

POVERTY IN BULGARIA: A GENERAL CHALLENGE

ABSTRACT

The current article is not committed to the complex task of providing solutions to the deepening unfavorable economic situation in the country, but rather to put an emphasis on one of the most pressing problems for society in Bulgaria - poverty. European statistics report that our country faces the highest risk of poverty compared to other members of the European Union. Among those most at risk are some of the working people - the so-called working poor, children and persons over 65 years of age. Bulgaria is the EU-27 country with the highest inequality in income distribution and a low poverty threshold. The research has an empirical and analytical focus, considering indicators that have a direct relationship to the high proportion of the poor population in our country.

KEYWORDS: poverty, in-work poverty, inequality, poverty threshold

JEL: D63, I30, I32, J3

INTRODUCTION

The twenty-first century epitomizes an era characterized by unparalleled technological and technical advancement. Within these temporal confines, a pervasive struggle ensues between the material and social domains, where concerted efforts for social cohesion, inclusive initiatives for vulnerable groups, and the eradication of discrimination persist. Despite such endeavours, an

unresolved quandary persists within Bulgaria: How can individuals be educated, maintain their health, and fulfil their paramount needs amidst this environment? To elucidate the profound challenge confronting our nation – a challenge underscored by poverty – the current discourse endeavors to empirically illuminate Bulgaria's status across key indicators relevant to this thematic concern.

The thesis posits that the high relative proportion of impoverished individuals, low poverty thresholds, and pronounced inequality significantly impact the prevalence of the working poor, disengaged youth not in education or employment, early school leavers, and the country's low life expectancy.

METHODOLOGICAL FRAMEWORK

To achieve the thesis, an analysis is conducted for each of these indicators, juxtaposing the levels of poverty among all European Union member states for the year 2020. In this study, empirical data sourced from Eurostat is used, employing methodologies such as comparative-comparative analysis, desk analysis, and correlation analysis. Each indicator is separately analysed and compared due to the application of dual scales, with the aim of providing a clearer graphical representation of the information and a higher-quality analytical interpretation.

The research logic follows a structured examination, initially focussing on the proportion of individuals falling within the impoverished category, presenting averaged values for the period

spanning 2010 to 2020, inclusive, across all EU member states. It aims to delineate Bulgaria's dynamic trajectory, emphasizing the deepening of the issue by 2020 concerning preceding years. The poverty threshold in euros for individual countries serves to illuminate the severity of the problem within Bulgaria, while the inequality of income distribution underscores the disproportionate income ratios among our population.

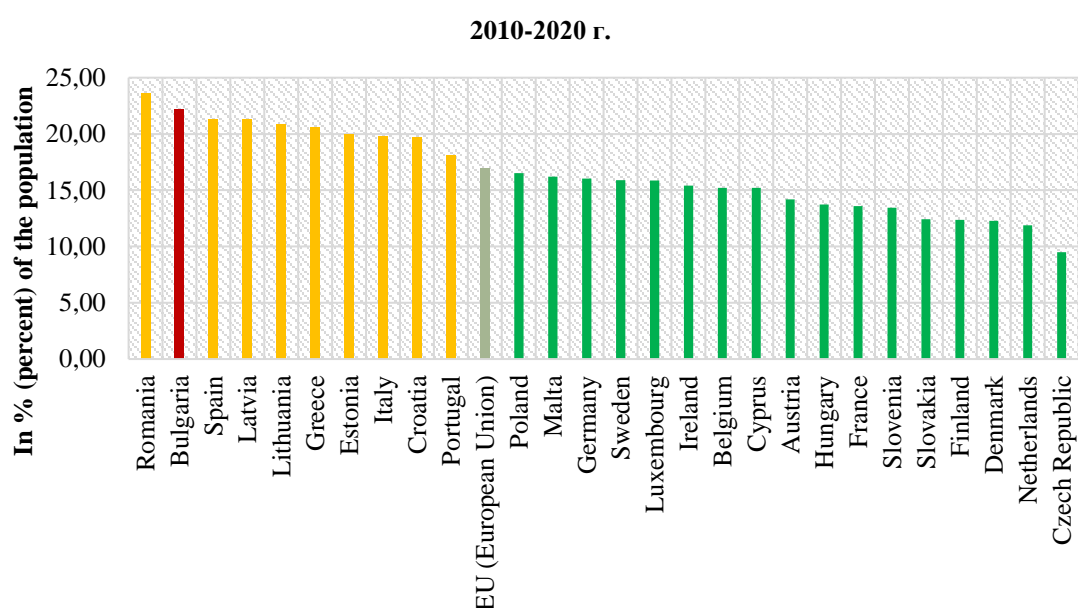
The analysis highlights the percentage of youth not engaged in employment or education in relation to their educational attainment, the working poor and early school leavers juxtaposed against the percentage of individuals living in poverty. Following the presentation and analysis of these diverse indicators, a correlational analysis is performed to reveal the interconnections between them.

