

FACTORS DETERMINING THE UNDECLARED WORK IN BULGARIA³

The study presents empirical data gathered by recent studies on the factors that determine undeclared work in the Bulgarian economy. The relative weight and the specific functions of six categories of factors have been thoroughly analysed: 1) legislative, 2) situational, 3) mistrust and deficit of prestige to the state, 4) national psychology, 5) economic and 6) personal and family situation. The paper argues that the factors determining undeclared work have complicated and dynamic nature, but if a correct methodological approach is applied, they can be empirically studied and explained. The knowledge of the factors determining the undeclared work provides a basis for contemplating its genesis, nature and dissemination – especially in the case of societies in transition. The better the knowledge and understanding of the factors that determine undeclared work, the more effective and successful are selected and designed approaches and measures to limit and prevent it.

Keywords: undeclared work; gray practices; public opinion

JEL: E26; O17; D73; C18

1. Introduction

The undeclared work is a complex, multi-component, socio-economic phenomenon, that has a high degree of heterogeneity and internal discrepancy. Being extremely adaptable to socio-economic conditions and legislative base in every society system, the undeclared work is a very dynamic process. Its inherent heterogeneity, complexity and dynamism make this phenomenon very difficult to be empirically observed.

Defining the relationship between the grey practices and the undeclared work is an important methodological postulate when studying undeclared work. Many recent studies, that have been conveyed during the last five years (Edwards, Ram, Black, 2004; William et al., 2017; Medina, Schneider, 2018; Stefanov, Mineva, Karaboev, 2019) focus on an in-depth examination of the empirical display of undeclared work, stating explicitly, that this

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phenomenon constitutes the most important part of the grey economy. In the economic reality, undeclared work is motivated by a special type of grey practices, related to initiating and realising labour relations. It has to be noted, that often the applicable labour and security legislation is being not only ignored, but often violated⁴ in the course of performing economic activities, which in principles are legitimate, but are to be qualified as “undeclared work”, because not all of their aspects are declared to the state bodies and statistical services.

Considering the undeclared work as an academic issue requires placing it in the framework of political discussions and debates. An official definition of undeclared work was provided for the first time in 2007 by the European Commission⁵: ‘*any paid activities that are lawful as regards their nature but not declared to public authorities, taking into account differences in the regulatory systems of the Member States*’. That definition included all illegal activities.⁶ It is to be noted, that till now, this definition remains the only comprehensive one and hence – is widely adopted and used by institutions and teams when they monitor or study the undeclared work (both at the European and national level). In 2020, a Bulgarian team developed this definition, by complementing it with an important precision regarding the link between the undeclared work and the grey economy: ‘*any paid activities that are lawful as regards their nature but not declared to public authorities. The undeclared work is a part of the grey economy and is a result from those grey practices that violate the labour, security and tax legislation and the Law on Statistics*’.⁷

Placed in chronological order, the studies of the undeclared work follow the political debates and reflect the outlined socio-economic priorities in the society.

In this regard, the Decision of the European Parliament and the Council on the establishment of a European Platform in order to strengthen cooperation to prevent and eliminate undeclared work is particularly important (European Parliament, 2014). Decision (EC) 2016/344 of the European Parliament and of the Council of 9 March 2016 established a European Platform in order to strengthen cooperation in combating undeclared work.

The **national context** gives a key role to the Bulgarian Economic and Social Council opinion, adopted in 2015 on ‘Limiting and Preventing the Informal Economy in Bulgaria as to Stimulate Growth and Employment’. It resulted in inclusion in the Annual National Plans on Actions on Employment of texts, stressing on the need for adequately combating the undeclared work and undeclared labour (National Plans on Actions on Employment, 2017, 2018, 2019, 2020, 2021).

⁴ Studies show, that part of the non-compliance are done cautiously, while another part is done due to lack of knowledge of labour and social security legislation.

⁵ Brussels, 24.10.2007, COM(2007) 628 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52007DC0628>.

⁶ Decision (EU) 2016/344 of the European Parliament and of the Council of 9 March 2016 on establishing a European Platform to enhance cooperation in tackling undeclared work (Text with EEA relevance), OJ L 65, 11.3.2016, p. 12–20 <https://eur-lex.europa.eu/legal-content/BG/TXT/?uri=CELEX:32016D0344>.

⁷ Team led by Dr Milena Angelova, implementing the BICA project BG05M9OP001-1.051-001 ‘Improving the Access to Employment and the Quality of Jobs through Limiting and Preventing the Undeclared Work’.

The paper aims at presenting and analysing empirical data gathered by recent studies on the factors that determine the undeclared work in the Bulgarian economy in order to explore and define these factors, describe and assess their influence, and whenever possible – measure their weight – in order to build a scientific-based framework for their systematic analysis and prediction as to allow sound decision and policymaking. The main source of primary data is a survey conducted within the framework of the implementation of the project BG05M9OP001-1.051-001 ‘Improving the Access to Employment and the Quality of Jobs through Limiting and Preventing the Undeclared Work’.⁸ The paper goes further beyond the scope of this project, as it intends at putting on a scientific basis the analysis of the data and builds the foundations for their better understanding and application in the decision and policymaking – by thoroughly analysing the relative weight and the specific functions of six categories of factors have been: 1) legislative; 2) situational; 3) mistrust and deficit of prestige to the state; 4) national psychology; 5) economic determinants; 6) personal and family situation.

The paper is based on the presumption that the participation in undeclared work practices is not an occasional behaviouristic act, but rather is a result of complicated psychological processes, within the framework of which an individual assesses which is the most favourable economic behaviour in terms of prosperity – up to the rules, based on compliance with the legislation, or a non-compliance behaviour, where an individual will use some legislative omissions and institutional deficiencies to deviate from the rules as to derive benefits. The paper argues in favour of the hypothesis, that the factors determining undeclared work have a complex and dynamic nature, but if a correct methodological approach is applied, they can be empirically studied and explained. The knowledge of the factors determining the undeclared work provides a basis for contemplating its genesis, nature and dissemination – especially in the case of societies in transition. The better the knowledge and understanding of the factors that determine undeclared work, the more effective and successful are selected and designed approaches and measures to limit and prevent it.

The paper tests and verifies a series of additional, particular hypotheses. They touch upon the subordination of the six categories of factors, following the assumption that regardless the different nature of the factors in those categories, the economic determinants have the heaviest weight and cause the strongest influence on the propensity to engage in undeclared works practices. The study also verifies the hypothesis that the personal and family situation is being in a way underestimated in the related studies, while in reality, they cause very strong, even determining influence. Another hypothesis is that the national psychology is an important behaviouristic determinant, even though it is of complex and heterogeneous nature.

The authors’ contributions are to be found in the facts that: 1) the authors have developed the study methodology of the survey done within the BICA project framework – they have designed all the components – including hypothesis formulation and verification and methodological approaches for their verification through gathering and analysing relevant empirical data; 2) the authors have performed a thorough analysis of the empirical data, and on this basis have tested and verified the hypothesis. In this context, the authors’ contributions are to be found both in the methodological preparation of the study and in the analysis

⁸ Ibid.

performed on the empirical data and the elaborated on these basic ideas for policies and measures to prevent and limit undeclared work in Bulgaria.

2. Study Methodology

The study is aimed at presenting and analysing the main results from series of empirical surveys of the factors determining undeclared work in the Bulgarian economy. These empirical surveys were performed in the framework of the implementation of the BG05M9OP001-1.051-001 'Improving the Access to Employment and the Quality of Jobs through Limiting and Preventing the Undeclared Work'. Two nationally representative studies were conducted in 2020 in the realisation of the project – amongst employers and employees. The survey method was a standardised personal interview (face-to-face interview), conducted with a number of enterprises and their employees. A representative tree-staged stratified sample was constructed, as to guarantee representativity against the criteria: 1) economic activity (according to the National Code of Economic Activities-2008), 2) size⁹, and 3) location of the enterprise. Applying the described method, managers from 630 enterprises were interviewed, as well as altogether 1 311 of their employees. When calculating the sample size, a maximum allowable stochastic error $\Delta_p\% = 2.25\%$ is set, thus ensuring high accuracy in the interpretation of the percentages. As already mentioned earlier, the information was collected using two standardised questionnaires – one for managers and one for employees, elaborated following internationally recognised methodological standards, that guarantee the reliability of the data collected. The data were analysed by applying the specialised software SPSS, creating in this way the necessary technological prerequisites to perform as much productive analysis as possible.

We will not elaborate here in detail on the complex and multistage methodological preparation of the two surveys. However, we shall mention, that in order to guarantee the preciseness of the two surveys, a special desk research was conducted – on the European practices to combat and studies of undeclared work, and desk research – on the models, mechanisms and instruments for limiting and preventing the undeclared work. On this basis, for the purposes of the project implementation, an enriched definition on undeclared work was adopted (quoted above), a system of empirical indicators was developed – in order to describe all aspects of the undeclared work and its practical forms, and precise research hypothesis were formulated. Together with determining the scope of the typical forms of undeclared work, the two representative surveys were aimed at tackling the relations between the new forms of work¹⁰ and undeclared work. As this aspect has not been so far extensively studied in Europe, it was given special importance by BICA when performing the surveys. A special **Matrix of 24 indicators** was elaborated in order to describe in detail all the aspects

⁹ The study explicitly examined the relations between the company's size and the influence of the factors determining the propensity to engage into undeclared work. The findings are described when the different groups of factors are analysed.

¹⁰ Also referred to as 'non-standard forms of employment' – e.g. <https://www.ilo.org/global/topics/non-standard-employment/lang-en/index.htm#:~:text=They%20include%20temporary%20employment%3B%20part,employment%20and%20dependent%20self%2Demployment.>

of work and to allow for operationalisation of the different types of work and for decomposing them into empirically observable indicators. This approach can be qualified as a **methodological innovation**.

