



**THE INTERCONNECTION BETWEEN EMPLOYMENT STRATEGIES
AND SOCIAL INCLUSION STRATEGIES:**

THE CASE OF BULGARIA

Title:

The interconnection between employment strategies and social inclusion strategies: the case of Bulgaria

Published by:

*Project Bridges for Inclusion
Anti-Poverty Information Centre (EAPN - Bulgaria)
159 "Rakovski" str.
1000 Sofia
Tel: +359 29885448
Fax: +359 29885448
Email: perspekt@tradel.net*

Authors:

*Maria Jeliaskova
Douhomir Minev*

Date of publication:

August 2008

Note:

This document reflects the author's opinion. The European Commission is not responsible for the possible use of the information that it contains.



"Bridges for Inclusion" is co-financed by the European Commission (European Community Programme for Employment and Social Solidarity – PROGRESS 2007-2013)

1. History of the crossroads between the National Strategies on Employment and Inclusion -----	5
1. Growth and jobs without inclusion: Evolution and main characteristic of poverty, exclusion and unemployment until the crisis of the seventies. The labour and social strategies and measures between 1950s – 1980s-----	5
2. Jobs without Growth: the 80ies. Public policies, plans and measures (programmes)-----	7
3. Neither Growth nor Jobs: 1990 – 2000-----	8
4. Growth and jobs without inclusion: 2000 – 2007. The formulation and implementation of the National Plans on Employment and Social Inclusion. The influence of the European Funds and European Programmes-----	9
5. Labour market, social protection and local development-----	13
6. Main conceptual and strategic debates during the last ten years (duality of the labour market, social and labour integration, activation)-----	14
7. Actual situation. Facts and numbers concerning unemployment, poverty and other relevant figures. Who stays “out” of the employment and inclusion policies?-----	15
8. Conclusions-----	16
8.1. Dynamics of policies, poverty and exclusion: The “iron cage” of the restrictions-----	16
8.2. Major gaps between employment and social inclusion-----	18
8.3. Major bridges for inclusion-----	21
2. Bridges between the National Strategies of Employment and Inclusion through Social Economy and Social Enterprises -----	24
2.1. National definitions (conceptual and terminological)-----	24
2.2. Birth and development of the social economy and the social enterprises-----	24
2.3. Political context. Legal framework. Typology of organisations -----	26
2.4. Dimension, main characteristics and territorial implementation -----	27
2.5. Relations between social enterprises and other actors (public bodies, trade unions, employers, etc.)-----	30
2.6. Conditions that facilitate and hamper the social economy-----	30
3. Other “Bridges” Experiences and Opportunities: Components of an Inclusive Economy -----	33
3.1. Participatory local economy-----	33
3.2. Other participatory dimensions of local development: more participatory social assistance services at local level-----	35
3.3. The inclusive potential of the use value production: an example-----	36
4. Lessons. Conclusions. Recommendations -----	37
4.1. Relation between European, national, regional and local strategies-----	37
4.2. The conceptual and strategic plus value of articulating national strategies of employment and inclusion -----	39
4.3. Most important and significant lessons from the identified “bridges”-----	40
4.4. Conclusions and recommendations-----	40

I. History of the Crossroads between the National Strategies on Employment and Inclusion.

Bulgaria: Moving in a Circle

The present overview on the evolution of poverty, exclusion and unemployment and the relevant policies in general follows the periodization included in the Index for National Studies proposal. The modifications made can be explained by the desire to adapt the overview and the periods to the peculiarities of the dynamics in policies and social processes in Bulgaria.

The heading of this section aims to highlight a specific feature of the strategies regarding poverty, exclusion and unemployment that has been overlooked – the cyclic nature of the strategies and of the actual social processes related to them. However, we are not really interested in the cyclic recurrence of real phenomena but rather in the cyclic nature of the major instruments for their management – the strategies and the policies developed on the basis of these strategies. Below we have outlined the rationale underlying our opinion that strategies are in fact “moving in a circle” throughout the period under consideration. The actual innovations in the strategies applied are so weak that practically it is very difficult to distinguish the progress, if any. The similarities between the strategies and the policies in the beginning and at the end of the period under consideration are really impressive.

1. Growth and jobs without inclusion: Evolution and main characteristic of poverty, exclusion and unemployment until the crisis of the seventies. The labour and social strategies and measures between 1950s – 1980s.

Obviously, during the period under consideration we cannot talk about an explicit strategy to combat poverty and (in particular) social exclusion. As early as after the first five-year plan, poverty as a form of social reality in Bulgarian society was not recognized and the very concept of poverty became obsolete – both in political vocabulary and in various research and studies (except when it had to be underlined that poverty had been completely eradicated). The problems of poverty and exclusion were formulated and discussed within the terms of “improving the living standard of the population”. “The fundamental economic law” of socialism was articulated as “a better and better satisfaction of the increasing needs of the population”.

But behind the propaganda public image there were real social processes going on. Although these processes and the relevant policies were comprehended and formulated in another way, if we look into them closer, we will be able to discern the actual schemes that had an impact on poverty and exclusion.

If we try to describe these impacts, we have to note that a fundamental and “underlying” element of the real impact on poverty and exclusion was employment. Although there were a number of variations, the core of the strategy on employment was clear – achieve all-embracing employment (later this was extended to “effective employment”). This strategy was incorporated as a component into another broader strategy – the one for the economic

development which the language used then described as “building socialism”. Actually, the central line of social changes consisted in a state-driven, accelerated (pressed) industrialization of the country. The fast developing industry generated an extremely sharp growth of job opportunities and caused massive structural changes in economy and society. For about two decades – until the mid 70s – industrialization had even produced shortage of work power.

So, the central issue of the strategies regarding poverty and exclusion was that they primarily, even exclusively, relied on the economic growth and the resulting increase in employment opportunities. Therefore, employment had a key role with respect to poverty and exclusion and was the only mechanism providing income to the active population, the salary being the prime form of income, respectively. Income from other sources except employment in the state-owned (industrial) enterprises and rural co-operatives was growing smaller and became more and more insignificant. There were no income options specifically focused on reducing poverty and exclusion. Social insurance (pensions and short-term social insurance schemes) was closely related to the employment system and was its function (and a function of the salary) – all earnings from social insurance (the entitlement to social insurance benefits and the relevant amounts) depended on the length of service and on the remuneration (as entitlement and relevant amounts). Moreover, social insurance used to play an increasingly important role as a regulator of the “distribution and utilization of manpower” and the labour behaviour of the employed. The social assistance system, as far as it existed at all, was in an embryonic state and practically could not in any way influence the income and living standard of individuals and families.

The so-called public consumption funds played a special role – mainly in the field of healthcare and education. They were formed at the stage of primary distribution and did not depend directly on the salaries of the employed. The tax system also used to have an insignificant role in this “construction” since the salary rate (and the relevant revenues from social insurance) was under very strict control. Tax rates were too low; the redistribution of income after tax was of little importance and practically did not in any way change the primary distribution.

These specific features of the strategies for overcoming poverty and exclusion outline a striking similarity with the strategies of the latest period – 2000 – 2007.

In brief, it can be summarized that poverty and inclusion were the focus of a broader strategy for economic growth (by accelerated industrialization). The growth strategy incorporated an implicit (sub) strategy of all-embracing employment (later resulting in manpower deficit), while this widespread employment itself was the instrument to raise income and living standards. The dynamics of social insurance was a component (dependent) of the strategy of all-embracing employment. The same was true for education and healthcare since their main purpose was to provide manpower of adequate quality in order to achieve the desired economic growth.

So, during the period officially defined as “socialism”, the strategies to overcome poverty and exclusion were – quite obviously – based on a central pillar, which, without any doubt can be characterized as “growth and jobs”. However the context of forced industrialization and control on inequalities was very important for the “growth and jobs” strategy.

In the light of human rights issues, the situation looked strange – relatively developed social rights were combined with strongly limited, if not missing, political and civil rights. The right to work was undoubtedly real but strongly hypertrophied – it was turned into “a duty of every socialist citizen”. The “citizen”, however, was missing. And this in fact was the bearing construction of the whole “system” for combating poverty and exclusion. It looks quite absurd but similar features will again emerge in the period of social and political transformation, called “transition”.

2. Jobs without Growth: the 80ies. Public policies, plans and measures (programmes).

In Bulgaria this was the period of the so-called “mature socialism”. Ironically, this period really proved to be the best in terms of dynamics of earnings and employment, which reached their highest rates in the modern history of Bulgaria. However, at that time nobody was aware of that and nobody expected that we were going to face an unprecedented downfall in living standards – about twice.

The crisis in the late 60s and early 70s did not bring any changes into the strategy of dealing with poverty and exclusion described above. The crisis was overcome in the easiest way – by external loans – so the key trend of social dynamics, “growth and jobs”, was kept and further sustained. The increase of wages, salaries and pensions was slow but permanent and the employment rate was around 100%. The continuation of this strategic trend resulted in the marked escalation of a number of problems. It is not worth discussing in detail all these issues now, but staying within the framework of the topic we are interested in, we could highlight some important consequences. The manpower deficit that came forward changed the “balance of forces” of the two major players in economy – the “employers” and the employees. The enterprises did not compete on the market of goods and services, but their directors did compete on the “political market”. The political evaluations on the performance of directors were grounded on the economic results they achieved, and the economic results, in an environment of an increasing manpower deficit, depended more and more on their capability to provide the workers required. In their efforts to ensure adequate manpower for their enterprises, the directors competed with one another. In short, a labour market was emerging, although it was quite specific. The strict centralized regulation of salaries and workforce mobility was not able to fulfil its purpose and became more and more inefficient. To attract workers the directors tried to create better conditions, mainly (but not only) by offering higher salaries. This tendency influenced the social insurance system as well. Special privileges in pension insurance started to be established on a large scale (earlier retirement) for people working in very important enterprises and industries suffering from manpower deficit. To recruit back the retired people, it was allowed to get a pension and a salary at the same time.

So, this resulted in a noticeable growth in remunerations and even more accelerated growth in social insurance spending. The invisible (unrecognized) labour market predetermined a higher labour value. Certainly, this dynamics should not be overestimated. Nevertheless we can say that the “Centre” for managing planned economy was losing control over the one thing that it cared for most – the distribution of earnings and consequently economic freedom.

When the effects outlined above became large-scale, official strategies began changing. The emphasis on all-embracing employment gave way to another one – efficient use of manpower and before all – productivity of labour. People started talking that “even under socialism it is possible to have unemployment”. The fast growth of pension spending was on top of the agenda more and more often. Particular concern was raised by the increased mass of the so-called “hot money” – money, accumulated by the population for which the market could not offer adequate goods and services. The easiest solution to the problem with “hot money” was obviously (hyper) inflation and that exactly happened.

3. Neither Growth nor Jobs: 1990 - 2000

This was the period of extremely intensive changes announced as transition to democracy and market economy. Recognized western analyzers (Carrodors) assert that the objectives of transitions in Central and Eastern Europe, proclaimed initially, were not reached. That is probably the case. The major course of changes was neither growth, nor anti-poverty and inclusion, nor even the establishment of new institutions – democratic and market-oriented. The main line of changes was privatization. It was performed by following specific procedures that turned it into a criminal deed according to many people. Criminal action became so deeply rooted that today it has spread to the European funds as well.

