

THE EMPLOYMENT PROMOTION - PROBLEMS AND PROSPECTS

The levels, resources and prerequisites for increasing of the employment in Bulgaria are main areas of interest of this article. The annual changes of the number of the employed in short term perspective have been projected on the basis of simple calculations with a view of catching up the levels of employment of the European Union (EU) members. The resources for employment are outlined as reduction of the number of unemployed and activation of women, youth and old members of the work force. The main socio-economic and political prerequisites for the employment are presented as well.

JEL: J21; J23; J64

In response to some difficulties in the fulfillment of the ambitious purposes of the Lisbon Strategy (2000) for employment and economic growth that the EU members meet - more pragmatic actions have been articulated by the European Commission Directorates. After 2004 the process started with "Integrated Guidelines for Growth and Employment for the Period 2005 – 2006"¹ and continued with other strategic documents on these issues. The European Commission decided 2006 to be the year of labour mobility. The combination of flexible labour markets and high level of social security is seen by some to be answer of the dilemma how to maintain and improve competitiveness whilst preserving the European social model². All the new priorities and the forthcoming membership of Bulgaria in the EU insist on updating the strategic goals and policies for activating the population in working age. That provokes an interest of reconsidering the main indicators about the scope of the labour market and about improving the potential and labour participation for the near future.

The employment and its short term projections

In the last three years the number of the employed has slightly increased together with significant diminishing of the unemployment rates. These positive changes still do not rank Bulgaria close to the EU member states according to their rates of economic activity and employment (Table 1) but not to the rates of unemployment.

¹ http://europa.eu.int/growthandjobs/index_en.htm

² For details see Social Agenda. - The EC magazine on employment and social affairs, issue 13, March 2006.

Table 1

Economic activity, employment and unemployment of the population between 15 and 64 years of age in Bulgaria and EU Member States (%)

Rate of:	2001	2002	2003	2004	2005
<i>1. Economic activity</i>					
EU-25	68.7	69	69.3	69.7	70.2
EU-15	69.2	69.7	70.1	70.6	71.0
NMS-10	66.3	65.7	65.5	65.5	65.8
Bulgaria	61.9	61.2	60.9	61.8	62.1
<i>2. Employment</i>					
EU-25	62.8	62.8	62.9	63.3	63.6
EU-15	64	64.2	64.3	64.7	65.1
NMS-10	56.6	55.8	55.9	56	56.9
Bulgaria	49.7	50.7	52.5	54.2	55.8
<i>3. Unemployment</i>					
EU-25	8.4	8.7	9	9	8.7
EU-15	7.2	7.6	8	8.1	7.9
NMS-10	14.5	14.8	14.3	14.1	13.4
Bulgaria	19.8	17.9	13.8	12.2	10.2

Source: Indicators for monitoring the 2004 Employment Guidelines, 2005 Compendium, EC, 11.07.2005; www.employment_strategy/indic/compendium_jer2005_en.pdf; www.nsi.bg.

After 2007 Bulgaria will have not only to catch up the levels of EU countries' employment, but also to reach (or be close to) the benchmarks set by the Lisbon strategy. What is the country supposed to do in short run to achieve the desirable 70% rate of employment keeping the recent low levels of unemployment?

The calculations in Table 2 help us to receive orientation about the scope of the changes required. No matter what will be the particular scenario for each year since 2006 onwards, it is obvious that for the period up to 2010 and further - the number of the employed will have to increase annually with not less than 100 thousands, per average.

In the near future the rates of activating of the economically inactive persons between 15 and 64 years have to be higher than those of employment. This dynamics could cause a certain increase of the number of the unemployed. The maintenance of the recent low levels of unemployment (and no higher than 10%) will insist on promoting highly dynamic labour market.

Table 2

Labour activity of the population between 15 и 64 and its projection*

Years	Total number of population between 15 - 64 *	Labour force			Inactive (tsnd.)	Rate of economic activity (%)	Rate of employment (%)	Rate of unemployment (%)
		Total (tsnd.)	Employed (tsnd.)	Unemployed (tsnd.)				
<i>1. The recent situation</i>								
2003	5307.8	3232.2	2784.3	447.9	2075.6	60.9	52.5	13.9
2004	5304.9	3275.7	2876.4	399.3	2029.2	61.7	54.2	12.2
2005	5281.1	3279	2945.3	333.7	2002.1	62.1	55.8	10.2
<i>2. Forecast levels according to the Lisbon Strategy requirements</i>								
2010	5193.5	3994.4	3631.3	363.1	1199.1	77.0	70.0	9.1**
Difference between 2010 and 2005 ***	-17.52	143.08	137.2	5.88	-160.6			

* The number of the population between 15 and 25 years in 2010 was cited as it was defined in the mentioned above demographic forecast of the experts at the National Statistical Institute (NSI), Bulgaria.

** The choice of the rate of the unemployment for the representatives of this group was made by the author and is alternative.

