

A Solution for Members of Employers' Organisations: the Payroll Administration Services

How to Move from Informality to Formality

Examples

from Belgium: Social Secretariats

and

from Bulgaria: Contribution Payment Centres (Regionalna Osigurelna Kassa)

Report on workshops and activities held
in Sofia, Stara Zagora and Varna in 2005

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Foreword

Employers' organisations helping businesses to enter the formal economy

The mission of the ILO's Bureau for Employers' Activities (ACT/EMP) is to promote well-functioning employers' organisations, which are crucial in shaping an environment conducive to socio-economic development.

Employers' organisations as key representatives of the private sector have a clear interest in a move from informality to formality.

In economies in transition, several factors influence the extent of the informal economy, such as the complexity of new regulations and the regulations on taxes, social contributions, registration, licenses, environmental protection and consumer protection. Information channels concerning what to comply with and how to do so therefore also become very important for businesses.

It is the task of the employers' organisations to inform their members about the regulations and their obligations. This can sometimes be done by organising training and providing services which enable businesses to comply with the rules and regulations.

In many European countries, employers' organisations have set up services in order to assist their members in dealing with these complexities in a simple and manageable way, so that they can continue to focus on their core activity: running their business.

In Bulgaria, the government foresaw in the Law on Social Security (2001) the possibility of setting up at oblast level services for the collection of social contributions from the self-employed and from small enterprises. These services have taken the form of Contribution Payment Centres (Regionalna Osiguritelna Kassa). However, it appears that the development of these facilities has been hampered by the fact that only employers with 10 workers or less are allowed to join the Kassas, and by the lack of marketing and adapted IT software.

Within the framework of a global programme implemented by ACT/EMP on how employers' organisations can positively influence the formalisation of parts of the informal economy, a special project was developed with the Bulgarian Industrial Association (BIA) for the establishment of Contribution Payment Centres by regional (oblast) Industrial Associations in Bulgaria. The present publication reports on what has been done and can therefore be used as a guide and a source of inspiration for those who would like to set up a similar service.

We would like to thank all those who have contributed to the successful implementation of the project: the Bulgarian Industrial Association and its president Mr Bojidar Danev, the Union of Social Secretariats of Belgium and SECUREX. Special thanks are due to the project coordinator, Mr Branimir Handjiev, director general for international organisations and programmes, and his team. We owe particular thanks to Ir. Ognijan Spassov, executive director of the Industrial Association of Varna and his team, for their readiness to cooperate and their support in the successful outcome of the project.

Geneva, November 2005

Jean-François RETOURNARD,
Director ACT/EMP

Budapest, November 2005

Petra ULSHOEFER,
Director SRO Budapest

Introduction

A Contribution to Reducing the Informal Economy: Contribution Payment Centres in Bulgaria

In many Western European countries, employers' organisations have developed services with the aim of helping their members — especially but not only SMEs — to meet their obligations regarding the calculation of wages, and social and tax contributions and the related paperwork.

The aim of such services is to relieve employers of the administrative burden, so that the management can concentrate all its efforts and energy on its core activities.

Such services can be provided at a lower cost than within the company, but also at a higher quality level and on time; furthermore, the employer can be sure that the latest rules have been applied.

Over the years, such services have grown in periods of high inflation and increasing regulatory complexity. The development of new IT technologies has also facilitated their development and today, not only SMEs but also big companies, even multinationals, prefer to outsource such activities, for the same reasons: better quality and lower costs.

The transition economies are now facing the same environment: higher inflation and new, more complex regulations which are not always easy to follow or to implement.

Today, in the transition economies wage calculation at SMEs is usually done by an external accountant: in addition to bookkeeping and reporting on the accounts to the shareholders, the accountant is charged with collecting information on new tax regulations and social contributions and to calculate these contributions. The experience of the socialist period shows that in order to be on the safe side and to avoid additional fines, accountants usually calculate higher contributions than are in fact due, to the detriment of the employer.

With the growing complexity of the regulations, the calculation of taxes and social contributions is becoming an additional burden for accountants and bookkeepers: that is why it should be done by specialists in collecting the data and processing the calculations.

In the present guide two examples are given: one from Western Europe and one from a transition country. Both are similar and have the same objective: ***to offer the employer a service currently***

performed by his/her organisation that guarantees exact calculation of taxes and social contributions, alleviating the burden of these administrative obligations.

The Belgian **Social Secretariats for Employers**, set up by employers' organisations, were authorised by law immediately after the Second World War with the aim of encouraging employers' organisations to set up new services which would allow their members to comply with their administrative obligations related to wage payments and social and tax contributions. It was part of the Social Pact that was negotiated during the war between the government and the social partners. By means of such new services the government and the social partners expected a safe and rapid restart of the social machinery in Belgium.

Social Secretariats require a license from the Ministry of Social Affairs and have to adhere to strict rules laid down by this Ministry and the Ministry of Finance.

At the beginning, social secretariats were meant for SMEs, but nowadays they are so well organised and provide such high quality services at a very low cost that even big companies prefer to outsource all their wage administration, as well as the calculation and payment of social contributions to a social secretariat.

Initially, social secretariats only calculated wages and social contributions, but gradually they extended their services to include the processing of wage and social contribution payments, and added other services linked to social affairs and HRM. New IT technology enables social secretariats to offer higher quality at a lower cost than if the activity was performed in the company.

In Bulgaria, the Law on Social Insurance of 2000 foresaw the establishment at oblast level of '**contribution payment centres**' (**CPCs**) or **Regionalna Osiguritelna Kassa** which would collect the social and tax contributions from the self-employed and from enterprises with up to 10 workers. These centres have to be registered at the local National Social Security Institution (NSSI) office.

The benefit for employers is that they are guaranteed that the calculations will conform with the latest regulations and that payments are made to the right accounts: they receive an invoice each month, and the Contribution Payment Centres transfer the payments received from employers to the right NSSI accounts. There are about 20 different NSSI accounts into which employers have to pay social contributions.

By the end of 2004, about 230 CPCs had been registered: some have been successful, others have not, or have ceased their activities. One of them was set up by the Industrial Association of Varna. One of the difficulties faced by the new institution is the fact that once an employer takes on more than 10 workers, they have to leave the CPC, forcing the latter to seek a new client if it wishes to maintain revenues at a level capable of covering its operating costs.

Low revenue levels also hinder improvements in marketing, not to mention investments in better software and maintaining a website.

The joint project with BIA started in January 2005 with a presentation to BIA members on the Belgian social secretariats by the Secretary General of the Union of Social Secretariats, Mr Walter Reynders. This was followed by the presentation of a concrete example, the SECUREX Social Secretariat, by Mr Pierre Griffet, director of external relations.

The aim of these presentations was to initiate a discussion with BIA members on the development of a similar service adapted to the Bulgarian environment.

In this discussion, the delegate of the Varna Industrial Association presented the experiences and difficulties of the CPC set up by its association in December 2001.

This was followed by a visit to the CPC in Varna where a concrete cooperation plan was developed. Meanwhile, the Industrial Association of Stara Zagora expressed an interest in setting up its own CPC; the Industrial Associations of Targoviste and Dobrich also decided to launch a CPC for their members.

The BIA management made preparations to lobby the new government to remove the 10-workers limit.

A marketing plan was also developed with an external specialist company and an IT plan was prepared by BIA-net, another department of BIA.

The present report is an inventory of the presentations made at the different meetings and of the plans developed during the project. It is also a useful guide for those who intend to start a similar service for their association.

J.M. Standaert

Senior Specialist for Employers' Activities

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Licensed Social Secretariats: A Belgian Phenomenon

1. Historical Overview of the Belgian Social Security System

Although basically an agricultural country, Belgium managed to become one of the most industrialised countries in Europe by the middle of the nineteenth century. Before the Industrial Revolution, families lived on agricultural earnings and struggled to meet their needs. As a result of the Industrial Revolution workers flocked into the cities. Cut off from their family, workers were unable to protect themselves against the hazards of life. This resulted in a high level of economic insecurity, which naturally led to the emergence of 'social needs'. However, Belgian governments at that time were largely inspired by classical liberalism, which advocated the non-intervention of public authorities in the private sphere and preferred to adopt a policy based on freedom. As a result, large parts of the Belgian social security system were entrusted to private bodies.

The Belgian social security system thus came into being on the basis of both private and state-subsidised initiatives. This formed the background for the development of the social secretariat phenomenon.

2. Offices of Payroll Administration: How They Came About

Wage earners and self employed persons are entitled to a number of social benefits in case of sickness, invalidity, unemployment, and so on. The social protection system requires a considerable financial and administrative effort, however, not only on the part of the government but also on the part of enterprises.

Employers have to provide an enormous number of declarations and returns for a wide variety of official institutions, such as the Social Security Board, the Inspector of Taxes, the Collector of Taxes, and so on.

As the system developed employers soon found themselves confronted by a wide range of social regulations. One can easily imagine the difficulties facing employers who had to deal with a myriad of constantly evolving rules, in turn generating a huge quantity of obligations. The employers made every effort to keep themselves informed with the help of an accountant or specialised employee until the

sheer number of formal requirements, not to mention the associated legal complexities made it impossible for them to cope on their own.