During this period there was a fast increase in unemployment rates – about 20% in 1998-2000 and long-term unemployment stood steadily at levels above 50% of total unemployment figures. Just in the first four years of the transition the number of employed people fell from 4 000 000 to 2 900 000. The nature of the changes in the employment structure (reduction in the relative share of people employed in industrial sectors, increase in the relative share of people employed in small businesses, agriculture and services; the fast growth of grey economy, etc.) clearly reveals the deindustrialization character of the changes.

Employment, income, and living standards were not the major concern of policies. The most significant change in the policies related to poverty and exclusion was the expansion of social insurance options in cases of unemployment and improvements in the social assistance system so that some minimal protection could be provided in an environment of fast-growing unemployment and poverty.

The other important change was the deregulation of the labour market which drastically modified the “balance of forces” of employees and employers to the advantage of the latter.

At the same time, the distorted labour market caused erosion processes in public sectors, such as education, healthcare, and social insurance. In 1998 this erosion found its statutory regulation through the reforms in healthcare and social security (enforced in the year 2000). Initiated and funded by the World Bank, these reforms were characterized by individualization (binding personal contribution to the access to public welfare), limiting social solidarity and subsequent further fragmentation of society, monetarization and social exclusion from access to healthcare and social insurance benefits.

A central feature of this period was the political denial to identify the problems of poverty and social exclusion as major concerns of society. The very word poverty was energetically rejected on political level. The term social exclusion was unthinkable. It will not be exaggerated to say that in that period there was no social policy, but rather palliative measures for the most urgent cases involving provisional actions and short-term tasks. The population used to survive by employing three major strategies: migration, 'second' economy and self-sufficiency production.

Regional differences increased both with regard to economic indicators and deprivation of social and economic rights. An example of the differences in the deprivation of rights was the proportion of the number of unemployed and the number of those of them that were entitled to unemployment compensation in an environment of increasing restrictions regarding admission procedures.

The period demonstrated how claims to enforce civil and political rights could be used to suppress and even severely undermine accumulated social rights.

4. Growth and jobs without inclusion: 2000 – 2007. The formulation and implementation of the National Plans on Employment and Social Inclusion. The influence of the European Funds and European Programmes.

During this period social policy (in particular – the strategies on poverty and on employment) had already drawn a full circle and had come back to the well-known and calm waters of the 1950-1980 strategy. The fight against poverty and exclusion was again grounded on achieving economic growth and high employment rates; the presumption once more was that positive consequences will automatically result.

Naturally, the terminology has also changed – the archaic language about “building socialism” has been replaced by the much more impressive formula such as the “trickle down approach”, vigorously recommended by the IMF and the World Bank. The approach has been presented as a panacea in the fight against poverty and exclusion. The same approach was also strongly supported in the report of Wim Kok and the ensuing revision of the Lisbon strategy. Bulgarian social policy is now feeling quite confident, it feels at ease – the strategy is again grounded on “growth and jobs”.

Statistical data again generate optimism. The official unemployment rates were reported to have reduced from 18% in 2000 to 13% in 2003 and to about 8% in 2007. In 2008 there is already shortage of manpower. Income redistribution was minimized again; the income tax is now minimal and flat – 10%, the same as the tax on profit. The dimensions of poverty and exclusion can be compared to those in the beginning of the cycle – the 50' of the 20th century.

Evidently, there are certain differences compared to the “glorious 60s”.

However, this time growth cannot have a positive influence on unemployment, poverty and exclusion because growth is now progressing in a specific framework conditioned by requirements (and consequent measures) for improving efficiency (competitiveness). The

effects of 'growth and jobs' strategy are quite different when it is embedded in the economic context of fast deindustrialization and ever increasing inequalities

In such context, efficiency can be improved mainly through labour-saving (reducing the number of employed and labour price) "high" technologies or by directly cutting labour costs and the number of employed. On a macro level efficiency can be also reduced by closing down enterprises which have proved to be inefficient. Sometimes this could strongly downsize whole sectors. Deindustrialization has been clearly outlined as a tendency – sector structure is now dominated by tourism, agriculture and services.

Thus, improvement of efficiency turned out to be related to reduced labour costs, i.e. unemployment, exclusion from the labour market and poverty, while the mechanisms for redistribution of incomes have also been blocked.

In terms of human rights it could be said that the right to development and the right to participation in development are transformed (and reduced) to the right to work. Poverty dynamics during the last 3 or 4 years have clearly proved questionable the efficiency of both the "trickle down approach" and the "growth and jobs" thesis. The country demonstrates a stable combination of high growth rates and consistent, even increasing poverty. In contrast to the period 1950-1980, this time growth is not directly related to the levels of poverty although unemployment is decreasing.

Bulgaria's European integration brought about new issues in the strategies against poverty and exclusion and in employment strategies. To begin with, what matters is that poverty and exclusion have been recognized as serious issues of present society. Another important innovation is the implementation of some components of consultation process. A vivid manifestation of the consultation process is the current elaboration of the "Report of Republic of Bulgaria on the Strategies for Social Protection and Social Inclusion: 2008 – 2010".

Additionally there is a tendency towards intensifying the active measures on the labour market following EU strategies. So, after 2002 various measures have been undertaken to implement a number of programs, especially ones focused on reducing unemployment. In 2003, for example, about 100 000 people were employed under the national program "From Social Assistance to Employment" encouraging local administrations, private businesses and non-governmental organizations to hire officially registered long-term unemployed people. Along with these programs, the Ministry of Labour and Social Policy initiated a number of changes in the legal framework, for example by adopting the new Social Assistance Act and the Regulations on the Provision of Social Services. The modifications provide for decentralization (enhance the involvement of local administrations in social activities) and stronger commitments on behalf of NGOs and businesses in dealing with unemployment. A number of amendments have been introduced in various statutory acts and relevant implementing regulations related to child protection, social services funding, pressure for deinstitutionalization of social services, and so on.

In 2002-2003, thanks to the financial support of the United Nations Development Programme, Bulgaria developed and approved its National Strategy for Combating Poverty and Social Isolation and the Millenium Development Goals for Bulgaria. Compared to the

previous decade, elaborating these documents and recognizing poverty as an issue was a step forward in the European direction. On the other hand, the documents intentionally avoided the European term “social exclusion” and set minimalist and non-European goals for the development of the country. In the National Reform Programme (2006-2009), which is supposed to contribute to social inclusion, the term social exclusion can be found only once (p. 101)¹; the term poverty - three times (p. 99, 102 and 103)² and the term social inclusion - twice (p. 46 and 102)³. A sign of terminological inadequacy is also the use of the term “isolation” instead of the European term “social exclusion”. Another example can be seen in the National Report on Strategies for Social Protection and Social Inclusion of the Republic of Bulgaria for the period 2006-2009 of September 9, 2006. There social exclusion is related to active measures on the labour market and the term is lacking whatever specific content, it simply goes together with the term poverty.

Social policy is not inherently bound to other policies, such as tax, economic, financial, insurance, healthcare, etc., which continually generate poverty and social exclusion. The narrow scope of social policy does not allow it to overturn the general trend in poverty and exclusion. Moreover, the implementation of pension and healthcare reforms has outlined groups that have been deprived of access to basic social rights, benefits and services. Steady poverty pockets have been established transferring deep poverty from generation to generation.

In 2003 the Employment Strategy 2004-2010 was adopted. National Actions Plans on employment have been developed on an annual basis since 2001. They are the major political instrument in the field and every year risk groups are determined based on identified problems and lobbying. In 2003, for example, measures and programs were focused on young people, long-term unemployed and unemployed people with disabilities. In 2005 the active policy on employment prioritized its efforts towards long-term unemployed, young people without any employment experience or without adequate education or profession, unemployed with a low level of education or without any education and skills, people with disabilities and unemployed above the age of 50.

Since 2003 National Plans for Combating Poverty and *Social Isolation* have also been developed.

The major “factors” generating poverty and exclusion, identified in the National Plan for Combating Poverty and *Social Isolation* (2004) are as follows:

¹ “In order to achieve a better orientation of policies on employment and identify the people in risk of *social exclusion*, The National Action Plan on Employment will define on an annual basis the target groups prioritized by the policy objectives, depending on the size of the group, the social status of the unemployed, the accumulation of negative indications and already accomplished impacts”;

² “Approve a methodology for determining and updating the *poverty line* in Bulgaria, which should underlie social security systems and the protection of incomes and living standard of the population” (p. 99);

- Within the framework of the Social-Investment Fund and other instruments, take steps to encourage social partners and non-governmental organizations for the provision of high quality employment-related services to people from disadvantaged groups to facilitate the process of finding a suitable job thus avoiding the risk of *poverty* (effective *social inclusion*) (p. 102);

- The key factors generating *poverty* in Bulgarian society are exclusion from the labour market, low education, great number of children in the household, single parenting. These factors predetermine the target groups that will be subject to specific measures for preventing/overcoming the risks of poverty: the unemployed, single parents and single people, people with disabilities, members of ethnic minorities, elderly people, experiencing difficulties in adapting to the labour market requirements.” (p. 103)

³“ ICT have a key role in achieving better and sustainable economic growth, higher employment rates and *social inclusion*”(p. 46)

- low income levels;
- uneven economic and infrastructure development by regions;
- limited access to resources (land, assets, capital, credits);
- unemployment;
- illiteracy and low levels of education and qualification;
- lack of normal living conditions and hygienic life and work environment;
- high sick rate;
- grave demographic and family status;
- belonging to marginalized (minority) groups formed on ethnic grounds;
- limited access to basic social services, such as healthcare and education, as well as access to modern tools and devices for exchange of information.

In listing these factors there is no comment whatever on how they could be explained, and in particular as far as limited access to resources is concerned. In the Joint Memorandum on Social Inclusion signed with the European Commission, the at-risk-of-poverty threshold for Bulgaria has been calculated as 60% of the median equivalent income per member of the households included in the survey. This allows drawing the conclusion in the document that “in view of the at-risk-of-poverty threshold rates in the EU, the share of poor population in Bulgaria is comparable to the figures for other European countries”. It does not become clear how this conclusion relates to the well-known fact that this country is the poorest member-state in EU.

Throughout the entire period there is an obvious inconsistency between the actual facts and the bureaucratic reports, demonstrating a definite preference for good news and practices. Reports on various plans and strategies are focused on activities undertaken, while the citizens point out the lack of improvement in their assessments. There is a growing discrepancy in the way people describe their problems and the official interpretations on these issues. This inconsistency, whose roots could be easily tracked back even before 1989, remains an important determinant of policies. It consists in: contradiction between the officially declared policy aims and the actual outcomes, clear disagreement between public opinion and politicians’ statements, inconsistency of aims and measures to achieve them, imbalance in commitments taken prior elections and actual policies, confusion and overlapping in defining divergent positions in the political spectrum (for example, left-right), etc.

Assessments on the efficiency of the policies applied to mitigate poverty and exclusion remain scarce and are most often done by the institution most closely related to the formulation and implementation of policies. Thus, the specific analysis (assessment) of policies turns into some kind of “self-assessment” with all the consequences involved. Continuing this malpractice would hardly contribute substantially to the efficient use of policy assessments as instruments for their improvement.

