized medium income	12,4
Up to 40% of the equalized medium income	7,6

Source: composed by the author on Eurostat data - Dispersion around the at-risk-of-poverty threshold - EU-SILC survey [tessi126], downloaded on 30.07.2024r.

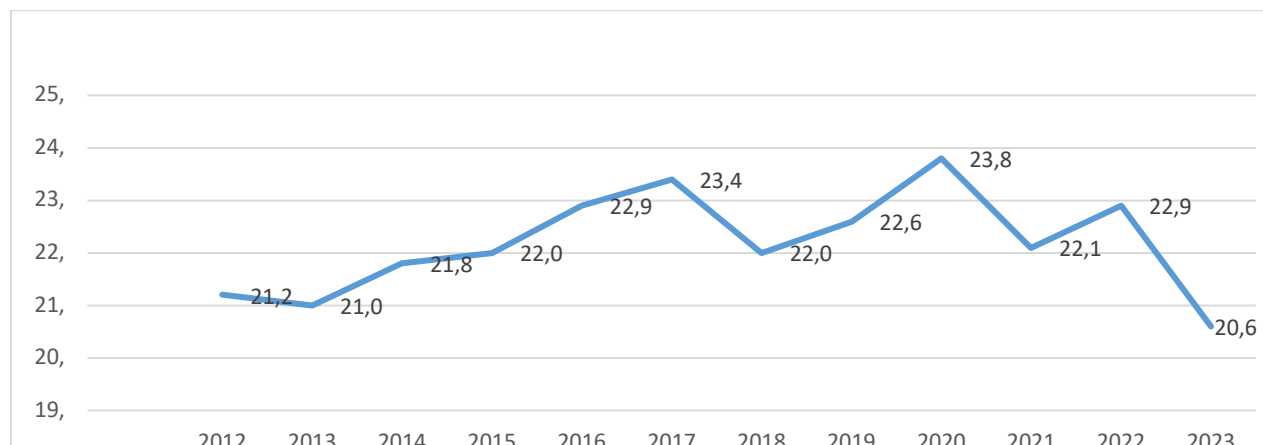
According to these data, the incomes of 7.6% of the population are at a distinct distance from the poverty line; another 4.8% reach incomes between 40 and 50% of the equivalent disposable income; another 8.2% live on incomes between 50 and 60% of equivalent disposable income, and another 8.8% of the population live on incomes between 60 and 70%.

Internal stratification among the poor, the formation of pockets of poverty, has been the subject of analysis in various studies. But they should also become subject to differentiated policies and policy measures. And this means that more widespread research is also needed.

The data also allow to outline the dynamics, since they are from 2012 until 2023. According to the available data, all three indicators – up to 40, up to 50 and up to 60% of the equivalent income demonstrate positive dynamics – the shares of the population with such incomes are decreasing, although not by much. Interestingly, this reduction to around the poverty line has not been accompanied by similar dynamics in the share of those with incomes at or below 70%. This share moves more undulatingly, but unlike the others it remains above the level of 2012-2015.

c/ This is also related to another important characteristic of poverty in Bulgaria - its persistence.

Graph: Share of people at risk of poverty, Bulgaria: 2012-2023



Source: Composed by the author using Eurostat data - Dispersion around the at-risk-of-poverty threshold - EU-SILC survey [tessi126], downloaded on 30.07.2024r.

The graph shows an increase and decrease in the share of people in poverty in the period 2012-2023. There is no clear trend. The value in 2023 is about 3 percentage points lower than peaks in 2017 and 2020, but is only less than 1 percentage point lower than in 2012 and 2013. Thus, these data rather indicate persistent poverty.