Before the Second World War services were organised to help employers meet their social obligations. In the ports, where workforce mobility was extremely high, the need for centralisation of human resource services was met by an employers' association. This was the very first Office of Payroll Administration.

In 1945 legislation empowered the Minister to license institutions created by groups of employers to help them fulfil their obligations. These were the first licensed employers' social secretariats, as the Offices of Payroll Administration are designated under Belgian law. From that moment on, employers had the possibility of entrusting institutions — insofar as the latter met the relevant quality standards — with handling all their formal obligations. These formalities were carried out by these institutions in the name of the employer.

By 30 December 1946, 28 licensed social secretariats, offering their services to 15% of Belgian employers, had been set up. At the same time, the legislator fixed a single contribution rate for all the different areas of social security, to be collected exclusively through the Social Security Board.

In 2005, more than 90% of all employers are affiliated to one of the 45 licensed social secretariats. The role of the social secretariat is no longer limited to payroll administration, however: they also play an important role in providing information and advice on social affairs. The employer can rely upon the information supplied by a legal department which keeps abreast of social legislation on a day-to-day basis; the secretariats are also a good management tool thanks to their strong logistical support.

3. New developments in data management techniques

Each social security organisation has to gather a certain amount of data to be able to determine workers' social benefit entitlements. For instance, the employer must inform various social security bodies when it employs someone and supply them with data related to salary and working time. All these organisations request approximately the same data and they all use a whole series of forms and information sheets to this end. The employer thus repeatedly submits the same data, each time under a specific format.

As the system developed voices very soon arose asking for a simplification of the social protection system. Therefore, the Belgian legislator decided to put an end to the incredible complexity of legal regulations and to the complete incoherence of the social security system at the time. To this end the Belgian Social Security Board (SSB) was founded. This Board is the central body for the collection of social contributions. Instead of having to calculate the contribution, supply the various social security organs with the necessary information and pay contributions with various deadlines, to different ac-

counts and according to various modalities, the employer simply submits a single declaration and pays a single contribution to the SSB, which in turn redistributes contributions among the various social security institutions according to a key.

The great number of files handled by the social secretariats makes it possible for them to use advanced technical administration methods. The secretariats are continually on the look out for the most suitable processing methods. Sophisticated computer techniques have become necessary to prepare and submit the required documents on time and with accurate information. Such equipment is expensive and the hardware has to be regularly adapted to new and faster techniques.

4. Operation of a licensed social secretariat

Employers' organisations encourage companies to meet their obligations arising from social and tax regulations in a responsible and correct way. Specialised services have been set up within these organisations to this end: that is, employers' licensed social secretariats.

At first sight the role played by the licensed social secretariats may seem modest as it is limited to purely administrative tasks. However, their role is essential given the scale and importance these formalities have acquired. It is not possible to list all the services provided by social secretariats: implementing formal requirements is in fact only a small part of what social secretariats offer. Moreover, it involves quite significant preparatory work.

In order to enable the social secretariat to prepare the master file the employer has to give — although this is necessary only once — the required information both on himself and his workforce (name, date and place of birth, sex, civil status, address, language, workplace, and so on).

For each payment period, the employer communicates to the secretariat, on forms provided by the latter, the data for wage calculation, such as number of hours, days worked, hourly wage, and so on. For each payment period the employer then receives the gross and net wage calculation for each employee, a wage envelope and a wage sheet; the latter is a summary of all wages and salaries, including the social security contributions to be borne by the employer for each employee. For the employer, this wage sheet provides precise accounting data. Wage payments by means of bank transfers or cheques are encouraged, which does away with the manual filling of wage envelopes.

The social secretariats also see to it that payments to the authorities are made on time. In case of late payments companies are heavily fined. Employers with a regular staff of at least five, for example, are obliged to pay in advance, within the first five days of each month, one fourth of the social security contributions paid in the previous quarter. Normally, the employer pays this advance to the secretariat, which then transfers it — and later on the quarterly settlement — to the Social Security Board.

Moreover, most social secretariats provide all kinds of statistical surveys on the basis of the wage calculations, which give a better idea of the cost structure of all or particular departments in the firm.

Most secretariats also have a team of lawyers and other experts to solve or to advise on social and legal problems. This team examines how new laws and regulations can be implemented immediately. Most secretariats also provide a voluntary information service: they publish information bulletins announcing and commenting on changes in the law as clearly as possible.

The role of social secretariats is not limited to simply meeting employers' obligations. They also play an extremely important role with regard to social guidance. In the 1970s wage indexation and the Oil Crisis meant that getting costs under control became a necessity. This in turn required tools for human resource management.

Thanks to their expertise, the social secretariats are able to supply relevant legal information, in addition to extensive general information. The mission of social secretariats is thus quite broad, and must be based upon a relationship of trust between the employer and his mandated agent.

A social secretariat can carry out its work only if employers supply the necessary data on wages and working time of their own volition: that is, giving the social secretariat the right to demand this information would mean the end of a relationship based on trust. The social secretariat receives its mandate from the employer and no one else.

Benefits

To employers: for each of its members the social secretariat compiles a complete file on the application of social legislation, either at its head office or at a branch closer to the member's place of business. The social secretariat is also instrumental in bringing together, either in the employer's registered office or at his or her domicile, all documents that will enable the competent authorities to monitor application of social legislation.

In their dealings with employers the public authorities sometimes adopt a rigid stance. The social secretariat acts as a mediator between employers and such institutions, thus avoiding difficulties, misunderstandings, time losses, correspondence, and so on.

To employees: their rights are safeguarded by strict observance of laws and regulations regarding social security contributions, taxes, and so on. The social secretariat thus contributes significantly to promoting social peace.

To the authorities: social secretariats mediate between the public authorities and the employer and thus contribute to a better and more uniform application of social legislation. The files of the various companies are kept in compliance with the administrative regulations and contain all correspondence

between each member and the social secretariat. This centralisation in a head office or branch facilitates efficient control by the competent authorities (inspection visits are made to the social secretariats). The National Office of Social Security is no longer overwhelmed by incomplete, late or even incorrect declarations.

Employers pay social contributions directly to their social secretariat (with the same payment deadlines as if they were dealing with them themselves), which means public authorities no longer need a large staff to collect social security contributions. The logistical support of social secretariats has certainly helped the National Office to reach the current overall collection level of 99.36%.

5. The legal environment of social secretariats

Social secretariats are private non-profit organisations offering services. Their activities are non-commercial and their revenues are used to provide high quality services. They exist in the form of non-profit organisations, a legal form which, on the one hand, guarantees a clear distinction between the organisation's assets and the assets of its members, and, on the other, provides a structure in which revenues are used to improve the service.

Social secretariats licensed by the state can be relied upon by employers. Social secretariats enjoy a monopoly and a number of advantages, but also have to meet certain criteria in order to obtain state recognition.

6. Inside view of a social secretariat

A social secretariat is an association set up (by employers) to relieve employers of administrative burdens.

Licensing by the Minister of Social Affairs is a sort of mark of quality. A licensed social secretariat must abide by a precise accounting plan and utilise an agreed auditor who monitors the proper development of all operations. The social secretariat also has to meet the following administrative obligations:

- drawing up and updating a detailed file for each of its affiliates with regard to the implementation of social laws;
- helping employers to gather the documentation necessary for officials so that they are able to control the proper implementation of social regulations;
- supplying each worker with the documents required by social legislation.

Social secretariats are paid in two ways for the services they offer:

1. Through a levy: the maximum levy is fixed at 1% of the gross remuneration ceiling which served as basis for the social security declaration. Thanks to rationalised working methods (automation, and so on), the rates charged by most secretariats are below the maximum; moreover, the flat or percentage rates decrease sharply according to number of employees and calculation periods (weekly, half monthly, monthly or otherwise).
2. Through interest on sums paid in by employers which the social secretariats may retain for a specified period before paying them on to the Social Security Institution.

Licensing entitles an organisation to call itself an 'employers' social secretariat'.

The state licenses secretariats as the representative of their affiliates and thus acts in relation to the secretariat as it does towards the employer. Public organs thus send their documents directly to the social secretariat and also accept documents filled in or payments made in the name of the affiliated employers. The social secretariat is thus a kind of specialised intermediary between employer and administration.

Social secretariats are strictly controlled by the state.

7. Who are the affiliated employers?

There is no obligation for an employer to affiliate himself to a licensed social secretariat.

Small employers — with fewer than 10 employees — represent 85% of all companies affiliated to social secretariats. Medium-sized companies represent 14%, while larger companies with more than 100 staff members only account for 1% of all affiliates.

In other words, approximately 81% of all small employers, 76% of medium-sized companies and 39% of larger companies call on the services of a social secretariat. Statistics also show that social-secretariat affiliation is more common in sectors such as building, agriculture, forestry or hotels and restaurants ('horeca' or 'hotels, restaurants, cafes' in Belgium) (many small employers in these sectors) than in, for example, chemicals, in which companies can be very large.