1. OVERALL PICTURE

In 2020, Bulgaria emerged as the nation with the highest relative share of individuals living in poverty (23.8%) among all EU member states, compared to an average of 16.5%. The dynamic trend that spans 2010 to 2020 unequivocally demonstrates a persistently negative trajectory. Despite this, when considering the averaged values during the examined period, Romania surpassed Bulgaria in terms of the relative share of people living in poverty. Figure 1 illustrates all EU member states based on averaged values of individuals in poverty from 2010 to 2020, inclusive.

In this study, the poverty indicator, the poverty rate, signifies the percentage of individuals with equivalent disposable income (after social transfers) falling below the poverty line set at 60% of the national median equivalent disposable income after social transfers. The analysis employs "risk of poverty" and "individuals living in poverty/poor" as indicators. According to European statistics, individuals comprising this group do not necessarily endure a low standard of living. However, Bulgaria's National Statistical Institute considers them as a relative share of the impoverished population within our country.

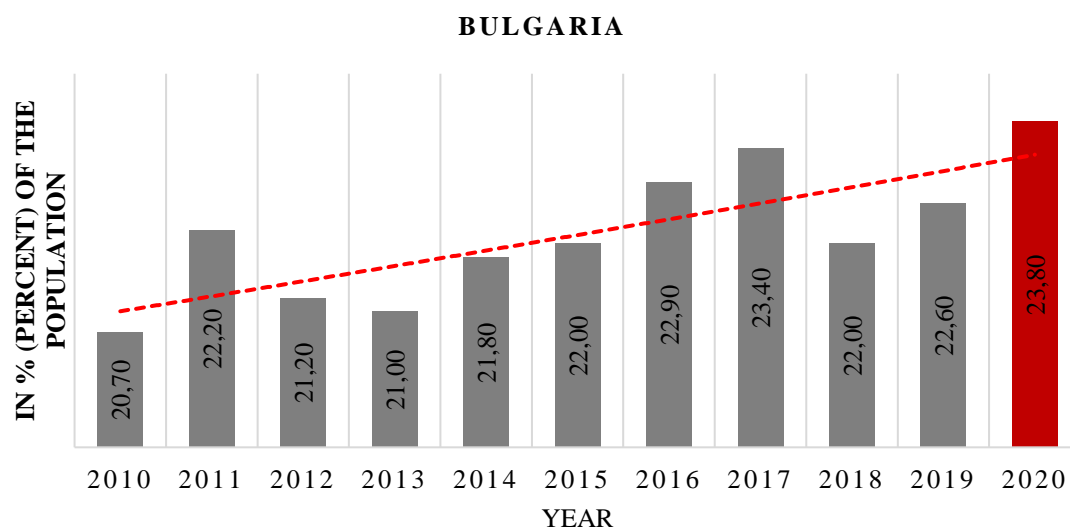
Figure 1. Individuals in poverty for the period from 2010 to 2020 inclusive (average values) in the EU-27 countries