In 2000 – 2007 the battle with unemployment, poverty and exclusion was not won, but the population survived in its own ways and means that came forward spontaneously:

- emigration (about one million people, having a total of 4 million people employed in the beginning of changes),
- the ‘second’ economy (involving probably one third of the employed),

- production of goods and products within the self-consumption scheme (accounting for overcoming about one third of extreme poverty).

All these three schemes have something in common: a) they are not government strategies but rather spontaneous mass models of behaviour; b) they are not grounded on integration on the national labour market but rather on retreat from the market. The contribution of the labour market in reducing unemployment, poverty and exclusion is more than modest. The same is also true for the government strategies against poverty and exclusion focused on the market. This could also explain the lack of adequate strategy and policy assessments.

5. Labour market, social protection and local development.

Deregulation of the labour market resulted in sharp deterioration in the level of contractuality given the parallel decline in:

- a) the importance of labour contracts;
- b) the opportunities for the people hired to have some influence on their content;
- c) the share of unlimited contracts in the total number of labour contracts;
- d) the share of real contracts in the total number of contracts.

It is surprising that similar changes have been interpreted as developing a (flexible) labour market. In fact, deregulation helped remove the spontaneously arising elements of the labour market. Elements of some kind of contracting have been kept only on a national level through social partnership. The predominant part of the so-called labour market assumed a "grey" character. Labour contracts did not reflect actual payments and social insurance instalments registered a dramatic fall generating a sharp deficit in the social insurance system. Later on, this necessitated introducing mandatory "thresholds" on the instalments due in different sectors on national level (centrally).

Deregulation was also accompanied by severe deterioration in the remaining labour conditions (working hours, safety at work and job quality), some extremely grave labour accidents happened. While in the European Union the call for providing quality jobs still holds, in Bulgaria this challenge does not seem to appeal to many people.

The pressure deregulation exercised on labour payments resulted in the lowest income levels in Europe. In this way the "working poor" turned to be persistently present in the social and economic situation in the country generating both social exclusion of large groups and substantial increase in the share of grey economy.

A great number of qualification training courses are running currently but they have ambiguous results and have not been subjected to an independent assessment and monitoring. There are speculations that the main beneficiaries from these programs are the employers and the National Insurance Institute. In any case, the proactive measures on the labour market support the strategy of intensive state-aided (and also from EU pre-accession

funds) subsidizing of employers as well as the approach based on exercising pressure on vulnerable groups⁴.

Ultimately, the labour market could hardly be considered as an inclusive mechanism due to the collapse of jobs, low income levels and the growing number of working poor.

6. Main conceptual and strategic debates during the last ten years (duality of the labour market, social and labour integration, activation,)

Obviously we observe similar and even same policies embedded in differing ideological contexts. That is why it is important to underline: the visibility for conceptual and strategic debates is deceptive. Practically, systematic and useful debates were and are still lacking. The most important topic is missing in the debates. This topic has been cautiously formulated (as a question) by Deepa Narayan in a famous study supported by the WB. The question was **“are Governments capable to elaborate and implement effective policies against poverty”?** **The answer suggested by Narayan and her colleagues was rather negative.** For some unknown reasons this important debate has been perceived as concerning only underdeveloped countries (the so called Third World). In fact this suggestion has much more larger validity.

In the Bulgarian case all participants involved in the debates advocate one and the same basic visions although invoking differing ideological postulates. The latter have not been questioned; they were accepted throughout the political spectrum and in this way the fundamentals (major trends) of policies took shape. And as the conceptual fundamentals of the debates are misleading, the debates themselves are also misleading. The main pillar of the debates and of the policies resulting from the debates is a myth – the mythological link between growth and jobs. This link doesn't exist anymore but it is a pillar of the policies. Social risks and causes generating them are identified inadequately. That is why adequate political measures cannot be undertaken. This produces a huge gap between social realities (understanding them) and policies. Precisely this gap comes to explain the inefficiency of policies – they are largely grounded on ideological legends and myths. This gap raises crucial and imperative questions with regard to social sciences and civil society issues. Among the most essential “ideas” we could outline:

- The only possible instrument to deal with poverty and exclusion is economic growth.
- The low cost of labour is an important condition to achieve growth. Cheap labour is an incentive for national business and will attract more foreign investors.
- Low taxes also have a positive effect on growth as the low cost of labour.
- “The social burden” on business should be relieved by reducing social security installments as well.
- Unemployment can be reduced only by means of the labour market. The measures for activating the labour market are a central component of the policies focused on reducing unemployment, poverty and exclusion.

⁴ Policies against poverty and social exclusion, 2004, p. 31

- The financial (budgetary) “macro-frame” is a key determinant of the policies implemented. How the macro-frame is composed and how the State Budget Act is observed remains a secret for the general public.

At the same time, spontaneous survival strategies, such as self-employment, small and medium-size business, agricultural co-operatives, production for one’s own consumption do not enjoy any attention and support. Social economy is a marginal field of conceptual speculations and debates. However, it is precisely these strategies that contributed most to the reduction of unemployment, poverty and exclusion.

What we need is a more adequate institutional environment and a statutory frame which would stimulate the spontaneously arising strategies mentioned. Instead, the institutional/legal framework is tailored to big companies although they constitute a very clear minority on the national economic landscape. As a result, small and medium-size businesses are marked by high mortality rate and operate on the edge of formal and informal economy or are completely absorbed by informal economy.

7. Actual situation. Facts and numbers concerning unemployment, poverty and other relevant figures. Who stays “out” of the employment and inclusion policies?

It is important to underline that presentation of data, facts and numbers could be very misleading depending on the indicators chosen, periods of comparison, producing actor, etc. The tendency good news to prevail in the governmental reports is very characteristic for Bulgaria. According to official data⁵:

- The unemployment rate is currently 6,9% following 7 years trend of decrease due to the active labour market measures;
- The coefficient of economic activity is 66,3%
- The poverty rate, calculated by EUROSTAT method as 60% of the media equivalent income is 14.2% for 2005 and 14.1% in 2007. The poverty rate among unemployed is stated to be 37.9%; among retirees – 17.5%; among children (up to 15 years old) – 18.8%
- In 2006 an official poverty line has been defined based on governmentally defined minimal living needs declared to be around 76 Euro per month in 2007 and around 83 euro in 2008. The minimum working salary reached around 110 euro in 2008.

Simultaneously, the Bulgarian transition is a quite clear example of a enormous collapse in living standards. During the first 10 years of the transition the living standards of the Bulgarian population decreased by 70% in comparison with 1989. By purchasing power towards basic products: bread, pork, milk and cheese, the minimal salary decreased around 5 times, and the average salary almost two times (1991-1997)⁶. The decrease has been quite asymmetrical to the decrease in the GDP (around 20% for the same period).

⁵ Government Report on the NAP Inclusion 2006-2008

⁶ Own calculations based on statistical data

According to the trade union representatives within the period 1990-2007 the purchasing power of the average working salary has decreased by 41.1% and this of the average pension – by 39.1%. Once again the incomes have little to do with the 7 years increase of GDP by around 4-6%. What is more the prices of basic foods, fuel and energy have increased most, thus pressing further the households with low incomes whose consumption is focused on them.⁷ Recent Position paper of CITUB states that the average working salary in the country of around 250 Euro is five times lower than the European average in May, 2008, while the prices have reached 46% of these in EU; the labour costs of the Bulgarian employers are around 34% from GDP – the lowest in Europe except Turkey; from the beginning of 2008 the price increase is by 15.6% for natural fuel, by 14.1% for household energy; by 12.5% for companies' energy; by 12,9% for heating; by around 25% for urban transport; by 10% for interurban transport; by 8.5% for rail transport; by 10-20% for drinking water; by 20-30% for rents for communal housing

A synthetic indicator of the regressive dynamic in the real living standards is the extreme worsening of the demographic picture, manifested in the increased mortality, decreased birth rate, drop in the average life expectancy and intensive emigration. According to UN prognosis till 2050 Bulgaria will have a population decrease by 48% that is second in the world (first is another post socialist country – Estonia – by 53%).

However governmental reports address neither working poor, nor the ratio between incomes and prices. To calculate poverty rate only by the relative poverty line proved to be very politically convenient, while further restrictions on minimum incomes are carried out. For example, changes in the Social Assistance Act restricted the social benefits for unemployed to 18 months in 2006, and a new decrease from 18 to 12 months has been declared in June, 2008, thus transforming the character of the right as universal. The changes are supposed to “enhance the active labor market behavior of socially weak and to enhance the personal initiative and responsibility of people in labour active age...”

The case of Bulgaria quite clearly questions the effectiveness of the approach: to rely just on economic growth and active labour measures in order to tackle with poverty and social exclusion. In fact economic growth, based on extreme neo-liberal policies and uncontrolled accumulation of capital and profits could generate increase in poverty; while active labour market measures could support the further growth of drastic inequalities and the growing labour market segmentation.

Thus while broad economic, fiscal and social policies have produced high levels of poverty and social exclusion, narrow measures try to offer short term remedies and the strategy remains of palliative - reproductive type⁸.

8. Conclusions

8.1. Dynamics of policies, poverty and exclusion: The “iron cage” of the restrictions.

The review on the evolution of poverty and social exclusion as well as on the dynamics of the relevant policies intended to highlight two important aspects:

⁷ Tomev L., CITUB, Research Centre

⁸ According to the classification of J. Estivill

- Apparent and clear-cut cyclic recurrence of the policies against poverty and exclusion, consisting in reproduction of some of their principal parameters underpinning these policies in the past;
- Inefficiency of the policies against poverty and exclusion ensuing namely from the reproduction of their principal parameters yet in a quite different environment.

This cyclic nature has resulted in a kind of collapse in several major dimensions:

- Reduction of the “field of labour” itself (where jobs are available or can be created): close-down of inefficient enterprises; downsizing of industrial sectors unlikely to achieve high efficiency;
- Job cuts – cutting down inefficient jobs and increasing labour intensity;
- Reducing labour costs: cutting wages (binding them to labour productivity), reducing the “social component” of labour costs; reducing the other types of taxes;
- Downgrading the opportunities for other kinds of economic activity (inclusion) except by the waged labour. The institutional opportunities for self-employment and entrepreneurship are strongly limited.

From a human rights perspective we observe a „two steps” reduction: the right to development and the right to participation in development are reduced to the right of work and the right of work is reduced to one single mechanism – the labour market that is only waged labor within the existing economic entities.

When economic growth takes place in the “iron cage” of the above-mentioned restrictions, there are two major consequences: a) growth remains within the range of existing inequalities and even multiplies them without affecting significantly poverty and exclusion; b) the share of unofficial and non-market economic activities increases – grey economy, production of goods for self-consumption. These spheres exactly, rather than official economy and labour market, are the real inclusion mechanisms. And when policies against poverty and exclusion are grounded on official economy and the labour market, they are to blame themselves for becoming inefficient.

The policies against poverty and exclusion themselves remain confined in the iron frame. For that reason, neither policies nor economic growth can curb substantially poverty and exclusion. The old history of industrialization could hardly be reproduced. The frame transforms economic dynamics into growth which does not include, on the contrary – it even excludes Growth without development.