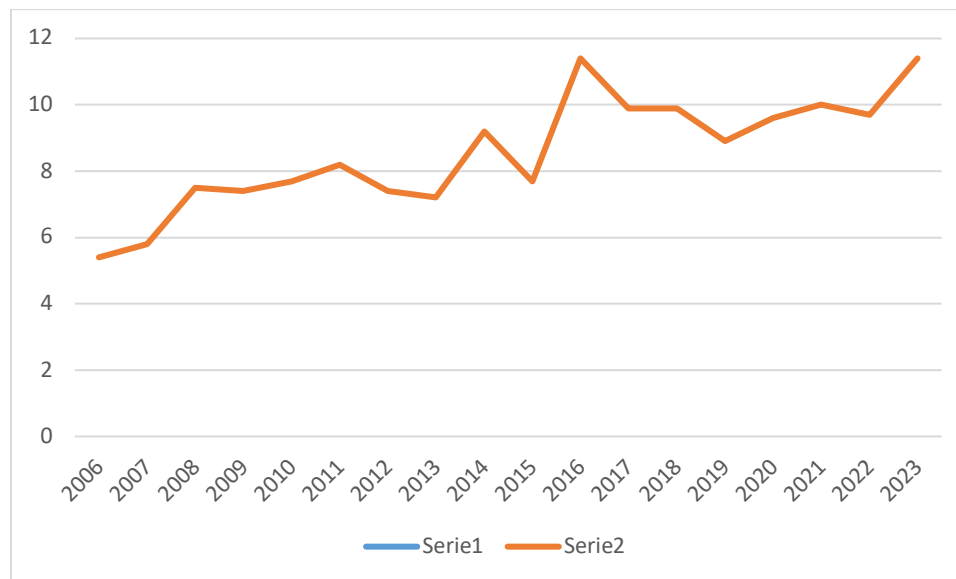
The data in Eurostat related to "the constant risk of poverty ratio, which shows the share of the population living in households in which the equated disposable income is below the threshold of risk of poverty for the current year and at least two of the previous three, lead to a similar conclusion years. Its calculation requires a longitudinal instrument, through which individuals are

followed for four years." income, as well as for those living on up to 60% of the equivalent median income.

Positive dynamics are observed in terms of the values of material deprivation and acute material deprivation. However, it is important to note that neither material deprivation nor acute material deprivation is associated with clearly formulated and officially accepted criteria for a reference budget for living expenses. And their distance from the above definition of social exclusion is too strong.

At the same time, the share of workers with incomes below the poverty line is growing.

Graph: Share of working people at risk of poverty, 2006-2023 r.



Source: composed by the author based on Eurostat data - In-work at-risk-of-poverty rate by sex [tesov110]

This share was 5.4% in 2006. , grew almost continuously to 11.4% in 2016. it moves undulating in the following years and in 2023 it is again at the highest value of 11.4 (as in 2016).

The working poor, like children in poverty, are among the most striking evidence of the inadequacy of individualistic explanations of poverty and the 'effectiveness' of the range of policy measures discussed below. As Sar Levitan, Frank Gallo and Isaac Shapiro⁹ point out in their book on the US, *Working But Poor* (Levitan et al, 1993): “The working poor remain America's glaring contradiction. The concurrence of work and poverty contradicts the American ethos that the desire to work leads to material progress and denies the prevailing view that the cause of poverty among working-age adults is deviant behavior, especially a lack of commitment to work.” (Levitan et al , 1993: 3). In fact, the same applies to pensioners who, retired on the basis of length of service and

⁹ Levitan, S. A., F. Gallo & I. Shapiro (1993). *Working But Poor: America's Contradiction*. Baltimore: The Johns Hopkins University Press.

age, live in poverty. Other authors (Peña-Casas & Latta¹⁰, 2004), analysing the situation in the EU, draw attention to the fact that the approach to in-work poverty must first of all take into account "the complex intertwined relations between economy, employment, social and fiscal policies within the EU, and also at the national and regional level". (Peña-Casas & Latta, 2004: 1). Publications also report that while the problem was characteristic of the US as early as the 1970s, gradually, with the change in employment patterns and the polarization of the labor market, it has also spread to Europe.

This shift in patterns is linked to increased income inequality and is part of the direct link between poverty and inequality.

A general conclusion from the presented panorama of poverty in Bulgaria is that it is broad, deep and sustainable. This state of affairs does not meet the expectations of a European Union society in the third decade of the 21st century and must be changed. How it is changed depends on its generators and public policies.

г/ poverty and inequalities

An important guideline in this regard is that inequalities and poverty are different phenomena, but they have overlapping areas and an established relationship. This can be traced both in definitions of poverty and its generators, and also in strategies at different levels. Relative poverty, for example, which is the main determinant of poverty in the EU, is indirectly related to inequalities. A wide range of national, European (and at the level of the Council of Europe and, perhaps more so at the level of the European Union) and international documents indicate that inequalities are high and include declarations of agreed targets to reduce them. Although abstract, these goals reveal the acceptance and recognition of the link between inequalities and poverty. In modern rich societies, the creation and maintenance of poverty is socially constructed and a function of inequalities.