Indeed, for small employers the intricacies of complex and constantly evolving social legislation represent a burden which they are more than willing to entrust to specialists.

A medium-sized company can cope with human resource management, but often chooses the cheaper solution of affiliation, given the savings in terms of time, staff and software.

As for larger companies, they affiliate themselves because they prefer to outsource the calculation of wages and contributions to specialised institutions, such as social secretariats.

8. The social secretariat's responsibilities

A social secretariat carries out its basic tasks as a mandated representative of the employer. Its mission is primarily the social security declaration and the transfer of payroll taxes. The employer remains responsible for the accuracy of the information used by his mandate, however. The social secretariat cannot force the employer to supply the information in due time nor can it check the relevance of the data supplied, but the social secretariat is responsible for its correct use. The mandate is thus limited to the execution of specific actions.

The other services are carried out within the company. These mainly concern preparatory activities (preparation of documents, wages, and so on) and legal advice. In the affiliation contract, the two parties agree on the limits of their respective responsibilities: the social secretariat may commit itself only to making its expertise and resources available to the employer or it may commit itself to achieving specific results.

In case of non-fulfilment of a contract based on making resources available, the employer must prove that the social secretariat did not act in the manner normally to be expected of a professional organisation.

In case of non-fulfilment of a contract based on the achievement of specific results, the social secretariat must prove that it has fulfilled its mission in accordance with the contract.

Non-compliance with legal regulations can sometimes lead to legal sanctions. In the context of a contract linked to the execution of specific tasks, the social secretariat bears legal responsibility.

9. Market internationalisation

So far, social secretariats as they exist in Belgium constitute a unique phenomenon. They probably appeared as a result of the exceptional complexity of the Belgian social security system. Within the context of the European Union, a social secretariat which was able to develop a system of payroll management according to the legislation in different EU countries would enjoy tremendous business opportunities. Multinational companies are confronted by a wide variety of legislation in different countries.

10. Conclusions

The future of licensed employers' social secretariats is bright: despite efforts to simplify social legislation, its application remains complicated for small firms and handicaps their commercial development.

Companies need legal and administrative support which is available at all times. In the end employers bear the costs linked to regulatory complexity. Overall simplification, greater readability of legal texts and safe and efficient exchange of data remain essential.

Advice on social security matters is one of the most important activities of social secretariats. In the context of a similar mission and reduced administrative costs, this advice-giving leads to 'spontaneous selection' between social secretariats through the automatic sanctioning of those which do not fulfil their social role to the satisfaction of their clients.

Walter Reynders,

Delegated Member of the Board of the
Union of Social Secretariats

The SECUREX Social Secretariat: Basic Services

1. What is SECUREX?

The Securex Social Secretariat is a non-profit organisation, founded in 1945 and licensed by the 7 March 1946 Ministerial Decree. It is a part of the **Securex Group** that has been active in insurance and social services for the last decade.

Every employer — large or small — faces **very complex social and tax legislation** on a daily basis. Collective and individual labour law, RSZ¹ regulations, various aspects of social security (vacations, unemployment insurance, and so on), and regulations on industrial advance tax payment all require **specialist know-how**.

The **Securex** Social Secretariat is the **ideal partner** for any company that is confronted by the administrative management of the aforementioned issues. To this end, it has over 330 competent and motivated employees whose aim is to strive for the highest **quality**. The strategy of the Social Secretariat is to offer a **total solution**. Through a number of basic tasks, it strives to help the client with **social and legal advice**, and **representation in public administrative bodies**, such as the RSZ, the Finance Ministry, and so on, providing them with various HRM [human resource management] **management tools** and wage accounting management. In addition, it is a link between clients and various organisations that perform tasks in **areas of social security** such as family allowances, vacation funds, legal insurer, and so on.

During 2004, the Securex Social Secretariat processed the wages of **343,000 employees**. It has **19 branches** in Belgium. It is **totally independent**, politically, 'philosophically' and financially. It is an **interprofessional** social secretariat. The Social Secretariat is present in France and also Luxembourg.

In order to perform to the best satisfaction of its 30,900 clients, the expert staff utilise the very latest **computer technology**.

¹ Rijksdienst voor Sociale Zekerheid: National Social Security Service

Social Secretariat

- the services of the social security department will relieve the employer from the massive administrative tasks related to employing personnel. They will fill in the various social and tax forms, and will advise and assist you daily in applying social law correctly.

Services

- Calculating wages (with optional periods), holiday money and various payments, implementing social, tax and employment law (collective agreements, indexations, bonuses).
- Full responsibility for the administrative work arising from employing staff (family allowance, educational leave, time credit, sickness, unemployment, inability to work, and so on).
- Drawing up daily declarations, paying contributions and contacting official, semi-official and even private authorities (tax, legal insurer, External Prevention and Protection Service, and so on).
- Helping and providing documents for the employer for accounting and personnel management purposes.
- Informing the employer and providing legal advice on national and international levels.
- E-government: declarations of social risk, multi-functional declarations, and so on.

Employer's contribution to the Social Secretariat:

- New workers: send a registration form.
- Existing workers: inform of changes (births, changes of address, and so on).
- All: periodically (monthly, weekly, and so on) send data on work performed (working time, overtime, holidays, and so on) in accordance with the 'management by exception' principle.
- Data confidentiality is guaranteed.

How?

- Using modern IT tools.
- Communicating the data on paper, or using 'Magistral' (a special software developed for SECUREX), integrating the client's wage systems and systems for recording time and custom work (SAP, Peoplesoft, GET, Protime, and so on).

Advantages

- Before starting the file the social security department will check whether the company is observing its legal obligations (documents, ONSS reductions, and so on).
- The employer will be allocated a client manager who will help him at all levels.
- Integrated solutions in Social Management.

Rate

- Monthly invoice with ONSS contributions, deductions at source and management contributions.

2. Basic Services

2.1 Creating a File

SECUREX are responsible for **creating a complete file** for each client. For existing companies, they verify that all administrative requirements are being met. Are the personnel register and the labour regulations in compliance with the law? Are there copies of certain employment contracts (such as for part-time work)? Have all requisite registrations, and so on (RSZ, Ministry of Finance, and so on), been carried out?

For newly created companies, a complete service is provided. This is accomplished by the assigned **client manager** (plus a **backup**) who is the preferred representative and advisor.

The employer's file will contain, according to his expressed wishes, a number of **specific items** (Does he prefer to work with the post office or with a carrier? Must copies of certain documents be sent to certain addresses?). The file also includes **each worker's identification data**. The way in which this is accomplished may vary, but certainly falls under the responsibility of SECUREX.

The creation of a file can be completed in a very **short time**. It is of course necessary that the client signs a **contract** with the Social Secretariat, and acknowledges the ultimate **authority** of the RSZ and the Finance Ministry.

The contract with the Social Secretariat is concluded for an indefinite period, but with a minimum duration of three years.

2.2 Performance and Salary Data

In order to assist employers in fulfilling their obligations, SECUREX has developed a special IT package called Magistral.

Magistral® Salary Management makes it possible to establish a real personnel *management system* alongside a user-friendly personnel *administration system*.

The most important tools provided by SECUREX to attain this objective are:

- **Efficient management of employees' identification data.** Specific and extensive data can easily be included for personnel management.
- **Managing all tasks.** Based on previously defined hourly schedules and annual calendars, all the elements necessary for wage computation (advances, base salaries, group insurance premiums, bonuses, and so on) are gathered.

- **Salary indexation runs standard.** For certain businesses, a cost-efficient technique of mass cap-itation can be used.
- **Management of work sites and cost centres.** This makes possible the performance or automa-tion of tasks at various cost centres and assignment of time frames for them.
- **Actual social management:** online database search, requests for medical checks, and so on.
- **Magistral®** can, among other things, be linked to **time management systems**, enabling the smooth management of very complex work schedules.
- **Use of own codes is possible. The results of wage calculations can be loaded into the package** and statistically processed (see hereafter: reporting module).

2.3 Wage Computation

In addition to the computation of wages, the Social Secretariat deals with all problems or questions related to the application of social and tax legislation.

a) The client manager

The client manager can deal with a variety of situations. For example:

- computing advances;
- indexation and conventional raises;
- severance compensation;
- overtime;
- various bonuses;
- daily statement of earnings;
- calculation of RSZ reductions (employment package benefits, for example);
- early retirements;
- company managers.

The salary codes fulfil clearly specified functions and apply to very specific situations. Here are three examples:

1. automatic increase of base amounts by computation of overtime;
2. increases laid down in collective agreements of amounts or percentages in the case of shift work;
3. multiplication of a given amount by a unit factor (for example, daily meal vouchers).

These examples show that the codes used can be adapted perfectly to any situation. In addition, all documents come with a **clear description** in the event that they need to be adapted to the client's terminology.

b) Basic documents

The various basic documents and the routes to be followed are described in the document guide for the employer. Both partners — employer and employee — are clearly and fully informed.