Here it is important to emphasize on a key point. At first sight, the “iron frame” where economic growth takes place is prompted by economic rationality, to be more exact – by requirements for economic efficiency and improved competitiveness. Such is the official ideological frame where policies are formulated. For example, the presumption that low labour costs would attract foreign investment and allow more extensive national investment. If that was really true, there would be no point in changing the frame.

Right here lays a huge problem. The “iron cage” of economic growth, and to be more precise, the system of reductions mentioned above, is not only due to and is even not so much due

to economic rationality and requirements for economic efficiency. (It even disagrees with the requirements for efficient use of the resources, which can be clearly seen in the way European funds are absorbed). What is more, the “iron frame” also restricts the prospects of achieving economic growth as it allows growth only within its own boundaries. By restricting the scope of growth, it blocks and thus violates two fundamental rights: the right to development and the right to participate in development, recognized in a number of UN documents.

The truth is there are also other reasons for the reductions except economic rationality. We will not discuss them in particular, but let us note that material inequalities, poverty and exclusion might be a goal in themselves. Obviously, not as a direct and explicitly formulated goal, but as an effect of economic policies (the restructuring of economy). It might look absurd, but it is at any rate a fact that inequalities, poverty and exclusion are the effects of the “iron cage” under question. In this sense, they are not a goal pursued openly, but undoubtedly they are the wilfully agreed price for the reforms.

8.2. Major gaps between employment and social inclusion.

The review allows identifying basic dimensions of the gap between employment and social inclusion. By “gaps” we mean inconsistencies and discrepancies between the unwished social realities and the political measures aiming at changes of these realities. Due to the gaps the impact of political measures is reduced or zero and other unexpected results appear.

A. Inconsistency between the economic requirements for improving economic efficiency and competitiveness on the one hand, and the requirements to achieve and maintain a certain level of employment, on the other hand. This inconsistency is growing bigger and bigger under the influence of the increasing role of knowledge and the rising technological level of production in a knowledge-based economy.

B. Inadequacy between the limited capacity of the labour market to play the role of an inclusion mechanism and its prescribed role of a central inclusion mechanism. More specifically, we have in mind the extremely strong attachment of incomes to the labour market and waged labour. We can say that this gap comes as a result of the inadequacy between the improvement of economic efficiency and the increase of employment rates we have already discussed. To be more specific, the tendency to reduce labour costs by cutting down the number of employed and keeping a low price of labour (low salaries and wages and reduction of social expenditure) restricts the capacity of the labour market to play the role of a central social inclusion mechanism. The labour market does not have such capacity and it is not reasonable, from an economic point of view, to expect it play a similar role. When incomes are highly dependent on the waged market, its limited social inclusion capacity becomes a restrictive factor for incomes, which, in turn, leads to social exclusion

C. Gap between the high inclusion potential of definite economic segments and their limited role (scope and position) in economy.

C.1. Gap between the considerable degree of self-employment, small and medium-size businesses (their significant capacity to influence employment and incomes,

respectively) on the one hand, and their inadequate position in the base structures of economy and in the institutional frame, on the other hand.

At present in Bulgaria there is a wide segment of economics formed by small and medium-size business. The segment affects significantly employment and inclusion. The problem in question could be called “falsifying” small business. We have in mind the incorporation of a large part of small-size enterprises into informal hierarchies where big companies standing on top are awarded the funding (public procurement, European funds), then they deduct their “commissions” and “transfer” the procurement contract downward across the informal and invisible hierarchy whose last steps are small firms that get the job really done. This “movement downward” actually “melts” the initial funding about twice, if not more. So, small business and a considerable part of medium-size business are both controlled by and dependent on a narrow circle of big companies, which practically only distribute financial resources across the pyramids of informal hierarchies. **In this case what matters most is the access to decision-making rather than real economic activity.**

So, there comes the problem with the difficult inclusion in this segment due to a number of bureaucratic barriers and requirements that are hard to meet and overcome. These barriers restrain and raise the cost of inclusion into this segment, by setting up new enterprises (entrepreneurship).

C.2. Gap between the potential of non-market (and informal) economic activities to generate social inclusion and their actual role in economy. Probably the greatest potential lies in the large scale of second economy and the production intended for self-consumption. Grey economy is reported to outweigh the official one by 30%, while the second type of economic activities reduces the poverty level by about one third. However, these activities get into a zone of pressure imposing restrictions and practically immobilizing their expansion and holding them back from going legitimate and “market-focused” (which means those producing for self-consumption to start offering part of their products on the market). This definitely curbs the options of transforming these activities into legitimate operations generating incomes. The restriction results from the institutional frame, mainly some taxes and fees, as well as other regulations.

C.3. Gap between the inclusion potential of social economy and its limited role and position in policies and economy.

This gap is formed as a result of well-known problems in the development of Social Economy (a detailed review is given below). Some of the major issues can be recapped, as follows: the development of social economy is restricted by the inadequate legal framework; poorly constructed policy (Operational Program “Human Resources”, specifically); inadequate capacity of the major players to draw on available opportunities and insufficient funding (including through European funds).

D. In our opinion, the most important gap is the one between the civil participation and the economic dynamics and structures. The underlying point (or basis) of social inclusion is participation. However, participation itself has a poorly developed economic dimension, and economy has poorly developed participative dimensions. The latter were usually related to the bargaining potential of trade unions, the so-called worker participation, etc. These forms

of participation to a large extent lost strength, but new and more adequate ones did not come up. Ultimately, the economic dimension of participation (the participative dimension of economy) is too low.

The major consequence from all this is the concentration of decision-making regarding the distribution of incomes and the concentration of incomes themselves. This brings great inequalities in the distribution, and the tax system is constructed so as to minimize redistribution.

E. Gap between policies and social realities.

What we have said so far about the labour market policies does not mean we reject the market in favour of hierarchies. The aims of this review are wider. We are trying to lay emphasis on something beyond the old dichotomy between market and hierarchies, namely: strategies and policies have fallen into the trap of outdated concepts in social sciences, which, on their part, have remained systematically underdeveloped and are in crisis. Strategies and policies are grounded on notions and concepts that are strongly burdened with ideology and are less and less connected with social realities. Precisely these old-fashioned concepts cause strategies “to go round in a circle”. The concept of a market, labour market including, is playing a similar role. The critiques on this matter by economists, such as V. Leontief, M. Olson, Jacques Sapir and others, are still neglected. Leontief even refused to publish in protest against the lack of connection between the theorizing of the market and realities. The formulation of policies has not paid any attention to this problem. The stubborn conservatism employed in constructing policies on theories and ideas that have nothing in common with realities gives rise to strategies and policies having lost their connection with real events and phenomena. Similar strategies and policies have no chance whatsoever to be efficient. V. George, P. Wilding and other authors have become aware for a long time now that a fundamental gap is getting bigger and bigger – the gap between the officially declared aims of social policy and the actual results achieved. The reasons are not very clear but probably constructing policies on theories and ideas with no relation to realities is among the most important ones.

And surely, before we start discussing the gap and the bridges between employment strategies and social inclusion strategies, we have to be fully aware that the problem is not only in the connection between them but in their relevance to realities.

F. Gap between policy formulation and civil participation.

The issues described above give us grounds to make a conclusion related to an important question raised by J. Estivill as well. The question is about the way civil organizations for combating poverty and exclusion participate in the process of forming policies. More specifically, we can outline the following phases in the political decision-making process: comprehending social realities – diagnosis (identify the risks) – policies to address the problems identified. The first two phases are the monopoly of politicians and social sciences. Civil participation in forming policies starts, in the best case scenario, at the stage of diagnosis, but it is usually focused on (as a consulting process) defining the policies. However, defining the policies is to a large extent decided in advance by the way realities have been understood and risks have been identified. As a result, in practice civil structures

are included when the path to be followed has already been outlined. In actual fact, the content of policies is implicitly incorporated in the picture of realities and in the diagnosis identified.

All this poses a fundamental problem – is it possible to “move” civil participation to an earlier phase of the overall process of policy formation? It seems not only possible, but absolutely necessary. Then, the most intensive direction of NGO’s participation – the participation in policy formation – should be also enhanced by another key interaction – the one between social researchers and civil structures.

Social sciences themselves have become aware of this problem and have come up with some solutions. The practical ideas are quite varied. The trends in research that might be given as examples are research through action, research through action and participation, and so on. Researchers in the field of risk analysis emphasize that the problems research studies face are “trans-scientific problems” and they cannot be solved by science itself. Therefore, they suggest a new, “post-normal science” where social analysis would be done jointly by scientists and citizens. If they do not change, social sciences, experiencing the symptoms of crisis and having been in a state of underdevelopment for a long time, will not be able to put forward adequate theories and concepts as a solid base for adequate policies. And the policies built on theories and concepts reflecting realities poorly, will also remain out of touch with realities.

8.3. Major bridges for inclusion

By bridges for inclusion we mean areas and forms of economic activities (employment) that have the capacity to ensure better implementation of the right to development and the right to participation in development by reducing or eliminating the gaps between employment and inclusion (that generate exclusion).

The conclusion we derive from the previous discussion is that the existing mechanisms for inclusion:

- are not adequate to the main dimension of the gap between employment and inclusion;
- are not enough large and powerful;
- are not enough “functional” (don’t work in an appropriate way).

They cannot cope with the large gap between the employment strategy and the strategy for social inclusion. Then the point is to enlarge the scope of our search by looking at other possibilities, outside the simple “improvement” of the existing mechanisms for inclusion.

Another phrasing of the same question is: how to reinstate and implement in practice the right to development and the right to participation in development, which are now subject to strong restrictions. How to avoid growth with limited capacity for social inclusion (even excluding growth) and initiate inclusive growth, i.e. development. **The accent here is on local level: how to pull local level growth out of the “iron cage” and its restrictions.** (The first question is focused on prospecting for tangible directions and practicable solutions).

A. Social economy. The major and most well-known direction is probably the creation and expansion of that field of employment (economic activity) we call Social Economy. Below we discuss some problems related to the state and development of this field for generating employment and inclusion.

But, with all its importance, Social Economy (at least within its present definition) does not exhaust all the opportunities and prospects for expanding employment spheres.

B. Participatory local economy. Here we mean different forms of civil participation that have the capacity to generate a participatory local economic development and in this way to support the right to development and the right to participation in development. Civil participation comprises a field of huge potential, which has not been used effectively so far. Sigmund Baumann wrote: “The aim of the state is not to impose a pre-outlined model of “good life”, but to encourage the citizens to **discuss freely the life models they prefer and practice them**”. A vital form for the state to “encourage the citizens” is to provide for the adequate resources, which the market or other sources fail to provide. Within the framework of this project we could verify and possibly promote the prospects for:

- a) expanding the fields and forms for the participation of citizens and their civil organizations;
- b) institutionalizing and professionalizing certain forms of participation;
- c) opportunities to create institutionalized sustainable funding of similar activities.

It is possible to mention two aspects of developing participatory local economy:

- Direct forms of participation in local economic development;
- Spontaneous (informal and non-market) economic activities that are more or less neglected and even suppressed.

In order to emphasize the importance we attribute to this “bridge” for social inclusion, it is given more detailed attention below termed as “participatory local economy”.

