

BROCHURE ABOUT THE UNDECLARED WORK IN AGRICULTURE





15,9% of the employed in Bulgaria are informally occupied.

48,1% of the informally occupied Bulgarians are in the agricultural sector.¹

1 in five Bulgarians bought goods from the undeclared economy.

1 in ten workers has performed undeclared work and one in seven of the employed has received “salary in an envelope”.

1/5 of the gross added value in Bulgaria is generated by undeclared work.

The occupied in the agriculture in Bulgaria are one of the most socially vulnerable groups of working poor – in high risk of working in the grey economy without social protection or unemployment compensations.²

The agricultural reform that took place in the 90es in Bulgaria changed dramatically the employment forms in the sector. Today the occupation in the sector is mainly part-time, supplementary or informal. The classical occupation form in the agriculture – employment relationship between the owner of the means of production and the employed worker is replaced more often by the **self-employment**. This is a specific occupation form, which is mainly connected with the sole traders, with the freelancers, farmers and producers of tobacco, family workers in family farms and services.



¹ According to data from the International Labour Organization for 2017.

² According to data from the European Commission

According to data from Agrostatistics³ in the Bulgarian agriculture the biggest shares are of the **self-employed and family labor – 557 408 (or 89,7%), while the employed are 57 723 (10,3%) of all the people working in the agriculture. The share of the occupied in the sector regarding the occupied in the economy is 19,3%, while the employed under labor contracts are only 3% of the employed in the country. The self-employed are 87% of the occupied in the sector or 2/3 of the self-employed in the country.** The sector is also characterised by its **seasonality**, which leads to predomination of **temporary and seasonal occupation forms**. This is a serious prerequisite for **insecure and informal occupation, which generate** hard social problems in the sector and in the regions.

A common phenomenon in the sector is for the workers of a sole trader to work as seasonal workers without contract, which are paid a certain amount according to a verbal agreement – that is the worst form of undeclared work.



From the data of the National Insurance Institute about the number of the ongoing, new and the suspended labor contracts during the year, we can see that around **45% of the employees have their contract for determined amount of time – temporary or seasonal occupation.**

Analysing the statistics on the employment in the sector we are alarmed by the poor, even catastrophic participation of the workers in the agriculture in the insurance system: the registered farmers and tobacco producers, which are **paying social contributions for all social risks** except for occupational accident and unemployment in 2017 are **22 344** with average insurance income of **312,03 BGN**. The farmers and tobacco producers who pay **only their pension contributions** are 23 672 with average insurance income of **310,31 BGN**. The workers in cooperatives without labor contract are 938 with average insurance income of 274,27 BGN. The **employed under labor contract** who are obligatory paid all social contributions are **63 651**.

In other words the total number of the people officially paying social contributions in the agriculture is **110 605** out of 2 802 898 workers – only **3,95% of all insured people.**

³ The data is from 2013.

RAISE UP

Stop
undeclared work
in agriculture



Regardless of all the positive changes in the labor law with the introduction of the One-Day Labor Contracts, big part of the occupied in the sector are still working without labor contract, only with verbal agreement. That deprives them of fair payment, social and health insurance, annual leave and other payments, regulated by the labor law. In the sector still exists the illegal employment, which distorts the labor market in the country and hinders the fair working conditions.

This brochure is about the double face of the undeclared work and about the erosion of the social relations through that. The social justice passes through our personal awareness, the information that we have access to and the conscious choice we make.

The undeclared work steals from everybody – you choose!

WHAT IS UNDECLARED WORK?



Undeclared work is any activity performed for remuneration that is legal in nature but not declared to public authorities, which creates prerequisites for avoiding the payment of taxes and social security contributions (social and health) and non-compliance with the requirements of the normative regulation or labor standards.

MAIN (BASIC) FORMS OF UNDECLARED WORK:

- Workers without labor contract;
- A contract with a lower official salary than the actual salary;
- Hiring workers under the minimum insurance threshold for the respective job (by economic activities and main groups of professions;
- „Salary in an Envelope“;
- Labor contracts not registered with the NRA;
- Unreported work based on incorrect working time calculations that do not take into account night work, statutory leave and additional working hours.