Source: Author's calculations based on Eurostat data (ILC_LI02), 2023

The figure conspicuously reveals that our country is second after Romania in terms of poverty risk from 2010 to 2020. Bulgaria significantly exceeds the average values for the European Union. Figure 2 delineates the dynamic trend within our nation, illustrating that, rather than addressing the issue, it exacerbates, with 2020 marking the highest increase in people at risk of poverty compared to previous years. Numerous public policies, subject to annual monitoring regarding their enactment, directly or indirectly relate to poverty alleviation within our country. However, tangible outcomes of these measures remain elusive. For example, the National Strategy for Poverty Reduction and Social Inclusion Promotion 2020 (NSPRSI 2020) set the objective of reducing the number of people living in poverty by 260,000 by 2020. However, adverse statistics indicate an increase of 95,700 people during the observed period (INFOSTAT, 2023).

Figure 2. Individuals living in poverty in Bulgaria for the period from 2010 to 2020



Source: Author's calculations based on Eurostat data (ILC_LI02), 2023

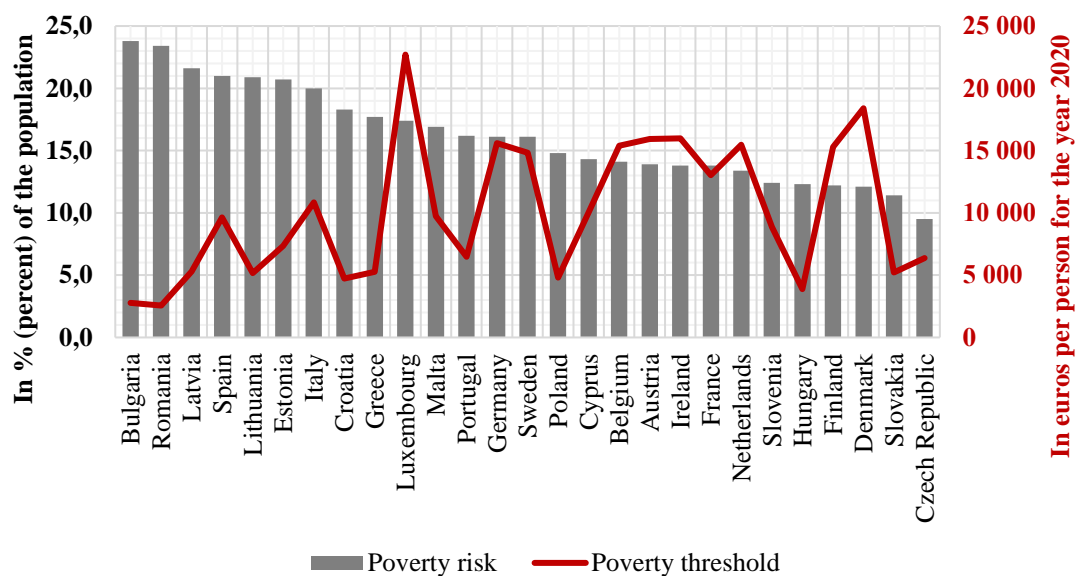
In Bulgaria, as of 2020, almost one in every four individuals reside in poverty, with the dynamic trend presented from 2010 to 2020 inclusive indicating a deepening predicament. According to data from the National Statistical Institute (NSI), the age group most vulnerable is those over 65 years of age, which represents 38.3% of the population at risk, followed by individuals aged between 0 and 17 years, accounting for 28.3%. Those within the working-age bracket, i.e., between 18 and 64 years old, encompass a collective 17.5% of the impoverished population. Indeed, a comprehensive analysis of the profoundly adverse situation in our country requires consideration of the poverty line, which represents the minimal resources an individual should possess to sustain a standard of living.

