

The Hidden Economy in Bulgaria

(GENERAL POPULATION)



**Vitosha
Research**

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SURVEY METHODOLOGY

Sample

National representative survey of the population covering 1,107 respondents aged 18 and over.

Survey Method

The survey employed the method of the face-to-face interview.

Fieldwork

Fieldwork was conducted in the period January 23 – February 2, 2003.

THE HIDDEN ECONOMY INDEXES

- The hidden economy indexes are the basic output of the *Monitoring of the Size and Dynamics of the Hidden Economy* that Vitosha Research Agency started conducting in 2002. The index values are updated quarterly based on data from empirical sociological surveys.
- The hidden economy indexes assume values from 0 to 10.
- The closer the value of the indexes is to 10, the more negative are the assessments of the size and manifestations of the hidden economy in this country.
- Index values closer to 0 indicate low level of hidden economy.
- The hidden economy indexes are grouped within the following categories:
 - I. Unreported economic activity:*
 - Employment;
 - Suppressed turnovers.
 - II. Natural economy and home production:*
 - Activity rate;
 - Incomes;
 - Consumption.
- The hidden economy index values are presented in the Appendix.

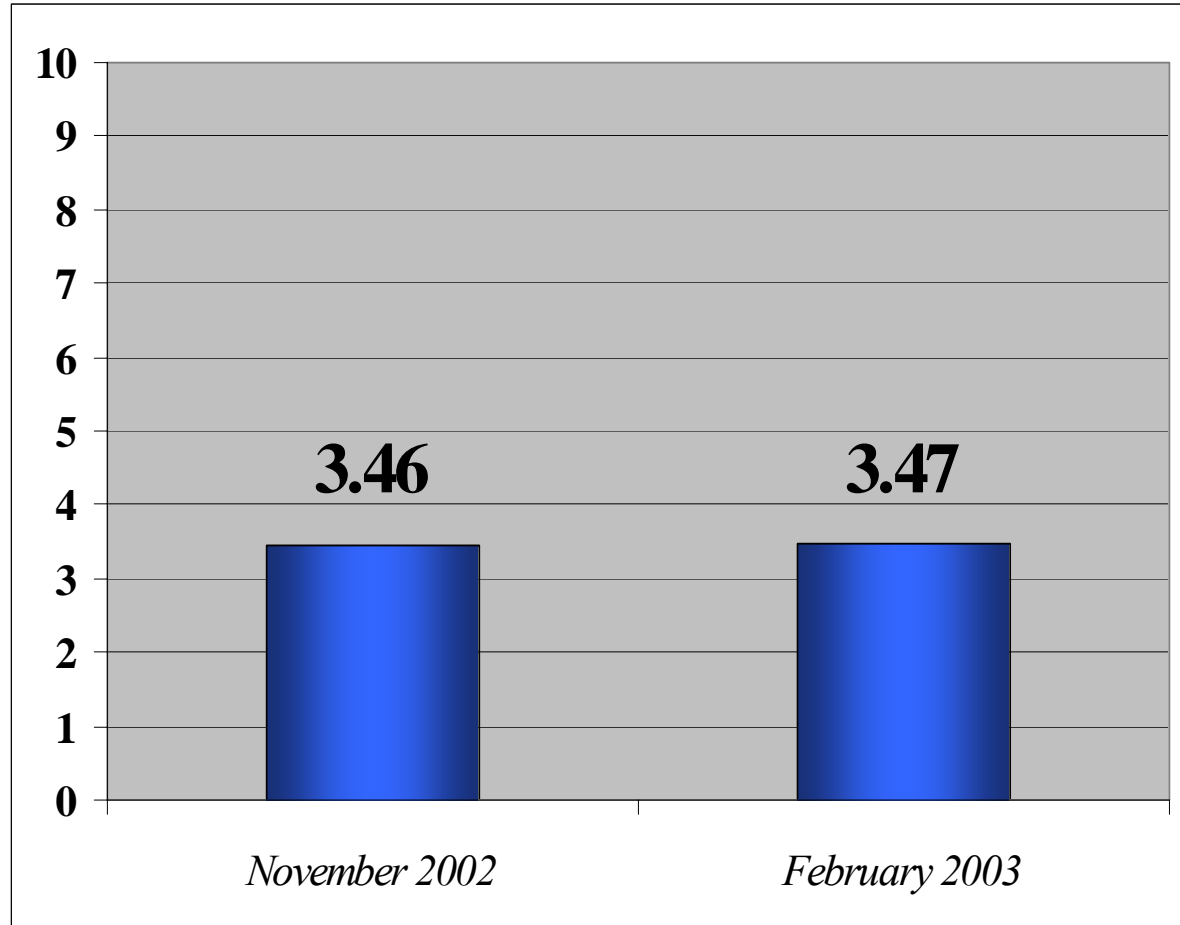
SURVEY FINDINGS

1. HIDDEN ECONOMY INDEX

This index makes an aggregate assessment of the manifestations of the hidden economy in various economic areas grouped under two basic categories – *unreported economic activity* and *natural economy and home production*. It is a synthetic indicator of the share of the hidden economy and is intended to show how it changes over time.

As evident from *Figure 1*, in the period November 2002 – February 2003 there did not occur any change in the total share of the hidden economy in this country. Although its value remained invariable there emerged significant differences under the individual constituent characteristics, which comes to show the informative usefulness of the presented indexes. Besides providing an idea of the estimated worth of the hidden economy as a whole, they help measure the relative weight of the various sub-sectors and the “grayness” within them – for ex. in employment, the tax system, the different economic sectors (production, trade, etc.).

FIGURE 1 HIDDEN ECONOMY INDEX



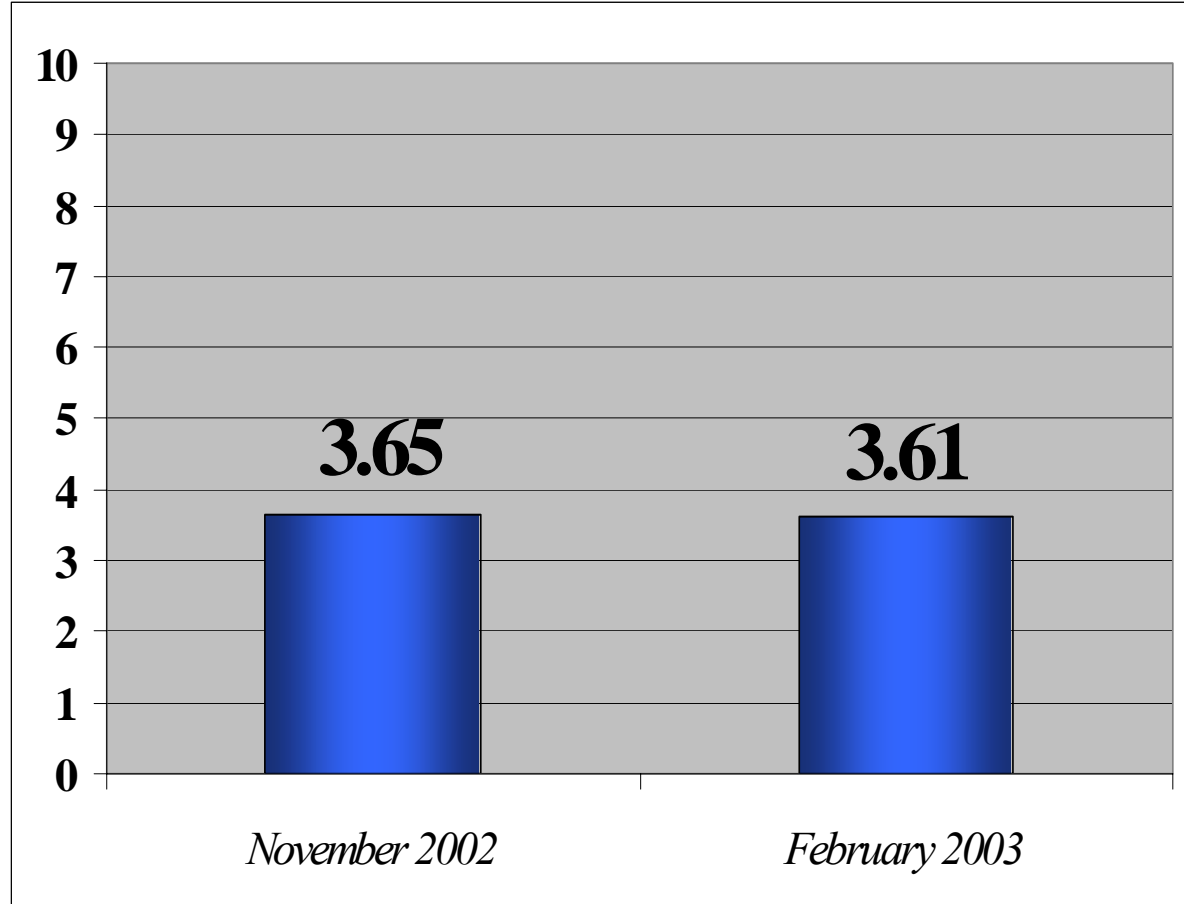
Base: All respondents (November 2002 N=1077; February 2003 N=1107)

2. UNREPORTED ECONOMIC ACTIVITY INDEX

The Unreported Economic Activity Index summarizes the information about unreported incomes and suppressed turnovers. It includes two basic sum-indexes – *Employment/Labor Relations* and *Suppressed Turnovers*, which provide information about unreported work activities, non-payment of social security and health insurance contributions, frequency of issuing of tax receipts for services used or purchases under basic product categories, etc.