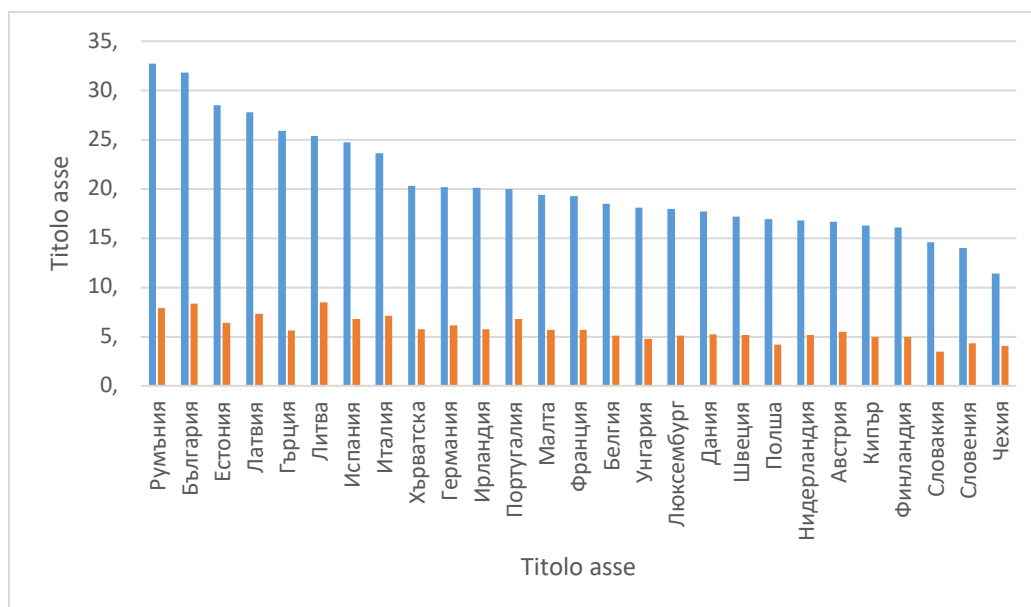
Most of the indicators in the data presented by Wilkinson and Pikett¹¹ (Wilkinson, & Pikett, 2009) demonstrate a strong correlation between levels of inequality and social problems that often affect poor people much more, such as health problems, school performance in math and literacy, life expectancy, infant mortality, teenage births, etc.

The chart below combines EU data on the proportion of the population at risk of poverty or social exclusion with that on 80/20 inequalities for 2022. The Pearson correlation coefficient is: 0.87.

Graph: Inequalities and poverty in EU, 2022.

¹⁰ Peña-Casas, R. & M. Latta (2004). Working poor in the European Union. European Foundation for the Improvement of Living and Working Conditions, Dublin.

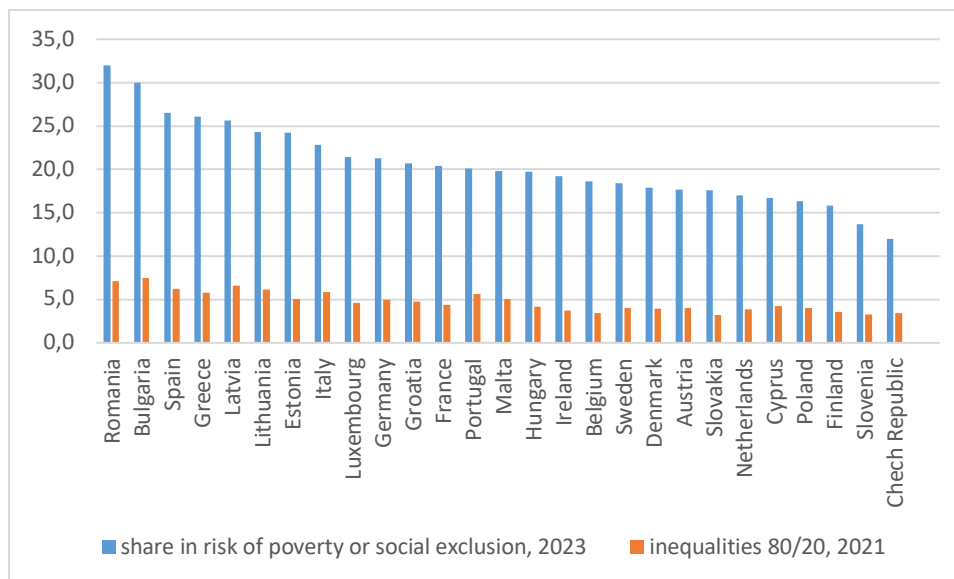
¹¹ Wilkinson, R. & K. Pickett (2009). The Spirit Level: Why Greater Equality makes Societies Stronger. New York: Bloomsbury Press.