The poverty threshold for each member state of the European Union varies. Its annual sum is depicted in euros per individual in the figure below. For instance, if an individual in Bulgaria possesses an amount lower than 2,767 euros in 2020, it is assumed they fall below the poverty line for our country. Significant contrasts in the poverty threshold are observed among different states within the European Union. For instance, if an individual in Luxembourg has an income below 22,706 euros in 2020, they are considered under the poverty line for that country. Substantial differences exist among EU states concerning the magnitude of the poverty threshold.

In 2020, Romania and Bulgaria had the lowest poverty thresholds among the member states, while Luxembourg and Denmark had the highest poverty thresholds, more than eight times higher than those of Romania and Bulgaria.

Figure 3 illustrates the EU member states based on the relative proportion of individuals living in poverty and the magnitude of the poverty threshold for each country.

Figure 3. Relative share of individuals in poverty and poverty threshold for the year 2020 in the EU-27 countries

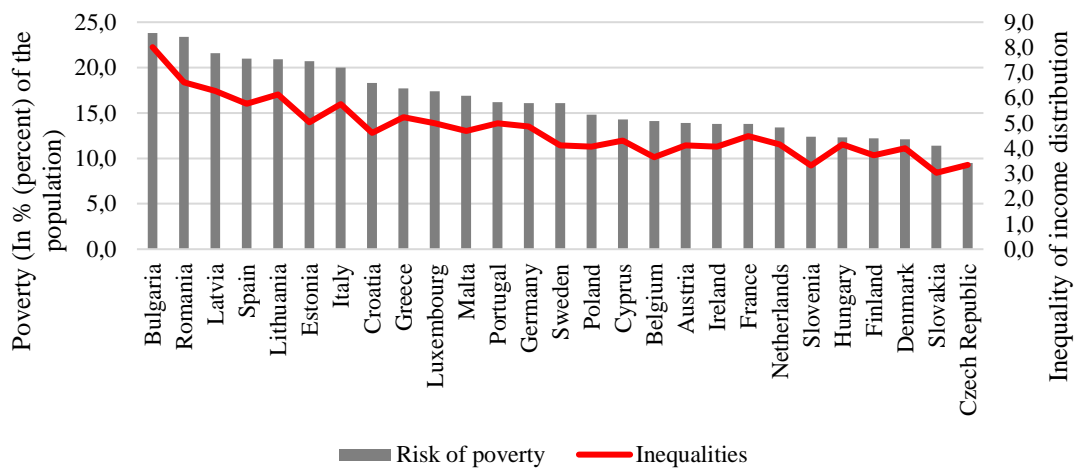


Source: Author's calculations based on Eurostat data (EU-SILC, ECHP), 2023

From the figure, it is evident that the two indicators diverge across most countries. Specifically, nations where the poverty threshold is higher have fewer individuals falling below it, while conversely, in countries with a lower poverty threshold, a higher relative share of individuals live below it. This presumption contributes to the exacerbation of the poverty problem in Bulgaria. However, for a comprehensive analysis, one should also consider the standard of living in each country, which remains a subject for future scholarly investigation.

Returning to the current study, it is crucial to exhibit and interpret data concerning inequality in income distribution between individual countries. Figure 4 presents the values of both indicators: individuals living in poverty and inequality in income distribution.

Figure 4. Relative share of individuals in poverty and income distribution inequality for the year 2020 in the EU-27 countries



Source: Based on Eurostat data (ILC_DII1; TESP151), 2023

The figure illustrates a parallel movement between the values of individuals in poverty and the inequality of the income distribution, suggesting a strong association between the two observed indicators. Where the ratio of total income earned by the top 20% of the population (upper quintile) compared to the income earned by the bottom 20% (lower quintile) is greater, there tend to be more individuals falling into the impoverished group.

2. IMPACTS ON THE SOCIO-ECONOMIC ENVIRONMENT

The relationship between poverty and several social factors is bidirectional, including factors such as youth not in education or employment, the working poor, early school dropouts, and life expectancy. These indicators are arbitrarily selected among those deemed prioritized for influence in Bulgaria's public policies. In the current study, the presentation will focus on our country's position across various indicators without delving into an in-depth analysis.