Once again the overall assessment of this aspect of the hidden economy remained unchanged although the values of some of its constituent characteristics displayed a certain decline or increase. (*Figure 2*)

FIGURE 2 UNREPORTED ECONOMIC ACTIVITY INDEX



Base: All respondents (November 2002 N=1077; February 2003 N=1107)

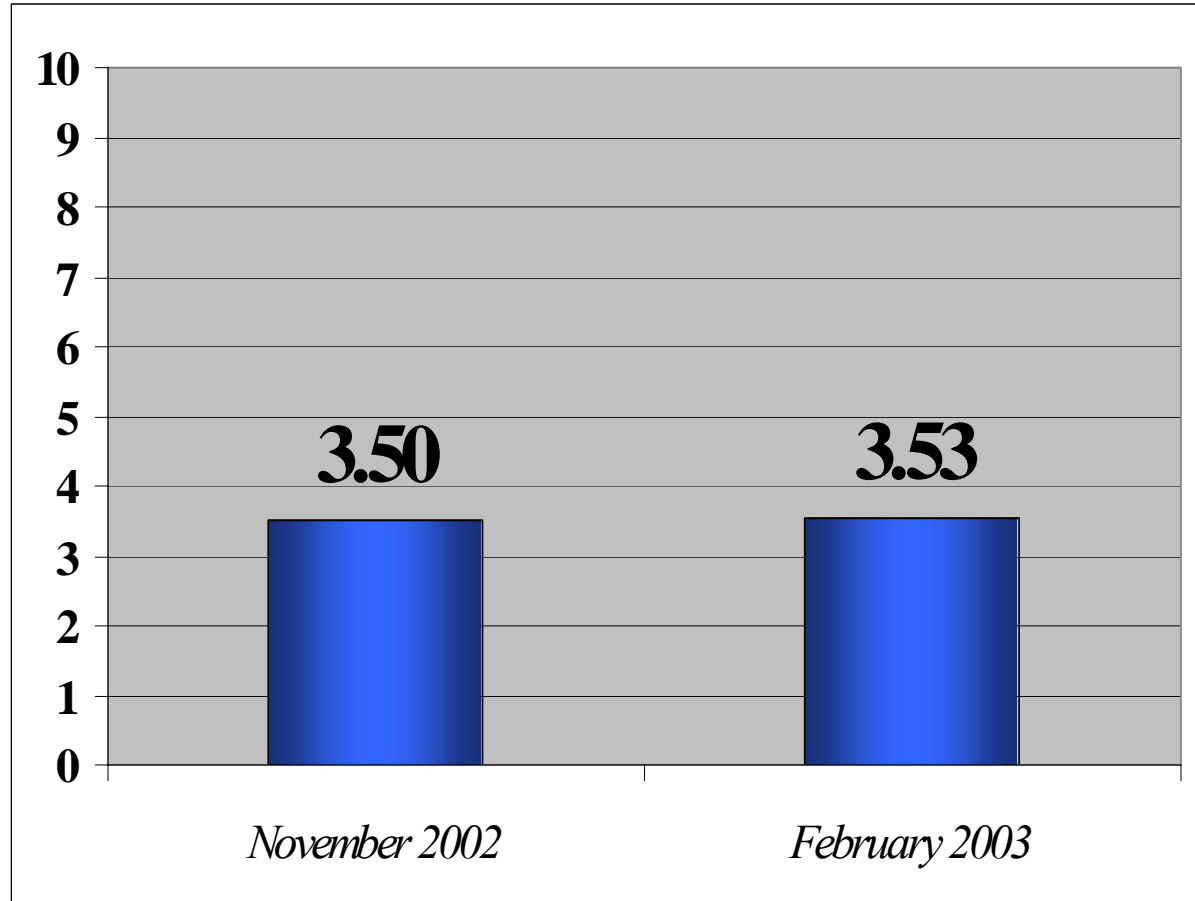
I. LABOR RELATIONS

1. UNREGISTERED WORK ACTIVITY INDEX

This index sums up the various aspects of the hidden economy in terms of labor relations. It is an indicator of the “grayness” of the labor market in the case of unregistered work activity.

This index essentially kept its value and still does not display any notable change as a result of the measures taken by the government to limit the practice of not concluding written contracts with the employers and not paying social security contributions. (Figure 3)

FIGURE 3 UNREGISTERED WORK ACTIVITY INDEX



Base: All respondents (November 2002 N=1077; February 2003 N=1107)

2. EMPLOYMENT IN THE PAST MONTH

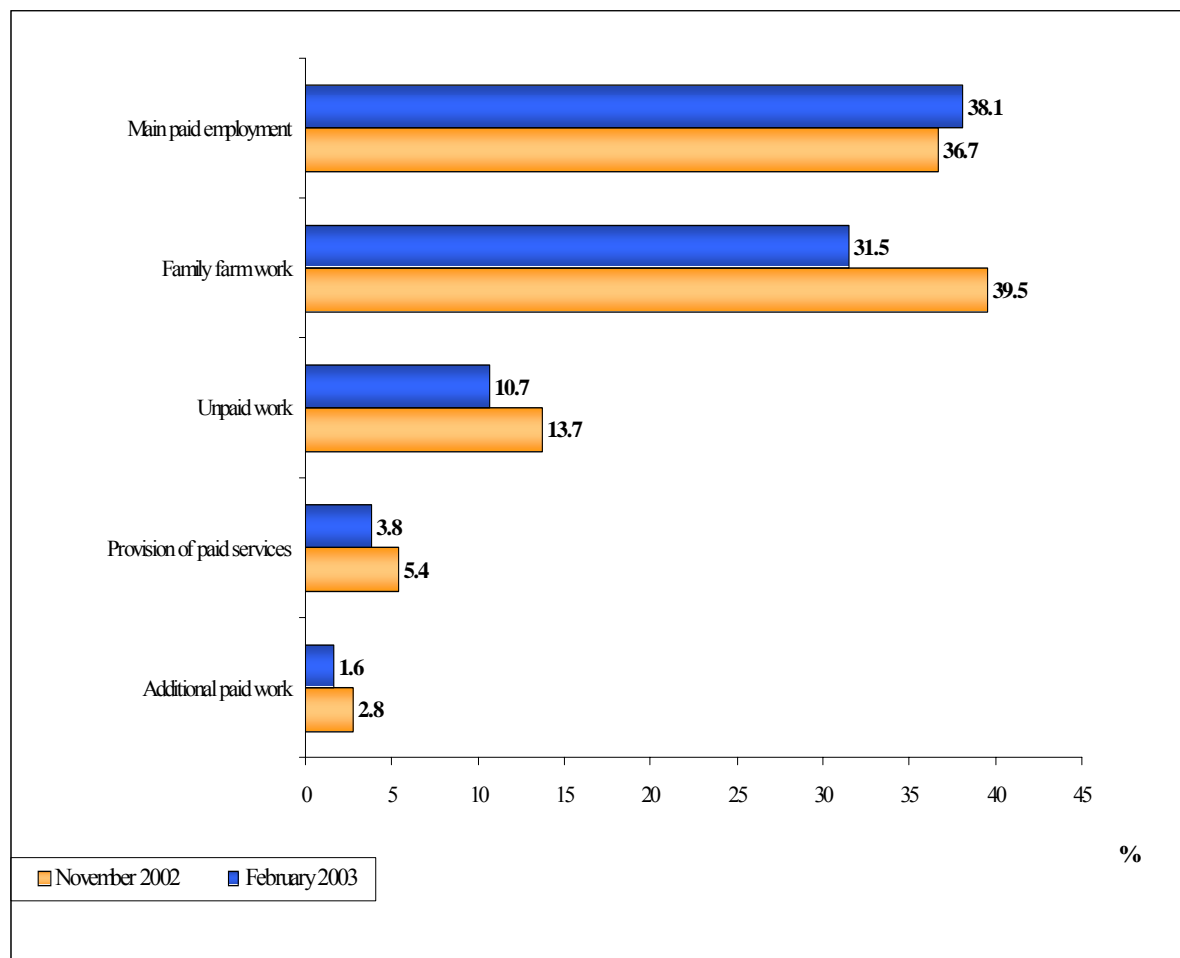
One of the most common manifestations of the hidden economy is the population's involvement with unregistered work activities and the evasion of social security contributions.

The data from the survey conducted in February 2003 confirmed the conclusions drawn on the basis of the pilot survey of the hidden economy of November 2002.

The shares of those engaged in various types of work activity remained close to the ones registered in November, with the exception of those engaged in *family farm activities (garden, crops, animals)*. The decline by 8 points of the share of those engaged in this type of work is accounted for by the seasonal nature of family farm work.