Source: composed by the author on EUROSTAT data,
<https://ec.europa.eu/eurostat/web/main/data/database>

It is known, of course, that correlation does not imply causation, that the relationship may be the result of a third factor acting in parallel on both poverty and inequality, and that also correlation does not indicate which factor influences the other. But if, as I did with life expectancy above, I looked for correlation at a 2 year lag: 80/20 odds in 2021. and poverty in 2023, the relationship is strengthening.

Graph: Inequalities 80/20 in 2021 and at-risk of poverty or social exclusion 2023



The Pearson coefficient reached a value of 0.91697602. The level of inequalities 80/20 in 2021 is very strongly associated with the level of poverty or social exclusion in 2023. In this graph, temporally, an earlier level of inequality is strongly associated with a later level of poverty or social exclusion. Even if the influence passes through a third factor, the hypothesis that the reduction of one is a prerequisite for the reduction of the other remains valid.

Some basic technologies of social policy erosion and social protection inadequacy are intensively used:

The blurred silhouettes of decision-makers and the corresponding lack of accountability. As A. Sen¹² points out in "It isn't just the euro. Europe's democracy itself in Europe is at stake": "We have to deal with deep problems related to the fact that the democratic governance of Europe can be undermined by the rather strengthened role of financial institutions and the rating agencies that now freely dispose of parts of the political terrain of Europe".

Basic social security systems in Bulgaria – tax systems, health care, social security, pension systems were transformed by the participation of different international, regional and national actors, stimulating the construction of exclusionary institutions and severely limiting society from making public choices. Instead, economic and social rights to be enforced, the social policy and social protection were subordinated to requirements of market flexibility, employability and economic competition. The result, according to Jessop¹³, is not a reduction in the operational capacity and autonomy of the nation-state so much as its transformation (Jessop, 2013: 18). For Bulgaria, the obvious result is the inability to follow any meaningful concept of social state and turning into neo-liberal state.

¹² Sen, A (2011), It isn't just the euro. Europe's democracy itself is at stake, The Guardian, <https://www.theguardian.com/commentisfree/2011/jun/22/euro-europes-democracy-rating-agencies>

¹³ Jessop, B. (2013), Hollowing out the Nation State and Multi-Level Governance, in: Handbook of Comparative Social Policy, P. Kennett (ed.), Edward Elgar.

Another technology is *crisisification* - a specific way to pretend that certain problems need very urgent solutions and policies need to act as first aid type reactions. This conveniently prioritises certain decisions, centralises the decision making process, avoids consultations and democratic rules, displacing decision centres and participants. By defining situations as crisis, crisisification offers, however, instead of "quick aid" type solutions, long-term solutions and replaces established institutional and public frameworks of making choices with closed and non-transparent decision centers that, as a rule, accept pre-agreed decisions. A typical case is the use of population aging as a 'demographic time bomb', to implement pension reforms. Identifying something as a threat to basic values or basic structures increases uncertainty and the need for urgent action (Peters, 1987). There seem to be politically favoured crises that help speed up and therefore centralize decision-making processes. This is in synchrony not with the crisis itself, but with a construction of the "need for reform" (Cox, 2001).

The third technology is *indicatorization*, understood as a process in which certain indicators begin to reformulate the meaning of observed phenomena. Since indicators represent the way in which certain problems are conceptualized, monitored and evaluated, how they are formulated has a significant impact on the description and explanation of the situation and, accordingly, on the policy measures taken. As pointed out by H. Huelss operationalization techniques can and often do re-define normativity – “In other words, the crucial question is what happens to norms after decisions are made ... I argue that the meaning of norms is defined and constructed in a process of operationalization.”¹⁴ (Huelss, 2017 : 387).

Examples of attempts through indicators in social policy (such as risk of poverty, material deprivation, energy poverty, zero hunger) to strongly limit the possibilities for monitoring the condition, to reformulate goals, to re-normativize declared social rights could be discussed. The use of politically preferred and convenient indicators has a significant impact on the reconstruction of social policy.

Another technology is related to the change in the functions of social policy: *from "Robin Hood" to "piggy bank", using the widespread metaphor of N. Barr*¹⁵.

According to Barr, "among the many goals of social policy, two stand out: 1/ as multiple institutions that provide poverty relief, redistribute income and wealth, and reduce social exclusion (the 'Robin Hood' function); 2/ as multiple institutions that provide and enforce a life-cycle redistribution mechanism (the piggy bank function)" (Barr, 2003: 1).