Another important focus of the two representative surveys is the empirical research on the factors determining the undeclared work. In order to facilitate this, in the phase of elaborating the surveys' methodology, a special attention was devoted to the existing surveys and publications, tackling the factors and reasons for undeclared work existence. It is worthy to note that the most challenging methodological element of the research on undeclared work is to define the reasons and factors that cause it¹¹. Most probably, this is the reason that a relatively small part of European studies is devoted to this theme. It is interesting to mention, in this respect, the research conducted by a multinational team, aimed at explaining how to decrease the cases of undeclared economic activities in Bulgaria (William, Franic, Dzhekova, 2015). The research concludes that it is advisable to reduce the application of rigid, restrictive measures, and rather to replace them with measures, targeted at producing sustainable changes in the tax moral of the society. Other studies with similar scope also arrived at similar conclusions and findings – pointing at the necessity of deepening the research on the factors determining the grey practices and undeclared work (William, Franic, 2016; William et al., 2017; Stefanov, Mineva, Karaboev, 2019).

The desk research, conducted by our team¹² showed, that **when conducting empirical research of the factors determining undeclared work, it is necessary to distinguish and empirically study the following six groups of factors:**

1. **Legislative factors** – primary and secondary legislation. The existing contradictions that they might contain, as well as potential often changes, create favourable conditions for undeclared work to occur. The desk research revealed that the respondents often tend to evaluate the legislative factors as one of the main reasons for emerge and spread of the undeclared work (Medina and Schneider, 2018). This conclusion is found valid also by studies, describing the situation in the Bulgarian economy (William, Yang, 2015).
2. **Situational factors:** this group of factors relates to the existence or the absence of legally operating economic subjects. The shared view is that their absence in a given territory leaves the workers there with no other choice, but to search for employment in 'grey' companies. To this group also can be attributed: supply and demand disbalances on the labour market (William, Yang, 2018), inadequacy of the education system (e.g. outdated curricula, educating 'unnecessary' specialists, whose qualification does not meet the needs of the real business), but also the low social prestige of traditional and important for the development of competitive economy professions.

¹¹ The desk research conducted in the framework of the BICA's project implementation shows that most of the studies done so far have purely descriptive goals and aim at describing the undeclared work practices and forms. Important goal is to define the relative shares of such forms as well (CSD, 2015).

¹² The desk research was done in the framework of the implementation of the BICA project BG05M9OP001-1.051-001 'Improving the Access to Employment and the Quality of Jobs through Limiting and Preventing the Undeclared Work'.

3. **Mistrust to the state and deficit of prestige:** this category contains a lack of: trust and respect to the state and the state institutions; appreciation for the legislation and the legislative bodies; trust in the retirement and healthcare systems (Chengelova, Zlatanova, Spassova, 2019).
4. **National psychology:** existence of attitudes and stereotypes for “tricking out” the state, for going against the public interest, strong individualistic attitudes, lack of respect for others and their rights (Chengelova, Zlatanova, Spassova, 2019).
5. **Economic determinants (at individual level).** Attention is particularly devoted to those factors that have strong personal implications and substantial effects on the possibility to generate legal incomes. Such factors include: long-term unemployment, inability to find a job, low incomes, as well as desire to have higher net income in the short run.
6. **Personal and family situation:** this is an important category of factors, which accounts for the existence of a particular situation in the family, that may lead to attitudes motivating participation in ‘grey’ practices. Such factors might include: gravely ill and/or unemployed family members, small children, retired relatives, etc., as well as: financial liabilities (loans, credits, mortgages, rents), substantial costs related to building projects, education, expensive medical services, etc.

Within the framework of conducting the two representative surveys (amongst employers and employees), special questions were asked in order to assess the importance of the six categories of factors and their real effect on the probability for inclusion in undeclared work.

The collected empirical evaluation, conclusions and findings are presented in the current paper.

3. Legislative Deficits – Risks of Creating Space for Incorrect Labour Relations

The relationship and interdependency between the quality of the legislative environment and the probability of grey practices emergence, as well as the influence of various other factors, has been studied in earlier years, including by Bulgarian researchers.¹³ D. North formulates also in a clear and definitive manner the interdependency between the quality of the legislative environment and the probability of grey practices emergence. North places a central focus on the state of the institutional environment – understood as a system of rules (both written and not) coupled with the institutions themselves and proves that the “*main role of the institutions in a society is to reduce the uncertainty, by establishing the foundation of a stable (but not necessarily effective) structure of human interactions*” (North, 2000, p. 16). Within the context of the institutional theory of North, many studies test further the relations between the institutional (legal) environment and the grey practices scope (Hernando, 2000).

¹³ See for instance: Hristoskov, J., Shopov, G., Beleva, I. ‘Non-Institutionalized Work and Self-Employment’, Sofia, IME, 1996; Kumanova, A., Dimitrova, R. ‘The Hidden Economy through the Eyes of Experts’, Statistics, 1998, no. 2; Stoyanova, K., Kirova, K., Kirova, A. ‘Social Challenges of the Shadow Economy’, Sofia, GorexPress, 1999; Todorov, T. ‘Informal and Hidden Economic Activity in the Context of the Completeness of National Accounts’, Statistics, 1999, no 5.

The conclusions are that the more uncertain, inappropriate and unstable is the legislative environment, the higher is the probability for grey economy practices to occur.

Following the concept of North and relevant leading European researches, the nationally representative studies conducted by BICA amongst the employers and employees tested the influence of five factors, describing the legislative framework. They include synthetic factors, representing at macro level two basic characteristics of the legal environment and three more particular aspects, capturing the possibilities created by the labour legislation for agile employment:

- 1) Omissions in the legislation.
- 2) Frequent changes in the primary and secondary legislation.
- 3) Misuse of the possibilities, provided by the Labour code to hire at the reduced working time – e.g., 2, 4 or 6 hours.
- 4) Misuse of the possibilities, provided by the Labour code to hire applying agile working time.
- 5) Misuse of possibilities, provided by the Labour Code for teleworking.

Opinions and evaluations about the relative share and influence of these five factors on the probability for undeclared work occurrence are collected – both from the employers and employees. The evaluations received are depicted in Figure 1, and on the basis of their analysis, important conclusions and findings are drawn.

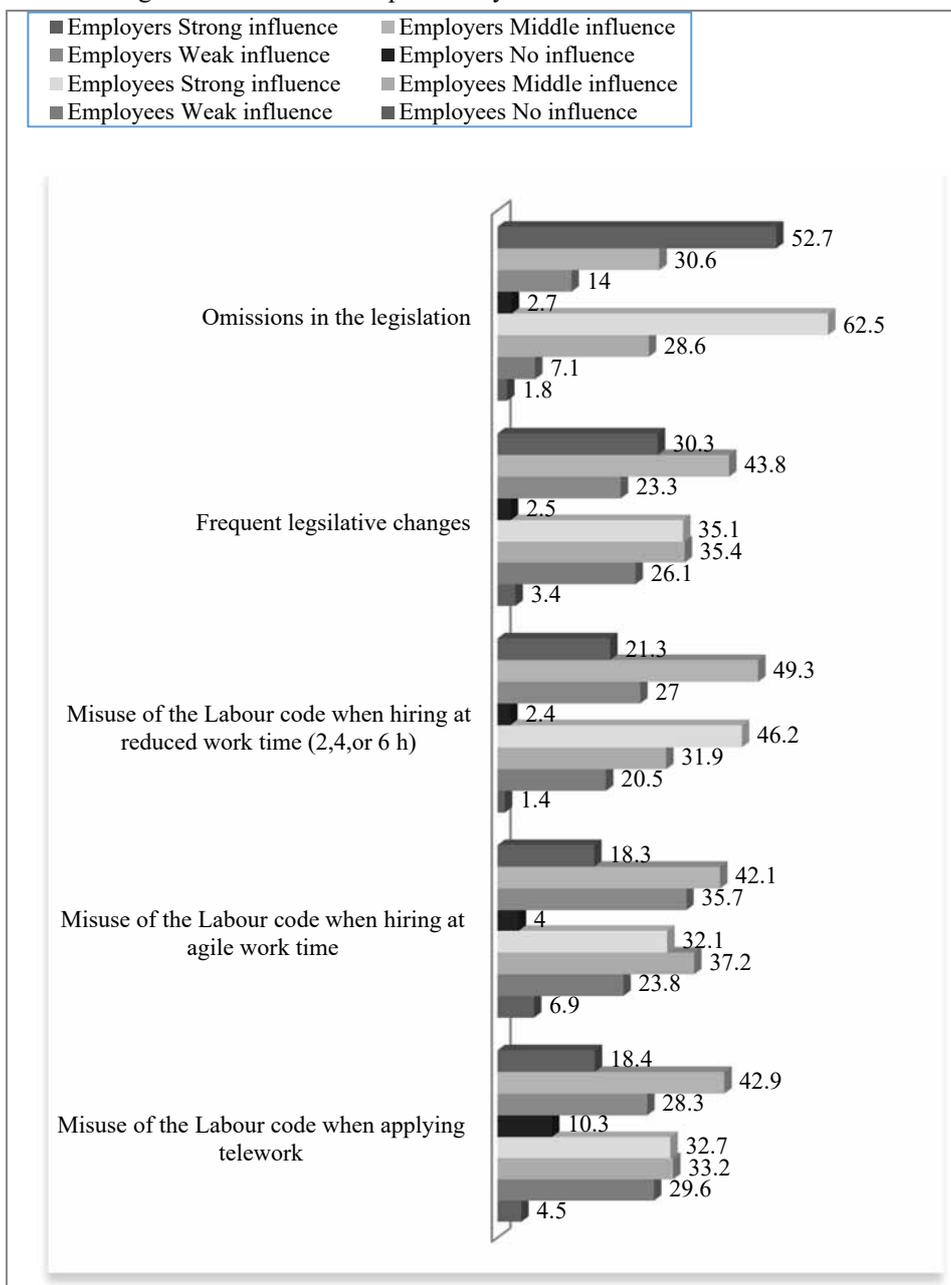
According to 83.3% of employers and 91.1% of employees¹⁴, the existence of omissions in the labour and security legislation is one of the main factors that facilitates the undeclared work occurrence. These evaluations reveal the convictions of the employers and employees that the quality of the legislative environment plays determining role in the proper functioning of the economy. An important element of these convictions is the belief that any omissions in the legislation will be used for illegitimate purposes, including undeclared work practising.