- The employer receives **payslips and salary overviews** with several summaries based on his cost centres. Employees can be sorted by various criteria: alphabetically, cost centre, gender, and so on. Specific information is provided, for instance for all clients who belong to a joint industrial committee.
- The employee receives a **payslip**. This document can be put in an envelope (open or closed). We comply, of course, with the legislation on language use and on the order in which documents must be filed. All details of the calculation of salaries are recorded. Additional information can be printed on the payslip, for example, the employer's RSZ contributions or the balance of vacation days.
- SECUREX can deal with the **payment of salaries**. Bank listings can be remitted to the financial institution of the client's choice. Nowadays this can be done electronically, by e-banking. A mixed system (bank transfer/cash payment) is perfectly possible.
- With each set of basic documents the client receives an **accompanying letter** explaining recent changes in the legislation or new requirements.

c) Processing term

The processing term is a function of the complexity of the file and of the level of computerisation of the processing routes. Processing on paper takes 48 hours. This can be substantially reduced by means of computer-based solutions.

2.4 Personnel Administration

The Social Secretariat prepares and completes the most diverse documents for employees. Sometimes, these documents are delivered together with the payment statement; sometimes they are delivered periodically, or on the occurrence of a specific event.

a) Individual statement

Every year, employers are required to give their employees a statement. Several forms are possible.

b) Vacation and employment certificates

c) Administrative documents for the various sectors of social security

Unemployment insurance:

- part-time unemployed;

- at the end of the employment contract;
- for temporary unemployment;
- other.

Health insurance: information regarding the National Health Service.

Pension: retirement certificates.

Family allowances: all administrative documents regarding child benefits and birth bonuses.

d) Administration with respect to state registration numbers

e) Delivering standard employment contracts according to required specifications (resp. blue- or white-collar workers, fixed or undetermined term, with trial period, and so on)

2.5 Public Administration and Its Obligations to External Organisations (Public or Otherwise):

a) National Social Security Service

The Social Secretariat takes over all administrative obligations from the employer. It submits the multifunctional declaration, including salary and work time data, in conformity with the National Social Security Services.

b) Ministry of Finance

This section includes submitting the monthly or quarterly declarations and also completing the end-of-year tax declarations.

c) Employment Service: the declaration stating the beginning and end of employment

SECUREX can take care of the timely declaration of hiring if the information is received within 24 hours. Regarding terminations, the information must be communicated, at the very latest, at the time of the termination itself.

If a labour contract is cancelled before start of work the Social Secretariat must be informed at the latest 24 hours in advance.

Changes with regard to hiring must be communicated 24 hours before the earlier date (initial date or corrected date of hiring).

Termination changes must be communicated at the very latest on the earlier date (initial date or corrected date of termination).

A late declaration puts the employer at risk of penalties from the Social Inspectorate.

d) Various administrative tasks

- Completion of declarations regarding legal insurance (employer data, salaries, and so on) or the annual declaration necessary to calculate bonuses.
- Completion of the 'social balance sheet'.
- Debt recovery in relation to paid leave for educational purposes.
- Mediation in the implementation of labour regulations, personnel registers, and so on.
- Various declarations intended for the External Service for Prevention and Protection, the organisation in charge of controlling absenteeism, and so on.
- Various statistics (communal taxes, EU, NIS, and so on).

2.6 Financial Administration

With each calculation, the invoice indicates all contributions and costs:

- RSZ contributions, which take into account each client's situation (social security contribution, contribution to the fund for companies which are winding up, and so on);
- upcoming social contributions for retirees, early retirees, and so on;
- the company's advance tax payments on ordinary and extraordinary salaries;
- at the request of the client, other contributions can be charged, such as employer's contribution to group insurance;
- Social Secretariat management costs (plus VAT).

SECUREX makes sure that the amounts received are transmitted to the various organisations accurately and on time.

Invoices can be written for each department. In addition, the information is presented in a simple manner, as required for recording the various amounts. For this purpose a standardised minimum book-keeping plan has been designed.

Finally, the client receives an **annual accounting** report with the various salary components (gross/net).

2.7 Social and Legal Consulting

The client manager is able to answer any question regarding the application or interpretation of Belgian social legislation and current regulations.

On the Internet website (www.securex.be), the client has access to the **e-Bib** online application, which comments on social and tax 'current events' in an easy-to-understand manner.

In addition, affiliation with the SECUREX Social Secretariat provides automatic access to detailed information and knowledge provided by the legal experts of the Legal Services Department. The client can contact them for advice by telephone or in writing. Questions regarding the wage taxation system can also be answered.

Pierre Griffet,
Director of External Relations,
SECUREX (Belgium)

Bulgaria: Contribution Payment Centres

Introduction

At the beginning of 2005, BIA and ILO initiated a project on establishing and developing Contribution Payment Centres at regional employers' organisations (BIA members) in Bulgaria. This activity has two objectives: (i) reducing the size of the informal sector in Bulgaria, as one of BIA's priorities; (ii) broadening the scope of services offered by employers' organisations to their members.

On the basis of the experience gained in EU countries on the establishment of services at employers' organisations related to payroll administration, wage calculation, payment of social security contributions, consultations on labour legislation, and so on, meetings were held between representatives of ILO SRO Budapest, the Belgian social secretariats and BIA regional associations with the aim of assessing the interest of regional associations in such a service.

During a meeting held in Sofia with the regional industrial associations, members of BIA, there was great interest in the establishment of contribution payment centres (CPC) at these organisations. It was found that a CPC exists already in the city of Varna set up by the local Industrial Association. However, as representatives of Varna acknowledged the current activities of their centre are not running efficiently. Subsequently, a decision was taken to organise an additional meeting within the project with representatives of the regional CPC and of the regional unit of the National Social Security Institute. This was an opportunity to explore the legal regulations and the specific development of the centre in the city of Varna, which as acknowledged needs support in the form of a marketing plan, a communication strategy and software to expand activities and attract further members. At these meetings the current legislative framework and the Social Insurance Code in Bulgaria were discussed. An opportunity exists for setting up Contribution Payment Centres, which resembles the social secretariats in Belgium. There is also a need to lobby on behalf of BIA for changes in the law which would facilitate the activities of such centres and bring about a real reduction in the size of the informal economy.

Other regional associations in Bulgaria also took an interest in the establishment of such services and further meetings were held there to familiarise them with the existing legislative basis for similar activities and to assess the need for additional assistance within the framework of this project.

Varna Contribution Payment Centre (CPC)

After the preliminary study of current activities in this field, a first step within the joint project was to support the activities of the Contribution Payment Centre already in existence at the regional Industrial Association of Varna. The centre was set up after a Council of Ministers regulation on the CPC came into force in 2001. The Varna CPC was established by five founders, in accordance with the minimum laid down in the regulation. Its membership currently totals 22 companies, either small enterprises or self-insured persons from the craft sector. The Varna centre is striving to expand its activities and to offer services to a larger number of potential members but a major obstacle so far has been its weak financial situation. The Contribution Payment Centre envisages possible development but lacks a communication strategy, a marketing plan and the accountancy software needed to render a fast and quality service to members. The computer operations and calculations done by the centre are not sufficiently updated and not sufficiently automated. Therefore, project activities focused on the further development of the Varna CPC, as a model for the other regional associations which are members of BIA.

Stara Zagora Contribution Payment Centre

Serious interest in setting up a similar centre emerged in Stara Zagora. BIA and ILO representatives visited the Stara Zagora Industrial Association to hold a first exploratory meeting, attended also by the National Social Security Institute (NSSI) and local companies. This meeting helped the participants from Stara Zagora to understand the Belgian social secretariats, compare them with the Bulgarian organisations and generally become familiar with the opportunities for setting up a Contribution Payment Centre at their regional industrial association in accordance with Bulgarian law.

As a consequence of the meetings held, the Industrial Association in Stara Zagora has taken a number of steps and it is expected that it will establish a Contribution Payment Centre early this autumn.

Additional meetings within the framework of the project were held with representatives of the regional industrial associations in Targovishte and Dobrich, which were also interested in finding out about the experience of the social secretariats in Belgium and the activities of the existing Contribution Payment Centre in Varna, with a view to establishing something similar at their associations in the near future. Further to these meetings, BIA representatives had additional talks with the local industrial association and with representatives of the administration with the aim of presenting the benefits of this project and of the establishment of Contribution Payment Centres by employers' organisations.

The Industrial Association in Targovishte is in the process of forming a team for establishing a Contribution Payment Centre, which is expected to take place in autumn 2005.

The representatives of the **National Social Security Institute** who actively participated in all the meetings in Varna, Stara Zagora, Dobrich and Targovishte, expressed their support for the Contribution Payment Centres and voiced their readiness to assist in their future activities.

Legislation and Lobbying Campaign

Bulgarian **legislation** allows the establishment of Contribution Payment Centres by at least five natural persons and/or legal persons who must register at the National Social Security Institute (NSSI). The establishment of CPCs is laid down in Art. 8 of the Social Insurance Code and regulated by an act of the Council of Ministers.