In this regard, Peter Vanhuys, Marton Mediesi and Robert Gall¹⁶ discuss the question of which of the two functions is more important - redistribution between socioeconomic status groups (Robin Hood) or redistribution in the life cycle (piggy bank). They present a lot of empirical data that social policy has stopped to fulfill the function of 'Robin Hood', but intensively fulfills the function

¹⁴ Huelss, H. (2017), After decision-making: the operationalization of norms in International Relations, in: International Theory (2017), 9: 3, 381 -409, Cambridge University Press

¹⁵ Barr, N. (2003), The Welfare State as Piggy Bank: Information, Risk, Uncertainty, and the Role of the State, Oxford University Press

¹⁶ Vanhuysse, P., Medgyesi, M, Gál, R. (2022), Welfare states as lifecycle redistribution machines: why the piggy bank dwarfs Robin Hood in Europe, OSE Opinion Paper No. 27 – April 2022, ISSN 1994-2893, Brussels

of 'piggy bank'. Additionally, the 'piggy bank' has been transferred for collective risk coverage to individualized solutions. This is clearly traced in unemployment benefits, healthcare, pension system, etc.

A POSSIBLE WAY FORWARD

Widespread, deep and persistent poverty in Bulgarian society, together with very high inequalities and the socio-economic polarization generated by it is a symptom of non-working policies, lack of responsibility, inadequate decisions regarding the overall functioning of society. These developments make it impossible to implement the otherwise existing guidelines for action promising: "... social progress, ... guarantee of adequate social protection, ... quality employment, ... cohesive society" and so on. (European Council, 2015)' and form an almost universal pattern of policies that have replaced most of the economic and social policies of the previous period.

The logo of the European Anti-Poverty Network claims that anti-poverty policies are political choices. Against the background of the state of inequalities and poverty in Bulgaria, this logo needs a conceptual expansion: the production and maintenance of poverty, very high inequalities and a polarized society are also a matter of political choice¹⁷.

Among them, basic options also include:

Policy mix based on commodification

- Policy mix based on commodification
- Social rights' erosion
- Liberalization and privatization of services of general economic interest
- Pressure on minimum standards; living wage questionable;
- Increasing impact of social origin on education;
- Problematic access to healthcare & social housing
- High & growing inequalities and poverty rates
- Social differentiation and continuing fragmentation, rent seeking distribution

It is also important to note that once allowed these processes tend to be maintained by being amplified. There are already enough suggestions on how to further fragment society. Examples of this are:

- Proposals to reduce the number of students and increase the number of specialists with secondary vocational education and qualifications to be convenient cogs in one machine;
- Proposals to introduce an unconditional basic income in the existing context;

¹⁷ Jeliaskova, M. (2024), The Polarized Bulgarian Society: Persistent Poverty and Toxic Inequalities, Sofia, PH „Polis“ (in Bulgarian)

- Proposals to abandon national standards and regionalize poverty lines, minimum wage levels, etc.;

- Proposals not to pay attention to inequalities and to focus attention on the poorest, which has been proven not to work.

More such suggestions like this could be listed. To a large extent, they all have as a guide not better welfare and society, but easier short-term controllability of processes.

For this not to be the case, basic assumptions need to be reexamined in a meaningful way. „Despite progress made and further measures planned, notably with regard to improving social protection and reducing poverty rates, efforts are not sufficient to fully address the challenges that the country is facing in relation to social protection and inclusion, education and skills.“¹⁸ A different approach is needed, large-scale and targeted policies aimed at reformulating the processes of social structuring and dealing with the causes and generators of poverty in the country. Probably one of the first necessary steps in this regard is to honestly and clearly identify the problems and causes, to revise the tax system, aligning it with the social security system and to look for options for the gradual implementation of adequate income policies.

As the authors of „Why Nations Fail“¹⁹ (Acemoglu and Robinson, 2012) write, most important to the success or failure of a nation are its institutions: inclusive institutions are those that can ensure growth and prosperity. Their main characteristic is the participation and control of members over decision-making processes, which is the shortest definition of democracy. On the other hand, extractive institutions could provide growth for a period, but the fruits of that growth are harvested in a way that blocks development opportunities.

Bulgaria needs a comprehensive development strategy based on a vision of the common interest, mobilizing adequate cognitive resources, developing scenarios for inclusive institutions and intelligent, social and sustainable growth, useful for the whole society. Such a strategy is functionally dependent on the glue connecting different groups & communities. It needs to put well-being at the heart of public policies. A review of the policies and institutional frameworks that now lead to both persistent poverty and very high inequalities needs to be done in order to reconstruct the social structuring of society built currently as a narrow and tall tower of groups that are extremely distant from each other to a middle class society type social structuring.