The omissions are not the only reason for the labour and security legislation to be not effective enough – the other being that **frequent changes were introduced in the legislative acts in Bulgaria**. Data show that the frequent legislative amendments are considered to be a serious factor creating prerequisites for undeclared work occurrence – by **74.1% of employers and 70.5% of employees**.

¹⁴ Here and further down the relative shares are presented summarizing the replies “strong” and “middle” influence. Detailed data on the shares’ estimates are presented on the figures.

Figure 1

Evaluation of employers and employees about the relative share and influence of the five legislative factors on the probability for undeclared work occurrence



The analysis shows that there is a relation between the company's size and the evaluations received – the trend being that the bigger the company is, the more critical it is towards non-compliance. Also, the representatives of bigger companies are more convinced that the omissions and imperfections in the legislation act as a direct motivator for engaging in undeclared work practices.

Three particular hypotheses are tested through the representative studies amongst employers and employees – exploring the risks of misuse some legislative provisions, introduced originally to provide for more flexibility on the labour market.

The first one suggests that there is a **risk of misuse when applying in practice the possibility, enshrined in the Labour Code, to hire at a reduced working time – e.g., 2, 4 or 6 hours.**¹⁵ **70.7% of employers and 78.1% the employees** are of the view that there is a risk of incorrect application of these provisions and it may lead to undeclared work.¹⁶

The second hypothesis stipulates that the **risk of undeclared work stems from the possibility of misuse of the flexible working time provisions in the Labour Code: 60.4% of employers and 69.3% of employees** are of the view that undeclared work can occur because of misusing the legislation regarding flexible working time.

The third tested hypothesis explores **the possibility of legislative non-compliance in the case of teleworking. 61.3% of employers and 65.9% of employees** are of the view that there is a risk of non-compliance to the legal framework that lays down the rules for teleworking, which may result in undeclared work practices.

4. The Effect of the Situational Factors for Occurrence and Dissemination of the Undeclared Work

This second category of factors, which we call “situational”, consists of subjective circumstances, which characterise the Bulgarian society at present and which create a macro framework, a model, within which the undeclared work emerges and occurs. Based on the assessment of the influence that the factors (forming the common macro national and regional environment) cause, we can place in the category of the situational factors, influencing the undeclared work:

- 1) Lack of companies respecting the rule of law in a particular territory;
- 2) Lack of qualified workers in key professions;

¹⁵ The Bulgarian labour legislation gives the possibility to hire at reduced work time – art. 138, p. 1, 2, 3 and 4 of the Labour code. Additionally, a possibility is established to hire through a labour contract a person who works only on particular dates of the month (art. 114 of the Labour code).

¹⁶ Hiring at a reduced work time is frequently used in Bulgaria. It particularly fits the needs of many sectors such as HORECA, retail, transport, logistics, art, administrative services, florist, care services, etc. The type of employment – permanent or temporary is the main determinant of the risk of undeclared work. Permanent employment is quite unlikely to cause any form of undeclared work, while temporary employment (temporary, for a given period, seasonal) is more likely to motivate undeclared work.

- 3) Relatively low social prestige of some traditional and important for the economy professions;
- 4) Relatively low readiness to go for labour mobility in Bulgaria;
- 5) Vocational education mismatches the needs of the real economy.

The first factor in this category is the lack of companies, respecting the rule of law. The presumptions are, that if a town lacks enough companies, operating in line with the rule of law, people will be forced to search for employment in companies, that might use ‘grey’ practices. **74.7% of employers and 73.1% of employees** believe, that the lack of companies, respecting the rule of law, produce a decisive impact to give birth to undeclared work. If workers cannot find employment in companies, respecting the rule of law, they will engage with companies, that will offer payment in cash, and will disregard the obligation to pay taxation, social security, etc. Such type of undeclared work can occur as a consequence of specific deformations in the local economy structures.

69.8% of employers and 78.9% of employees perceive that the lack of qualified workers in key professions creates a probability of undeclared work. This is a direct dependency – the more deficit a profession is, the higher is the probability for undeclared work occurrence – e.g., ‘grey’ oral arrangements between workers and the employer. Particular examples may involve undeclared cash payments on top of the contractual salary, or additional undeclared benefits (providing a car, mobile devices, better working tools, etc., on top of the contractual salary). Figure 2 depicts the evaluations of the employers and workers about the situational factors.

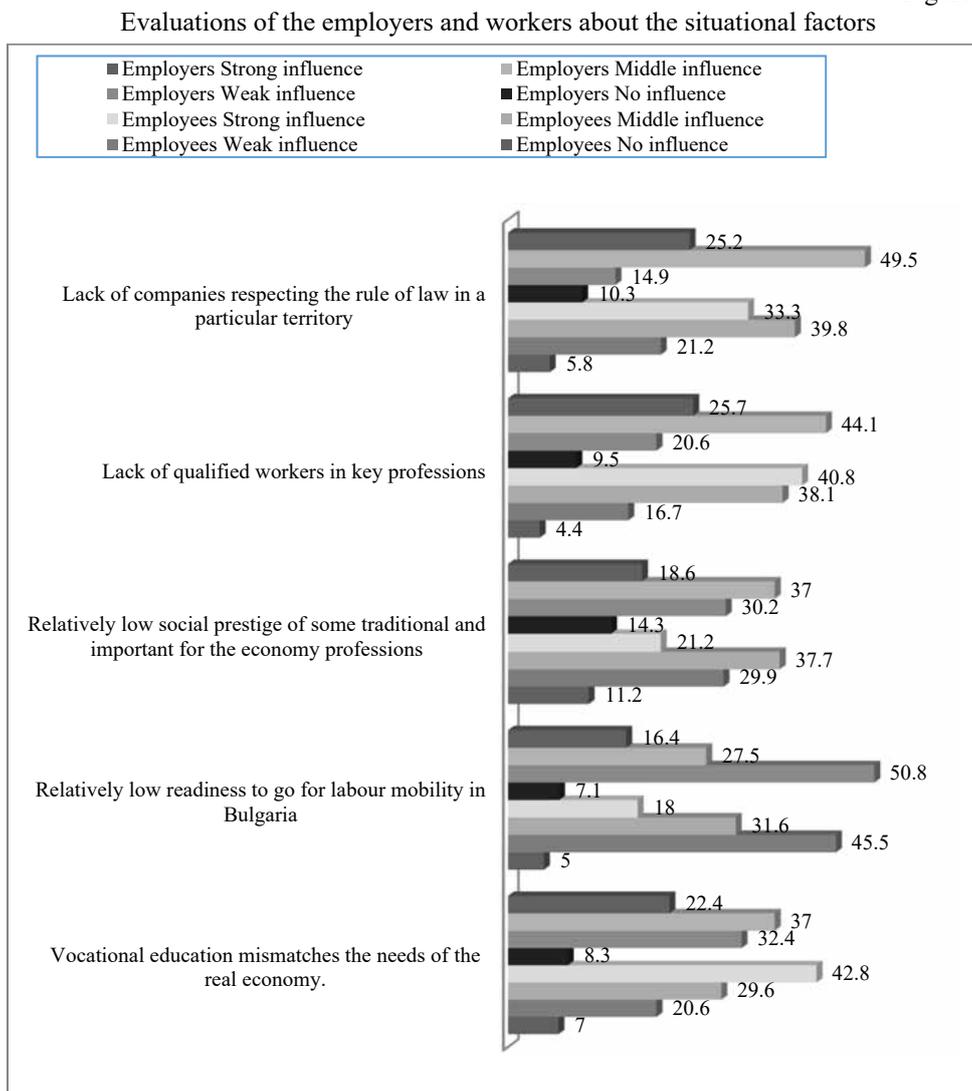
Relatively low social prestige of some traditional and important for the economy professions effect over the undeclared work shall be evaluated within the context of the above analysis. 55.6% of employers and 58.9% of employees believe, that low social prestige may cause undeclared work. Professions that are perceived not to be prestigious are not very attractive, which cause a lack of workforce supply and asymmetric bargaining power that can force the employer to compromise compliance. Most often, the non-compliance is related to ways of maximising the net salary amount – in many cases by disregarding tax and social security payment obligations.

Educational system deficits also may cause undeclared work. 59.4% of employers and 72.4% of employees are of the view, that outdated curricula may stimulate undeclared work. Outdated curricula educate people to work using outdated methods, or outdated equipment, in both cases failing to equip them with the necessary theoretical knowledge and practical skills. Outdated curricula also cause a false impression of a balanced labour market – from one side, there are enough experts, but from another – they are equipped with outdated and irrelevant skills and knowledge – thus being unable to meet businesses’ needs of qualified human resources. This creates a deficit of labour supply, where both employers and employees will be pushed towards undeclared work – as they are ready to do everything to move towards a balanced situation.