NEGATIVE CONSEQUENCES OF UNDECLARED WORK:



For employees

- **Reduced pension entitlements** due to less paid contributions for them;
- **Loss or lower rates of other social benefits**, which are calculated on the basis of their declared salary and the reported working time;
- **Poor working conditions** due to non-compliance with occupational health and safety requirements at work;
- **Infringement of employment rights** (e.g. the right to paid annual leave and restrictions on working time);
- **Less security in terms of employment** and risk of disqualification from redundancy and unemployment compensations;
- **Restricted access to health care and higher costs of medical care.**

For employers (business)

- **Unfair competition**, providing cheaper goods and services than those that comply with health and safety rules and pay taxes and social security contributions;
- **Higher risk of sanctions by competent state authorities**, which can seriously affect their business;
- **Lower quality and labor productivity and distortion of the labor market as well as social cohesion.**



For the state

- **Unpaid taxes and social security contributions.**
- **Less money to provide quality services** such as childcare, healthcare, education and social services targeted at the unemployed or the elderly.

For society

- **Lower workforce quality;**
- **Reduced opportunities for people doing undeclared work** to increase their skills or to participate in lifelong learning;
- **Lower individual working welfare;**
- **Limited opportunities to take advantage of the collective exercise of constitutional rights** (the right to join trade unions and to negotiate a collective agreement);
- **Greater social inequality in society and, at the same time, added value, which is less competitive than the added value of other European countries.**



MAIN REASONS FOR THE EXISTENCE OF UNDECLARED WORK:



- **Inadequacy of the current labor, tax and social security legislation** and the consequences of the practice of undeclared work and the existing ambiguities, gaps and contradictions in the legal framework as well as frequent legislative changes;
- **Lower capacity** to detect abuses and violations and lack of adequate tools or resources;
- **Insufficient capacity of law enforcement bodies** - labor inspectors, tax officers, other control bodies; the complexity and duration of administrative and legal procedures for detecting and sanctioning undeclared work;
- **Lack of trade union representation;**
- **The dissemination of non-standard employment relationships**, such as self-employment, freelance work and work through temporary agencies;
- **Existence of tripartite employment relationships** – work through temporary agencies, posting of workers where control is more difficult, given insufficient tools for cross-border cooperation.

FACTORS ABOUT THE EXISTENCE OF UNDECLARED WORK:

- **Structural and economic factors** related to the development of the economy;
- **Cyclical economic factors** - difficult business environment, long periods of unemployment and high relative share of discouraged people, pressure to reduce wages;
- **Legal factors** - clarity and completeness of legislation, adaptation of legal regulations to new types of work, consistency of legislation, labor, tax and social security provisions;
- **Institutional factors** - law enforcement, and in particular the existence of a separate (autonomous) organization or coordinating body to combat undeclared work;
- **Social factors with a shared understanding of the overall institutional, tax and social framework** and its perceived fairness and transparency - how employers and individuals assess the costs and benefits of declaring economic activity and work, efficiency of government services, risk and disclosure costs and equity of the „system“.



When transparent and fair conditions are combined (reasonable taxes, contributions and provisions, strong institutions), public intolerance to informal economy and undeclared work is increasing and tax and insurance morale is increased.

MEASURES AND ACTIONS TO PREVENT UNDECLARED WORK INCLUDE:



- **Legislative measures** - drafting and / or amending laws and regulations in accordance with the new requirements of the labor market and the new economic realities;
- **Institutional measures** to establish structures and mechanisms for better cooperation between the relevant bodies (General Labor Inspectorate, National Revenue Agency, National Social Security Institute and National Health Insurance Fund, Ministry of Interior, etc.), strengthening the number of labor inspectors and ensuring better working conditions and adequate performance-based compensation systems; investing in training and sharing good experience;
- **Administrative measures** requiring new regimes to regulate relationships or simplify procedures for compliance by employers and / or employees;
- **Technological innovations** - practices related to the use of modern information technologies;
- **Other measures** not covered by the categories above.

TO MORE EFFECTIVELY PREVENT, DETECT AND LIMIT THE FORMS OF UNDECLARED WORK, A VERY IMPORTANT ROLE CAN PLAY:

- **Exchange of information** (linking computer platforms and files of the competent tax and social security authorities);
- **Introduction of unique social security numbers**; cooperation between labor and tax inspectorates in the EU Member States;
- **Denouncement** of unfair competition by employers and trade unions;
- **Exercise of employees' rights both in the country of origin and in the host country** in cases of improper employment and dismissal, even in undeclared relations;
- **Stricter sanctions for abuses in labor law and social rights of workers.** The opportunities for introducing / expanding eGovernment, online registration and the exchange of information between administrative databases are an important step in the fight against undeclared work and the informal economy in every EU Member State.