*** Annual increase, in average.

Source: www.mlsp.government.bg ; www.nsi.bg

What kind are the recent changes in the labour activity of the population and are they a stable prerequisite for achieving the Lisbon agenda at the end of 2010? Even the highest rate of increase of the employment in 2004 (on a year-to year basis) is under the level of 100 thousand persons. The situation is the same in 2005 and the dynamics of this indicator has slowed down. In the first quarter of 2006 the number of the employed is with 102, 1 thousand people higher on the same basis and this is quite encouraging.³

The main reason for the increasing employment after 2002 is political by its nature. The results have been achieved after the introduction of the overall National Programme "From Social Assistance to Employment". In addition to that is the contribution of the seasonal factor for the employment and social insurance tax reduction. They have led to positive trade-offs between the numbers of the unemployed and employed. The activation of the population also fosters the employment, but with lower intensity than diminishing scope of the unemployment.

³ Labour Force Surveys for 2004, 2005 and the First Quarter of 2006, issued by the National Statistical Institute, Sofia, www.nsi.bg.com

Table 3

Increase of the number of the population between 15 – 64 years according to their labour status (tsnd.)

Years	Labour force	Employed	Unemployed	Econ. inactive
2003/2002	-65.3	53.8	-142.7	-13.3
2004/2003	43.5	92.1	-48.6	-46.4
2005/2004	3.3	68.9	-65.6	-27.1

Source. NSI.

The development of the Bulgarian labour market that has already been registered and its projection until 2010 do not lead to very optimistic expectation about the near future. It is more realistic to expect employment rate close to the 70% in the year 2013 or after it, but not until 2007.

Sources for the increase of the employment

Diminishing number of the unemployed

The unemployment rates that have already been achieved in Bulgaria are comparable with those of the EU member states and of the newly accepted countries, in particular. It is realistic to plan this process to continue further and the rate of 8 -9 % to be preserved up to 2010. This result could be achieved after intensive work with the long-term unemployed and the group as a whole. Those without work for more than 12 months are almost two thirds of the total number of the unemployed with increasing shares of men. This group of unemployed includes representatives of the risk groups in the labour market who have low chances of finding jobs. They have some particular features but what is typical for them is the low level of the education and qualification and their low living standards.

It has to be mentioned in addition that in the process of restructuring, people with technical and engineer professions still remain in unfavorable position in the labour market. There is a common trend, however, for relatively easier finding of jobs by those with secondary or higher education.

The structure of the territorial distribution of the employment has not changed significantly in the last 10 years. The leader, according to the unemployment rate, is the North-West Region and the districts of Vidin and Montana, in particular. The differentiation of the unemployment rates at municipal level is much higher than that between regions and demands future strong regionalization and decentralization of the labour market policies.

Activation of the economically inactive population

The number of the economically inactive has decreased after 2002, but not by the desired rates⁴. In case of acceleration, it is safe to predict that the number and shares of

⁴ The main reasons for such inactivity could be pointed out without comparing their strengths. As such could be pointed out: lower pension age of women than men, unsatisfactory labour conditions and disablement, low chances for employment after 45 years and before pension age, generous social assistance for some groups, etc.

the low- educated and low-qualified labour will increase. This requires strengthening of the life-long learning system in the near future.

The inactive persons with previous employment records (the discouraged) are with the highest chances for employment in the group. According to the labour force surveys they can be characterized in almost the same way as the long term unemployed. The measures for their employment could be the same or close, by their nature, to those applied for the long-term unemployed.

Within the group of the inactive - mothers and the students that are temporary out of labour force need special attention. Their hiring insists not so much on motivation but on suggesting appropriate and well protected jobs that allow the consolation of work or study at home with certain employment (most probably – part-time). That imposes some of the problems of well-balanced flexicurity in the Bulgarian labour market.

It has to be told that the hiring of the discouraged persons and the activation of inactive, in general, will proceed further under the circumstances of decreasing importance of the now existing standard types of the employment. The practices coming from the economically developed countries prove that the share of the employed under the untypical patterns of employment goes up. On one hand, application of these types of employments could lead to its higher rates with the involvement of people with certain disabilities, pensioners who want to work, students, parents temporary out of labour, other representatives of economically inactive. On the other – the increase of such employment requires well-arranged legal protection and leads also to the importance of the issue of flexicurity.

Increasing rates of the women's employment

The indicators about the position of women in the labour market are steadily under the average for the country and women over 45 years old are in worst position (Table 4).

Table 4

Differences between labour activities rates of men and women compared to those of the total population between 15 – 64 years (%)

Years	Men			Women		
	Economic activity	Employment	Unemployment	Economic activity	Employment	Unemployment
2003	4.5	3.6	0.3	-4.4	-3.5	-0.5
2004	4.6	3.7	0.6	-4.5	-3.6	-0.6
2005	4.9	4.2	0.3	-5.3	-4.9	0.3

Source. NSI.

According to the requirements of the Lisbon strategy, women's employment level should reach 60%. It has to be predicted that this is an achievable task for Bulgaria, if their employment proceeds further at the same (or higher) rates as those in the period

2002 – 2005. In such case – by year 2010 the rate of women’s employment could reach 58% of higher level. The eventual change in the pension age of women and equalizing it with that of men will also contribute to higher rates of women’s employment.⁵

Women are employed mainly in sectors that are supposed to develop further after acceptance of the country to the EU and consequently – to stabilize/or to increase the number of the employed. These are manufacture of textile and textile products, trade and services, hotels and restaurants, financial intermediaries, healthcare, social services. This will also help for protecting and encouraging the women’s employment enlargement in the future.