The relatively low readiness to go for labour mobility in Bulgaria was also explored. The presumption is that the low mobility will aggravate the lack of human resources in key professions. This will force the employers to accept all kinds of requirements of the potential

workers, including for non-compliance – so that the net payment is maximised. These concerns are shared by **50.8% of employers and by 45.5% of employees**.

Figure 2



When the factors are analysed, a test was also made to check if there is a relation between the company's size and the evaluation received. The statistical coefficients values obtained (Cramer and Chi-square) indicate a weak relation. The conclusion is that, irrespective of the company's size, the determining influence of this group of factors as drivers of undeclared work is clearly articulated.

5. Mistrust and Deficit of Prestige as a Factor Causing Emerge and Spread of Undeclared Work

The third category of factors, determining undeclared work, is labelled “**mistrust and deficit of prestige**”. It comprises seven factors, that reflect different aspects of trust and prestige related to key society systems and mechanisms. Leading European experts and analysts are of the view (William, Franic, Zhekova, 2015), that if key society systems and mechanisms lack public trust and prestige, this will create psychological readiness and attitudes favouring non-compliance, including undeclared work practices. The following factors are to be considered here:

- 1) Lack of respect towards state institutions and official regulations;
- 2) Lack of trust in pension system;
- 3) Lack of trust in the healthcare system;
- 4) Ineffective state control;
- 5) Low probability of detecting violations of labour and security laws;
- 6) Weak sanctions and consequences in case of non-compliance;
- 7) Believe that the society will accept avoidance of paying taxes and securities – completely or partially.

The overwhelming opinion of the employers and employees is that these seven factors are chosen correctly, and it is relevant and important to study them as they reflect important issues about Bulgarian society.

The first factor in this group regards the lack of respect for the state institutions and official regulations. There is scientific evidence that when large portions of the society violate the social norms and regulations, this leads the society to a state of anomy¹⁷. Leading Bulgarian social researchers concluded that anomy in the Bulgarian society started at the beginning of the transition period and is currently ongoing. The Bulgarian version of anomy is one of the extremes and is characterised by „... a striking lack of social dimension, of shared responsibility towards our existence as a society” (Dimitrov, 2009, p. 93). The current research shows that, **according to 62% of employers and 69.2% of employees**, the lack of respect for the institutions and regulations is a serious problem in Bulgarian society. These

¹⁷ **ANOMY** (Greek *anomiā*, lawlessness, from *anomos*, lawless : a-, without; see a-1 + *nomos*, law; see *nem-* in Indo-European roots). Meaning: 1) Social instability caused by erosion of standards and values; 2) Alienation and purposelessness experienced by a person or a class as a result of a lack of standards, values, or ideals. “Anomy is a lack of the usual social or ethical standards in an individual or group. This is a social system state, under which the usual social behaviour rules implication is weakened. Large amount of people and groups of people, communities and institutions ignore and violate social behaviour rules. The principle of solidarity also is ignored and instead the principles of power and brutality are embraced. Rights and benefits are requested, and the common obligations and duties are ignored. In this way the society as a whole is depressed by risk amount of conflict and destructive attitudes, is pushed out of its equilibrium and in this way the society loses its balance and sustainability and enters a society crisis spiral” (Mirchev, M., 2000. *The Anomy*. <http://assa-m.com/sociologia32.php>).

evaluations are shared equally by all the respondents, irrespective company's size, which is a sign that the evaluations are stable and are not related to the company's size. The conclusions of the conducted research are that in a situation, where there is a lack of respect for the state institutions and official regulations, mighty stereotypes and attitudes towards internalisation of the behaviouristic patterns emerge, and they serve as an excuse for non-compliance and application of 'grey' practices. Such type of attitude is extremely dangerous, as it involves a high degree of rationality (the individual has an excuse for such a behaviour) and destructivity.

Another system of critical importance for the smooth functioning of society is the **pension system**. **67.8% of employers and 83.4% of employees** are of the view, **that when mistrust and disapproval towards pension system prevail in society, this will lead to hesitation for paying social security, which, in turn, will have a negative effect on the labour relation, pushing it to the 'grey' zone.**

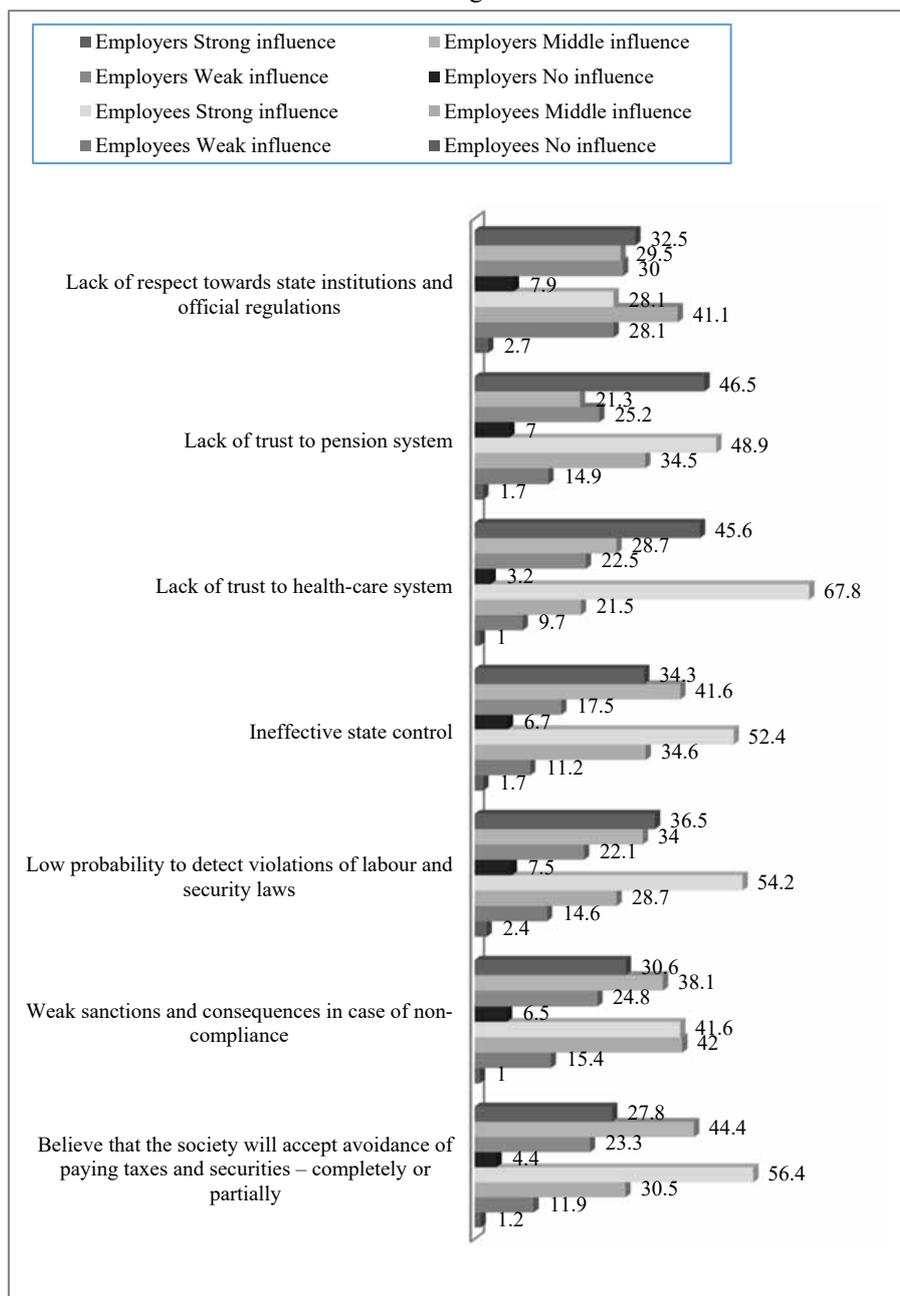
Equally, critical assessment is given to the healthcare system. 74.3% of employers and 89.7% of the employees stressed, that if there is a lack of trust in the society towards the health care system, this will have a serious negative impact on the attitudes of the workers, pushing them towards deviating from compliance with labour and security norms.

According to the data, the **lack of effective state control is a strong driver of the undeclared work**. This belief is expressed by **75.9% of employers and 87% of employees** – stating that when there is a lack of effective state control, the non-compliance attitudes rise rapidly. Closely linked to the weak control is also **the low probability of detecting** non-compliance with labour and security rules. **70.5% of employers and 82.9% of employees** firmly believe, that the low probability of detecting non-compliance is a factor, which, in a substantial degree, provokes the emergence and spread of non-declared work. The lack of effective mechanisms for detecting non-compliance generates attitudes towards the application of deviating behaviouristic models, which tolerate and accept non-compliance. In this regard, **68.7% of employers and 83.6% of employees** are of the opinion that the non-compliance sanctions are somehow weak, which stimulates non-compliance, "grey" practices and demotivates compliance.

Figure 3 depicts the evaluations of employers and employees about the relevant importance of each of the seven factors within the group "mistrust and lack of image".

The studies also tested the thesis, that if **the society does not strongly condemn non-compliance in payment of the entire amount of tax and securities, this will directly unlock further non-compliance attitudes**. Assessing this factor, **72.2% of employers and 86.9% of employees stated**, that in a society the overwhelming majority believes that not to pay taxes and securities is allowed and shall not be condemned, then this will generate public attitudes and stereotypes, that stimulate "grey" economic behaviour.