It can generally be concluded that the share of those engaged in various work activities unregistered in official statistics is considerable and presently retains its level of November 2002. Though legal, these activities are in fact part of the hidden economy in this country and help estimate its share. (Figure 4)

FIGURE 4. EMPLOYMENT IN THE PAST MONTH

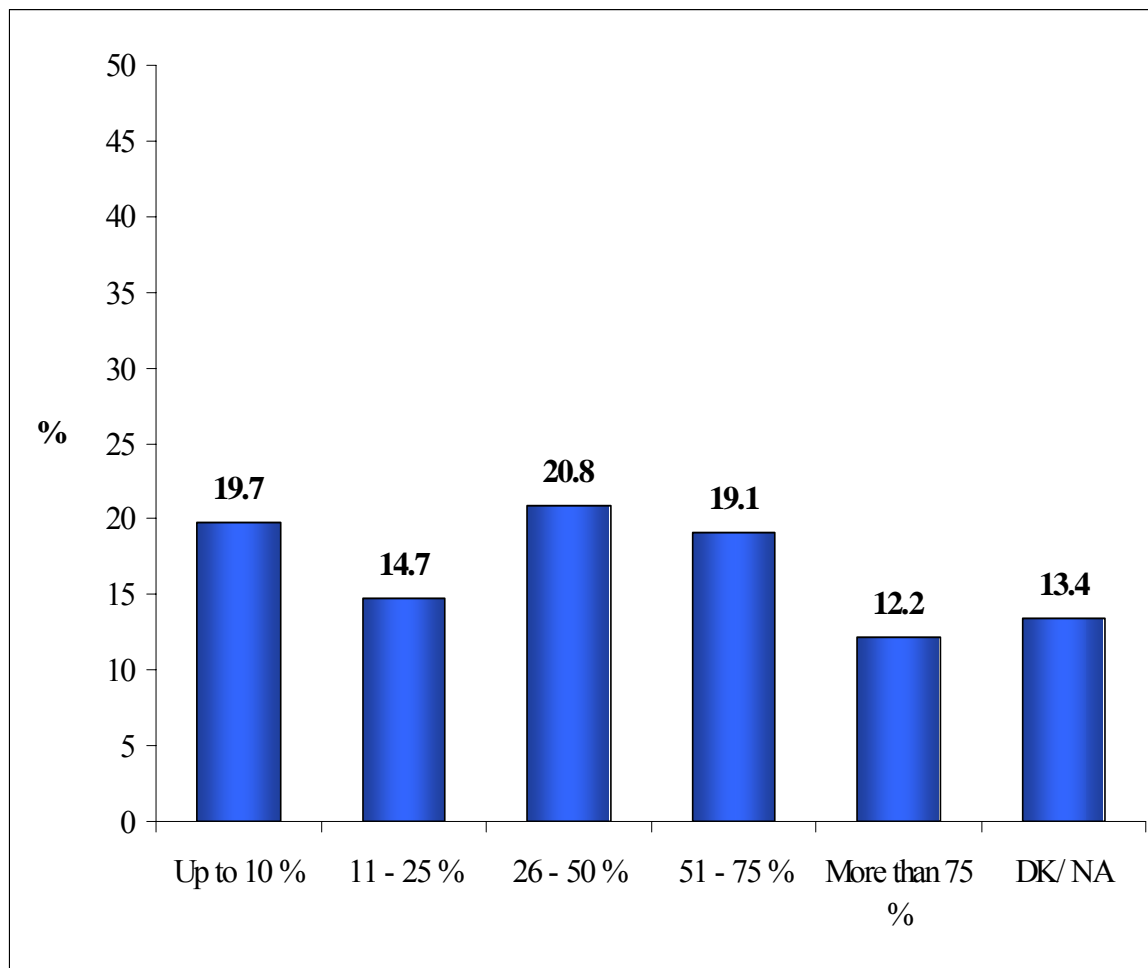


Base: All respondents
(November 2002 N=1077; February 2003 N=1107)

The data from the latest survey once again confirmed the hypothesis that for a large number of households in this country *home production* is one of the chief means of coping with the financial hardships.

Although for the most part not registered officially, home production, chiefly of foodstuffs, has become the principal source of livelihood for many people. Close to one third of all respondents said *more than half of the food consumed by their household in the past year was home-produced*. This share remained constant compared to the data from the pilot survey and indicates that the family farm output should not be underestimated. (Figure 5)

FIGURE 5. SHARE OF HOME PRODUCE CONSUMPTION IN TOTAL HOUSEHOLD CONSUMPTION



Base: N=348 (The respondents engaged in home production)

Besides engaging in family farm work, some people supplement their income through *additional work activity* and the provision of *paid services* – 5.4%.

Although the shares are too small to draw definitive conclusions, it does appear that the more common practice among those interviewed is to supplement their incomes by occasionally providing paid services (3.2%) rather than through additional paid work on a regular basis (1.6%).

The most typical paid services are: *home maintenance (cleaning, groundwork, lawn mowing, etc.); repair of housing/buildings (carpentry, plumbing, painting, etc.); hairdressing, sewing, shoe repair services; repairs (cars, bicycles or other vehicles; electric appliances, etc.); care-providing services, catering, and transportation (transport, deliveries, moving services, etc.). (Table 1)*

TABLE 1. INVOLVEMENT IN PROVISION OF BASIC TYPES OF PAID SERVICES: (%)

	November 2002	February 2003
Home maintenance (cleaning, gardening, lawn mowing)	35.4	15.8
Repair of housing/buildings (carpentry, plumbing, painting)	34.5	15.7
Hairdressing, sewing, shoe repair services	3.6	12.1
Repair of goods (cars, bicycles or other vehicles; electric appliances)	12.6	11.7
Home care services (looking after children, elderly people)	7.0	9.9
Catering	1.6	9.9
Transportation (transport, deliveries, moving services, etc.)	13.0	9.2
Leasing property (apartments, stores, garages, etc.)	5.5	2.4
Private lessons (dance, foreign languages, sports)	-	2.4
Entertainment services for weddings, parties, events (musicians, bands, DJs, singers, photographers)	-	2.3
Professional services (psychologists, psychoanalysts, doctors, accountants, architects, mathematicians)	5.1	2.1
Sale of goods (telemarketing, door-to-door sale)	3.9	-
Manufactured goods (engravings, wood carvings, welded goods, etc.)	1.9	-
Other	10.9	20.0
<i>Base</i>	<i>59</i>	<i>42</i>

3. CONCLUDED CONTRACTS WITH EMPLOYERS

The regulation of labor relations between employers and employees through officially concluded contracts is an important indicator of the share of the gray economy not only as regards employment. The presence of employment contracts also gives an idea of the share of people who are uninsured or pay too low social security contributions, as well as the suppressed company turnovers.

The data reveal substantial differences in terms of *main* and *additional employment*. The written contracts concluded are nearly four times as many under the main employment compared to the additional paid work. It is worth noting that, despite the short time between the two surveys, the share of those having written contracts for their additional work declined nearly by half, whereas it remained constant under the main employment. (*Table 2*)

TABLE 2. WRITTEN CONTRACT CONCLUDED WITH THE EMPLOYER

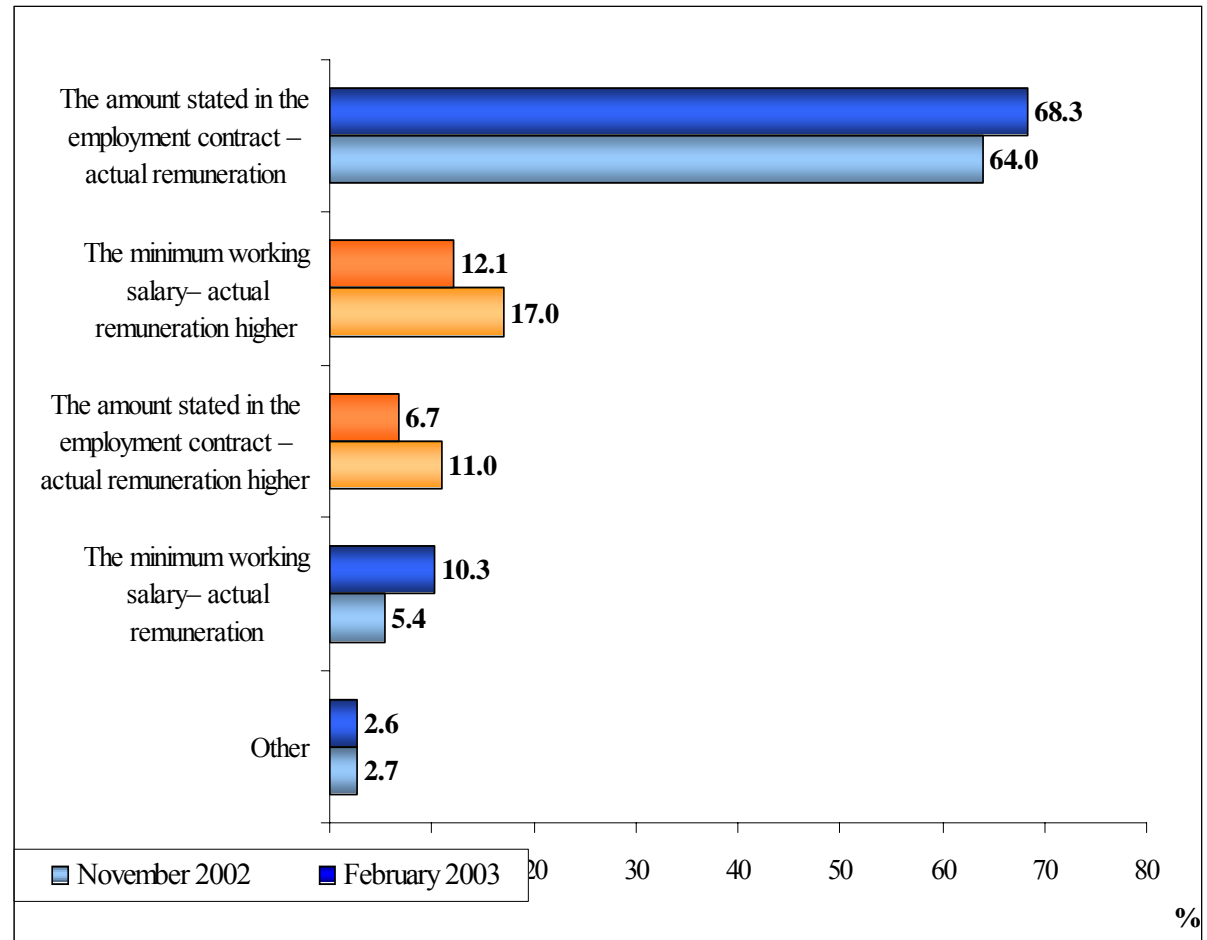
	Main employment		Additional paid work	
	November 2002.	February 2003	November 2002.	February 2003
Yes	86.0	85.8	39.2	22.6
No	5.7	6.0	50.4	77.4
Self-employed, freelance professional	2.9	2.9	3.0	-
Business owner/ coowner	5.4	5.3	7.5	-
<i>Base</i>	<i>393</i>	<i>417</i>	<i>31</i>	<i>18</i>