Many proposals concerning the Social Insurance Code emanate from the NSSI. Thanks to the efforts of employer-organisation representatives participating in the NSSI Supervisory Board the provision under Art. 8 was included in the last version of the Social Insurance Code, adopted by Parliament in 2000. The intention behind the article was to make things easier for small and medium-sized enterprises in Bulgaria: utilisation of CPC services would enable them to save on the human resources and time required for the preparation and submission of multiple monthly forms and declarations to the social security institutions.

The basic task of the Contribution Payment Centres according to the regulation is to carry out their members' social insurance tasks, including collecting contributions for public social insurance, supplementary mandatory pension insurance and health insurance, and transferring them to the relevant accounts of the National Social Security Institute. As regards insurance, they make payments to insured persons, and prepare and update documentation.

CPCs are regarded as useful tools which not only help individual companies and facilitate their relations with the social security institutions, but also help the National Social Security Institute (NSSI) and the General Tax Directorate to develop better and more efficient collection of social contributions. These state institutions are willing to have Contribution Payment Centres act as mediators, relying on their well-organised system of correct calculation and contribution collection. Moreover, this is a valuable opportunity to deal with only one actor and to avoid a myriad of individual clients bombarding them with thousands of inquiries and miscalculated declarations every month.

However, a major impediment for Bulgarian Contribution Payment Centres is the limitation laid down in both the Social Insurance Code and the Council of Ministers Act which does not allow legal entities with more than 10 employees to be members.

The consensus is that the limitation laid down in the law must be removed, to the benefit of all parties. This was confirmed by the opinions expressed during the project meetings by the regional employers' organisations, NSSI representatives and local companies.

Taking all this into account, in the coming months BIA will, within the framework of the project, use its influence as a nationally representative employers' organisation to lobby in the new Bulgarian parliament for the removal of this limitation hindering the development and expansion of the Contribution Payment Centres. Before the opening of the newly elected parliament, a dossier was prepared to enable BIA to start its lobbying campaign. BIA used its participation in the NSSI Supervisory Board to table a proposal to remove the barrier in question.

Social Insurance Code²

Contribution Payment Centres

Article 8.

(1) (amended — SG 64/2000)

Individuals under Art. 4, par 3, items 1, 2 and 4, as well as legal entities, may establish Contribution Payment Centres, which shall be registered at the regional office of the NSSI. Contribution Payment Centres manage the social insurance obligations of their members. Enterprises of up to ten employees which are members of such Contribution Payment Centres may have their social insurance affairs (also covering persons working for them without a labour relationship), managed by such Contribution Payment Centres.

(2) (amended — SG 64/2000)

Contribution Payment Centres shall manage the social insurance of individuals under paragraph 1:

- (amended — SG 64/2000, 1/2002) by collecting contributions due for public social insurance, supplementary mandatory pension insurance and health insurance, and transferring them to the relevant accounts of the National Social Security Institute;
- in the relevant circumstances, they shall pay benefits and assistance due to insured persons;
- by drawing up and maintaining documentation related to the social insurance of CPC members.

(3) The terms and conditions for establishing and operating Contribution Payment Centres shall be regulated by an act of the Council of Ministers on the proposal of the National Social Security Institute.

Contribution Payment Centres Ordinance

Adopted by Government Decree No. 89 of 9.04.2001, promulgated on 13.04.2001

Art. 1.

The ordinance stipulates the method and order of the setting up, registration and functioning of Contribution Payment Centres (CPCs).

Art. 2.

(1) The Contribution Payment Centres may be set up by self-insured persons in accordance with Article 4, par. 3 of the Compulsory Public Insurance Code and by legal entities.

(2) A minimum of 5 natural persons and/or legal persons may set up a Contribution Payment Centre.

² Title amended, SG, No. 67/2003

Art. 3.

(1) The Contribution Payment Centres act as insurer for their members — self-insured persons and persons hired by centre members — under a labour or other legal agreement.

(2) When a company is a member of the Contribution Payment Centre, the company's partners may also be insured through the centre.

(3) A legal entity that has more than 10 persons hired under a labour contract may not be a member of a Contribution Payment Centre.

Art. 4.

(1) A register of Contribution Payment Centres shall be kept at the local offices of the National Social Security Institute (NSSI).

(2) The Contribution Payment Centre shall file an application to be entered in the register under par. 1 at the relevant NSSI local office. The registration application shall include:

1. centre's administrative address;
2. name of person, number of identity document, personal number and permanent residence, statistical number and head office address of the person who represents it;
3. number of centre members and of persons insured through the centre;
4. bank account number.

(3) To be presented together with the application are the following:

- an agreement that lays down the rights and obligations of centre members and a decision by the centre's members assigning the person to represent it;
- a list of the centre's members (name or appellation) with their addresses (residential or administrative), identity number and/or statistical number, the activity performed for the self-insured persons, number and date of the court order or of the registration act and by whom they are issued (if such);
- for members of the centre that have up to 10 persons inclusive employed under a labour contract the number of self-insured persons must also be mentioned.

(4) A certificate of being entered in the register under par. 1 shall be issued by the civil servant who monitors incomes and expenditures at the relevant NSSI local office within 14 days of the application being received. Rejections may be appealed under the Legal Proceedings Law.

(5) After being issued a registration certificate the centre shall be registered at the Bulgarian statistical register.

Art. 5.

(1) In case of the admission or resignation of members or a change of circumstances under Art. 4, par. 2, items 1, 2, 3 and Art. 3, items 1 and 2, the person representing the Contribution Payment Centre shall present documents reflecting the said change at the local NSSI office within 7 days.

(2) The civil servant assigned to monitor incomes and expenditures shall remove the centre from the register if the number of its members falls below 5. In such a case the local NSSI office shall inform the centre's members in writing.

Art. 6.

(1) When CPC membership begins or is terminated an application/declaration shall be submitted, using a template endorsed by the NSSI director. On this basis the centre's manager shall enter the member in the list or delete them from it, under Art. 4, par. 3, item 2.

(2) Members of the centre are obliged to submit to its manager the necessary documents related to their insurance and/or the insurance of the persons hired by them (insurance cards, payroll sheets, contracts for job assignments, and so on).

Art. 7.

The agreement shall stipulate the method and order of determining the membership fee.

Art. 8.

(1) The Contribution Payment Centre shall manage the social insurance obligations of its members and of the persons hired by them, as follows: it shall

- collect the social insurance fees due and remit them in accordance with the regulations to the accounts of the local NSSI office in accordance with the Compulsory Public Insurance Code and the Health Insurance Act;
- draw from the local NSSI office and pay benefits and monthly allowances for children of self-insured persons and of persons without a labour contract, by the 20th of the month following the month they relate to;
- draw from the local NSSI office and make payments, including assistance and monthly allowances for children of persons working on the basis of an employment contract, transferring the relevant sums to employers during the periods when wages are paid.
- submit data electronically to the local NSSI office under Art. 5, par. 3 of the Compulsory Public Insurance Code in a format approved by the NSSI in accordance with the regulations after collecting insurance contributions for that month;
- provide self-insured persons and persons working without a legal labour relationship with insurance cards;
- draw up and maintain insurance cards and other documents related to the insurance of the centre's members;
- submit documents concerning retirement in compliance with Art. 1, par. 1 of the Pensions Act adopted by Council of Ministers Act No. 30 of 2000.

(2) Members shall pay their insurance fees to the centre within the terms specified by the constituent agreement.

(3) The Contribution Payment Centre is obliged to:

- submit for certification to the local NSSI office the payment request to draw the amounts under par. 1, items 2 and 3 together with the documents justifying expenditure and the payment orders for the insurance fees remitted;
- certify insurance cards of self-employed persons and of people working without a legal contract in the relevant NSSI region. Certification of social insurance obligations fulfilled during a particular

calendar year shall be carried out by the end of July the following year or within 30 days of withdrawal from membership;

- keep all documents relevant to member social security, and after revisions carried out by the local NSSI office;
- present a certificate to members by 25 January of each calendar year for the insurance fees remitted to its bank account in the previous year.

Art. 9.

(1) Termination of the centre's activities shall take place only after an inspection by the local NSSI office.

(2) In case of termination documents which are to be preserved shall be submitted to the local NSSI office.

Art. 10.

(1) Local NSSI offices shall help CPCs to organise their social accounting activities.

(2) Local NSSI offices are obliged to inspect the Contribution Payment Centres registered with them every calendar year, at the latest by the end of July the following year.

(3) Local NSSI offices shall keep a record of certified insurance books and of documents submitted by centres which have been closed.

Art. 11.

(1) The Contribution Payment Centres shall not be responsible for the social security obligations of members which have not transferred their insurance contributions on time.

(2) CPC members shall remain responsible under Art. 110 of the Compulsory Public Insurance Code for contributions paid to the Contribution Payment Centres, but not remitted to the local NSSI office under the established terms.

Final provision

Sole paragraph. The ordinance was adopted in accordance with Art. 8, par. 3 of the Compulsory Public Insurance Code.