Figure 3
Evaluations of employers and employees about the relevant importance of the factor group
“mistrust and lack of image” on undeclared work



6. Influence of the National Psychology Factors on the Processes of Emergence and Spread of Undeclared Work

The next category of factors summarises the specific characteristics of the national psychology. Even though there are quite a few European studies, devoted to this group of factors, our preliminary analysis showed that underestimating the specific characteristics of the national psychology would be a mistake, as it will leave out of the scope of the analysis important stereotypes, attitudes and models of behaviour. Within the framework of the desk research conducted, many factors of the Bulgarian national psychology were identified, but at the end we have embarked at putting forward for evaluation through the representative study only three of them, considering them being key – as summarising and synthesising many elements, namely:

- 1) Attitudes and stereotypes of people to “trick” the state;
- 2) Strengthened individualistic approach;
- 3) Lack of respect of others’ rights.

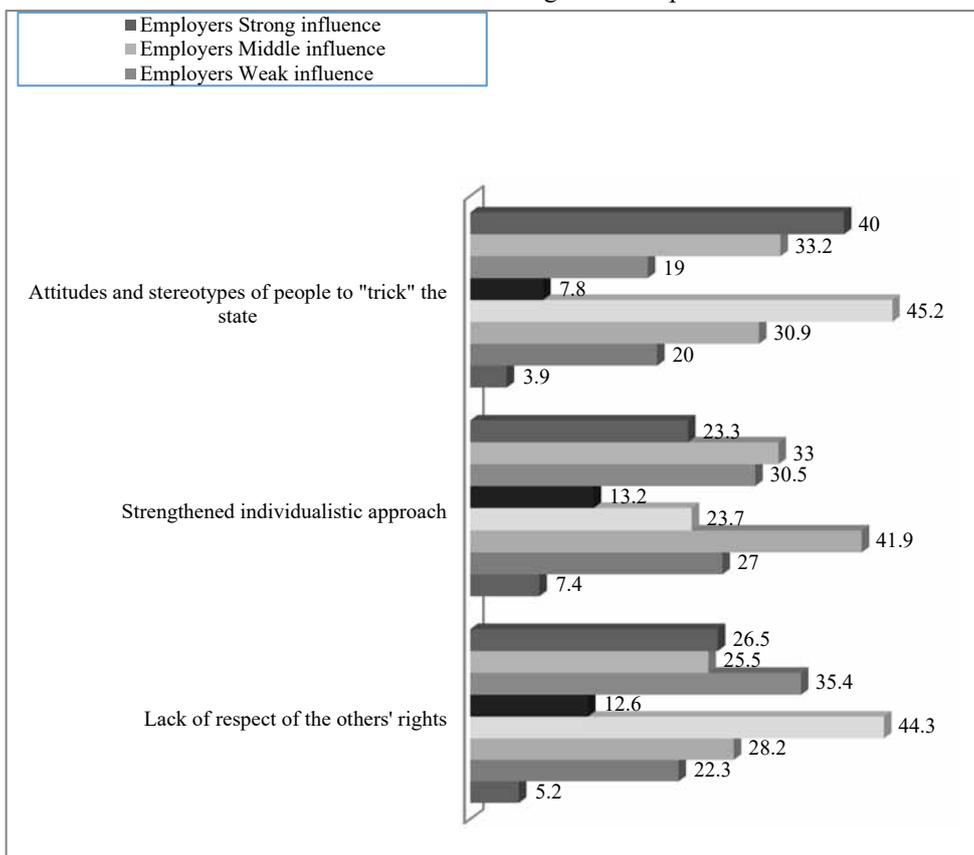
The first synthetic factor of this group – “attitudes and stereotypes of people to “trick” the state”, is cumulative for a wide spectrum of attitudes, that cast a negative projection over the individuals’ economic behaviour. **73.2% of employers and 76.1% of employees** evaluate the significance of the tested attitudes and stereotypes as very high and high. We believe that the very existence in the public opinion of stereotypes to “trick” the state¹⁸ is typical and specific for the Bulgarian national psychology, and gives ground in favour of attitudes of non-compliance and “tricking” the state.

Another tested factor is the strong individualistic attitudes of modern people. It is typical for modern societies that the people tend to atomise, close inside themselves and put their own interest above the interest of the society. **56.3% of employers and 65.6% of employees** consider reinforced individual attitudes as a factor that stimulates inclusion in undeclared work practices. The key characteristic of such an attitude is that personal interest is placed above the common interest. Following this logic, some individuals develop a “conformist” economic behaviour –placing their personal interest above all – even above the rule of law. Figure 4 depicts the cumulative evaluations of employers and employees.

¹⁸ At the beginning of 20th century, Elin Pelin creates the literature type of Andreshko, who represents the typical type of a Bulgarian peasant. Although in the original novel of Elin Pelin, Andreshko undertakes a risky course of action to save a friend from punishment for non-compliance, gradually, a stereotype was created in the public opinion in favour of “Andreshko type of behaviour” – sympathizing to poor people “tricking” the state by every means. During 1940s, the Bulgarian sociologist and psychologist Ivan Hadjiyski develops his optimistic theory for the Bulgarian nation, where he depicts the drawbacks of his compatriots – and criticizes the attitude of many Bulgarians towards tricking and non-compliance.

Figure 4

Cumulative evaluations of employers and employees on the effects of psychological factors on undeclared work emergence and spread



The third factor, which the conducted studies evaluate, is the lack of respect for other people's rights. Social psychologists warn that a negative trend is gaining traction in modern society to ignore and not to respect the views and rights of others. Even being of a psychological nature, such an attitude has a social construction and cause a negative effect on the overall behaviouristic attitudes of individuals. One practical consequence of these types of attitudes is building a psychological readiness for nonlegitimate economic behaviour, where the individual puts his own interest at first place and tends to act as to endanger or violate the rights of other people. For example, a worker with the described mindset may insist to be hired without signing a contract – and be paid in cash, ignoring the fact that in this way, he puts the employer in a risky and dangerous situation. The conducted surveys show that **52.1% of employers and 72.5% of employees** perceive the attitudes towards disregarding the others' rights to be a strong non-compliance motivator, which also generates undeclared work.

The study also tested the relation between the company's size and the nature of the evaluations regarding the factors linked to the national psychology. The corresponding statistical coefficients have low values, meaning that the evaluations are not depending on the company's size. This proves the stability of the evaluations, and also shows that this group of factors represents common national characteristics, which are displayed in a similar way irrespective of the company's size and scope of the economic activities.

7. Economic Determinants of Undeclared Work

Taking the Weber's thesis of rationalising the behaviour of the "economic person" (Kirova, 2008), most contemporary studies resume, that the economic interest is at the foundation of all undeclared work practices. **Three factors are accessed by the conducted studies, in order to capture the projections of the economic environment on the possibility for individual professional realisation.** The presumption is, that the participation in undeclared work is motivated by purely economic factors, the most important of which being the need for constant and stable individual incomes. Ideally, an individual shall be hired with a legally sound contract and this shall be the source of income. Quite often, the legal income may not satisfy enough a person. Another problem is connected to the difficulty to find a job. The preliminary analysis shows that the economic factors are the strongest driver of entering into undeclared work arrangements.

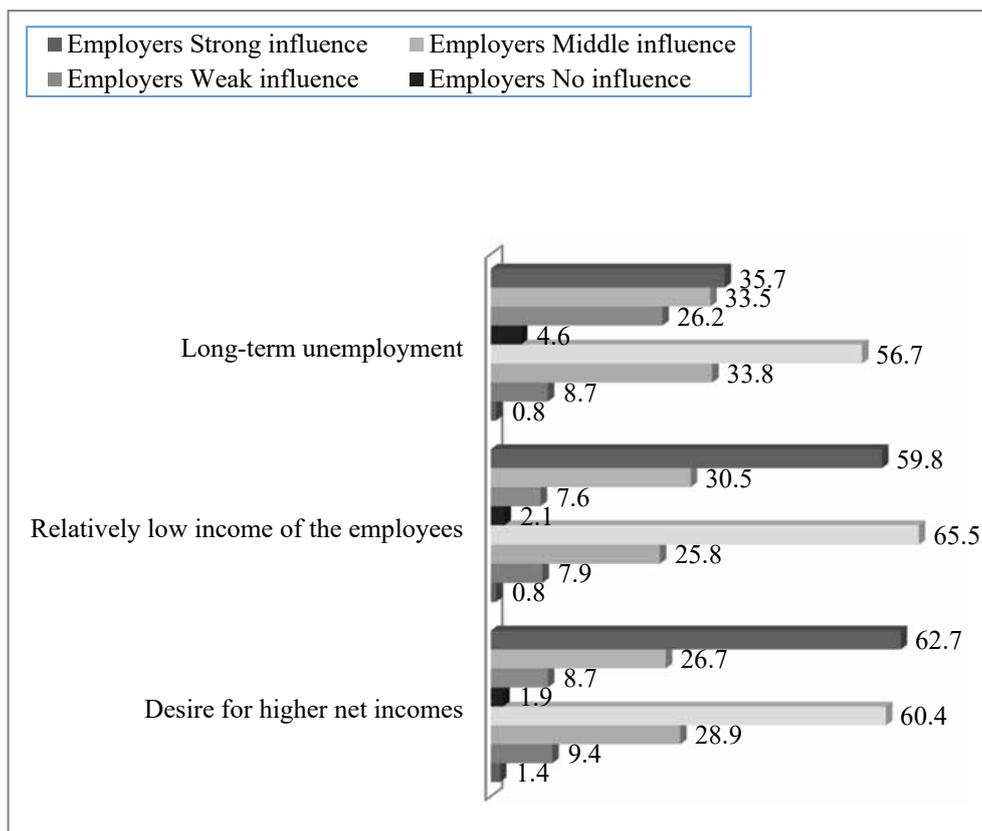
In order to test this assumption, the importance of the following three factors is assessed:

- 1) Long-term unemployment;
- 2) Relatively low income of the employees;
- 3) Desire for higher net incomes.

Fig. 5 illustrates the collected empirical assessments of employers and employees regarding these three factors.