Figure 5. Percentage of individuals in poverty and NEETs for the EU-27 countries in 2020

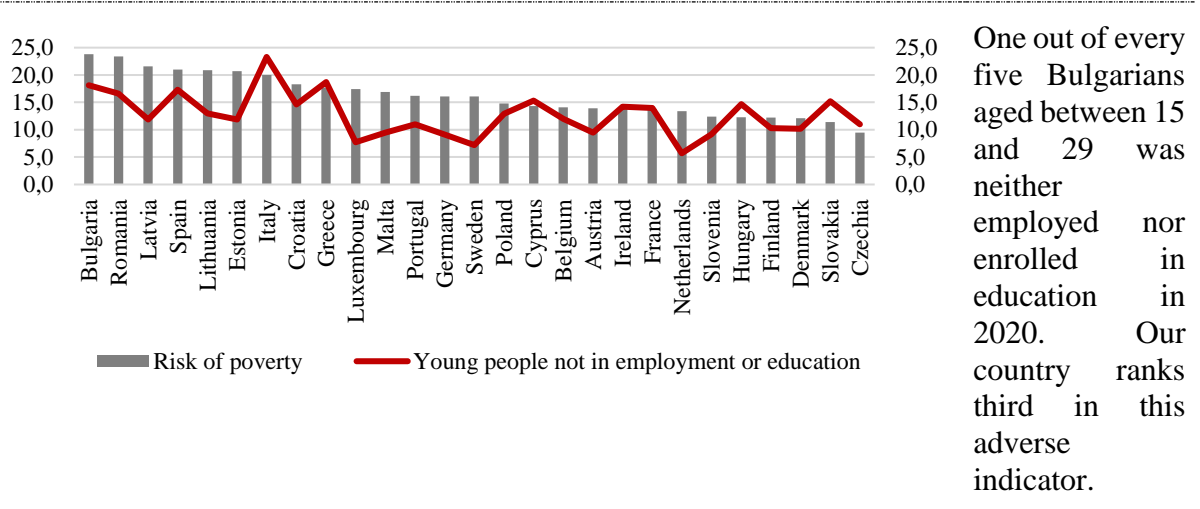
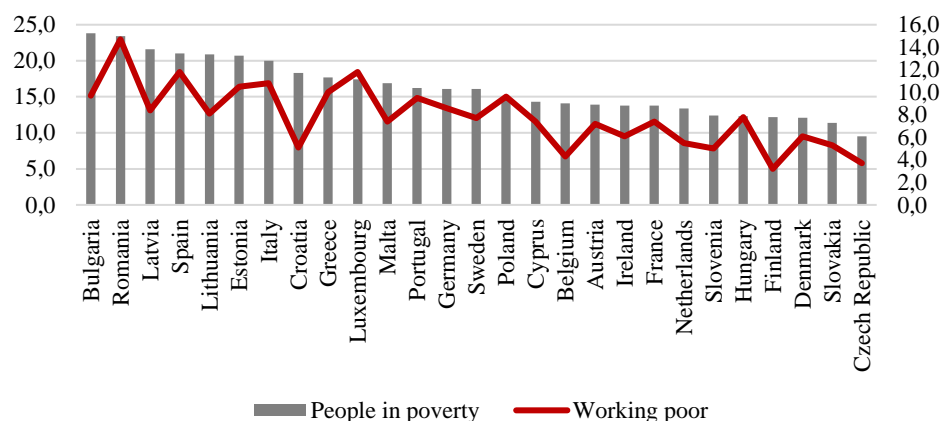
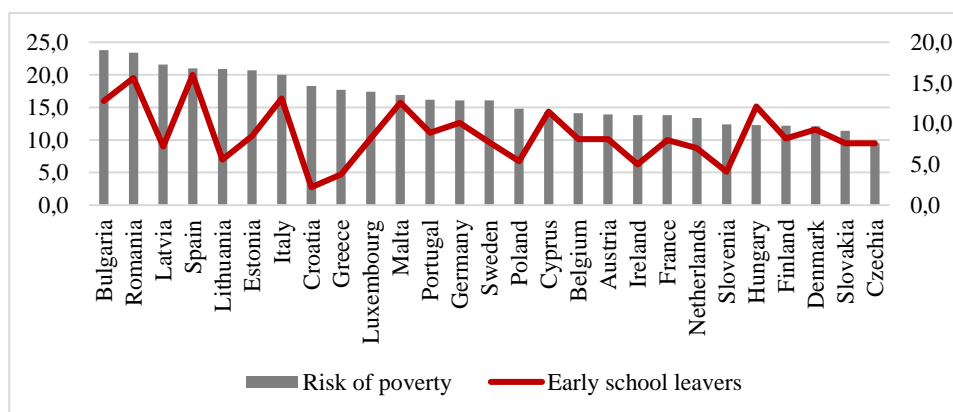