Three basic proposals could address the problems outlined:

1. Introduce an adequate minimum income and living wage based on an honestly calculated consumer basket for adequate minimum living standards.

The development of adequate minimum income standards (also called consumer baskets, reference standards, budget standards, consensus budgets and others) has a long history and practice. These

¹⁸ EUROPEAN COMMISSION, COMMISSION STAFF WORKING DOCUMENT, Country analysis on social convergence in line with the features of the Social Convergence Framework (SCF), Brussels, 6.5.2024, SWD(2024) 132 final, p. 13

¹⁹ Acemoglu, D. & D. Robinson (2012). Why Nations Fail: The Origins of Power, Prosperity, and Poverty. Crown Publishing Group.

standards facilitate the process of formulating policies/measures in the area of income and living standards, provide indicators for monitoring and evaluating effects.

Many practices for building such standards are available: from the University of York, UK and food plans in the US, as well as the widely distributed information databases for many countries: "Wage Indicator Foundation"²⁰ (the coordinating research institutes listed are: Universiteit van Amsterdam, AIAS-HIS, Central European Labor Studies Institute, Cambridge; Indian Institute of Social History (for 2024). Cost of Living Index for 146 countries and 370 cities within them.

The development of adequate, socially acceptable minimum income standards is not a cognitive problem. There is a huge accumulated experience in this direction. The techniques, technologies, methodologies and best practices in this regard have been well known for a long time.

The problem with introducing official adequate minimum income standards stems from a political reluctance, due to the need for real incomes to correlate with these standards. For this reason, they are not even introduced as a goal. However, this renders meaningless the claims of fighting poverty in its various dimensions. It is a paradoxical idea that after the Second World War such standards could be introduced, and in the 21st century, in clubs of rich countries they cannot.

2. Introduce a socially beneficial ceiling on inequalities, incl. by reviewing the generators of very high primary inequalities, reconstructing the tax system and its relationship with the insurance system.

The second authentic criterion for social policy and social protection is related to the control of inequalities. Unlike adequate minimum incomes, the problem of inequalities is quite different. On the one hand, there is sufficient and growing analysis of the damages generated by inequalities on the overall functioning and development of societies. On the other hand, all the main reforms in societies considered - in labor market policies, in environmental policies, in insurance reforms, etc. have as a result the growth of inequalities.

A wide range of national, European and international documents indicate that inequalities are high and include declarations of agreed targets for their reduction. However, they remain at an abstract level and obey to the inadequate idea of "statistical normality".

Beyond rampant inequalities and impossible equality, there are a number of issues related to inequalities that deserve attention. Among these problems, the question of what is the optimal level of inequalities that is socially beneficial seems very important. Paradoxically, many European and national circles on inequalities prefer to focus on inequalities between groups, subgroups and sub-subgroups, activities and sub-activities, but do not pay any attention to the problem of the adequate level of inequalities.

The problem of adequate levels of inequality is too important to be left to politicians and finance ministers. Intensive scientific work is needed on it. Some attempts in this area are already available.

3. Consider the knowledge base of public policies

²⁰ <https://wageindicator.org/>

It seems quite clearly already that under pretense of expertise, broad reforms in various fields excluded citizens from public choices and activated, as Evans²¹ says, intellectually dead ideas, with demonstrably false arguments.

Recently, some of the same actors claim to have revised their views and, it seems, they try to carry out reforms of the reforms again. The problem is the danger that new reforms will turn out to be just as destructive to societies as the ones that have already been implemented.

Building knowledge based social protection and social policy is highly needed. This would mean prioritizing fundamental issues and having the freedom to move on cognitive issues rather than on political preferences. In the framework of social protection and social policy, as in the case with reference minimum standards, this would also mean involving citizens in decision-making processes.

²¹ Evans, R. (1987). Hang Together, or Hang Separately: The Viability of a Universal Health Care System in an Aging Society. *Canadian Public Policy / Analyse de Politiques*, 13(2): 165–180, <https://doi.org/10.2307/3550637>; Barer, M., R. Evans, Cl. Hertzman & M. Mira Johri (1998). Lies, Damned Lies and Health Care Zombies: Discredited Ideas that will not Die. HPJ Discussion Paper, 10, March 1998, The University of Texas – Houston Health Science Center