C. Social standards

This “bridge” is one of the major instruments to reduce the gap between employment and inclusion. We are not going to discuss this “bridge” in details as there are extensive debates on the matter and a number of initiatives and projects of the European Anti-Poverty Network. We will mention that social standards are not only a bridge between employment and exclusion but they have the potential to become a crucial instrument in bank credit policies and in managing the debt of the population. In the future, social standards could become the most powerful tool for bridging employment and inclusion. This potential springs from an important idea supported both by economists (mainly the so-called alternative economists) and sociologists. We have in mind what Sigmund Baumann calls “Severing income from waged labour”. He wrote: “Severing income from waged labour and from the labour market can be of service to the state in one way only, yet quite decisive: by depriving the balm of freedom of its insecurity. This restriction of risks and damages is the most essential aim of basic income”.

Another researcher, Ulrich Beck extended the arguments: “I do not endorse guaranteed minimum income as a way of helping poor people out of their misery - this is an important issue, but it concerns one specific (interested) group. I think my argument is stronger: we need a guaranteed minimum income which is sine qua non for a political republic of individuals who are going to build a feeling of solidarity and closeness through public conflict and public engagement”.

For now public debates on these ideas have been confined only within the framework of views about minimum social standards. However, the ideas reviewed here reassure us today as to something else – they support the development of participative economy by introducing various kinds of activities – forms of civil participation, their institutionalization and consistent funding.

D. Self-employment, small and medium-size business

The role small business and self-employment play in improving social inclusion is well-known.

The problem is to “de-falsify” small and medium-size business, i.e. to allow it gain greater autonomy and authenticity through a set of policies, better legal frame and adequate access to resources. The aim is to remove or restrain the informal hierarchic networks which now incorporate this economic segment.

It is another matter whether it is possible to introduce changes that would enable an expansion focused on market penetration, for example, by reducing the costs for entering the official market. A more specific question is whether such changes could be achieved on local level (by local taxes and fees, for instance).

How can we outline the prospects and practical forms of introducing some elements of social policy on local level?

2. Bridges between the National Strategies of Employment and Inclusion through Social Economy and Social Enterprises.

2.1. National definitions (conceptual and terminological).

In Bulgaria there is no officially accepted definition of social economy. What is usually implied – these are NGOs mainly providers of social services. Cooperatives are as a rule ignored, they function poorly and have a negative image in the political space. There are no signs that the key role that social economy could play in the struggle against poverty and social exclusion is well understood and accepted.

2.2. Birth and development of the social economy and the social enterprises.

Different organizations, which could be discerned as forms of social economy, have centuries-long traditions in the Bulgarian society. Spontaneous cooperation for mutual support within wide range of activities (production, consumption, credit, trade, etc.) could be traced back to the Middle Age (especially mutual aid funds, small craftsmen societies and cultural societies). After the establishment of the contemporary nation-state (1878) till the end of the World War II three basic forms were quite popular in the rural patriarchal country: a) Different kinds of cooperatives, mainly in the agriculture (credit, productive, consumer, labour, etc.) were wide-spread (4 476 in 1941). When the “socialist” period started in 1944, 1 600 000 people were members of co-operatives⁹, and the first intention of the new political elites was to close them; b) A specific form of cultural association (*chitalishte*) supported educational and cultural activities in the local communities and enhanced local developments; c) The slow urbanization was accompanied by slow establishment of urban voluntary civil sector (mainly foundations, associations and the women associations, which became very popular).

Under the conditions of accelerated, forced industrialization and urbanization during the “socialist period”, the cooperatives turned into main organizational structures for the development of agriculture. Many consumers, housing and cultural cooperatives existed, as well, and a new form - cooperatives for disabled, came into being. The state support for the cooperatives was guaranteed by the Constitution. Foundations and associations were possible if and only if they covered specific requirements. Both cooperatives and association were strongly dominated by the state/party decisions and often resembled rather quasi-state agencies than Third sector. The “socialist regime” preserved and enhanced the strong tradition to associate and to cooperate adjusting the different forms of social economy to its own needs and kept them under strong control by restricting their autonomy. Nevertheless, tendencies toward growing autonomy were quite obvious in both forms already in the beginning of the 80ies.

The legacy of the past has strongly and contradictory influenced the development of different forms of social economy. These forms have historically played an important role as a main or secondary social inclusion mechanism. However, they have always been highly dependent on the power relations, with low economic freedom and quite vulnerable to

⁹ Kelyan, M., The Productive Agricultural Cooperation, Sofa, 1992

passing and short term political interests. The lack of developed civil society, the low level of citizenship and the missing civil society “spirit” have led to hardships for the successful development of authentic Third sector. The embeddedness in the traditionally centralised decision making mechanisms and the subsequent restraints on participation, solidarity and empowerment continue to dominate the sector. The pressure on grass root developments and bottom-up initiatives hinders the social capital and increases inequalities in human capital.

Following this path of development and under the strong domination of neo-liberalism, the state implemented a specific laissez-faire approach in the first decade of the transition, neglecting negatively the cooperatives and neutrally the NGOs. Despite the strong political pressure on cooperatives, the spontaneous tendency toward cooperation under the conditions of acute economic crisis and worsening quality of life resulted in establishment of new cooperatives in most of the villages. Strong economic pressure has greatly restricted the activities of the cooperatives for disabled and these of the specific form of cultural association (*chitalishte*), as well. Meanwhile, 1990-2000 has witnessed intensive establishment of NGOs with the financial support coming from foreign and international donors and the subsequent high dependency of the identified aims, targets and beneficiaries on the financial streams. While the state withdrew from the provision of various social services, it has made some room for the NGOs to penetrate into this sphere, and the severe lack of such services had made the penetration of NGOs inevitable. However, in many cases the citizen organizations truly representing local interests and needs and engaged in local survival strategies of the transition have been left without public support and foreign aid and have not been able to develop their potentials. In this period (during the 90ies) the basic direction was a shift from over-centralized forced mechanisms of inclusion based on industrialization to over-liberalization, de-regulation and the consequent lack of new mechanisms of inclusion. Beyond ideologies the shift has produced over-individualization, fragmentation, commercialization and lack of solidarity. Put under strong institutionalized and non-institutionalized pressure, the social economy organizations served mainly as shelter for the labour in excess of previous middle class representatives in the state of growing rates of social exclusion. The fragmented and disintegrated society and local communities, characterized by high levels of anomy, distrust and “broken” cooperative relations rather “produced” people in excess, than enhance social entrepreneurship and initiatives.

After 2000, the pressure of the political and ideological stigmatization of the cooperatives somehow decreased, while the state became more involved with NGOs, often as a mediator between them and the donors. Thus after 2000 a shift in the general state’s attitude is quite obvious: from negative to neutral towards cooperatives and from neutral to relatively positive towards NGOs. Some of its characteristics are enforcement of public-private partnerships, growing importance of locality/territories, community-based approach, development of social capital and growing intra-group solidarity. In any case, it is worth pointing out the coincidence of this shift with a) the emergence of new mechanisms of social inclusion; b) the increased importance of the social economy organizations; and c) the change in the main direction of financial support from non-European to EU actors.

2.3. Political context. Legal framework. Typology of organisations.

Following the changes in the political context, outlined above, the legal and regulatory system gradually evolved over the transition period, especially with regard of NGOs.

From 1990 till 2003 the NGOs were established under the Law on Persons and Families from 1949. More specialized NGOs' legislation was introduced with the Law on legal persons with non-profit purposes from 2001, effectively introduced from 2003. The Law differentiates between NGOs for public and for private benefit and introduces some new requirements for the NGOs for public benefit (for example, registering and audit). Simultaneously, the legislative reforms in the provision of social services have provided room for the NGOs' involvement (by the Social Assistance Act/2003 and the Regulations for its implementation). The new legislative framework enforced partnerships among state and local authorities and NGOs and made possible the state and the local authorities to finance the NGOs. The management of specialized institutions and social services can also be delegated to NGOs.

The co-operatives are established under the Law for co-operatives from 1996. The legal provisions are very insufficient for their internal organization and management, especially with regard to the control of the owners over management and access to credit and markets. Cooperatives are production units and economic activities are among their basic characteristics. However, the lack of access to credits and the unfavorable institutional framework is often transforming them into a peculiar type of leasing.

Although the basic distinguishing feature in the NGOs' definition is the non-profit purpose and there is a ban to distribute profits, NGOs can engage in additional economic activities, if they are related to their main registered activity and follow the rules and conditions, determined by the laws regulating the respective type of economic activity. Thus the borderline between NGOs and for-profit companies is quite relative and the differences in their activities are washed away (for example in trainings for unemployed, in local development initiatives, in business incubators, etc.).

In practice, there are different registering and licensing regimes and tax exemptions that are supposed to enhance economic activities of NGOs and cooperatives.

For the NGOs different tax exemptions were available from the beginning of the transition, although some of them were cancelled later on. Under the Law for the integration of people with injuries, tax exemptions are available. Training association, registered at the Agency for professional training and education at the Council of Ministers, which provide courses for the unemployed with funds from the Agency for employment have a right to make profit. The Law on *chitalishte* from 1996 provided opportunities for tax exemptions for their main activity.

For the cooperatives there are some tax exemptions, as well. For example, there is 60% cession from the corporate tax till 2010 under the condition that half of it pays for services provided by the National Cooperative Union and the other half is invested in long-term assets. Another example is the different regime for insurance for agricultural producers that do not work on labor contracts, which is the usual practice in the co-operatives.

The general institutional framework for NGOs and co-operatives consists of many different legal and sub-legal provisions, regulations, licensing regimes, etc. and is constantly changing. Nevertheless, the social economy and social enterprises perspective is neither clearly, nor consistently followed. Public discussions on the necessity to improve the legal basis for both NGOs and co-operatives continue.

In 2006 after intensive lobbying on behalf of EAPN Bulgaria, social economy and social enterprises were included as priorities in Operational Programme "Human Resources Development" co-financed by the European Social Fund with the Ministry of Labour and Social Policy acting as Managing Authority. The priorities of this Operational Programme are focused on the labour market, education and disadvantaged groups. The objective of Priority Axis 5 is supporting and increasing employment by strengthening the local social capital's capability and local community capacity to achieve improved development. However, In Bulgaria there are no detailed concepts that would be publicly recognized and regulated by law for three of the key terms in this Operational Programme - social capital, social economy and social enterprises. Such a situation - allocated resources and lack of legal framework - is quite ambiguous, especially in an environment considered to involve and encourage corruptive practices. The lack of enough clarity brings strong doubts about the future efficiency in the absorption of funds. There is an urgent need to raise and discuss problems related to the efficient implementation of this Operational Programme.

2.4. Dimension, main characteristics and territorial implementation.

a) NGOs

As already mentioned, usually non-governmental organizations are considered to be the real Third sector in the country. The basic requirement is that they have non-profit purposes. Following this, many associations and foundations have been established to respond to the needs of different social vulnerable groups, greatly uncovered after the withdrawal of the state. The main fields of activities of the Third Sector include active measures at the labour market, integration of minorities, local development, ecology, poverty alleviation, etc. They are extremely dependent on outside financial flows and their autonomy is restricted, while rivalry within the sector is strong and the intensity of conflicts is high. The activities are usually on a project basis, depending on the financial streams. They are targeted at some groups or specific areas and have rarely followed bottom up initiatives.