4. CONTRACTS WITH “SECRET CLAUSES”

Although it is still too early to speak of any notable effect of the social-security legislation amended in early 2003 the first changes are already manifest. The share of the respondents whose *social security base amount was lower than their actual remuneration* declined by 10 points – from 28.0% to 18.8%. At the same time, the share of those ensured on the basis of their *actual remuneration* increased. This suggests that the adoption of adequate changes in labor legislation can have a direct impact and can significantly reduce the “grayness” in this sector.

As with the pilot survey, there once again emerged discrepancies between the data obtained from direct and indirect questions concerning the contracts with “secret clauses”. Asked directly whether in the past month they had received remuneration higher than the sum stated in their contract, 10.0% of the permanently employed answered affirmatively. Their share grew considerably – to 18.8% - when the question was posed indirectly about their social security base amount. (Figure 6)

FIGURE 6. SOCIAL SECURITY BASE AMOUNT



Base: Respondents with social security coverage (November 2002 N=312; February 2003 N=348)

Despite the small number of people who said they were engaged in additional paid work, which does not allow drawing positive conclusions, it is worth noting the considerable difference between the types of employment contracts concluded for the main employment and the additional work activity.

Among the respondents having written contracts with their employers for their *main employment* there predominated the permanent employment contracts. As regards the *additional paid work*, if at all, the contracts were typically concluded for a fixed term or the completion of a specific task. (Table 3)

TABLE 3. TYPE OF WORK CONTRACT

	Main employment		Additional paid work	
	November 2002	February 2003	November 2002	February 2003
Permanent employment contract	90.5	92.5	8.4	-
Fixed term contract	8.2	7.0	62.6	24.2
Specific task contract	1.0	0.3	29.0	75.8
Other	0.3	0.3	-	-
<i>Base</i>	<i>334</i>	<i>357</i>	<i>11</i>	<i>4</i>

5. SOCIAL SECURITY AND HEALTH INSURANCE CONTRIBUTIONS

Regarding the payment of social security contributions those doing *additional work* practically proved uninsured, whereas with the *main employment* the correlation was exactly the opposite. Barely 8.9% of the permanently employed were not covered by social security. (Table 4)

Regarding health insurance there was a higher rate of coverage of those doing additional paid work. With the main employment the share of the uninsured remained unchanged compared to November 2002. (Table 5)

TABLE 4. SOCIAL SECURITY CONTRIBUTIONS

	Main employment		Additional paid work	
	November 2002	February 2003	November 2002	February 2003
Paid by the employer	71.8	71.3	13.7	-
Paid by the respondent	9.1	7.8	4.0	-
Paid by the employer and the respondent	8.5	13.0	-	5.8
<i>Not paid</i>	10.6	7.9	82.3	94.2
<i>Base</i>	382	408	29	17

TABLE 5. HEALTH INSURANCE CONTRIBUTIONS

	Main employment		Additional paid work	
	November 2002	February 2003	November 2002	February 2003
Paid by the employer	66.0	64.0	15.0	17.8
Paid by the respondent	11.4	9.9	7.5	6.0
Paid by the employer and the respondent	16.1	19.6	3.4	5.8
<i>Not paid</i>	6.6	6.5	74.2	70.4
<i>Base</i>	376	403	28	17

II. SUPPRESSED TURNOVERS

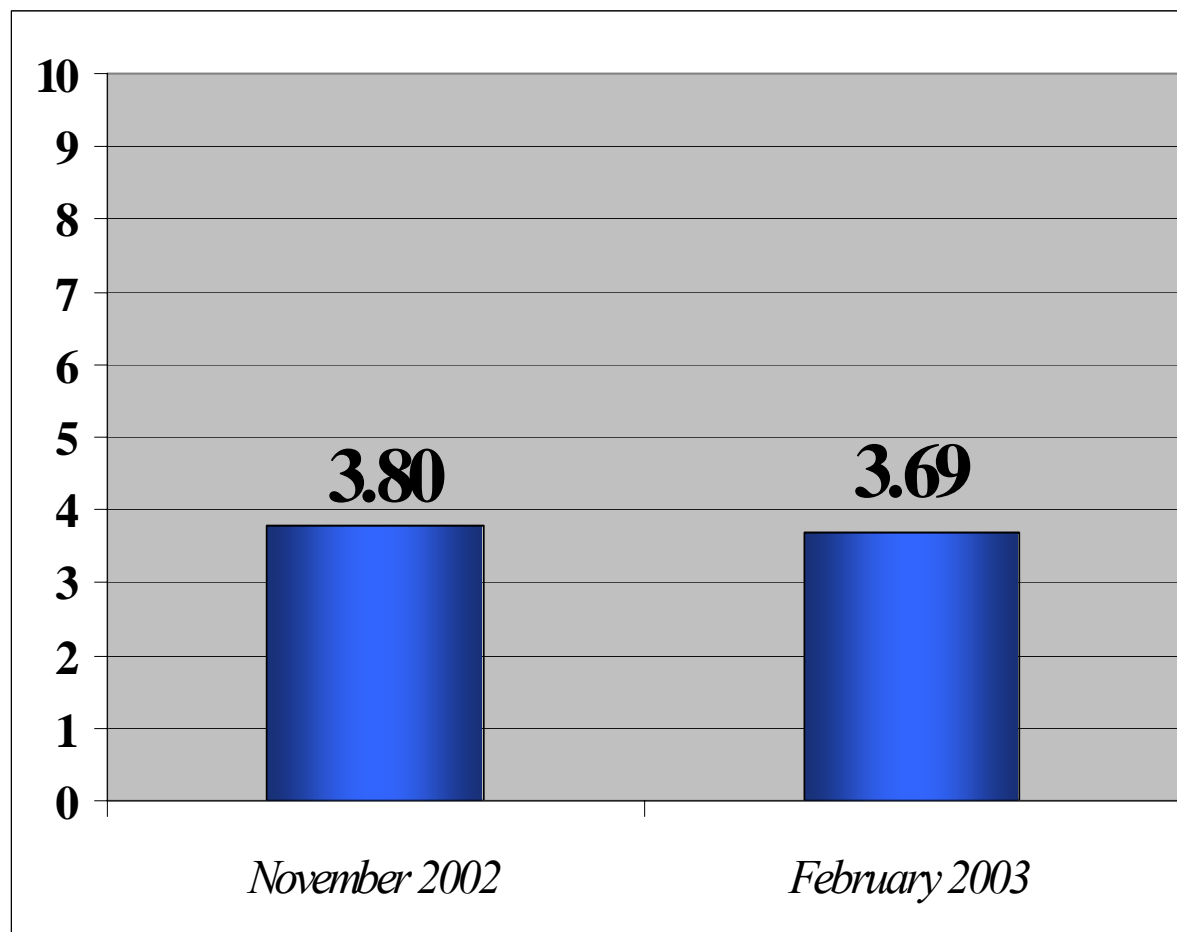
I. SUPPRESSED TURNOVER INDEX

This index registers the rate of non-issuing of tax receipts for purchases made or services used, as well as the rate of receipt issuing under certain product categories.

It monitors the practice of turnover suppression by the retailers and service suppliers through non-issuing of tax documents – cash receipts and invoices – for the provided services or sold goods.

As evident from *Figure 7* there has been a certain decline in the index values in the period monitored. This is due to the falling rate of non-issuing of tax receipts for some types of services. In contrast, this rate has actually increased with most of the durable goods.

FIGURE 7 SUPPRESSED TURNOVER INDEX



Base: All respondents (November 2002 N=1077; February 2003 N=1107)

2. ISSUING OF TAX RECEIPTS FOR PURCHASES MADE

Unlike the remaining hidden economy indicators, the *rate of non-issuing of tax receipts* (cash receipts or invoices) for goods purchased or services used proved to have changed slightly compared to the pilot survey.

