

MESMER+

Mapping European Social Economy: Employment, Social Dialogue and the European Pillar of Social Rights

Project nr. 101052222

Policy lab – BULGARIA

4 July 2023

From 10.00 to 15.30

Venue: Globus Congress Centre, Asia hall, 1 Macedonia Square, Sofia

Policy brief

POSITION

of the participants in the national Policy Lab

Bulgaria is one of the countries with an underdeveloped social economy sector in Europe. Enterprises and organizations that work primarily for social benefits rather than profit hold a relatively low share of paid employment - 2.8% compared to an EU average of 6.3%. According to this indicator, our country falls into the most unfavorable group of "developing" countries. The social economy sector is highly developed in countries such as Italy, France, Belgium, where solidarity enterprises form over 9% of paid employment. This is shown by the data of the EU social economy portal <https://social-economy-gateway.ec.europa.eu>.

Challenges, faced by Social Enterprises in Bulgaria

Based on these negative trends and analyzes made, attempts are made to catch up and make progress by planning a financial resource for addressing the challenges faced by social enterprises - unpreparedness for the "green" and digital transition, increasing the visibility of products and services, improving their productivity and competitiveness. National ESF program measures are related to improving the visibility of social enterprises, using new technologies, including the possibility of inclusion in digital skills training, increasing the management skills and potential of people who want to engage in social entrepreneurship and stimulating the exchange of knowledge, the partnership and dialogue between all participants in the ecosystem of the social economy. The expectations for establishment of sustainable sector that will help to overcome the social exclusion of people from disadvantage groups, are not fulfilled so far.

- Social enterprises in Bulgaria, registered under the **Law on Non-Profit Legal Entities** are non-governmental organizations developing economic activities with a significant social effect towards persons from vulnerable groups in the broadest sense: improving their standard of living, providing

employment, providing of services and/or other forms of direct support, the end result of which is their active social inclusion.

- Bulgaria still lacks a supportive environment and appropriate activities to engage persons with disabilities, persons with mental illnesses, persons suffering from various addictions or persons who have served a sentence of deprivation of liberty, persons seeking protection and others vulnerable groups.
- **Project-type financing** of enterprises and organizations from the social economy supports their development but creates significant obstacles to their sustainability. That is why a **long-term policy** on the financing of enterprises is needed, which guarantees the production of quality products and services, a regional dimension and a strong commitment of the national authorities and especially of the municipalities.
- There is a clear need to increase society's interest in social added value as a result of the activity of social enterprises, to change the attitudes and culture of consumption of the products and services produced and offered by social enterprises. In this regard, there is a need for elaboration and communication of a **Glossary of the main terms and concepts** of the Social Economy to be addressed to the society.

Proposals for Strengthening the Role of Social Economy in Bulgaria

We, the representatives of the social partners - Trade Unions and Employers' organizations - CITUB, BIA, Federation of Agriculture – CITUB affiliate, and the representatives of social enterprises, labor-productive cooperatives, Concordia-Bulgaria, National Federation of Employers of the Disabled, Institute for Social and Trade Union Research, Education and Training and NGOs engaged in social entrepreneurship training, are convinced that:

- The social and solidarity economy is an opportunity to achieve smart, sustainable and inclusive growth and is a key partner and stakeholder in the implementation of **the European Pillar of Social Rights**.
- The social economy **supports** the process of social inclusion and differs from corporate capitalism. Within the framework of the social economy, a business model is created that is not characterized by size and spheres of activity, but by **respecting common values**, such as: supremacy of democracy, committed participation of civil society structures to achieve social progress, the rights of the personality; protection and application of the principles of solidarity and responsibility, combining the interests of member users and the general interest; democratic control by members; voluntary and open membership, management autonomy and independence in relation to public bodies; investing surplus revenue in the service of the members combined with the common interest in achieving the goals of sustainable development.
- Despite the difficulties in creating and developing social enterprises in Bulgaria, the tendency to use their capacity and the contribution of non-profit organizations to create **employment** and **integration** of disadvantaged groups, for **social inclusion** and provision of **social services** is visible.