According to the information of the National Statistical Institute at the end of 1997 the NGOs in Bulgaria were 7 574: the associations being 3 164; the chitalishte - 3 130, the foundations - 878; local branches of national organizations - 161, religious organizations - 98 and 143 - others. NGOs employ high share of highly educated people quite often as second employment. In 2001 the total number of NGOs was around 10 000 and the cultural associations (chitalishte) - more than 4 200. According to the cited statistical survey 63,2% of the NGOs are urban. Mainly chitalishte and agricultural co-operatives could be found in the villages.

In 2003 the total number of registered NGOs was already around 12 000 and in 2007 it has reached 22 000.

NGOs were extremely concentrated in the capital (more than two thirds) in the first years of the transition. Later on gradual geographical dispersion took place. According to data of the National Statistical Institute, in 1997 already one fourth of the NGOs have been situated in the capital, many of them considering themselves as national. The remaining NGOs have been distributed in the different regions mainly in the big cities. The smaller towns reported per 3 NGOs on average.

After 2003, with the new Law on social assistance and the active measures on the labour market, the development of service-providing non-governmental organizations and training associations was greatly enhanced. The main fields of service provision are services for long-term unemployed, disabled, children and minorities (mainly Roma).

NGOs – providers of social services tend to shape a segment in the national economy which functions in a specific economic regime. However it is still far from the idea that social economy provides socio-economic initiatives for particular groups in the population whose basic resources are social and human capital. Within this framework, policies and social entrepreneurship still remain at a large distance from the vision that “.. collective socioeconomic initiatives for the creation of enterprises or productive organizations, whose distinguishing feature is a capacity to find innovative, dynamic solutions to the problems of unemployment and social exclusion and to contribute to the type of economic development that enhances social cohesion, which is one of the facets of sustainable development... The emphasis is on economic enterprise with a social content...”.¹⁰

b) Agricultural Cooperatives

Cooperatives and cooperative organizations remain numerous in the country (officially registered are more than 7 000). They produce goods and services for the market and/or for their members.

The rural, agricultural cooperatives are more than 3000. Agriculture is considered to be the main source of employment for 368 500 people and the secondary source of income for around 1 000 000 people. Agricultural cooperatives provide high share in employment of rural population and present income generating strategy for people in rural and urban areas, retirees included. Most of the members of the cooperatives are economically and socially vulnerable. The rural cooperatives as a rule adhere to the traditional model of agricultural production and represent a strategy for survival of rural communities. Agricultural cooperatives are set up to cooperate available resources and their social and collectivist orientation is secondary and greatly subordinate to economic ends. A very thin segment of the personnel, forming the managerial staff and providing more qualified labour, is decisive for decision-making in cooperatives. Thus member participation in management is seldom to be observed, and dissatisfaction results in members leaving the cooperative and joining another cooperative in the same village, if one exists.

Rural cooperatives cultivate more than 40% of arable land in the country and annually provide employment for 29.4 thousand people. A survey¹¹ has shown that in 1999-2001

¹⁰ Maria Lucia Maciel, “Knowledge and Development: Alternative Perspectives and Strategies, *Economies et Societes*, Hors serie, HS, N 39. 6/2003, p. 1048

¹¹ Jelyo Vladimirov (ed.), *Agricultural Development in Bulgaria*, Sofia, 2003

agricultural cooperatives were the most unsuccessful unit in agriculture. All the basic indicators were reported as diminishing (decreases of 34.5% in the number of employed; 30.2% in the volume of production; 17.9% in long term assets; 23.8% in productivity; 31.7% in the market share; and 18.1% in technological innovation).

The cooperatives have low market share, low access to credits and low economic effectiveness (the proportion of unsuccessful cooperatives has increased in 2000-2003 from 26% to 44%¹²). In fact, only a few of the cooperatives have managed to modernize their activities (for example some ecological cooperatives), while the vast majority is characterized with inherited debts, poor management and difficulties in adjustment to the social and economic milieu. At the same time the dependency of cooperatives on outside monopolistic business structures is increasing

c) Specialized enterprises for the disabled

Restricted opportunities for the inclusion of the disabled in the competitive labour market and the need to provide them with economic niches are often basic arguments in support of social economy development. A further benefit of the cooperative model is its ability to neutralize the danger of labour market segmentation and to counteract attempts to profit from the illegitimate use of disabled labour.

Co-operatives for disabled developed before the transition and perhaps this form was most close to the concept of “social enterprise”. These co-operatives provided sheltered labour for disabled in specific subsidised productions (for example, suitcase industry, tailoring, shoemaking, etc.), with a state guaranteed market, based on monopoly of production, and relative autonomy of the economic activities. Different groups of disabled people had different specialisations and monopoly in the production of different goods (for example, the co-operatives under the Union of the deaf were specialised in producing goods for the healthcare net; while these under the Union of the blind in plug industry, etc.).

Cooperatives for disabled, engaged in specific productions before transition (plug industry, suitcase industry, tailoring, shoemaking, etc.), are reported to have sharply decreased their activities. In the period 1990-1996, the number of the disabled, employed in such specialized enterprises decreased by 50%. Obviously, when they were subordinated to the general institutional framework and forced to participate in ‘free’ market competitiveness, such enterprises could hardly survive. In 2002 there were 91 specialized enterprises for disabled workers in the country employing 14,573 people, among them 7,920 disabled.¹³

Currently, specialized enterprises for disabled could be established under different organizational forms – companies, NGOs, cooperatives, municipal enterprises, etc. They could produce for the market. According to the Law for the integration of people with injuries that does not differentiate among different organizational forms, cession of the tax on the profit, depending on the share of employed disabled is provided. There is more favourable regime for applications under the Law for public orders from such enterprises and tax concessions for physical persons are provided. The different Unions of disabled have established different enterprises and cooperatives.

¹² Vladimirov, J., *The Agricultural Co-operatives*, Sofia, 2003

¹³ Data from the “Rehabilitation and Social inclusion” Fund.

Different Unions of cooperatives try actively, but not very successfully, to influence the decision-making processes in order to provide more favorable conditions for the development of the cooperatives.

Urgently required is a coherent national strategy for the employment of the disabled which comprises close protection of their labour, subsidized and sheltered production, a special normative framework with tax exemptions, clear state engagements in the field, and the enhancement of cooperation.

2.5. Relations between social enterprises and other actors (public bodies, trade unions, employers, etc.).

The existing forms of social economy are under strong institutional pressure as the existing institutional framework is adjusted to another type of economic actor. As a consequence, cooperatives and NGOs have high death rates, restricted opportunities for development, and tend to turn into para-market agents

Fragmented societies, characterized by anomie and 'broken' social links, 'produce' redundant people instead of enhancing social entrepreneurship. An over-individualized and fragmented society offers few opportunities for collective action. The social economy is obstructed by "a number of factors increasingly undermining social cohesion...These include pervasive individualism and the weakening of the unifying power traditionally provided by religion, moral standards and trade unions....Unemployment... and the new poverty also play a role in destroying the social fabric..."¹⁴

What is more, anti-solidarity and the fragmentation of society increase the divergence between NGOs and cooperatives. By contrast, a revival of solidarity would reveal their similarities. The embeddedness of the two forms in the economic and social context reinforces their differences.

Bulgarian cooperatives and NGOs are characterized by a lack of long-term strategies, little economic freedom, and scant access to credit. By sustaining short-term objectives and the marked diversification of activities, they achieve little economic and social success, with the consequent unsustainable development.

2.6. Conditions that facilitate and hamper the social economy

The impact of market and its efficiency:

It may be that the presence of a highly developed market segment in the economy, one which needs highly qualified and specialized labour, is a precondition for social economy development, given that some groups of people (for example, the low-skilled, the disabled, immigrants, etc.) are unable to compete in a labour market of this kind. For these categories, development of the social economy is an important source of income-generating activities which furnish a safety net and may lead to future inclusion in the official labour market. However, this particular market segment is very thin in Bulgaria. By contrast, underdeveloped

¹⁴ J. Defourny, P. Develtere, B. Fonteneau (eds.), *Social Economy: North and South*, Belgium. 2000, p 6

and ineffective markets predominate in the Bulgarian economy: output and profits are low and the price of labour is extremely low. Consequently, many 'market' enterprises are mixed forms of market and social economy. The basic differences between them reside in the different price levels for goods and services and the fact that the social economy, based on reciprocity, provides broader access to goods and services. It thus seems that the social economy is a specific compensating mechanism for market dysfunctions, and it endeavours to restore market 'normality' to the basic economy. Delineating the border, social economy organizations tend to turn into semi-market organizations, while some market agents turn into semi-social economy organizations.

However, if the social economy occupies the middle place between market and state, a question linked with Coase's theorem¹⁵ arises. It may be suggested that the social economy is a coordinating mechanism whose significance increases when, owing to the ineffectiveness of the institutional framework, the costs of coordination (official and unofficial transaction costs) both through hierarchies and markets are rather high (at least for some stakeholders). Douglas North writes, "When we compare the cost of transacting in a Third World country with that in an advanced industrial economy, the costs per exchange in the former are much greater" and he goes on to say that transaction costs are the most vivid dimension of the institutional framework.¹⁶ Thus cooperation in the social economy can be regarded as a strategy for economizing on transaction costs. For example, it saves that proportion of coordination costs linked with "chains of interdependence that become more differentiated and grow longer; consequently they become more opaque and, for any single group or individual, more uncontrollable".¹⁷ Cooperation makes it possible to avoid some external chains of interdependency and replace them with cheaper internal ones. As a mechanism coordinating economic activity, the social economy simultaneously supports and questions the two other mechanisms, 'normalizing' the market and reducing the pressure on social policy.

However, to a great extent, similar functions are performed by the informal economy in its capacity as a 'shock absorber'.

Informal economy:

There are nevertheless important differences between the inclusive impact of social economy and the informal economy: a) whereas the informal economy only expands current income, the social economy is a developmental model; b) whereas the former often sacrifices rights and entitlements for financial results, the latter interrelates economic, social, cultural and political problems. It combines different types and classes of rights: civil (belonging), political (right to associate and democratic decision-making), economic (economic freedom), social (in the broad sense the right to protection and insurance), and it contributes to the collective enforcement of individual rights; c) whereas the informal economy comprises only support activities, the social economy acts as a spontaneous business incubator and if successful enables transition to other inclusion mechanisms: labour market, business organizations, etc.; d) whereas the informal economy obscures macroeconomic indicators

¹⁵ Economizing on transaction costs involves the choice between two coordinating mechanisms: market or hierarchy.

¹⁶ North D., *Institutions, Institutional Change and Economic Outcomes*, Sofia 2000 (in Bulgarian), p.97-99

¹⁷ Elias N., *What is Sociology*, USA, 1978, p. 68

and hinders economic management, the social economy may reinforce national development.

There is little doubt that the deregulatory climate of the years of transition has greatly increased the magnitude of informal economies in the transition countries. Expert evaluations for Bulgaria calculate that the informal economy produces more than 25% of the Gross Domestic Product and comprises more than 30% of employment relationships. Moreover, the institutional framework (and its rigidity) is a decisive factor in determining whether the social economy becomes a formal and official segment of the economy or whether it is swallowed by the informal sector.