Figure 6. Individuals in poverty and working poor as a percentage for the EU-27 in 2020



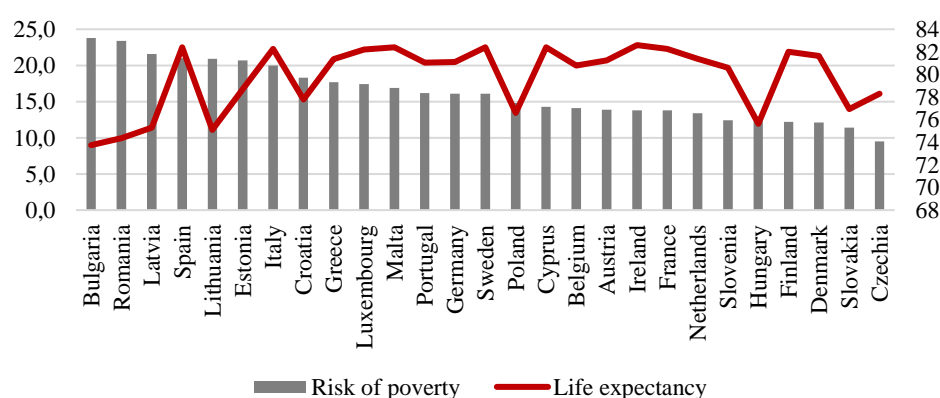
Every tenth employed Bulgarian falls into the group of the impoverished in our country in 2020. Bulgaria ranks seventh among the EU-27 in terms of employed individuals living in poverty.

Figure 7. Individuals in poverty and early school leavers for the EU-27 in 2020



Every 7th Bulgarian aged between 18 and 24 dropped out of the education system prematurely in 2020. Bulgaria ranks fourth in terms of early leavers from the educational system.

Figure 8. Individuals in poverty and life expectancy in the EU-27 in 2020



Bulgaria has the lowest life expectancy in the EU-27 as of 2020. Our life expectancy is nearly 10 years lower compared to Ireland, for instance.