ROLE OF STATE BODIES AND SOCIAL PARTNERS IN THE FIGHT AGAINST UNDECLARED WORK



The functions of the General Labor Inspectorate (GLI) for detecting and restricting forms of undeclared work cover **measures to prevent and impose sanctions on employers** who benefit from undeclared work and to improve coordination between the relevant national and European bodies based on agreements and exchange of experience and good practice.

In agriculture, following the introduction of day-to-day contracts for short-term seasonal work, GLI has developed an **Automated System - (One-Day Labor Contract Portal)** that allows farmers to find templates of one-day labor contracts online. **Employers - registered farmers** may receive registered templates of employment contracts under Art. 114a, para. 1 of the Labor Code from the Portal for one-day employment contracts on the website of the Executive Agency „General Labor Inspectorate“.

The form (template) of a one-day labor contract, which is regulated in the Ordinance, can be changed and it can be negotiated with working hours of 8 or 4 hours. The change in the template reflects the capability of the System to **automatically fill in any of the fields** of the one-day employment contract. The system may also enter data for the worker on farmer's demand if he has already concluded a previous employment contract with the same worker and entered his data into the System. **The portal for one-day contracts** on the website of the Executive Labor Inspectorate **includes a built-in calculator** that after introducing the amounts representing their pre-paid social insurance contributions for social insurance under the Social Security, Additional Mandatory Pension Insurance and National Health Insurance Fund and **attaching files to the payment document**, automatically calculates how many contracts the farmer can create and register for the month in question, depending on whether he wishes to receive contracts for a 4-hour or 8-hour working day. The **system contains an option to reserve one-day employment contracts** that allows farmers to create contracts only as a template without being given a **Unique Identification Number (UIN)**. When they need to be used, they may generate the UIN of one or more of the reserved contracts and print them out for use.

Additional facilitation for the employers is that they can now return unused forms (templates) of labor contracts online via the One-Day Employment Portal on the website of the Executive Agency „Labor Inspectorate“.





Much of the activities of the Risk Management Directorate and the Risk Control Department at the National Revenue Agency are aimed at preventing and curbing undeclared work in the economy, including agriculture on the basis of enhanced control over the importation of due contributions and taxes and **introducing a new approach to risk management**, including four phases: **first phase** - risk identification and specification; **second phase** - analysis of tax and insurance gaps „at enterprise level, analyzing risks that affect more than one sector; **phase three** - an operational level analysis related to the risks that occur in a particular branch or group of people (ie estimation of how much money the budget has lost, the percentage of risk persons, what is the scheme of concealment or non-payment. In the **next stage** - „prioritization and determination of Measures“. The Risk Management Board intervenes and decides which risks will be treated and what measures will be implemented in the next 2 years and elaboration of **Program for reducing the levels of risk**.

The NRA also carries out information and campaigning activities, which include the issue of brochures - „Taxation of the Farmers“, „Salary in the Envelope“ - on the agency’s website, where everyone can check whether the labor contract has been announced to the state and what salary the employer has indicated. In this way, worker / employee can calculate by himself and in real-time, using his personal identification code (number), what he/she loses when his/hers social contributions are lower than the actual wage he/she receives.



The table below gives examples of salary declarations of varying amounts (using the minimum insurance income - **All** for 2018 by occupational qualification groups) and real wages (ie the expected average insurance income – **All** for 2018 on the same groups of professions) that show what people lose in the case of undeclared work. The NRA Calculator - „Salary in an Envelope“ was used to calculate the losses. **Loss of various social benefits is shown in the order of the declared salary (MAD).**

SALARY	Maternity be-nefits - for the entire period of 280 days (loss in BGN)	Sick benefits - for a period of 10 years (loss in BGN)	Unemployment benefit - single (loss in BGN).	Pension - for a period of 22 years (for wo-men and men) - loss in BGN.
1. MACHINE OPERATORS				
Declared salary - MII - BGN 688				
	1892	954	940	20 225
Real salary - All - BGN 862				
2. QUALIFICATION WORKERS IN RURAL AREAS				
Declared salary - MII - BGN 539				
	3259,20	1643,40	1620,00	34 848,00
Real salary - All - BGN 654				
3. TECHNICIANS AND APPLIED SPECIALISTS IN THE AGRICULTURE				
Declared salary- MII - BGN 707				
	2489	1254	1236	26 600
Real salary - All - BGN 936				
4. SPECIALISTS				
Declared salary - MDL - BGN 779				
	1565	789	777	16 727
Real salary - All - BGN 923				



The National Social Security Institute analyzes and controls with the NRA and GLI, on the basis of the personal register, the minimum social insurance income by economic activities and main groups of professions and registered employment contracts. These two measures, which are implemented since 2003, aim to provide disciplinary action for employers who do not pay real salaries and/or do not pay social security contributions on real salaries as well as those who work without employment contracts or unrecognized working hours (full or hourly).