Cooperation between ILO and BIA

Overall project implementation was coordinated by BIA.

Development of a marketing strategy and preparation of a brochure for the Regional Contribution Payment Centres were divided into two parts:

1. general information on the Contribution Payment Centres, relevant legislation and member benefits;
2. specific information on Contribution Payment Centres (address, local rates for services, contact details, and so on).

The BIA team drafted the brochure's contents with the assistance of the regional Industrial Association in Varna.

A marketing agency was commissioned by the ILO to develop a marketing plan and design the Contribution Payment Centres brochure. This agency was also asked to prepare special mail shots and covering letters to be used by the Contribution Payment Centres in order to improve their marketing presence and attract new members.

As mentioned in the CPC ordinance one of the responsibilities of local NSSI office is to assist CPCs. NSSI representatives confirmed their readiness to do so. Thus, in the first instance the Contribution Payment Centres can utilise the NSSI database to draw up an appropriate list of registered companies and self-insured persons on whom to target their marketing campaign.

Marketing Strategy Developed by the Marketing Agency

During the meetings held within the framework of the project with representatives of the regional Contribution Payment Centre in Varna it turned out that currently the centre has only 22 members. Furthermore, this centre and its services were almost unknown among the business community in Varna. Clearly, a marketing and communication strategy had to be developed, for which purpose the ILO approached a specialised marketing company in Bulgaria.

The communication and marketing strategy developed contains the following main elements:

1. Design of Corporate Identity

In order to ensure the launch's success the agency proposed to create a corporate identity for Regional Contribution Payment Centres: professional designers have created a logo which will become their trademark. The main component used in the design is the Bulgarian Industrial Association's logo, reflecting the fact that it shall be used exclusively by Contribution Payment Centres set up by employers' organisations that are BIA members. The logo will be used for branding all support materials (see below).



2. Direct Mailing and Telemarketing

The objective is to establish personal contact with potential members-clients. The following steps will be taken:

- Selection of a database of 200 companies with up to 10 employees that operate mainly in Varna and the region. The database will be prepared by the marketing company and will be consulted and approved by BIA and CPC Varna.
- A special information pack will be given to potential clients. The pack, presented in a branded envelope, shall contain:

-
- An accompanying personalised letter, printed under a letterhead of the centre (see model-letter in attachment 3). This will announce a special offer and describe the advantages of being a member, the main services offered by the centre and membership fees.
 - Presentation folder. This will contain documents outlining the legal basis for establishing Contribution Payment Centres, the main services and specific advantages for clients, as well as the documents needed for membership application. The folder shall also contain an insert describing the specific Regional Contribution Payment Centre which the recipient is being invited to join, including services, benefits, rates, membership application documents and contacts.
 - Invitation to a special event.
- The campaign shall involve the distribution of presentation folders and letters to 200 potential clients by courier, with the aim of delivering the information pack to the right person in the company.
 - Telemarketing campaign preparation.

Telephone interviews to arouse interest in the offer mentioned in the letter and the services provided by the Centre, as well as to obtain feedback from potential clients.

3. Organisation of a Special Event for Potential Clients and Regional Media

A special event will be organised for 100 participants: representatives of the Regional Contribution Payment Centre, BIA and the Ministry of Finance, as well as potential clients and the media. The Regional Contribution Payment Centre will be presented and participants will have the opportunity to ask questions. An appropriate venue will be chosen in Varna that will strengthen the image of the centre as a reliable partner.

In addition to the event logistics **PR support** will be provided to meet quality requirements. This will include media relations management, preparation of press materials, coordination of media policy and the event scenario, as well as media coverage monitoring.

For this purpose the marketing campaign will do the following:

- **Preparations:** Media database update, preparation and distribution of media invitations and follow-up conversations with the media. Extensive press pack including detailed information on CPC activities will be prepared in advance.
- **PR activities during the event:** media relations, coordination of interviews.
- **Activities after the event:** press monitoring, follow-up media relations, interviews.

4. Production of Promotional Materials

The communication campaign will be implemented mainly by means of a promotional materials pack. These packs will be used both for the direct mailing and during the PR event. The materials will include key information about the services provided by the Regional Contribution Payment Centre and will be branded with its logo.

The promotional materials will include a presentation folder, personalised letters, posters, branded envelopes and letterheads, banners and invitations.

5. Project Management

Project management has been coordinated by BIA-International Organisations and Programmes and the marketing company. It is divided into three phases, according to activity: preparation, execution and follow-up.

The **preparation phase** has as its main goal to lay the ground for the project and to obtain a better understanding and formulation of the objectives. In the preparation phase the project team of marketing experts met with Regional Contribution Payment Centre representatives and an action plan was agreed. The preparation phase includes all activities concerning the design and production of materials and database preparation.

The **execution phase** contains the direct mailing and telemarketing, as well as initial media relations. The final part of the execution phase is the Special Event in Varna.

In the **follow-up phase** results from the DM and the event will be reported on and follow-up media relations and media monitoring will be completed.

The IT Plan:

Report and Proposals Concerning IT in the Bulgarian Contribution Payment Centres

1. Introduction

The present study was prepared by a team of consultants from BIC Capital Market Ltd in July—September 2005. The study was commissioned by the Bulgarian Industrial Association (BIA) as part of the project ‘Services provided by employers’ organisations for the purpose of reducing the informal economy’ initiated by the ILO.

The present document has the character of a preliminary study, with the following main objectives:

- inventorying the activities currently provided by Bulgarian Contribution Payment Centres (CPCs) within the meaning of Art. 8 of the Social Security Code;
- assessing the possibilities for automating some of these activities;
- examining possible software solutions for improving and optimising CPC activities;
- presenting proposals on the main directions for enhancing and supporting CPC activities in Bulgaria through the project ‘Services provided by employers’ organisations for the purpose of reducing the informal economy’.

2. Statute and Problems Faced by Contribution Payment Centres (CPCs)

2.1 Legislation

In accordance with the Social Security Code (SSC) and the CPC Ordinance, CPCs have no right to directly operate activities other than those indicated in Art. 8 of the CPC Ordinance. They are not able to increase their revenues (although this would also improve their services) by providing labour law consultancy or other paid services. Meanwhile, there is no objection to CPCs joining an Association offering other, similar services to members.

2.2 Registered CPCs

Analysis of the CPCs registered at BULSTAT shows that more than 20 per cent of them work mainly with self-insured persons.

The largest CPCs are those at the regional associations of lawyers, unions of agricultural producers, taxi companies, associations of artists and painters, publishing enterprises and insurance companies.

This group of CPCs is outside the scope of the current employer support project.

2.3 Telephone Survey

The telephone survey was conducted among CPCs whose members are companies and self-insured persons. Most of the surveyed CPCs work with between 10 and 50 companies and up to 20 self-insured persons. The survey included questions on the services provided, level of automation, need for legislative changes and readiness to set up and become a member of the Association of CPCs.

All those surveyed offer corporate accounting services and/or labour law consultancy besides the typical activities indicated under Art. 8 of the CPC Ordinance.

- **Level of automation.** A small part of the surveyed companies use specialised HR & Payroll software; most use their own templates in Word/Excel.
- The information to be submitted to NSSI is prepared separately from the payroll sheets and the calculation of the due contributions. It is then entered in the software provided by NSSI.
- CPCs **do not use electronic data exchange with NSSI.**
- With minor exceptions, all those surveyed thought that **the removal of the restriction on servicing companies with 10 employees or less** would significantly improve their functioning.
- About 10 per cent of the surveyed companies thought that the possible **extension of deadlines for submission of data to NSSI is urgently required.**
- The main problem identified by survey participants was **lack of information on CPC activities**, both among the public and among employers, as well as in the relevant institutions (Tax Administration and the Territorial Divisions of NSSI).
- All surveyed CPCs expressed a **willingness to participate in the establishment of an Association of CPCs**, making the services offered by its members better known, lobbying for legislative changes, providing qualified labour-law advice and support to its members.

Conclusions:

- CPCs engage in non-typical activities or work with parallel companies in order to avoid legislative restrictions.
- Their level of automation is very low.
- There is insufficient information on the existence and services of CPCs among employers.
- The participants in the survey expressed a readiness to engage in joint efforts to popularise the activities of CPCs and to overcome obstacles to CPC efficiency.

3. CPC Data Processing Software

The study of possible IT solutions in CPCs was conducted in the following main stages:

- formulation of software requirements;
- examination of existing software products on the Bulgarian market;
- evaluation of the possibilities for developing a new product or adapting an existing product.