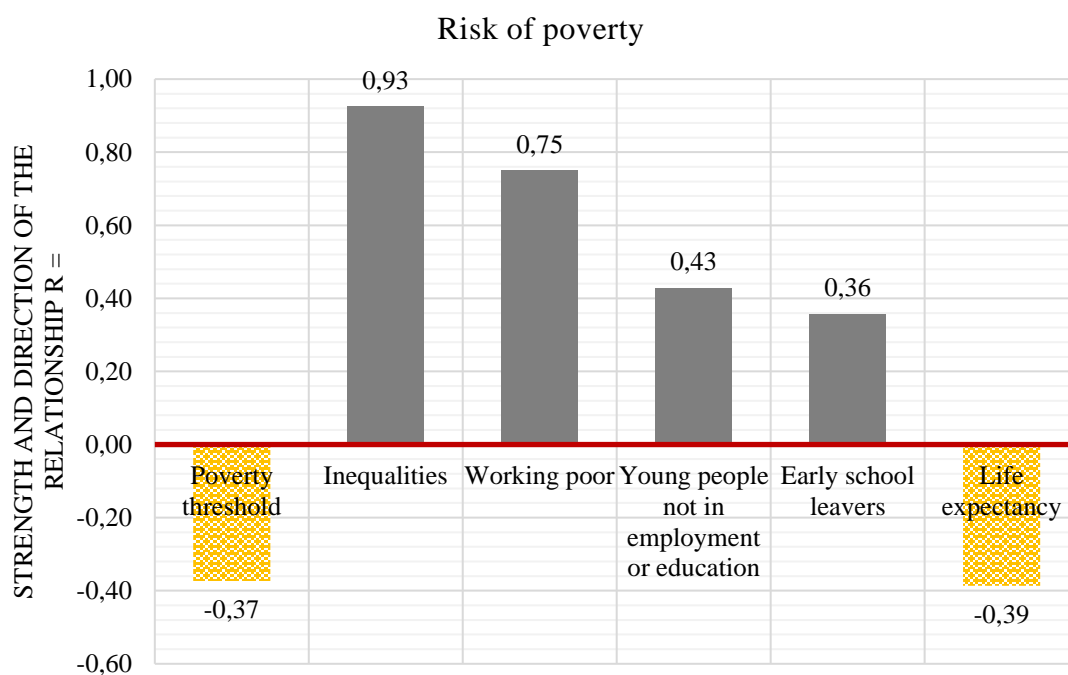
Source: based on data from Eurostat (EDAT_LFSE_20, ILC_IW01, EDAT_LFSE_14, HLTH_HLYE), 2023

In summary, Bulgaria stands as the European Union country with the highest relative share of individuals falling below the poverty line in 2020, accounting for 23.8% (1,659,900 individuals) of the country's population living on less than 2,767 euros annually. Concurrently, there exists a pronounced income distribution inequality (8.01 for 2020), the highest among all other Union nations, while life expectancy remains the lowest (73.75 years). The issue of early school dropouts is severe, with their relative share reaching 12.8% in 2020. One in every ten Bulgarians in the workforce falls below the poverty line, and one in every five young individuals in our country is neither professionally engaged nor enrolled in an educational cycle.

3. RESULTS AND CONCLUSIONS

To discern the interconnections and dependencies between different indicators – such as the risk of poverty (poverty), poverty threshold (line), income distribution inequalities, working poor, youth not in education or employment, early school dropouts, and life expectancy – a correlation analysis is conducted. The study includes all EU-27 member states for the year 2020. The analytical outcomes are presented in Figure 9.

Figure 9. Relationships and dependencies among poverty-related indicators



Source: Author's calculations based on Eurostat data, 2022 and 2023

The conclusions that can be drawn are as follows:

- 1) The higher the income distribution inequalities, the higher the relative share of individuals living in poverty or at risk of poverty.
- 2) A higher count of working-poor individuals corresponds to a higher relative share of those living in poverty or at risk of poverty.
- 3) An increased number of young individuals not engaged in work or education leads to a higher relative share of those living in poverty or at risk of poverty.

- 4) More early school dropouts correlate with a higher relative share of individuals living in poverty or at risk of poverty.
- 5) A higher relative share of individuals living in poverty or at risk of poverty would result in a lower poverty threshold (line).
- 6) A higher relative share of individuals living in poverty or at risk of poverty corresponds to a lower life expectancy.

The drawn conclusions and synthesis from the correlation analysis are not surprising but rather emphasize, once again, the role of the state (legislative, executive, and local authorities). Implementing social-focused public policies could yield tangible economic results for our country. Investments in human capital and the achievement of human development are the instruments through which the broad spectrum of poverty in Bulgaria could be effectively countered.

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