Trade unions have an important role to play in the fight against undeclared work - through the so-called „Soft measures“, which are expressed in the „cultural“ dimension and on the creation of a common commitment to ensuring fair and just employment conditions. They also take initiatives with other stakeholders, eg. by promoting the culture of engagement with the „Go into the Light“ campaign.

With collective bargaining, trade unions develop rules that define as important issues as salaries, benefits and overtime, and part-time arrangements without sacrificing an appropriate level of social protection. This allows workers to benefit de facto, and not just from a legal point of view, protection of employment, as partners in the arrangement of contracts - their employers would have less incentives for non-compliance and their implementation would be easier. Collective labor agreements can oblige both sides to denounce work in the informal sector and various forms of undeclared work.





Employer organizations provide guidance and support to their affiliates with a view to strictly enforcing legislation and promote information campaigns at sectoral and local level to ensure fair competition and a favorable business environment.

European regulations and actions, both in the legislative and industrial fields, which provide a framework for national initiatives, as well as awareness-raising campaigns and joint actions at sectoral level, with the active participation of the committees on sectoral social dialogue. „Social dialogue is the most effective way to combat social dumping and undeclared work in the agricultural sector,“ containing 11 key issues for joint commitments by employers and trade unions, as well as calling on national governments to respect partners as guarantors of social justice. **The social partners support the European debate on this issue and insist on finding an adequate legal solution for balancing workers' social security and administrative burdens for employers.**





The good communication strategy to promote increased benefits and reduced costs of labor and economic formalization is also a key component of reforms aimed at reducing undeclared work and the informal economy (use of domestic mailboxes where stakeholders provide information on undeclared work without their identity, ongoing checks and types of „campaigns“ in sectors with high levels of undeclared work, conducting cross-checks on the basis of the dispute cooperation with other institutions, greater media coverage of the negative aspects of undeclared work by presenting the results of the control, development of a national dissemination strategy by means of television and radio broadcasting, publication of local press conferences organized by labor inspectors, trade unions and employers, roundtables that convey messages to all citizens in unfavorable, undeclared working conditions).

IN ORDER TO PROTECT YOUR LABOR RIGHTS, YOU CAN CONTACT THE TWO MAIN COMPETENT STATE INSTITUTIONS - EXECUTIVE AGENCY GENERAL LABOR INSPECTORATE (EA GLI) AND NATIONAL REVENUE AGENCY (NRA):

- **At 0700 17 670**, the employees of the **Labor Inspectorate** will help:
 - * if you work without a labor contract;
 - * if you are officially working on a 4-hour working day, but in fact you work more;
 - * if the working conditions you are working on are violated.
- **At 0700 18 700**, the staff of the **National Revenue Agency** will help:
 - * if your social contributions are paid at lower salary than the real one;
 - * if you find that no insurance declarations have been filed;
 - * for other violations of your social security and health rights, as well as alerting the state institutions responsible for it. The website of the electronic calculator “Salary in an Envelope” is www.zaplatavpplik.bg
- **The relevant trade union structures of the Confederation of Independent Trade Unions (CITUB) and Podkrepa** may also be useful in informing and consulting workers/employees about their violated labor rights, concluding collective agreements and conducting campaigns to promote good practices www.fnsz.org.



If you are **FARMER** or **SEASONAL WORKER** – in Bulgaria or anywhere else in the European Union – and if:

- You work without labor contract and only according to a verbal agreement;
- Your salary according to your contract is lower than your real salary;
- Your salary is lower than the minimum insurance threshold for the respective job;
- Your labor contract isn't registered with the NRA;
- Your working time is not calculated correctly - taking into account night work, work during statutory leave and additional working hours;
- You receive „Salary in an Envelope“.

... this means you provide **UNDECLARED WORK!!!**



THE UNDECLARED WORK STEALS FROM EVERYBODY AND YOU LOSE:

- Fair and decent payment;
- Statutory leave;
- Sickness and maternity benefits;
- Redundancy compensations;
- Unemployment benefits;
- Higher pension;
- Healthcare;
- Possibilities for vocational training.

YOU LOSE YOUR CITIZEN'S RIGHT FOR DECENT LIVE IN BULGARIA AND EUROPE!

If you need help, contact the **TRADE UNIONS** or the **GENERAL LABOR INSPECTORATE** in Bulgaria.

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RAISE UP

Stop undeclared work in agriculture



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