The difference was more notable with respect to the durable goods. The survey registered a higher rate of non-issuing of cash receipts or invoices upon the purchase of most types of such goods. The single exception was the case of *mobile phones*, where sales were recorded at a rate nearly double the one registered for the previous period. Once again cars and home furniture were the two categories where tax receipts were issued most rarely. (Table 6)

Although the shares of those who were not given cash receipts upon the purchase of durable goods were relatively small the observed tendency towards increase needs to be taken into account and monitored over time.

TABLE 6. GOODS PURCHASED IN THE PAST TWO YEARS (%)

	November 2002			February 2003		
	Have purchased	Have not received cash receipts	Base*	Have purchased	Have not received cash receipts	Base*
Car	2.6	28.0	28	1.8	33.7	18
Home furniture	5.4	13.2	58	5.1	12.2	50
CD Player	1.7	-	19	1.6	11.3	18
Cellular (mobile) phone	10.1	20.5	109	11.0	7.9	116
Computer	2.0	5.3	22	2.5	7.6	27
Refrigerator	3.7	2.7	40	3.8	5.4	38
Washing machine	4.2	-	46	4.0	5.0	40
Color TV	5.0	-	54	7.1	2.7	75
Vacuum cleaner	3.6	-	39	4.5	2.1	46
Dish washer	0.3	-	3	0.2	-	2
Stereo system	1.3	10.4	14	0.7	-	7
Base	1077	<i>* Those who purchased the respective goods</i>		1107	<i>* Those who purchased the respective goods</i>	

In the case of *non-durables* the rate of non-issuing of cash receipts remained unchanged from November 2002. The only more appreciable difference was the registered slight decrease of the share of the respondents who said they had *never* been given a cash receipt for the purchase of alcohol and tobacco products.

On the whole the share of the cases when tax receipts for the purchase of non-durables were issued only occasionally or not at all remained constant – for most product categories it ranged between one fourth and one third. (*Table 7*)

TABLE 7. RATE OF TAX RECEIPT ISSUING IN THE PAST THREE MONTHS FOR THE FOLLOWING PRODUCT CATEGORIES

	Foodstuffs		Apparel and shoes		Alcohol and tobacco products		Toiletries and cosmetics		Books and textbooks	
	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003
Every time	34.5	32.3	34.0	33.1	24.9	20.0	29.9	28.8	33.7	29.4
In most cases	32.5	35.4	25.3	24.4	20.5	21.6	26.2	26.1	22.9	22.0
In about half of the cases	9.0	9.0	8.4	8.1	10.1	14.0	10.7	12.1	7.3	7.5
In some cases	18.5	18.9	22.4	25.4	22.5	27.3	24.4	25.2	22.4	27.5
<i>Never</i>	<i>5.6</i>	<i>4.4</i>	<i>9.9</i>	<i>8.9</i>	<i>22.0</i>	<i>17.1</i>	<i>8.7</i>	<i>7.8</i>	<i>13.6</i>	<i>13.5</i>
<i>Base (those who had purchased such goods)</i>	<i>1022</i>	<i>1025</i>	<i>470</i>	<i>483</i>	<i>558</i>	<i>543</i>	<i>696</i>	<i>733</i>	<i>306</i>	<i>280</i>

3. ISSUING OF TAX RECEIPTS FOR SERVICES PROVIDED

Under the provision of *paid services* the non-issuing of tax receipts proved even more common. As observed with the purchase of goods, this practice not only maintained its rate of November 2002 but actually marked a considerable increase for some types of services – for ex. in the cases of *home maintenance (cleaning, lawn-mowing); private lessons; entertainment services.* (Table 8)

Despite the small number of users of some of the services, which do not allow drawing statistically correct conclusions, the degree of “grayness” in the services sector can be said to be at least twice as high as in the retail of consumer goods. The average share of those who were not given a receipt for the services used was 61.9%.

These figures come as yet another confirmation of the hypothesis from the pilot survey that an all too important sector of the economy such as the services sector is almost entirely “gray”. In fact, neither its actual turnovers, nor its workforce are “detected” and registered by official statistics.

TABLE 8. RECEIPTS ISSUED FOR SERVICES USED IN THE PAST MONTH (%)

	November 2002		February 2003	
	Have used the service	Have not been given receipts	Have used the service	Have not been given receipts
Home maintenance (cleaning, lawn-mowing)	0.6	46.5	0.9	85.2
Home care services	0.9	84.0	1.2	81.3
Private lessons	2.2	68.6	1.8	74.0
Hairdressing, sewing, shoe repair, and other such services	25.9	84.3	29.2	72.3
Repair of goods	7.3	69.7	7.6	66.9
Repair of housing/buildings (carpentry, plumbing, painting)	5.0	87.1	3.7	64.5
Professional services (psychologists, doctors, accountants, architects)	13.1	67.0	19.8	62.9
Entertainment services for weddings, parties, receptions	0.7	35.8	0.6	60.2
Manufactured goods (engravings, wood carvings)	-	-	0.5	58.7
Renting property	1.8	41.5	1.5	50.3
Transportation services	6.2	42.5	9.1	41.3
Catering services	1.7	31.0	2.7	25.1
<i>Base</i>	<i>1077</i>	<i>Base (users of the respective service)</i>	<i>1107</i>	<i>Base (users of the respective service)</i>

III. REDISTRIBUTION

I. RATE OF PAYMENT OF TAXES AND FEES

The latest survey confirmed the findings of November 2002 about popular attitudes to the payment of monthly utility charges.

In excess of 90% of the people said they always strive to pay their bills, although to more than two thirds this entailed personal and household deprivations. Some of the people said they only pay their bills after they receive a warning that the service would be cut off, but there were practically none who did not pay their bills at all because they deemed them too high. (Table 9)

TABLE 9. SUBJECTIVE ATTITUDES TO THE PAYMENT OF UTILITY BILLS AND FEES (%)

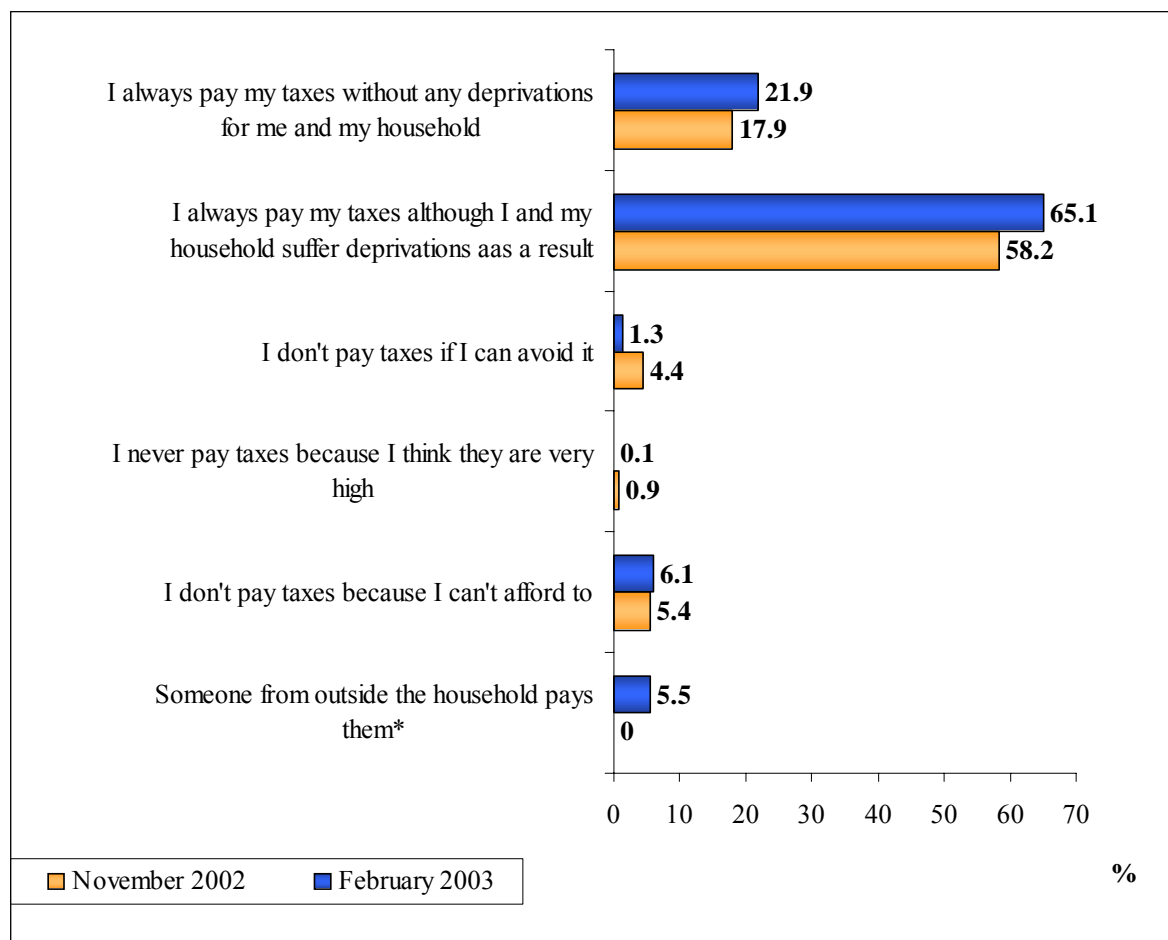
	Monthly bills and fees									
	Electricity		Water		Telephone		Central heating		Gas	
	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003
I always pay my bills and this does not lead to any deprivations for me and my household	20.9	18.3	22.9	23.5	24.9	20.4	19.1	13.2	31.0	18.8
I always pay my bills although I and my household suffer deprivations as a result	70.4	72.2	67.2	66.3	68.1	71.0	69.9	61.5	60.0	9.9
I pay my bills when I get a warning that the service will be cut off and I can't avoid it	5.5	4.8	5.9	4.9	4.3	4.8	6.8	7.0	5.1	0.0
<i>I never pay my bills because I think they are very high</i>	0.2	-	0.4	-	0.2	-	-	-	-	10.3
<i>I don't pay my bills because I can't afford to</i>	3.0	1.4	3.5	2.1	2.5	0.6	4.2	11.8	3.9	-
Someone from outside the household pays them / someone else pays them *	NA	3.3	NA	3.2	NA	3.3	NA	6.5	NA	61.1
<i>База</i>	<i>1010</i>	<i>1098</i>	<i>1005</i>	<i>1083</i>	<i>811</i>	<i>887</i>	<i>561</i>	<i>189</i>	<i>125</i>	<i>10</i>

*This option was included in the question in the February 2003 survey.