3.1 CPC Software Requirements

The main recommended requirements for software programs enabling the automation of CPC activities are as follows:

- Creation and maintenance of personal files including data on employees (registration of labour/legal contracts); storage of data about labour and length of service, preparation of NSSI declarations, processing of information used in so-called 'Retirement/Pension Certificate' forms.
- Wage calculation using standard algorithms based on number of working days and days off.
- Option of setting additional indicators — accrued compensations, deductions, bonuses and their calculation.
- Processing of information related to temporary incapacity for work (sickness, time off work, pregnancy and birth, paid time off work).
- Generation and printing of payroll slips.
- Generation of standard payroll-sheets and summary — in print and file formats.
- Preparation of insured persons' declarations in a format defined by NSSI.
- Preparation of payment orders.
- Automated recalculation of taxes on an annual basis and generation of Official Note on received income and amount paid in social security contributions.
- Drafting labour contracts, additional agreements and other documents relating to the organisation's staff.
- Preparation of summarised information and declarations to be submitted to the NSSI about all members of the CPC.

3.2 Examination of Existing Software Products on the Bulgarian Market

A study was made of the functionality of the software most widely used in Bulgaria for HRM and accounting departments in companies and accountancy firms. No special versions have been developed for CPCs. These HR & Payroll programs perform all functions related to the registration of labour contracts and the calculation of payroll-sheets, taxes and social security contributions.

The main advantages of HR & Payroll programs are as follows:

- they function as independent modules, separate from accounting programs;
- they enable the processing of information about many companies and self-insured persons;
- specialist software companies offer regular updates based on legislative changes;
- support is available at service centres in Bulgaria's larger towns and cities;
- reasonable price: between EUR 50 and EUR 200 per workstation.

The price of basic HR & Payroll software is determined by either (i) the number of companies whose data are to be processed, or (ii) the number of employees processing the data (but for an unlimited number of companies). Another important criterion in the selection of a software product is the price of the annual update, which can be as much as 50 to 100 per cent of the product's basic product price.

In our opinion, if a CPC works with many small companies, it is better to choose software that offers licences for an unlimited number of companies, for individual workstations.

There is a lack of functionality in standard HR & Payroll software as regards data aggregation and related preparation of NSSI declarations.

During preliminary talks, producers of specialist HR & Payroll software demonstrated a readiness to upgrade their products to meet the needs of CPCs at a reasonable price and within a short period.

3.3 Evaluation of the Possibilities for Developing a New Product or Adapting an Existing Product

Analysis of CPC automation requirements on the one hand, and of NSSI requirements for submission of information on the other, shows that standard HR & Payroll software covers basic CPC requirements.

In our opinion, using existing basic products, which could be further developed with the functionality required for the current project, would be an appropriate solution. In this way, regular updates based on changes in labour legislation would be ensured.

In our opinion, the optimum variant would be:

- To buy licenses for one of the indicated products for the regional CPC in Varna and two more newly-established pilot CPCs as a part of the current programme. This would create a good-practice standard.
- To sign a contract with a producer/producers of HR & Payroll software for discount purchase of additional licenses for newly-established CPCs within BIA.

4. Electronic Submission of NSSI Declarations

The National Social Security Institute (NSSI) offers a working application for submission of declarations 1 and 6 via the Internet. In order to be able to use it, CPCs require a universal digital certificate (class 2), together with a card and a card reader.

The Information Security Centre at the Bulgarian Industrial Association (BIA) is a registration authority of the provider of authentication services Bankservice AD (a joint stock company) and offers all types of universal digital certificates, as well as qualified assistance and training in the use of digital certificates.

Data formatting in accordance with NSSI requirements can be done using HR & Payroll software, thus avoiding the need for a separate programme and the risk of data duplication.

Class 2 universal digital certificates are issued to natural persons and digitally certify their identity. It guarantees confidentiality and authentication, certifying the affiliation of natural persons to the company/organisation that employs them. The holder of the certificate is the company — in our case, the CPC. The private key and issued certificate, certifying its corresponding public key, are obligatorily stored on the smart-card.

Conclusion:

Two employers from each pilot CPC should be issued with digital certificates by BIA's Information Security Centre. Each of these employees should be trained to use this digital certificate and the NSSI application.

5. CPC Association

Given that CPCs are not allowed to engage in any other activities besides those indicated in Art. 8 of the CPC Ordinance, and may not charge additional fees, including commission fees apart from membership dues, we find it appropriate to support and finance the establishment of a CPC Association within the framework of the current project. This Association may be established by CPCs at BIA's regional industrial associations, where other existing CPCs may be invited to join it.

The main long-term objectives of such an Association would be:

- to promote the popularisation of the services offered by its members, by maintaining a common website and organising seminars and meetings with employers;
- to initiate and lobby for legislative changes, when appropriate and necessary;
- to provide qualified labour-law advice to its members — CPCs;

- to seek out and to offer appropriate IT solutions, to provide discounts in the purchase of specialist applications for the day-to-day activities of CPCs and of universal digital certificates for members;
- to offer expert advice — at competitive prices — in the field of time study and labour standardisation and remuneration schemes at enterprises which are members of CPCs belonging to the Association;
- to provide other services to CPCs or their members.

The establishment of such an Association would enable CPCs to:

- share costs related to popularising their functions among employers, as well as costs related to the creation of specialist software solutions;
- offer additional services and benefits to their clients, without the need for parallel companies.

Conclusion:

The establishment of a CPC Association may significantly reduce the costs related to popularising the service; it may also allow the launch of new services for employers and enable cost sharing related to data exchange between CPCs and their members.

6. Web-portal of the CPC Association

The current web presence of local CPCs may be defined as ‘symbolic’.

The creation of a web-portal for the CPC Association could be carried out in a number of stages:

1. providing financing within the framework of the project;
2. marketing CPC activities:
 - publication of the materials prepared under the marketing plan;
 - publication of legislation regulating the activity of CPCs;
3. marketing the activities of Association members:
 - publication of contact details and description of services offered by Association members;
 - publication of references from CPC client companies;
 - Frequently Asked Questions;
4. negotiating special terms for purchase of specialised software and digital certificates by Association members; publishing of detailed information on IT solutions;
5. creating a member area with restricted access.

With the increasing volume of work to be performed by CPCs, the importance of providing safe and fast data exchange between CPCs and their members-employers will also grow. At this stage, serious investment in hardware, design and development of specialist applications is necessary.

The restricted-access area for Association members will have the following main functions:

- submission of information by contributing companies to the CPC;
- CPC feedback to contributing companies;
- exchange of information between CPCs.

Conclusion:

The web presence of CPCs should be developed in two main stages:

- marketing the activities of CPCs and the benefits they offer employers;
- creating technological preconditions for fast, safe and secure data exchange between CPCs and their members.

7. Conclusion and Proposals

A preliminary study of the legislation concerning and operation of existing Contribution Payment Centres (CPC) in Bulgaria, as well as the experience of Belgium's Social Secretariats, has shown that the use of modern information technology may be of significant help in solving key problems.

The proposed measures may be classed in four main groups:

1. Software solutions for faster and error-free data processing in CPCs.
2. Safe data transfer between CPCs and the National Social Security Institute (NSSI).
3. Establishment of a web-portal presenting the activity of CPCs.
4. Intranet-portal for the CPC Association.

7.1 CPC Data Processing Software

The functionality required by CPC operations is to a considerable extent already offered by existing HR and Payroll software in Bulgaria. Domestic companies specialising in the development of such software offer a good price with continuous updates in accordance with legislative changes. The missing functionality as regards data aggregation and preparation for submission to NSSI may be added in the near future, so avoiding operational duplication and requiring only one software product.

E-banking is negotiated with the bank servicing the CPC. Generally, this service is free of charge to begin with, and account charges are the same as those for regular banking.

Provision of CPC data processing software requires the following steps:

1. Selection of existing HR and Payroll software.
2. Commissioning the addition of the necessary functionality.
3. Implementation and training at the Regional CPC in Varna and two other CPCs established by the Regional Associations of the Bulgarian Industrial Association (BIA).
4. Negotiation of special terms for purchase of additional licenses on the establishment of new CPCs with the participation of BIA or its regional structures.
5. Signing an e-banking agreement with the servicing bank.

7.2 Safe Data Exchange between CPCs and NSSI

For the needs of all social security contributors, NSSI offers a specialised application for submission of the required monthly insured persons' declarations and labour contract registration.

Government administration, including NSSI, requires a class 2 universal digital certificate for electronic data submission. BIA's Information Security Centre is a registration authority of the provider of authentication services Bankservice AD (a joint stock company) and offers all types of universal digital certificates, as well as qualified assistance and training in the use of digital certificates.

The following steps are required:

1. Purchase of universal digital certificate (professional, class 2), for two employees from each CPC.
2. Installation and initial operational training.
3. Registration for use of NSSI's application.
4. Negotiation of special terms for purchase of additional digital certificates on the establishment of new CPCs with the participation of BIA or its regional structures.

7.3 Web-Portal Presenting CPC Activities

The Internet offers great opportunities for filling the information gap concerning the potential and current activities of CPCs in Bulgaria. Creating a single, unified web-portal, maintained and developed on behalf of the CPC Association, would enable the presentation of rich and varied information, as well as faster development of additional services.