- The differences between the regions and their problems and needs in Bulgaria are significant. There is a key need for the state authorities to strengthen the activity of policies to support and promote social enterprises in according the **regional specificity**.
- There is an urgent need for changes in the **Law on Enterprises of the Social and Solidarity Economy /2018/** and the bylaws, including: specific incentives for the development of social entrepreneurship; introduction of mandatory regulations for municipalities to support enterprises and cooperatives from the social and solidarity economy in their territory, for example by providing free premises and equipment, reduction or exemption from local taxes and fees and incentives for hiring people with disabilities and people from vulnerable groups; adequate change of the conditions for registration of social enterprises in the **Register of the Ministry of Labour and Social policy**, such as enterprises of people with disabilities to be included by right.

Social Enterprises and Social Dialogue

Social enterprises and the entire civil sector must demonstrate their abilities to be a **reliable partner of the state and social partners** within the framework of social dialogue in solving important social problems and prove that innovation and flexibility are their main distinguishing features.

The topics related to the social economy are included in the social dialogue by the nationally representative social partners according to the criteria laid down in the Labour Code. There is no special participation of the organizations as enterprises of the social economy. An **interdepartmental working group** has been established at the Minister of Labor, which includes employers, trade unions, the civil sector, the academic community, state bodies and enterprises of the social and solidarity economy. The working group should be more proactive and use the data gathered by regular questionnaires for policy making and sustainable development. Bulgaria still lacks a sufficient number of good practices for the development of social economy.

Good Practice Example

A good example is the project under the **HRD Program "Development of the Social Economy"/2023-2026/**, the main objective of which is the development of a regional approach to the social and solidarity economy policy and the creation of regional focus points, with the aim of modernizing enterprises of the social and solidarity economy. The emphasis will be on the transformation of the entities of the social and solidarity economy in the context of the **twin (green and digital) transition**, as well as conducting specific training in digital skills for their workers. At the same time, the project envisages promoting the creation of networks and conducting trainings, initiatives and partnerships to include social entrepreneurs in the **social and civil dialogue** with state institutions, local authorities and local communities.

Needs for Legislative Changes

Changes are also needed in the following laws and regulations:

- **Law on Persons with Disabilities:** to increase the role and importance of the Agency for Persons with Disabilities by transforming it into a State Agency, as well as to provide for strict control measures and sanctions for employers who violate the quota principle to ensure employment of disabled people;
- **Social Insurance Code** - to abolish the obligation to pay the first 3 days of compensation for temporary incapacity from social enterprises;
- **VAT Law** - reduction of VAT for goods and services of specialized enterprises and cooperatives of disabled people;
- **Law on Public Procurement** - to update the provision of Art. 12 regarding the preservation of public procurement for the above enterprises, as well as the List, which is approved by the Council of Ministers;
- To adopt a new **Ordinance on employment**, corresponding to the new realities of the economy.

Actions are needed to unlock the potential of social and solidarity economy enterprises through:

Encouragement and resilience

- support for social entrepreneurship should include the allocation of public resources to support the activities of social enterprises to deal with social problems;

Equal treatment and reduction of administrative burden

- providing a package of incentive measures available to all forms of social enterprises;
- provision of fast and financially affordable administrative procedures;

Effectiveness and efficiency

- implementation of programs and measures after analysis of needs, coherence and adequacy of goals;
- relevance of the invested resource to the obtained result - a clear assessment of the financial and social result;

Coordination and decentralization

- building mechanisms for the participation of social enterprises in the planning and evaluation of the social entrepreneurship policy at the national level together with the social partners;
- creating conditions for the development of social entrepreneurship at the local level, in accordance with the specifics of the respective territory through interaction with municipalities, trade unions and employers' organizations (through local and regional strategies).

Solidarity and partnership

- creating conditions for the representation and participation of social and solidarity economy organizations in the process of consultation and social dialogue by sharing responsibility between all interested parties.