Similarly to the utility bills, regarding taxes the *prevailing attitude was to duly and promptly pay the taxes owed*. There even emerged a slight tendency towards increase of the share of those who always strive to pay their taxes regardless of possible deprivations they and their households might suffer as a result. (Figure 8)

It is worth noting again that the data from both surveys suggest that any existing “grayness” in this sector should not be attributed to the wish to evade taxes and avoid one’s obligations but to the objective weight of the tax burden and the low standard of living of the population.

FIGURE 8. SUBJECTIVE ATTITUDES TO THE PAYMENT OF TAXES



Base: November 2002 N=1077; February 2003 N=1039

*This option was included in the question in the February 2003 survey.

2. UNPAID VERSUS PAID TAXES

The declared readiness to duly pay the taxes owed found confirmation in the share of paid, versus unpaid, taxes owed for the previous year – **90% of those liable for the respective tax said they had paid in full their income tax, real property tax and personal property tax. Even in this case the tendency of November 2002 remained unchanged.** (Table 10)

TABLE 10. PAID SHARE OF TAXES OWED FOR THE PREVIOUS YEAR (%)

	None		One fourth		Half		Three fourths		In full		Base*	
	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003
Household members' income tax	4.6	5.2	0.3	0.4	2.6	-	1.0	0.4	91.4	94.1	306	293
Real property tax (family housing, holiday house, plot of land, etc.)	5.3	8.5	0.4	0.3	3.0	1.0	1.8	0.3	89.5	89.9	750	928
Personal property tax	3.3	6.5	-	-	0.7	0.3	-	-	96.1	93.2	308	356

* Those liable for such taxes

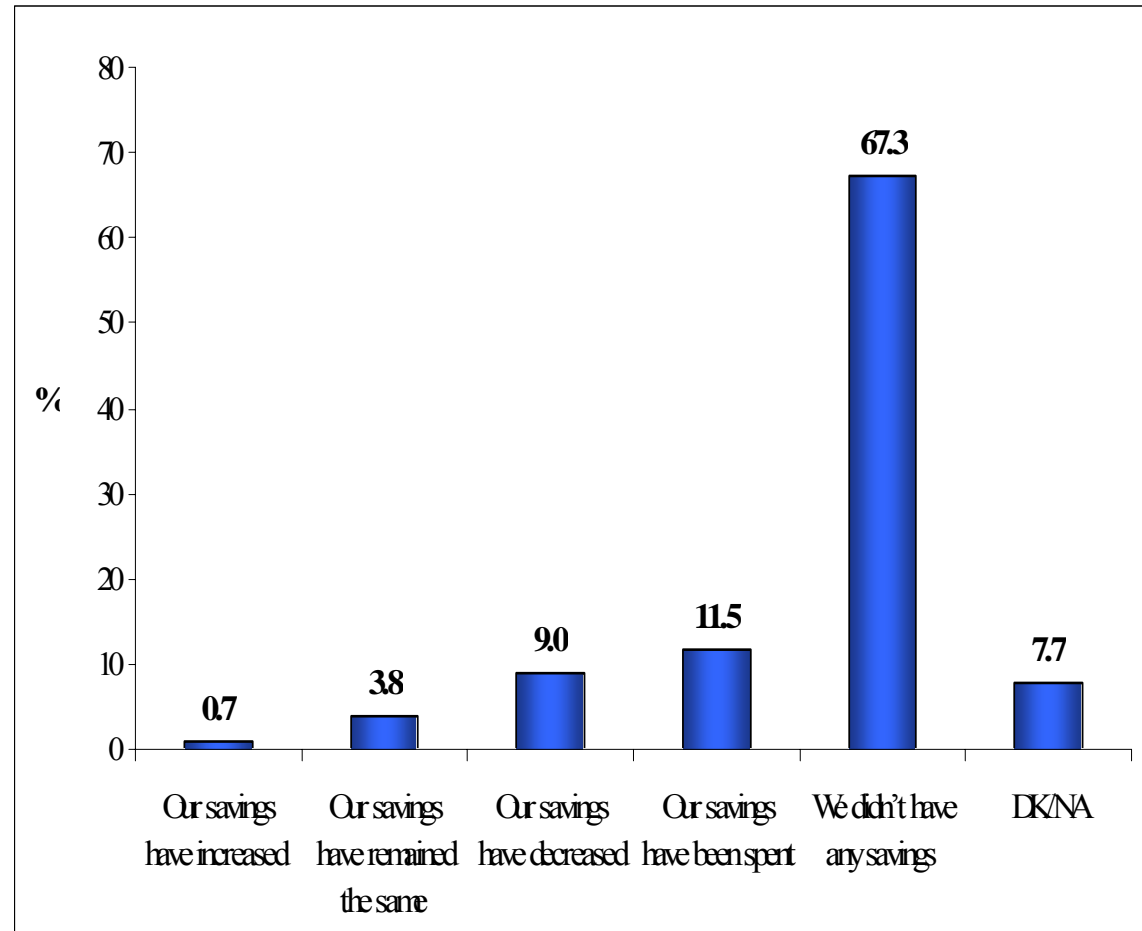
IV. SAVINGS

Even though an indirect indicator, the size of the population's savings and their dynamics provide information about the standard of living and about the economic conditions in which the hidden economy operates.

As evident from the data in *Figure 9*, insofar as they evolve at all, household savings have been shrinking. One in ten of those surveyed said their household savings had decreased over the past year and 11.5%, that they had been completely spent.

A considerable share of the respondents – more than two thirds – said they had not had any savings at all.

FIGURE 9. ASSESSMENT OF HOUSEHOLD SAVINGS VERSUS PREVIOUS YEAR



Base: All respondents N=1107

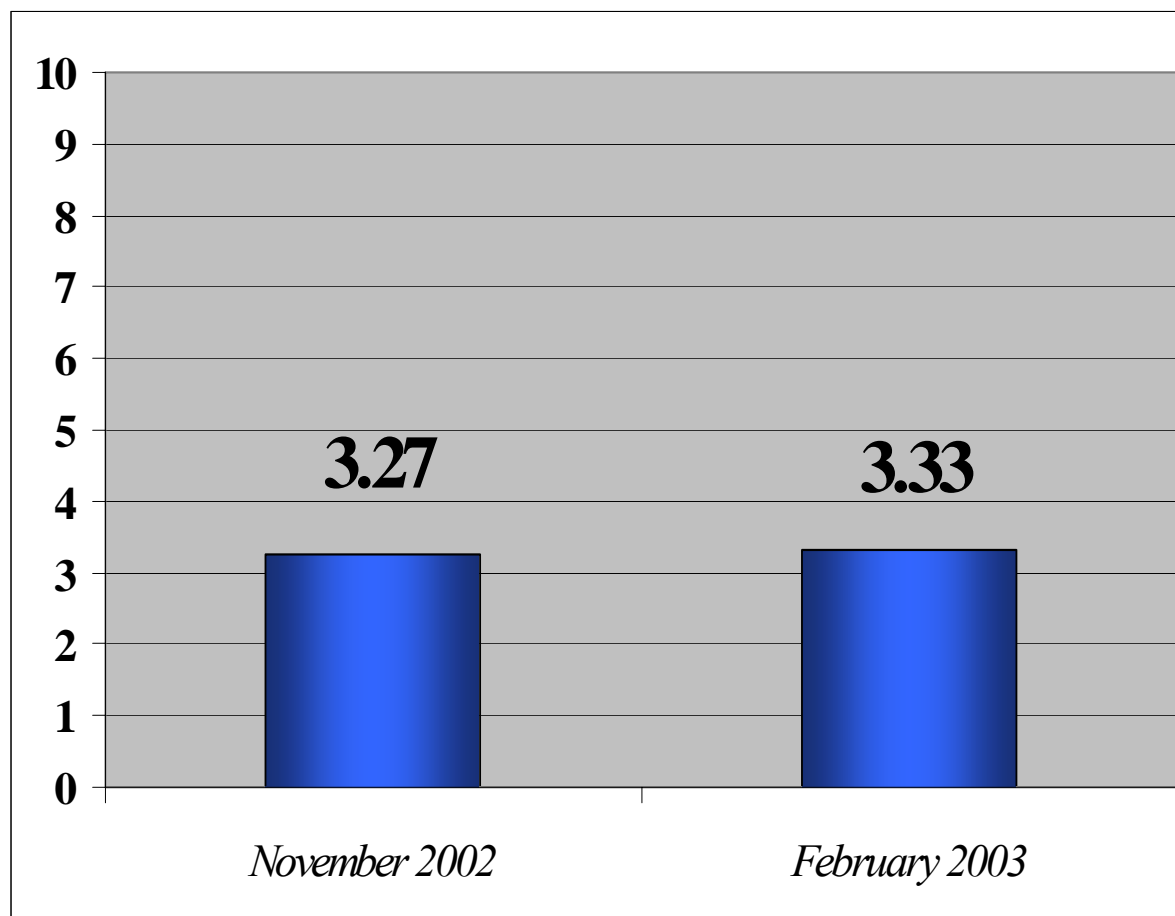
V. NATURAL ECONOMY

1. NATURAL ECONOMY AND HOME PRODUCTION INDEX

This index registers the relative “weight” of home production and consumption of home-produced goods in the “hidden” sector of the economy. Although the farmers producing products intended for personal consumption and use are not required to officially register this work activity and it is generally considered an additional one, to a large portion of the population (31.5%) family farm work proved to have become the principal activity and chief source of livelihood. In this sense, the size of the natural economy is an important indicator of the hidden economy.