In the initial development stage, the web-portal can be published and maintained by BIA's Internet Centre, which would eliminate the need to invest in a new server and system software. The representative web-portal could be launched in the near future and requires the following steps:

-
1. Preparing the contents of the portal:
 - the materials of the marketing plan;
 - legislation on CPCs;
 - Frequently Asked Questions about the CPC—employer relationship;
 - contact data and conditions of CPC Association members;
 - references from existing clients of CPCs;
 - presentation of additional services offered by CPCs under special conditions (negotiable); provision of digital certificates, specialised software, time study and labour standardisation services, creating remuneration schemes, and so on.
 2. Development of suitable web-design in view of the portal's development plans and registration of the name of the website.
 3. Development and publication of the web-portal.
 4. Active marketing of the new web-portal among local employers.

7.4 Intranet-Portal for the CPC Association

With the increasing volume of CPC work, the problem of providing safe and fast data exchange between CPCs and their members-employers is becoming more pressing. At this stage, it would be beneficial to establish a member area for the CPC Association members and their clients. The member area will have the following functions:

- submission of data by CPC clients: number of working days, number of days off and days of sick leave on a monthly basis, registration of labour contracts and other information;
- feedback from CPCs to clients: monthly payroll-sheet, total amount of deducted social security contributions and payments due to the CPC;
- exchange of information between CPCs: problem cases that have emerged and their solutions, commissioning and provision of legal advice, commissioning and provision of special consulting services in the field of labour organisation and remuneration.

The following steps are required for creating an Intranet-portal:

1. Purchase of separate server with database management software and web-applications. The use of a server electronic certificate, guaranteeing encrypted data exchange in the Internet environment and online transaction safety is mandatory.
2. Specification of particular forms of submission and storage of information submitted to CPCs by employers.
3. Design of the necessary database and development of information exchange application.
4. Implementation and initial training.
5. Looking for labour law and labour organisation consultants, providing additional services through the web-portal.

Preliminary surveys have shown that local employers are not sufficiently familiar with what CPCs can do, which means that there is great potential for the development of this service in Bulgaria. The step-by-step development programme proposed in the present report requires investment in keeping with the level of development and increasing interest in CPCs.

Vania Kirova,
BIC Capital Market Ltd,
Sofia

Conclusions

In common with the other joint BIA—ILO projects, this project is intended to strengthen employers' organisations in Bulgaria by giving them the opportunity to provide more and better quality services to their members. On this occasion our activities have had the indirect effect of bringing to light the activities of SMEs and craftsmen.

Our analysis shows that a significant number of micro and small companies in Bulgaria are reluctant to emerge from the shadow economy, not merely because of the high taxes imposed on their activities but also because of the burden of social security paperwork, lack of knowledge of the legal regulations and, last but not least, the need to queue for hours to deal with social insurance affairs.

Contribution Payment Centres (CPC) in Bulgaria are not unique, being similar to the Social Secretariats in Belgium. Unlike the Belgian Social Secretariats, however, Bulgarian CPCs are still largely unknown among Bulgarian companies, a situation which must now be remedied.

However, the existence of accountancy firms in Bulgaria makes it difficult for CPCs to emerge. These firms seemingly offer the same range of services and most small companies prefer to use them if they are unable to carry out their own book-keeping. In contrast to CPCs, however, accountancy firms are not registered at the National Social Security Institute in accordance with the CPC regulation and cannot collect social contributions from enterprises and remit them to NSSI accounts.

CPCs, therefore, could be of enormous help to companies in their relations with the social security institutions. At the same time, if CPCs want to attract more members, they will have to offer additional services to meet clients' demands.

Contribution Payment Centres within the framework of employer organisation activities may be the appropriate intermediary between the social security institutions and companies: on the one hand, these institutions have more confidence in the propriety and accuracy of the CPCs, and on the other, companies would benefit greatly from being relieved of the burden of document preparation and queuing, and at low cost.

It is our firm belief that the development of CPCs at our regional organisations in Bulgaria could bring enormous benefits for both employers' associations and member companies. The provision of social security and contribution collection services could be a solution — and one not confined to Bulgaria — which employers should not fail to develop.

Branimir Handjiev,

Director General International Organisations and Programmes,
Bulgarian Industrial Association

Attachments

Attachment 1**Payment slip**

given to employees at their request

Name of organisation, profit or non-profit activity

Department ...

salary...

Employee's name...

function...

working week: 5 days

Days worked: 21 (basic pay: ...)

length of service by ...2004: 10 y 5 m 15 d

Identity number.../born:.../pension category:...) (taxable amount:...)

Payments deducted from employee's salary:

1. Basic pay	2002		500.00	301. Income tax		80.00
3. Payment (%) length of service	2002	5.00%	25.00	303. Personal payment professional qualification	1.00%	5.00
				304. Personal payment pensions	6.00%	32.00
				305. Advance against salary		150.00
				358. Personal payment universal fund	0.75%	3.90
				359. Personal payment decease	0.75%	3.90
				360. Personal payment health insurance fund	1.50%	7.80
				397. Current account-non-cash payment		240.00
		Total	530.00			530.00
Net amount remitted non-cash			240.00	Signature		

Note: The above figures are exemplary in nature, but correspond closely to payments actually deducted from the basic pay given above.

The reverse side of the payment slip carries a description of the payments to the different funds made by the employer. The employer makes payments to the same accounts mentioned above, but also to a fund covering accidents at work.

Employers currently pay around 32% of the worker's salary.

Attachment 2

CERTIFICATE

Republic of Bulgaria
National Social Security Institute

Regional (Capital) Administration for Social Security (RASS)
City of Varna

CERTIFICATE

RASS certifies that an insurer was entered in the Register of Social Insurers on 11.01.2002 under the name of:

REGIONAL CONTRIBUTION PAYMENT CENTRE — VARNA

Address:	
Under number: ...	No. of file:
Social security fees are to be paid in:	
Bank ...	Bank code:
On accounts:	
State public insurance	Health insurance
Bank account:	Bank account:
BIN incomes:	BIN incomes:
BIN expenditures:	
Vocational qualification and sickness fund	Additional compulsory vocational insurance
Bank account:	Bank account:
BIN incomes:	
Universal vocational fund	
Bank account:	
BIN incomes:	

Person in charge of monitoring incomes and expenditures of Social Security Directorate:

[Stamp and signature]

Date of issue:

Attachment 3**Draft Text of Accompanying Letter**

Dear Mr or Ms ...,

Since you are self-employed or a small company we assume that you would like to be relieved of your obligation to prepare dozens of documents and declarations for the NSSI and tax authorities every month.

The Regional Contribution Payment Centre Varna is offering to take over all these obligations.

The Regional Contribution Payment Centre Varna aims to support small businesses in Varna and the region.

The services which we could make available to you include:

- Collection and remittance of social security contributions to NSSI accounts (putting an end to queuing in person at the relevant offices).
- Drawing and paying out money on behalf of the NSSI.
- Completion and certification of social security and service-record documents.
- Preparation of labour and civil agreements.
- Consultation on labour legislation and social security regulations.

The Regional Contribution Payment Centre Varna is offering you all this for a monthly membership fee:

- For members under a labour agreement — BGN 5.
- For self-employed members — BGN 10.

To learn more about our activities and services, please consider our proposal. For our part, we look forward to making contact with you so that we can hear your views on our proposal.

Wishing you a prosperous business and less time spent standing in line at NSSI offices,

Todor Gyaurov

Manager of Regional Contribution Payment Centre Varna

Attachment 4

Selected Publications for Employers

ILO — Sub-Regional Office, Budapest

Erik Van Vooren, Director of the Direct Marketing Institute (Gent, Belgium):
'Making and Keeping Members: Direct Communication for Employers' Organizations'
ACT/EMP n° 33
Budapest, 2001

Bojidar Danev, Bisser Tzonev and a BIA Working Team:
'Internet Guide for Employers' Organizations: The Case of BIA NET'
Budapest, 2001

J.M. Standaert, Senior Specialist for Employers' Activities:
'Governance of Employers' Organizations — Practical Guidelines'
Budapest, 2004

J.M. Standaert, Senior Specialist for Employers' Activities:
'Collective Bargaining by Employers' Organisations — Some Key Success Factors'
Budapest, 2005

'Developing an External OSH Service — Opportunities for Employers' Organisations concerning Occupational Safety and Health Issues'
Budapest, 2005

ILO — Bureau for Employers' Activities (ACT/EMP):

IBEC (Irish Business and Employers' Confederation):
'Negotiations and Collective Bargaining — Training Package'
Geneva, 1994

'Guidelines for Employers on Equality at Work'
Geneva, 1996

'Developing and Establishing an Occupational Safety and Health Service in an Employers' Organisation'

Geneva, 1998

Report of the ILO International Symposium on the Future of Employers' Organisations,

Geneva, 1999

Alfred Wisskirchen and Christian Hess:

Employers' Handbook on ILO Standards-Related Activities

ACT/EMP N° 37

Geneva, 2001

'Employers' Organizations Taking the Lead on Gender Equality — Case Studies from 10 Countries'

ACT/EMP N° 43

Geneva, 2005

'Reaching Out to SMEs: An Electronic Toolkit for Employers' Organizations'

Geneva, 2005