89.4% of employers and 89.3% of employees stressed, that **the desire for higher net incomes in the short run is one of the strongest factors inspiring undeclared work practices.** One of the leading motives for a worker to choose a particular job, is the wage amount. If two companies compete with each other, a worker will choose – other things being equal, the company that offers higher net wage. This fact is well understood by both sides of the labour relation. This is the reason, in some cases, for generating "compromise solutions" – which de facto are forms of undeclared work – where a written labour contract is absolutely missing (maximising the net gain), or there is a written contract, but some labour elements are not included ("saving" some of the tax and security payments and increasing the net pay). The analysis also reveals that the employees in smaller companies are more inclined to evaluate the desire for higher net income as a motivator to engage in undeclared work.

Figure 5
Assessments of employers and employees on the economic factors' influence on the undeclared work occurrence



Data show, that workers' **low incomes** are yet another strong motivator for practising undeclared work. **90.3% of employers and 91.3% of employees** assessed low incomes as a direct driver for undeclared work emergence. This relation has a direct nature and easy can be traced. If a worker agrees to work for a payment, which is lower than his preliminary expectations, this can last for a while, but at a certain moment, most probably the worker will start to feel dissatisfaction and will try to renegotiate, including by asking for work without a written contract, or for work with a contract that does not cover all the aspects of the labour relation. The motive in such a case would be seeking to maximise the net amount of pay in the short run. The worker also can try finding employment within a rival company, that is expected to favour applying "compromise solutions" – i.e., undeclared working arrangements.

Another economic factor, which has a strong impact on the probability of undeclared work emergence, **is the long-term unemployment. The unemployment is one of the major**

enemies of compliance and the evaluations show that, **69.2% of employers and 90.5% of employees** are aware of this fact. These attitudes are especially spread amongst employees, which can be explained by the fact, that in a situation of unemployment, a worker will be more inclined to find a job regardless the compliance. The studies show that **the most vulnerable category in terms of undeclared work is unemployed**, and the relation is that the longer a person has been unemployed, the bigger is the probability to engage in undeclared work – being upon his initiative, or upon employer’s proposal.

The analysis reveals that the bigger the company is, the lower the share of people, who evaluate the three examined factors as motivators for engaging in undeclared work. This can be explained by the fact that the employees of small and micro companies perceive a larger degree of uncertainty regarding the stability of their job and also perceive lower net incomes. Therefore, the bigger the company is, the lesser the probability to trigger economic determinants that will motivate undeclared work practices.

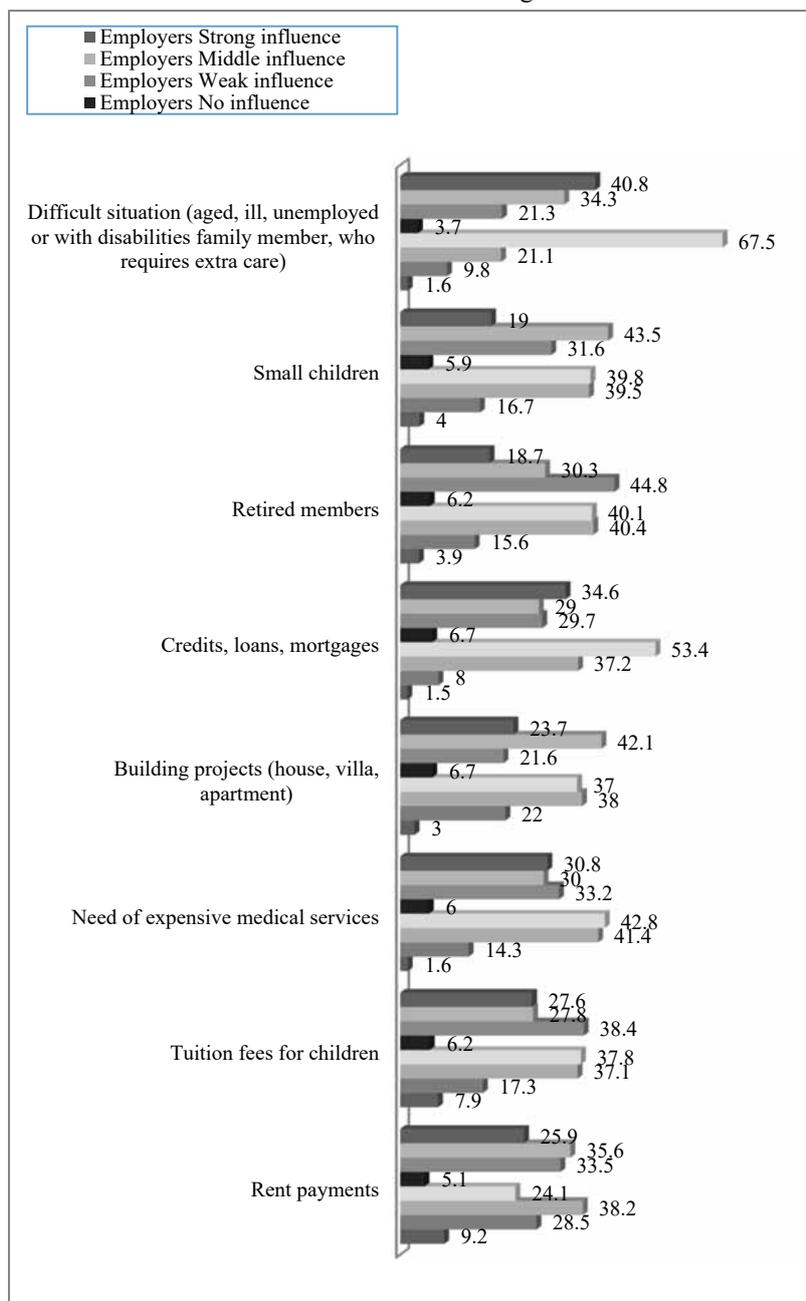
8. Personal and Family Situation as Undeclared Work Motivators

Personal and family situations as a whole cause serious influence over the individuals’ economic behaviour and may push them towards undeclared work. As a result of the desk research (William, Renooy, 2013) and of the consecutive discussions, eight factors were identified as having a key role to motivate individuals to take part in undeclared work practices related to personal and family situations. These factors cover different aspects of family life – e.g., health problems, education and ageing issues of family members, and the need for serious investments in property. These eight factors, which were tested, are related to a situation, wherein a family there are:

- 1) Difficult situation (aged, ill, unemployed or with disabilities family member, who requires extra care);
- 2) Small children;
- 3) Retired members;
- 4) Credits, loans, mortgages;
- 5) Building projects (house, villa, apartment);
- 6) Need of expensive medical services;
- 7) Tuition fees for children;
- 8) Rent payments.

The evaluations of employers and employees on these 8 factors are depicted in Figure 6.

Figure 6
Evaluations of employers and employees on the impact of the personal and family situation on undeclared work emergence



The first estimated factor is of synthetic nature and is called a “complicated family situation”. It refers to a situation where there are ill, unemployed, aged or with disabilities family members, who require special care and attention. **75.1% of employers and 88.6% of employees** reported, that such complicated family situation can motivate undeclared work practices. Each of those complicated family circumstances may motivate a family member to take part in undeclared work.

The second tested factor is small children in a family (under 18). The assumption here is that the dependent children require serious financial resources and – under given circumstances, the impossibility to provide such resources may motivate some family members to try filling this gap by undertaking undeclared work. Bulgarians are famous for their love for the children and for their readiness to do all for the children. Our studies show, that **62.5% of employers and 79.3% of employees** believe that the needs of the small children in a family may motivate the parents to enter into undeclared working arrangements.

The studies also checked the relative share of the factor “retired family members”. The assumption is, that the retired people in Bulgaria have relatively low incomes¹⁹ and – being a part of a larger household, their financial contribution to its budget is very modest. At the same time, the senior people often suffer some health problems that require substantial financial resources. That is why, under given circumstances, the need to devote financial resources for the treatment of senior family members may serve as a motivation for the working family members to include themselves in undeclared work. This assumption is supported by only **49% of employees, but by 80.5% of employers**, which illustrates the delicate nature of this fact and the very cautious manner in which the respondents give their evaluations.

The study tests the relative importance of the factor “existence of credits, loans, mortgages”. This factor could be classified as an economic factor, as it directly concerns the incomes and financial resources of a family, but in the given situation, it is classified, however, in the group of the personal and family factors instead, because usually the existence of liabilities of any kind is motivated by serious family reasons. Altogether, **63.6% of employers and 90.6% of employees** evaluated as very significant or significant the existence in a family of financial liabilities towards other physical or legal entities. This type of thinking makes perfect logic: if the family has any financial liabilities, it is forced to search for sources of additional income. And in case legal sources are not found, then it will be quite likely a family to turn to not quite legal alternatives, including undeclared work.

¹⁹ The scenario of having a family of two members – where both members are retired. It is quite likely in that case their income to be too restricted and this can motivate undeclared work commitments – not in compliance with the labour and security law. The study showed that the pensioners are quite a vulnerable group, with a high propensity to be included in grey practices. Apart from the strict economic compulsion, also socio-psychological factors can explain this phenomenon – the retired people outside the active labour age are more inclined to make compromise with the rule of law. Another explanation also can be provided – because of the low retirement pay, the pensioners are disappointed by the society and the solidarity principle. Therefore, they choose to demonstrate their disappointment by being socially noncompliant.

Building projects and works (e.g., house, cottage, apartment) is another factor which is quite likely to motivate undeclared work. When a family is engaged with building projects or works, it will need solid financial resources and constant income. If there is a lack of funds, this will stimulate the search for “fast” money – and undeclared work presents such an opportunity. **65.8% of employers and 75% of employees** are of the view, that a building project poses a serious challenge to the family budget and to its tax morale and can motivate undeclared work.