The index comprises the following sub-indexes: *Work Activity*, *Incomes*, and *Consumption*. On the whole the index value marked a slight increase compared to November 2002. This is due to the higher share of consumption of home-produced goods in total household consumption. (Figure 10)

FIGURE 10 NATURAL ECONOMY INDEX



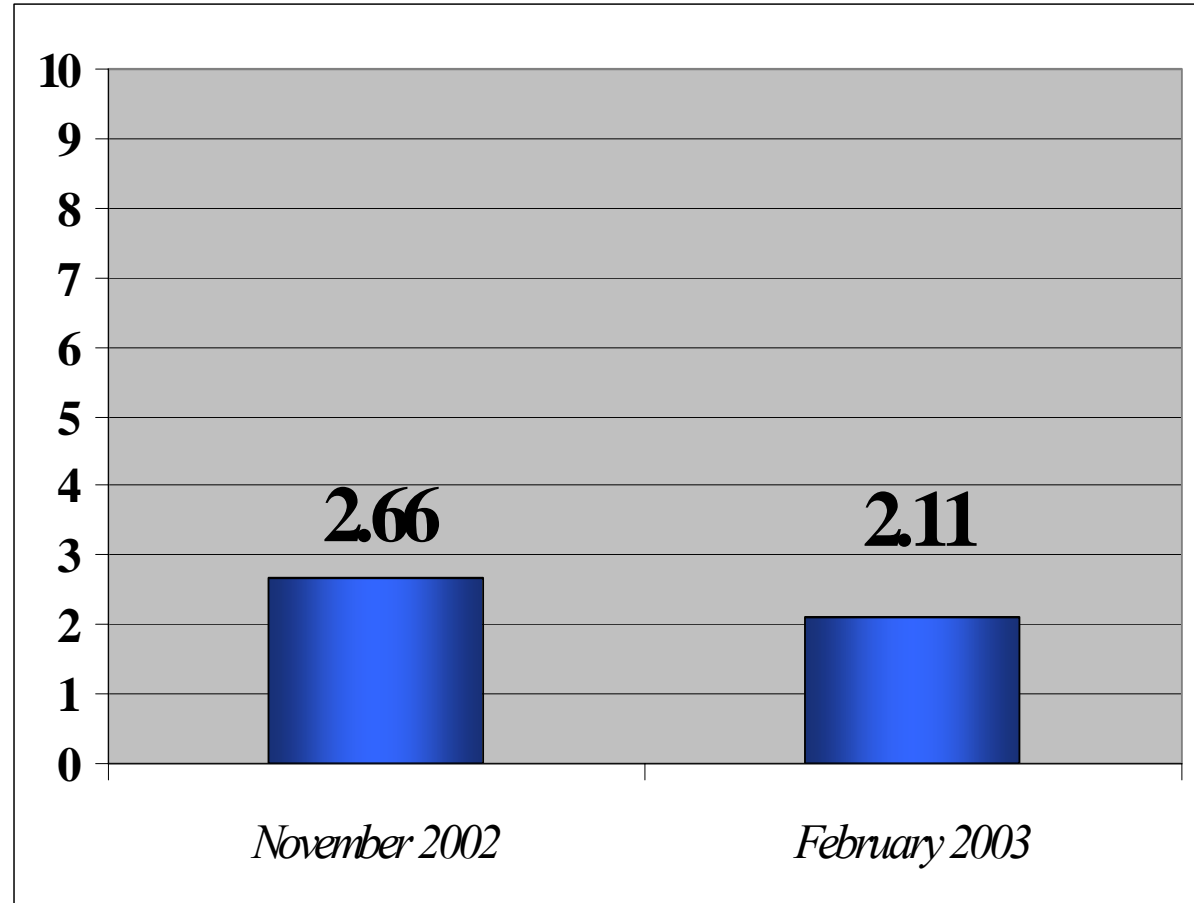
Base: The respondents engaged in family farm work and voluntary work
(November 2002 N=574; February 2003 N=466)

2. NATURAL ECONOMY ACTIVITY RATE INDEX

This index measures the aggregate share of those engaged in family farm work and housework/voluntary work.

There has been a decrease of the index value compared to November 2002 due to the smaller share of respondents who said they had been engaged in farm work or in voluntary unpaid work. The main reason for this is the seasonal nature of farm work and home production. (Figure 11)

FIGURE 11 NATURAL ECONOMY ACTIVITY RATE INDEX



*Base: The respondents engaged in family farm work and voluntary work
(November 2002 N=574; February 2003 N=466)*

To nearly one third of Bulgarians work in the natural economy remains one of the main types of employment. These kinds of activities provide food for a large number of the households and supplement the family budgets by generating additional income.

The latest survey registered slightly decreasing shares of the basic family farm products but it is still too early to determine whether this signals a tendency towards decline of home production. The most common family farm products remained: *home-canned food, fruits and vegetables, eggs, and meat.* (Table 11)

TABLE 11. TYPES OF PRODUCTS AND AVERAGE ANNUAL HOME PRODUCTION OUTPUT

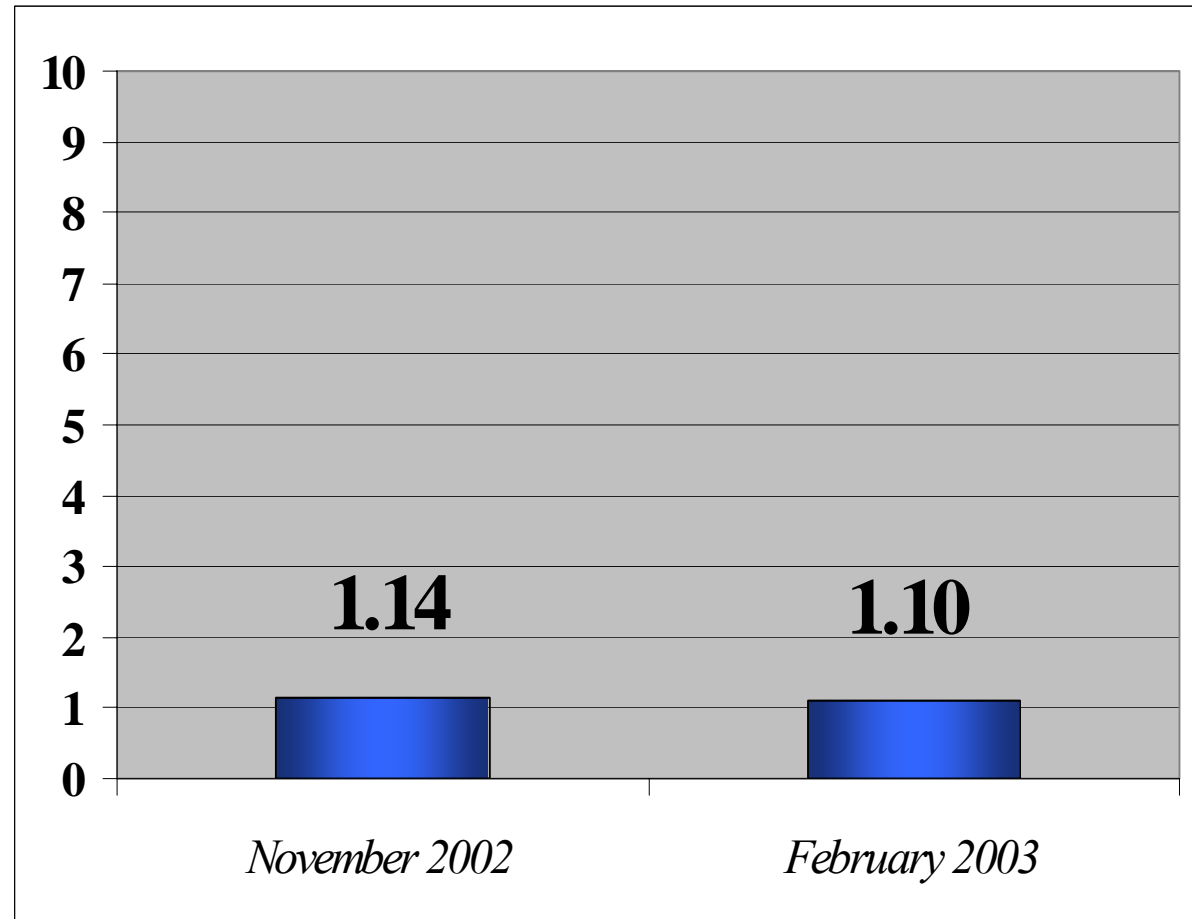
	Home-produced products (%)		Average quantity		Base*	
	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003
Home-canned food	30.9	26.4	101.14 kg.	89.30 kg.	215	218
Fruits and vegetables	34.9	25.9	117.29 kg.	127.46 kg.	205	181
Eggs	24.4	22.3	367.29	417.00	156	151
Meat	19.2	17.7	130.07 kg.	114.54 kg.	134	150
Milk	16.0	15.3	721.17 l.	569.95 l.	107	92
Grapes (vineyards)	16.9	13.3	229.55 kg.	263.88 kg.	120	108
Alcohol	12.0	10.3	127.94 l.	112.89 l.	88	95
Cheese	10.6	9.0	39.22 kg.	35.93 kg.	72	54
Water melons and honey melons	8.5	5.6	195.17 kg.	188.33 kg.	48	35
Bread	1.7	1.1	186.14 kg.	113.42 kg.	10	7
Base	1077	1107	* Those producing the respective product			