The third sector and civil society:

External funds and non-negotiable donor programs have largely predominated in the intensive establishment of the third sector in Bulgaria. In early years especially, this development was clearly dominated by the charity model and the charity 'industry' which, like passive social policy measures, merely distributed the means to support survival and the status quo, rather than promoting the social economy as a developmental model.¹⁸ As a consequence, third-sector development was and still is largely oriented towards the non-profit model, rather than responding to cooperative principles based on economic democracy. One result has been the low level of participation by civil society in current reforms.

By contrast, the social economy needs clearly defined values based on principles of democratic, equable and sustainable development and linked with 'development through participation', dispersion of power, and opportunities to regenerate social capital.

Changes in the legislation, active employment measures, the de-institutionalization and privatization of social services have to a certain extent enhanced the activities of NGOs and created a ground for social economy, giving rise to a number of such entities. However, some tendencies in these developments are contrary to the principles of the social economy: a) the proactive policies for employment adhere to the model of strong state intervention, instead of supporting spontaneous social economy initiatives; b) the basic principles are subsidies for employers and pressure on the unemployed, thereby continuing the logic of 'making capitalists without capitalism' as defined by I. Szelenyi¹⁹; c) the departmental approach concentrated in the Ministry of Labour and Social Policies has little chance of reversing the trend towards impoverishment. On the contrary, development of the social economy requires a broad and clear vision – framework of national development.

Cooperatives and NGOs in Bulgaria are embedded in the economic and social context. Although there are some parallels with developments in the European Union (for example intensive entry into new fields), they remain on the boundary of the social economy, providing strategies for survival instead of becoming powerful generators of development. To reverse this tendency, the social economy must be included in a national strategy for development as a clear political priority.

¹⁸ Preference for one of these two rather different strategies continues to be an important basis for political and scientific discussion.

¹⁹ I. Szelenyi (ed.), *Poverty under Post Communism*, Sofia, 2002

It is also clear that local initiative projects can fit into a variety of different scenarios for national development. "In strong neo-liberal economies, the social economy may be nothing more than a palliative, and end up as part of the informal economy. In economies where social policy is fairly adequate, the social economy may complement conventional policies, which nonetheless resist significant transformation themselves. Lastly in economies that are fundamentally re-defining themselves, the social economy may serve as the 'architect' of a solidarity-based society with strong potential for creating new, democratically based relations between the social sphere and the economic sphere. Thus, the scope of these initiatives varies according to the economic scenario."²⁰

The development of a social economy simultaneously requires economic democracy and freedom and support for community economic initiatives. Transition in Bulgaria is a contradictory mixture of a highly interventionist state and 'over liberalized' values, which means a low level of economic freedom simultaneously with an excessive individualization that can hardly support the development of a social economy. Whether explicitly defined or implicitly adopted, the frames of reference define the forms, characteristics and the success of the social economy and can support or neutralize the basic resources of the social economy: social and human capital, internal solidarity, collective identity, feeling of belonging and confidence, formation of group identities.

Cooperatives and NGOs provide opportunities for employment and income-generating activities for excluded and vulnerable groups of people. They generate opportunities to mobilize resources (human, communal, financial and material) and through cooperation to increase social and economic efficiency. They thus represent important but under-utilized mechanisms for social inclusion. This is extremely important for Bulgaria, because the labour market, with the extremely low price of labour, does not function efficiently as an inclusive mechanism.

3. Other "Bridges" Experiences and Opportunities: Components of an Inclusive Economy

3.1. Participatory local economy.

Within the framework of an inclusive economy, probably there are different strategic issues. One of them is the opportunities and instruments for increasing the economic dimension of participation.

The notion of participatory economy is well known, but heavily underestimated especially when the old concrete ways of participation (especially the economic dimension of participation, for instance, workers' participation) are abandoned. Perhaps the reason is the narrow frame of the actual vision of participation, as well as the lack of well developed and really innovative strategies for participation.

²⁰ Favreau L., "The Social Economy and Globalization: An Overview", in J. Defourny, P. Develtere, B. Fonteneau (eds.), *Social Economy: North and South*, Belgium. 2000, p 235

Meanwhile, there are spontaneous efforts citizens (in groups or individually) to influence the decision making mechanisms, to question the whole framework for example of the services of general interests, to propose pro-development visions, etc. However such activities, which are inclusive in their essence and impact on local economies, are neither recognized nor appreciated. On the contrary, quite often such efforts are declared destructive and voiceless local communities seem politically and economically preferable.

Following this, of special interest is to consider three main directions: a) areas of participation; b) forms (or methods) of participation; and c) degrees of impact of the participation). Currently all of them are practically excluded from systematic reflexive exercises:

A) There are at least 3 main areas of participation to be discussed:

a) The area of generating the “picture” of the social world (what happens) – notions, analyses, diagnoses of the problems, formulation (identification) of the problems (risks). Jose Manuel emphasizes that in terms of “projects of hope”. This is very important area, because it predetermines the next phases of participatory development. Namely at this stage to a large degree the outcomes of the next areas are preliminary defined. So, this is a key area of participation. The question is what are the actual “technologies” for influencing this area?

b) The area of the political process of decision making (policy formulation and implementation) as reactions against the identified risks. Here NGOs participate through proposals for different (components of) policies. How the forms of this participation fit with the political decision making process? Which policies are “open” for the proposals; what are the proposals; how they are accepted and rejected and why? What is the impact of these policies on the overall complex of policies? How effective is this participation; what can be proposed and perhaps – changed.

c) The area of real economic activities: forms (waged workers, self-employed, small and medium sized business) and areas (social economy, participatory economy, market economy), and branches that describe the participation in the economic life.

At the local level areas “a” and “b” and perhaps “c” usually are underdeveloped – reduced to some forms that are not effective. ? This is a crucial point, especially in the context of decentralization and subsidiarity and under conditions of misuse of external resources for local development in Bulgaria.

B) The structure of levels of participation is weak and unknown area.

Local NGOs usually develop participation at local level mainly “for themselves” (through projects). Poor and excluded people appear mainly even only in the role of “clients” or target groups. Is it possible to change this situation and how? Probably the point is to develop, disseminate and implement new forms of participatory practices for the poor and excluded people and NGOs at local level.

C) Degrees of impact of participation. It seems we need ideas about the opportunities not only to describe, but also to assess and – perhaps – to measure the impact of participation. Perhaps it is possible to create some indicators. Otherwise we are blind about the effectiveness of the work. A regular monitoring (assessments) of the levels of participation and “good practices” in the field is necessary. Currently it is strange that OMC does not include explicitly the participatory dimension and it could be complemented and strengthened in this way.

3.2. Other participatory dimensions of local development: more participatory social assistance services at local level.

Measures for activation of job searching behavior are based on the presumption that people in need often loose attitudes for active attempts to overcome their current situation of unemployed and adopt a specific feature of the culture of poverty - helpless expectation to receive some care (sometimes combined with misuse of resources).

Our observations show that the passive behavior is often enhanced by the social assistance services that are also largely responsible for this phenomenon. For instance, clients are expected only to apply and to wait the decision making of the officers, in spite of the individual specificity and needs. In this way the working of the services contributes to the transformation of the users in passive clients. Additionally, insufficient effectiveness and dysfunctions of local institutions that implement policies (transforming policies into action) make the clients of local social assistance often to suffer the consequences of institutional dysfunctions as well as widespread indirect discrimination, which permeate local authorities and social services.

In order to avoid these problems it is necessary to enhance changes in the very essence of social work, stimulating specific simultaneous development of civil, social and political rights.

Such changes would allow a shift of focus away from macro-structure towards the individual and his or her preferences. It is also a shift from hierarchically structured bureaucracies that are regarded as the most effective structure for translating what has been legislated on the political level. Another aspect of this shift is the reconstruction of the relationship between client and professional when both of them adopt the status of citizen. This new type of social work is much “larger” than the traditional one: it not only provides social services and supports social rights, but it is based on citizenship and stimulates and “produces” civil rights. This is social work, which produces social services and citizenship simultaneously. Despite the use of the term “client” in the description of the relationship between social worker and client, in fact there is formally an equal and general relationship between a citizen and a citizen.

Although not in Bulgaria, there are examples (good practices) that provide clear evidence of restructured relationships between client and the field social worker. The main components of this relationship are: the clear statement that “the protection of the rights of the client is superior to the interests and demands of the cooperating organization”; the extensive implementation of consultations with the client; the accent on cooperation and the attempts of the field worker “to empower the client to the highest level possible in order to achieve

individual agreement upon steps”; the special cooperation on the order (“The worker and the client work on his own solution so that the client participates as much as possible”). Although the user is not directly incorporated into the decision making about provided services, there is a strong enough basis for maintaining a relationship between citizens – signing a contract between social worker and user.

Additionally, one of the problems which the social worker is dedicated to directly, is citizenship-advice in some specific cases, especially where the client is immigrant.

Services provided within the framework of such social work are closely related to reducing exclusion, discrimination and strengthening of human rights. This seems to be true for legal advice, social advice, mediation, facilitation, activities between the community and organs of state administration and municipalities, schools or other subjects, and acting as an intermediary for other services. This combination seems to transform the character of the general social work - it really “produces” citizenship and social inclusion simultaneously. In such cases the accent on the legal education of the Field Worker as well as their continuous contacts with lawyers are also relevant.

3.3. The inclusive potential of the use value production: an example

Here we mean opportunities to support at local level some types of existing informal and non-market activities in order to allow their expansion and transformation in formal income generating activities. J. Manuel discusses these dimensions as collective and individual use value production.

We made a pilot study with the intention to check the hypothesis about the inclusive potential of this type of economic activities. The study involves interviews with people engaged with such type of economic activity in order to assess its inclusive impact and main barriers that hinder the expansion of their type of activities. The concrete activity is apiculture (bee - keeping). This choice is defined by the fact that apiculture is relatively widespread economic activity in the country and many people are engaged with it. Another important aspect of this branch lies in the fact that within the frame of the same activity it is possible to find completely different cases of scale of production (respectively - scale of incomes); access to market; modes of organization; access to resources (specific programs) etc. Apiculture is also interesting for us because there is large civil organization of apiarists at national level. The large diversity of the units allows identification of units that produce only for their own consumption and rarely produce for the market, units that are selling in the market more or less regularly and large units that are producing exclusively for the market.

In the study were involved producers (apiarists) from the first group. We will not present the results, but two main aspects could be emphasized..

First, the impact of this economic activity on the incomes of the interviewed persons seems to be significant. Although the number of the persons we interviewed is limited (12 persons) for a part of them – retired people receiving pensions, the income from honey production is

between 40 and 60% of their income from pensions. For the rest of the interviewed persons the income from apiculture is around 20-40% of their other incomes.

Second, there are different barriers that prevent the expansion even when the apiarists are ready to increase their production. One of the obstacles is the complicated access to the market. In order to propose their production on the market places, apiarists need preliminary registration as agricultural producers. Registration automatically involves registration of the incomes and taxation. The point is that this group doesn't produce regularly quantities to sell on the market, they have some accidental surpluses in "good years." Additionally they can sell small quantities informally. That is why they don't register and avoid tax payments for their production. Avoiding registration they lose the opportunities to apply within the frame for the existing state programs for apiculture development. Additionally, they don't trust the programs because in their opinion the programs bring too many risks for the common people. Interviewed apiarists firmly believe that the access to these programs is strongly selective, only for privileged big producers that have personal relations with the management of the programs. Because of these beliefs they didn't even try to obtain some information about the programs. Indeed the access to reliable information about the programs (through internet) is difficult for these elderly people living in small villages and without computers and skills.