60.8% of employers and 84.2% of employees perceive that a **reason for undeclared work can be the need to pay for expensive medical services. 60.8% of employers and 84.2% of employees** expressed an opinion, that the need to pay for expensive medical services can be a reason for work without a contract, or for accepting false clauses in a contract.

The possible reason for inclusion in undeclared work may also be the need to pay **children’s tuition fee and rental charges: 55.4% of employers and 64.9% of employees** are of the opinion that this is a very strong factor, that motivates undeclared work. This kind of motivation is a relatively new trend in the Bulgarian society, but it is objectively determined by the changes in the preferred modes of education. Many families send their children into expensive private schools, that might be both domestic and foreign. Usually, Bulgarian private schools are chosen for primary and secondary education and foreign schools – for high education. But not every family can afford such expenses easily.

61.5% of employers and 62.3% of employees think that **tuition fees and rental payment** may motivate the search for possibilities to gain money “fast and easy”, even at the cost of law non-compliance.

It is to be noted that the respondents are equally certain in their evaluation of the importance of the personal and family situation as undeclared work motivators, and the evaluations do not depend on the company’s size. This group of factors, because of their specific nature and high individual importance, cause equally strong influence for all the individuals, irrespective of the company’s size and the type of the economic activities.

9. Common Ranging of the Factors, Determining the Emergence and Spread of Undeclared Work

Based on the average estimation for the six categories of evaluated factors, a common ranging is done, where the closer the unit is to 1, the stronger is the influence of the factor.

The employers evaluated two economic factors as causing the strongest influence – **desire for a higher net income and low net income in the short run of the employees.** The third place receives the factor **“omissions and inconsistencies in the legislation”, which is to show, that the legislative environment is the second important factor after the economic factors.** Right after that come the factors from the group, “mistrust and lack of prestige”, and the personal and family situation and psychological factors. **Employees** tend to evaluate those factors that cause direct effects on the people as having the strongest impact on the propensity for inclusion in undeclared work practices – e.g., **the state of the healthcare and**

pension systems, personal income, the existence of complicated family situation. A relatively small part of the workers take into consideration the overall economic macro framework and conditions in the country, which defines the living and working conditions for the citizens in a country and in a region. Often, the important negative effect that misuses of legislative texts can cause by giving opportunity for more flexible forms of offering and realising employment, is not understood and appreciated, as well as the significance of the factor “lack of healthy, competitive enterprises in the region”. Figure 7 depicts the ranging of the six categories of evaluated factors, according to employers and Figure 8 – according to the employees.

Figure 7

Employers' ranging of the six categories of evaluated factors

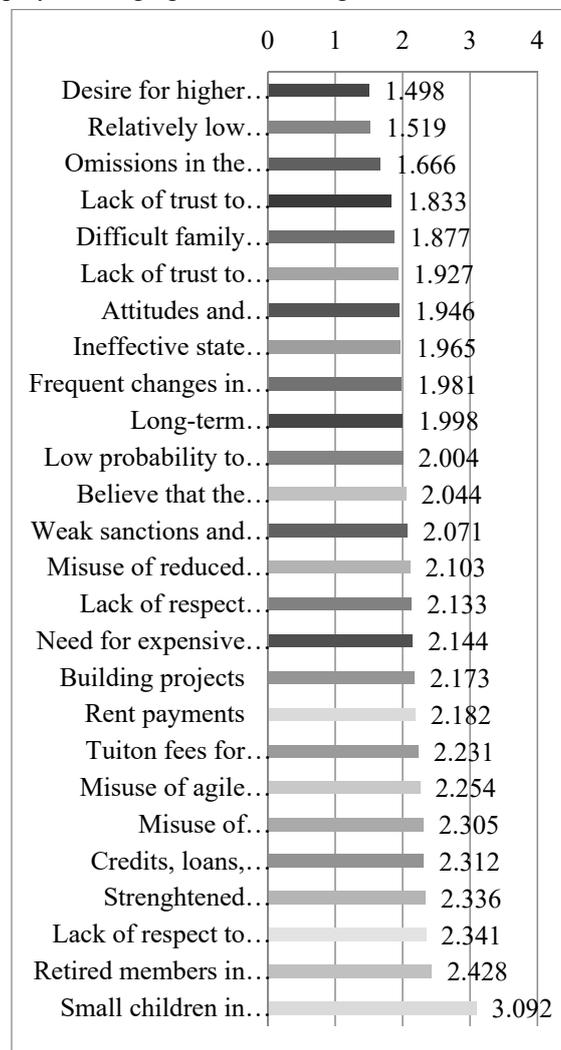
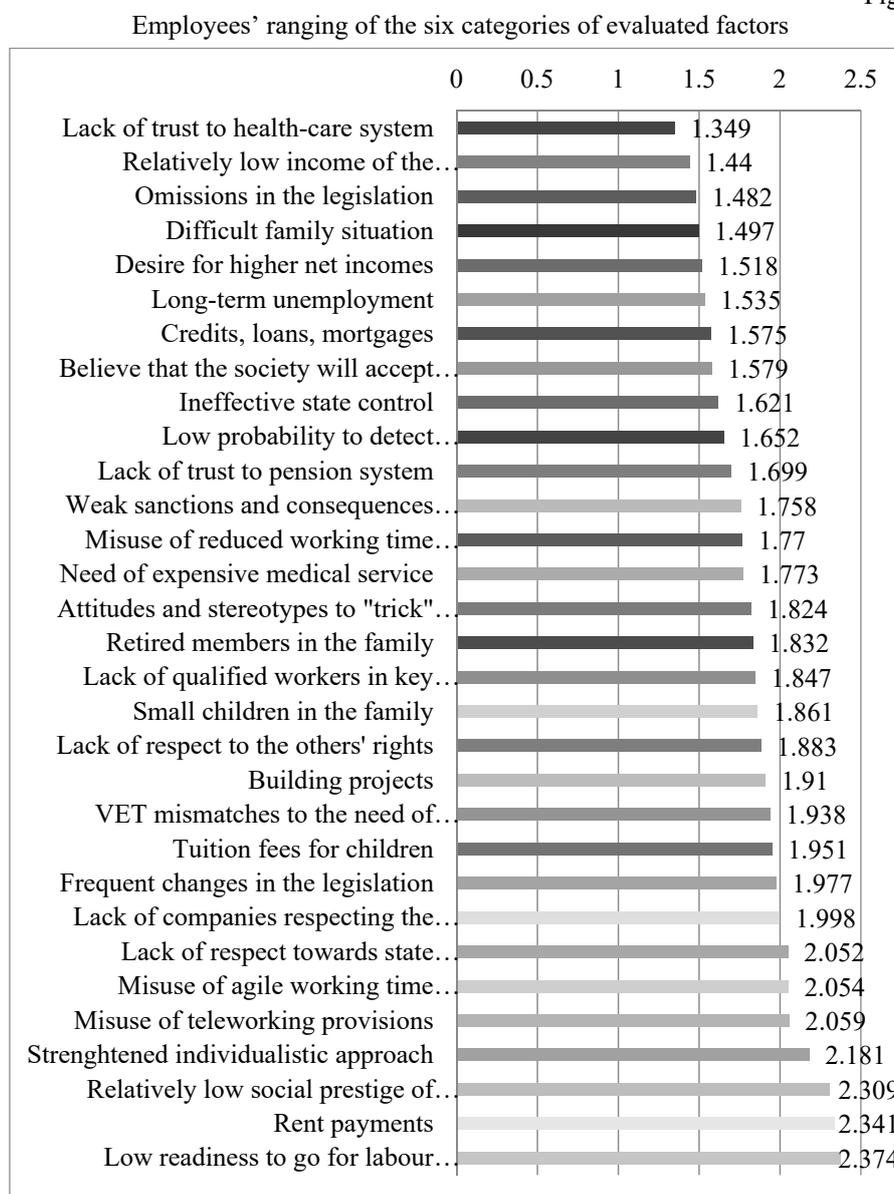


Figure 8



Ranging different factors, that affect the probability of undeclared work emergence, provides value for making managerial decisions, as it shows on a clear and definitive manner what is the hierarchy of the factors, that cause undeclared work. This

knowledge can be used when approaches, policies and measures for limiting and preventing undeclared work are devised.

10. Conclusion

The analysis of the empirical data, gathered by recent studies amongst employers and employees, presented in this paper, confirms entirely the preliminary hypothesis that the undeclared work has a controversial nature and is determined by very complicated and complexed factors. **The undeclared work practices emerge under the effect of a complex interaction between objective circumstances and subjective attitudes, stereotypes and behaviouristic patterns. Heterogenous and dynamically changing, these factors form a common legislative, institutional, values and behaviouristic framework, which affects the processes of undeclared work emergence and spread.**

The data gathered by the recent Bulgarian Industrial Capital Association studies confirmed the widely endorsed by experts thesis, that societies in transition – such as the Bulgarian society, are much more vulnerable to grey practices. The informality is a universal characteristic of modern economies, but the informal (grey) practices are boosting out of control in societies undergoing transition. Various and complex reasons and factors cause this – some of them being quite obvious and others – skilfully hidden behind complex socio-economic relations.