3. NATURAL ECONOMY INCOME INDEX

The index shows the size and importance of home produced goods intended for sale and of the thus generated revenues. It is composed of the following two sub-indexes: *Share of home production output intended for sale* and *Income from Sold Home Produce*.

This index has not undergone any notable change since November 2002. To date both the incomes from sold home produce and the produce shares intended for sale maintain the levels registered by the pilot survey. (Figure 12)

FIGURE 12 NATURAL ECONOMY INCOME INDEX



*Base: The respondents who have incomes from the sale of home produce
(November 2002 N=362; February 2003 N=285)*

Home production output proved almost exclusively intended for home consumption. Nearly all of the products were consumed entirely by the households.

Milk proved an exception, with close to one third of those who produce it selling differing amounts of this product. (Table 12)

TABLE 12 SHARE OF HOME PRODUCTION OUTPUT INTENDED FOR SALE

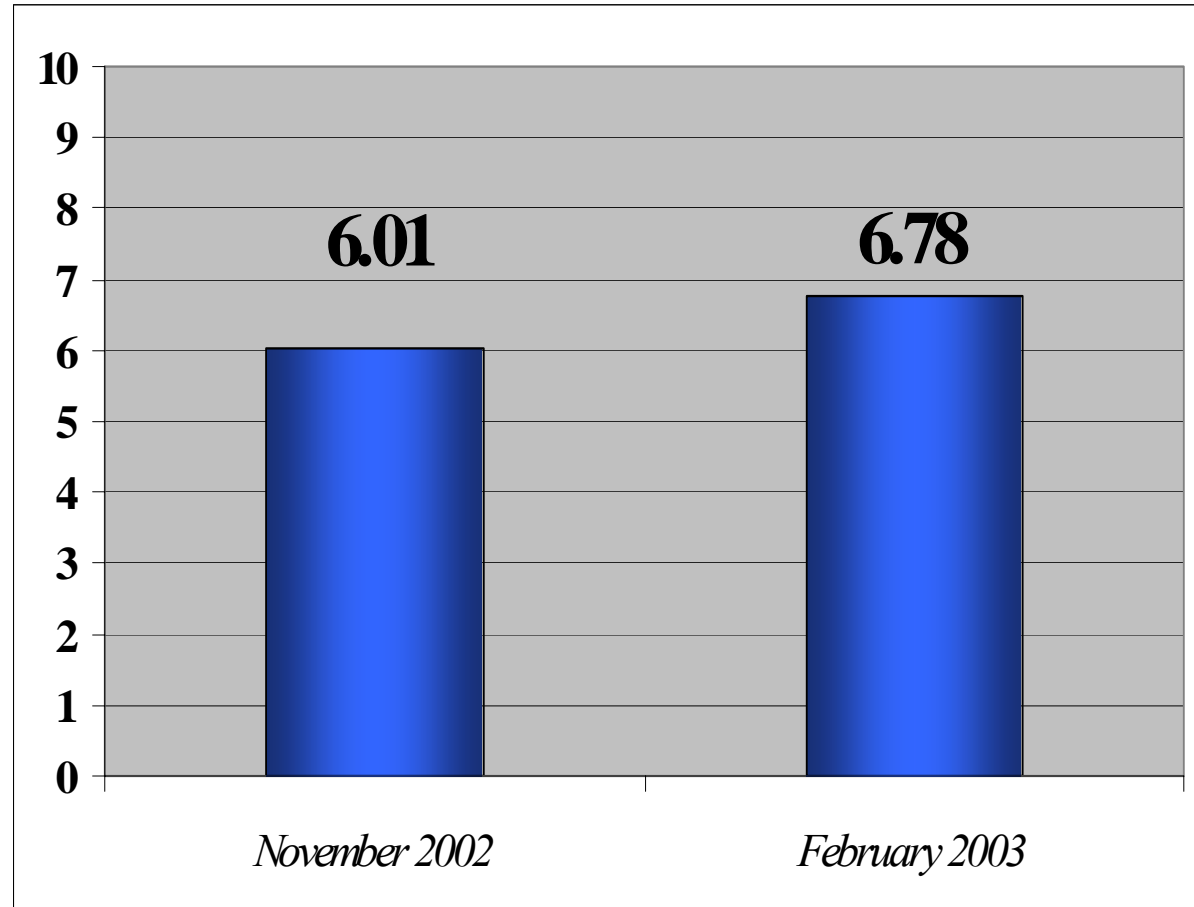
	None is for sale		About 1/4		About 1/2		About 3/4		All of it		Base*	
	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003	Nov 2002	Feb 2003
Bread	100.0	100.0	-	-	-	-	-	-	-	-	19	12
Milk	68.6	67.8	1.8	3.7	7.9	7.7	15.1	12.4	6.7	8.4	171	163
Cheese	94.9	100.0	2.5	-	1.8	-	0.8	-	-	-	111	95
Fruits and vegetables	94.2	95.8	0.8	0.8	2.5	1.4	1.7	1.0	0.8	1.1	362	278
Home-canned home-grown fruit, vegetables, meat	99.1	100.0	-	-	0.9	-	-	-	-	-	324	285
Eggs	93.9	96.6	2.3	3.0	2.3	0.4	1.5	-	-	-	256	235
Alcohol	99.2	100.0	-	-	0.8	-	-	-	-	-	125	109
Water and honey melons	93.5	95.0	-	3.5	3.2	1.5	3.2	-	-	-	90	59
Grapes (vineyards)	98.4	96.5	1.1	1.3	-	0.8	-	0.8	0.6	0.6	177	140
Meat	92.5	96.4	0.6	1.6	3.7	0.5	2.8	0.9	0.5	0.6	204	192

4. HOME PRODUCE CONSUMPTION INDEX

This index shows the share of *home produce consumption* in total household consumption.

As shown in *Figure 13*, this is the index with the highest value and it has continued to increase since November 2002. The bulk of the food consumed by more than one third of the households in the past year was home produced.

FIGURE 13 HOME PRODUCE CONSUMPTION INDEX



*Base: The respondents who consume home-produced food
(November 2002 N=384; February 2003 N=302)*

APPENDIX. HIDDEN ECONOMY INDEX VALUES

1. UNREPORTED ECONOMIC ACTIVITY	November 2002	February 2003
		3.65
1.1. EMPLOYMENT	3.50	3.53
<i>1.1.1. Undeclared jobs</i>	<i>2.15</i>	<i>2.73</i>
1.1.1.1. Share of those working without contracts	3.09	4.47
1.1.1.2. Share of those working under contracts with “secret clauses”	1.22	1.00
<i>1.1.2. Payment of social security contributions</i>	<i>3.99</i>	<i>3.69</i>
1.1.2.1. Share of those without social security coverage	5.17	5.50
1.1.2.2. Social security base amount	2.80	1.88
<i>1.1.3. Share of persons without social security coverage</i>	<i>4.36</i>	<i>4.17</i>
1.2. SUPPRESSED TURNOVERS	3.80	3.69
<i>1.2.1. Issuing of tax receipts for purchases and services</i>	<i>3.80</i>	<i>3.69</i>
1.2.1.1. Rate of tax receipt issuing for purchases made	0.73	0.80
1.2.1.2. Rate of tax receipt issuing for services used	6.84	6.38
1.2.1.3. Rate of tax receipt issuing for definite product categories	3.83	3.89

2. NATURAL ECONOMY AND HOME PRODUCTION	November 2002	February 2003
	3.27	3.33
2.1. Activity Rate	2.66	2.11
2.1.1.Share of those engaged in family farm work	3.95	3.15
2.1.2.Share of those engaged in housework/voluntary work	1.37	1.07
2.2. Incomes	1.14	1.10
2.2.1.Share of produce intended for sale	0.42	0.34
2.2.2.Income from sold home produce	1.87	1.87
2.3. Consumption	6.01	6.78
2.3.1.Relative share of home produce consumption in total household consumption	6.01	6.78

Vitosha Research Agency specializes in conducting sociological and marketing research. It emerged as a result of the development of the sociological program, which was launched in 1989, with the Center for the Study of Democracy.

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