Within this context appears well-known tendency. For some of the apiarists, possessing large experience and knowledge in the field it is more profitable to start working as workers for the large producers that have access to the programs for apiculture development instead to maintain and develop their own small or middle sized business. However the available jobs within the large companies are well restricted.

4. Lessons. Conclusions. Recommendations

4. 1. Relation between European, national, regional and local strategies.

National policy seems to follow the general lines of the EU policies and strategies. Nevertheless two important weaknesses in the consistent transfer of European - national - regional - local strategies are well expressed in the country.

The first one is the gap between European and national policies on one hand and the regional and local on the other. In fact it is difficult to outline autonomous regional and local strategies. And regional and local strategies and policies in the field of poverty and social exclusion are not present at all. It seems this is the main missing link in the whole chain of policies against poverty and exclusion.

That is why the point is to develop policies and strategies at local (and may be - regional) level. These policies could and should be much larger than the framework of the national (and EU) policies that rely mainly (even only) on the labour market inclusive potential.

Local policies and strategies for employment-inclusion should be based on another main pillar (mechanism) for inclusion - multidimensional and strong participation at local level; in local development. In order to emphasize this point we would introduce the notion of self

inclusion (or auto inclusion) – as a comprehensive set of locally based initiatives and activities of the excluded people that are aiming at the transformation of local economies in participatory economies. Namely this self inclusion at local level would compensate the weaknesses of the policies at national level. The vision of self inclusion helps a reorientation towards a new inclusive mechanism - participation. It also helps us to understand the fact that Governmental policies at national level are not consistent with the very essence of inclusion. Governmental policies and strategies are external and paternalistic activities oriented to the inclusion of excluded people. And this fact could explain (at least partially) the lack of success of these policies – it is difficult, perhaps impossible, to achieve real inclusion by external and paternalistic impact on the excluded people. The deepest sense of the inclusion means that it is effective when inclusion is based on initiative and activities of those that are excluded. At the roots of exclusion is first of all the passiveness of the excluded, that is – the lack of own initiative, decision making and activities. This does not mean that “passiveness” is a voluntary and free choice of the excluded. We try only to emphasize that these excluding mechanisms could be identified and eliminated in the best way by the excluded themselves. Governments cannot solve this problem by keeping their monopoly on initiatives, decision making and policy formulation process. The “top” of their “inventiveness” in their attempts to overcome the passiveness are for instance the so called “active measures” – reduction of different social payments. **Governments really are not capable to elaborate and implement effective policies against poverty** and the problem is outside the capacities of Governments, but in the very essence of the inclusion, which – in its most important dimension - is a matter of self inclusion. Governments can provide general conditions and resources for inclusion, but not inclusion. When trying to be more “active” Governments produce exclusion instead of inclusion.

All this raises the question of the relationship between participation and inclusion.

Although the large and multidimensional content of exclusion (inclusion) is well-known, the social practice – especially the scope of inclusion policies - is heavily reduced, because they are based only (mainly) on inclusion through the waged labor and its market.

That is why the elimination of the gaps between employment and inclusion needs a broader approach, focused on better mechanisms for inclusion, such as stronger and larger participation at local level. Two main dimensions of such participation seem to very important:

- participation in economic activities other than the waged labor and labor market. J. Manuel emphasizes the importance of two other forms of economic activities: self-employment and entrepreneurship.

The problem is that very often there is not enough “economic space” for these activities. This “space” could and should be created at local level. The best way to create the necessary space seems to be again participation. We mean participation in different spheres of local governance. This direction of participation could create a more participatory local development and local economy.

Perhaps these dimensions of social inclusion would make local development more inclusive and would ensure better enjoying of rights to development and to participation in development.

Both notions: participation and inclusion seem to be reduced (and due to this) - divided by some conceptual gap and underdeterminacy. For us inclusion is identical with participation when participation is perceived in a way which is enough broad. Only a reductionist understanding of the concept of participation provokes the mismatch between participation and inclusion. It may look strange, especially in the context of the efforts made and active participation of many NGOs, but, exclusion we observe seems to be an indicator of missing or ineffective participation.

Then the point is how successful are different stakeholders, NGOs included, when involving poor people at local level in order to promote their rights to development and to participation in development.

The second weakness is the quality of the link between European and national policies. While different elements of the EU strategies could be found, like pro-employment policies, NAP/incl., elaboration of different national documents following EU requirements, and so on, many others are missing, for example quality employment, life in dignity, active inclusion, while macro economic and monetary developments are opposing them, like the introduced flat rate tax system, monopolistic structures in the services of general interest, the usage of Structural funds for subsidising big business, etc. Obviously national policies are very selective when considering which programs and measures to choose. An important reason for this state of art is that reforms in Bulgaria are undertaken by closed groups of reformers and do not follow bottom up initiatives.

4.2. The conceptual and strategic plus value of articulating national strategies of employment and inclusion.

Although national strategies and policies are weak instruments for inclusion it would be a huge mistake to underestimate their role and impact on the dynamics of poverty and exclusion. We would suggest the following important effects of articulating national strategies and policies.

- A. They are basis for initiating and developing public debate on poverty and exclusion. Without such debate a curtain of invisibility and even secrecy would hide the dynamics of poverty and exclusion and essentially – any opportunity to relate these phenomena to governmental economic policies will disappear. This is an enormous danger for our society. An example: the actual Bulgarian NAP/Inclusion maintains that poverty in 2010 will be “not more than 15%”. This is astonishing fact: now the level of poverty is 14.1 % and the Plan of the poorest country in EU seems to be based on the expectation of further increasing of poverty. But after the elaboration and publication of the Plan it is possible to contest this expectation; it is possible to discuss the causes – probably the flat rate (10%) taxes or some other components of the economic policies etc. In fact, the Plan is a prognosis, not a plan, but what will be the situation without such national plan? From the above mentioned follows that

these instruments provide some basis for visibility and participation in the process of policy formulation and this basis is important.

- B. More or less (rather less than more) these instruments maintain some engagements of the Government with the phenomena of poverty and exclusion. Without these engagements the Governments will be completely disengaged with these problems.
- C. To some extent, throughout national policies it is possible to link somehow the social policies with the main generators of poverty and exclusion – economic dynamics and policies.
- D. National strategies and policies allow comparisons between different policies with different results, deriving lessons and mutual learning etc.

4.3. Most important and significant lessons from the identified “bridges”.

The most general conclusion is that obviously there are opportunities to create more effective and sustainable social mechanisms for inclusion at local level instead to rely mainly even only on political measures at national level. Most of these opportunities seem to have important potential for inclusion, especially if the potential of the spontaneously evolving channels of inclusion are used.

However it seems that the most important bridges for inclusion could hardly be identified and derived if the study is restricted to our national realities. Rather, it seems better to try to adapt available examples of good practices, like the one cited below²¹. However, in order to achieve that there should be clearer recommendations and incentives connected, for example with the usage of Structural funds. Otherwise the important lessons from the peer reviews stay just as reporting exercise.

4.4. Conclusions and recommendations

The enforcement of inclusion mechanisms needs a national policy to be non-impervious to citizens’ initiatives for local, regional and national development. In this regard what we need is to rework the existing (and narrow) notion of participation and to give to it a more clear economic dimension, making in this way the economy itself more inclusive.

²¹ **Participation: Good practices... The Community Life Council (France)**

The French Act of 2 January 2002 reforming the Welfare and Community Health Institutions Act 1975 brought a shift from institution-centered legislation to that focused on better rights for institution users. On the 20th anniversary of the 1975 Act, voluntary agencies and the welfare inspectorate condemned **users’ lack of rights**, called for a council to be set up in each institution, and other means provided for promoting users’ rights relevant to the wide range of user group provision. Community Life Councils (CVS) must be set up in all welfare and community health institutions, and be run as prescribed in a 2004 executive order. The main idea is to get a dialogue going between the different participants in a voluntary agency, including users. The CVS gives its opinion on the institution’s plan, operating rules, the running of institutional activities, the organization of daily life, work projects, etc... The majority on the CVS is comprised of elected user representatives, staff and management representatives, a pillar of the wider community, and the head of the establishment. **The big issue with implementation of the CVS is the new allocation of powers it leads to in the institution (user/social worker; user/board of directors, user/management, etc...), creating widespread resistance at all levels of the voluntary agency. The CVS requires professionals to change their stance, promotes learning of joint working relationships, and helps promote citizenship by giving users empowerment and a voice.**
Olivier Marguery Assistant General Manager, Salvation Army (France), EAPN Flash

Following this, as already mentioned, it is of special importance to include in systematic reflexive exercises the areas, the forms and the degrees of participation.

In this regard, extremely relevant is what Jose Manuel calls „strategic anticipation”, “building of projects of hope”. These are projects and plans for local development. Usually the projects or visions (we insist also on plans and that is not by chance) are elaborated with the participation of different stakeholders. Jose Manuel mentions also different local groups that create and implement the projects for local development. We would like to emphasize that at least in Bulgaria these constructions are ineffective. Seemingly they involve “different stakeholders” but usually they include those that are already included and don’t “include” those that are excluded. Representatives of local oligarchies are the main participants in these practices.

How to correct this weakness? It seems there are at least two possible remedies.

a) One of them is to change the social technology for elaboration of local developmental visions and plans. Perhaps the most effective tools are the technologies called “**action research**” and “**participatory action research**”. These are well developed and approved “techniques” that could be largely disseminated and implemented.

b) The second remedy is to define extensive list of possible effective practices (concrete forms and methods) of participation in the field of local economic development.

For instance:

- Participation in the elaboration of participatory public budgets (how public resources are distributed and used). More concretely – the budgets of local public institutions for social services: schools, hospitals, local services for social assistance, local government budget.

- Participation through civil monitoring of the implementation of public budgets (budget tracking);

- Participation through participatory poverty assessments;

- Participation through monitoring of the use of public resources (including Structural funds) at local level;

- Participation through monitoring of local governance (decision making process) and direct participation of poor and excluded people in local governance.

- Better institutionalisation of the participation in the elaboration of all instruments for social inclusion at national (and other) levels.

- Participation in the elaboration of the system (rules and programs) for distribution (use) of public financial resources and incomes, especially those provided by the EU. This means to influence the rules for distribution of a part of funds (EU and national) in a way that will promote inclusive participatory economy and social economy, etc.;

- Practices of possible public –civic partnership for monitoring of provision of services of general interest.

- Models of successful policy and institutional framework for Social economy development;

All these forms and the adequate methodologies are more or less developed by different institutions and are more or less known. However although they are approbated, EU does not implement them largely as sustainable systematic practices for participation and creating bridges for inclusion.

We would say that an important even – main – line of strategic development is the transformation of these and other practices in sustainable systematic practices for participation. We think also that the presentation of the above mentioned topics (including action research and participatory action research) in a manual would be very useful for local communities and NGOs' networks.