Amongst them, the **role of the legislative environment** is very important – as it determines the individual economic behaviour. **The more resilient, stable and internally coherent is the legislative environment, the less legislative prerequisites motivating attitudes for practising undeclared work are found. The introduction of new forms of work gives raise to new challenges, as the greater liberty and flexibility for realising the labour relation, created by the legislation, is perceived by some employers and employees as an opportunity for tricking and overcoming the law.**

The probability of undeclared work emergence depends directly on the stability and legitimacy of the economic environment at the national and local levels. Although the economy is a system of complex structured processes, relations and interactions, in one's mind, it is associated with the presence or absence of enterprises – of all size and from sectors. The lack of enterprises operating in compliance with the legislation, significantly narrows down the possibilities for legitimate employment, and pushes part of employers and employees into the 'grey' economic zone. Other factors that provoke strongly undeclared work emergence, **are the lack of qualified human resources, matching the needs of key for Bulgaria economic sectors, low prestige of traditional and key for the competitiveness professions and the mismatch between the vocational training and the needs of the labour market.** In their entirety, these factors create an unfavourable environment, which provokes the emergence of undeclared work – such as: work without a contract; work on a contract, containing false clauses; additional payment in cash, avoiding taxation; bogus self-employment and unpaid extra labour.

The empirical study of the factors determining undeclared work shows, that grey practices emergence is to a great extent determined by the **existence of sceptical or negative attitudes towards the state and state institutions**. The lack of respect towards the state is a serious problem that the societies in transition – such as the Bulgarian one – face. **The lack of respect to the state takes a form of non-compliance, including violation of the labour and security legislation.**

In that regard, it is very important to have a closer look at the **economic determinants of the undeclared work**. The conducted studies confirmed undoubtedly, that **the basis of any nonlegitimate economic models is the desire for higher net incomes and for minimising the costs**. This human characteristic is well described by social scientists, but it shall again be underlined, as it plays determining role in explaining the attitudes and psychological readiness for participating in undeclared work practices. The studies show, that, **driven by the desire for higher incomes and profits, individual of various sociodemographic background**, are ready to go against the rule of law and even to take the risk to be accused for that. To a great extent, this can be explained by the systematic downgrading of the gravity of these types of violations and the inadequate mechanism of the Bulgarian society for sanctioning and reprimanding such type of illegitimate economic behaviour.

Another group of negative attitudes, that motivates undeclared work emergence, are born by the **disapproval of the health and pension systems**. The **negative attitude towards these keys for the functioning of the society systems has reached critically high levels, which explains the openly demonstrated lack of will of part of employees to pay security instalments**. The employees expect to see a direct link between the social security payment and the relevance of services and benefits offered by the pension and health systems. As the current state of the pension and health systems in Bulgaria fails to demonstrate in a convincing manner such a link, this demotivated the employed to pay social security instalments.

Also, the existence of historical burdens that have deep roots in the Bulgarian psychology shall be added here. **Between them, the attitude to “trick out” the state prevails**, together with a lack of respect for the rights and interests of the others and with outlined individualistic attitude. All these created a favourable soil, on which the undeclared work flourishes.

The presented empirical data give reasons to worry. **Undeclared work has deep roots in the Bulgarian reality, as it is born simultaneously by legislative, situational, institutional, psychological and economic factors**. Their influence is reinforced by the presence of many subjective circumstances in ones' life. **In search of a rational and beneficial economic behaviour, the modern Bulgarian uptakes different behaviouristic patterns, including considering commitment in ‘grey’ practices**. These processes are quite understandable and logical, especially when placed in the context of the sound economic logic, which tends to dominate all other factors.

In the context of the enormous damages that the undeclared work causes to the society as a whole, to the individuals, to the state and its institutions, and to the very principles of the functioning of the modern society, it is necessary to think of a gradual putting under control the undeclared work – until it is eradicated. In that connection, the **good knowledge and**

understanding of the factors that determine the undeclared work is the key to identify effective approaches, policies and measures to create public attitudes that do not tolerate undeclared work or any of its practices. Identifying and applying holistic, consistent and sustainable measures that can make grey economy practices unattractive, is key.

The analysis of the primary data, gathered within the framework of the implemented by BICA project BG05M9OP001-1.051-001 ‘Improving the Access to Employment and the Quality of Jobs through Limiting and Preventing the Undeclared Work’ shows that, irrespectively to the complex and contradictory nature of the undeclared work practices, they can be limited and prevented successfully. Based on the findings of the current study, relevant policies and measures can be suggested, elaborated on the basis of the influence of six groups of factors, and targeted at limiting or eliminating their effect on motivating undeclared work (Table 1).

Table 1

Factors	Polices and measures recommended to tackle undeclared work in Bulgaria
Legislative factors	<p>Upgrading, actualising and enriching the existing strategic documents targeted at limiting and preventing the undeclared work. Possible measures:</p> <ol style="list-style-type: none"> 1) Actualising the Employment Strategy of Bulgaria; 2) Upgrading and actualising the existing National plans on employment actions; 3) Actualising the Unified National Strategy for Increasing the Revenue Collection, Combating the Shadow Economy and Decreasing the Compliance Costs; 4) Actualising and Upgrading the Strategy of the National Center ‘Business to the Rules’. <p>Actualising the labour and security legislation with the aim of strengthening the legislative foundations for defining, limiting and preventing the grey practices that generate undeclared work, and hedging the risks related to the new forms of work.</p> <p>Possible measures:</p> <ol style="list-style-type: none"> 1) Including in the Labour Code a definition of undeclared work and specifying the practices to be qualified in this category; 2) Creating legislative possibilities for application of payment by vouchers; 3) Continuing the work on simplification of the procedures for the application of the 1-day contracts; 4) Providing the employers with information about the best practices for shared employment of workers, and elaborating and adopting legislation for shared employment of workers; 5) Elaborating and adopting legislation for occasional (simplified) employment of workers; 6) Defining clear rules for platform work.
Situational factors	<p>Developing a system of promotion measures to motivate the employers to comply with labour and security legislation.</p> <p>Possible measures:</p> <ol style="list-style-type: none"> 1) Elaborating promotion measures for employers to hire young people on a permanent contract; 2) Elaborating promotion measures for employers to hire people in pre-retirement age on a permanent contract; 3) Introduction of a more effective mechanism to be used by the Executive Agency Main Labour Inspection to impose sanctions in case of detected employment without a labour contract or on a contract with fictive clauses. <p>All the above measures aim at stabilising the local economies and at creating real conditions for compliance, declared work promotion and stable legal incomes.</p>
Mistrust to the state and deficit of prestige	<p>Developing capacity of the specialised bodies – that have functions and rights to control the compliance with labour and security legislation.</p> <p>Possible measures:</p> <ol style="list-style-type: none"> 1) Increasing and further building the capacity of the Executive Agency Main Labour Inspection;

Factors	Policies and measures recommended to tackle undeclared work in Bulgaria
	<p>2) Focusing on inspections and check performed by the Executive Agency Main Labour Inspection, based on preliminary risk analysis of undeclared work propensity;</p> <p>3) Increasing the motivation of the labour inspectors to perform thorough checks of the compliance with the labour law;</p> <p>Specialised trainings for increasing the competences of the labour inspectors of the Executive Agency Main Labour Inspection to detect the undeclared work practices.</p> <p>Developing and upgrading the tools for detecting, limiting and preventing the grey economy through devoted components addressing the undeclared work issues.</p> <p>Possible measures:</p> <ol style="list-style-type: none"> 1) Sub-index 'Work to the Rules' to be elaborated and estimated annually – as a component of the Composite Index 'Business to the Rules'; 2) Elaborating undeclared work risk measurement system and increasing the investigation and analytical capacity of the Executive Agency Main Labour Inspection; 3) Increasing the possibilities of the National Revenue Agency for risk assessment through behavioristic studies; 4) Data base sharing between the Executive Agency Main Labour Inspection and the National Revenue Agency; 5) Upgrading the tools for limiting and preventing undeclared work through information campaigns and trainings.
National psychology	<p>Information dissemination – amongst employers, employees and all the citizens – about the benefits of tax discipline and tax payment compliance.</p> <p>Possible measures:</p> <ol style="list-style-type: none"> 1) National, state financed, information campaign to promote the responsible behaviour and compliance with the tax and security legislation; 2) Best practices promotion campaign; 3) Wide promotion amongst citizens of the possibility to receive Personal Inedificaiton Code from the National Security Institute and National Revenue Agency; 4) Wide promotion amongst citizens of the possibility the National Revenue Agency to send messages to persons, for which a labour contract conclusion notifications are received. <p>Wide promotion amongst citizens about the benefits of the declared work, and about the damages that the undeclared work causes on the economy and society.</p> <p>Possible measures:</p> <ol style="list-style-type: none"> 1) Initiating media publications focused on presenting and explaining the benefits of the declared work and the damages that the undeclared work causes on the economy and society; 2) Initiating curricula devoted to the labour, tax and security legislation and providing specialised training course.
Economic determinants (at individual level)	<p>Devising key tools for realising effective and adequate income policy.</p> <p>Possible measures:</p> <ol style="list-style-type: none"> 1) Ceasing the administrative setting of a national minimum wage and moving instead towards setting annually sectoral minimum wages by bipirtatire social dialogue; ceasing the minimum security thresholds; 2) Ceasing the administrative setting of additional payments for length of service and moving rowards introducing additional payment based on productivity and personal results achieved by the employees. <p>Improving the security system and pension policy.</p> <p>Possible measures:</p> <ol style="list-style-type: none"> 1) Reducing the security payments levels; 2) Increasing the share of the statutory additional pension instalments.
Personal and family situation	<p>Complex measures are required in order to improve the family situation, and these require a coordinated application of all the above measures and policies, adequate mechanisms and instruments for wage setting, improvement of security and pension policy so as to take account of the real security length of service.</p>

In conclusion, the paper proves that in order to successfully limit and prevent the undeclared work, constant efforts are needed to study, analyse and explain this phenomenon – as to provide an empirical foundation that allows for deriving adequate conclusions and findings of the nature, the essence and the factors that determine the undeclared work. The approach of studying the undeclared work should be holistic and aimed at gathering the necessary empirical data for constructing adequate policies and measures to limit and prevent the undeclared work.

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