Employment of those in high ages

According the another goal of the Lisbon strategy the employment of those between 55 and 64 years will have to be 50% by the end of 2010. As it can be seen from the data in Table 5 this is one of the most significant challenges for the near future.

Table 5

Labour activity of the population between 55 and 64 years old

Year	Population	Labour force	Employed	Unem- ployed	Econ. inactive	Rates (%) of:		
						Economic activity	Employ- ment	Unemploy- ment
	In thousands, average per year							
2003	952.1	323.4	286.3	37.1	628.7	34.0	30.1	11.5
2004	960.4	347.5	312.0	35.5	612.9	36.2	32.5	10.2
2005	968.8	367.9	336.1	31.8	600.9	38.0	34.7	8.6
Forecast for 2010*	1048.5	576.7	524.25	52.4	471.8	55	50	9.1
Difference between 2010 and 2005 **	15.9	41.8	37.6	4.1	-25.8			

* The number of the population between 15 and 25 years in 2010 was cited as it was defined in the demographic forecast of the experts at NSI mentioned above. The choice of the rate of the unemployment for the representatives of this group was made by the author and is alternative.

** Annual increase, in average.

Source. NSI.

⁵ For the moment, some women still consider the difference between the starting age for receiving pension of men and women as a privilege. Others accept this difference as reasonable, because pension provides the family with regular incomes in cash. However, it has to be underlined that increasing number of women is client to accept the equalization of the pension age between men and women. No mater the final decision of the policy makers on this issue, the participation of women in labour will increase on the basis of common measures for employment of people in pre-pension age. For details see Жените и мъжете в пенсионната система в България. Center for studies and polices for the women, 2004.

Employment of the representatives of the age group mentioned above has to be organized from the very beginning of the working life with assuring appropriate labour conditions and standards of leaving, together with permanent access to education and vocational training. The data coming from the Employment Office indicate that mainly people before the age of 40 years benefit from the suggested opportunities for training. It will be just to mention that the quality of health care is quite unsatisfactory and the protection of environment – not at the required level. For the moment it can not be claimed that there are common social prerequisites good enough for long lasting active participation in the labour force.

Strategic importance of the employment of young people

The decisive precondition for development of competitive economic subjects is the assuring of easy transition from school/university to employment of young people in a long run perspective. This has been formulated as one of the priorities in labour market. The aim is to achieve new position of the balance between supply and demand for youth labour force”.⁶

The indicators about youth employment are approving recently on the basis (and as a part) of the common process of decreasing unemployment. Despite that, employment rate of young people is two times lower than the average in last five years and unemployment rate – two times higher. The employment of the young people can be compared only with that of people between 55 and 64 years, but is lower than the latter.

Almost half of the unemployed young people stay in labour market for more than 12 months. The slowing down process of their transition to work causes high starting level of youth unemployment. One of the most annoying facts is that approximately two thirds of the long-term unemployed youngsters remain in the labour market for more than 24 months. This leads to increases in the number of the discouraged young workers.

The unfavorable position of young people in Bulgaria at the start of their professional carriers could be well-outlined on a comparative basis (Table 6). It has to be added that young women are in more vulnerable position than young men.

Table 6

Employment rates of young people between 15-24 years in Bulgaria and the EU member countries (%)

Total	2001	2002	2003	2004	2005
EU-25	38.1	37.5	36.9	36.8	36.8
EU-15	40.9	40.9	39.9	40	39.8
NMS -10	27.1	25.3	24.4	23.9	24.2
Bulgaria	18.3	18.9	20.7	21.5	21.6

Source: Indicators for monitoring the 2004 Employment Guidelines, 2005 Compendium, EC, 11.07.2005; www.employment_strategy/indic/compendium_jer2005_en.pdf; www.nsi.bg.

⁶ This is one of the objectives of the “Strategy for National Youth Policies” issued by the National Agency for Youth and Sports for the period 2003 – 2007. After its publishing there are no data available about the results achieved so far. For the full text of the Strategy see <http://youthsport.bg>

In case youth employment increases with 1.3 – 1.5 percentages annually, as it was in the period 2002 – 2005, the country will need 3 years to achieve the rates of the new member states registered in 2005, and 10 years - the EU-25 common level for the same year. This dynamics is low and will reproduce further the existing lagging behind the European standards in this sphere.

The measures for the group of young people involve the diminishing of their unemployment as well as achieving reasonable levels of their activation (see Table 7). The better quality of the labour resources insists on encouraging the economic activity of those young people who have finished their secondary education and are at the age between 19 – 24 years. In parallel, drop-outs from secondary school will have to be minimized and completion of secondary education will have to be strongly encouraged. It will not be appropriate to recommend radical increase of the activity rates of people between 15 – 19 years with the exception of involvement in part-time or seasonal (or other untypical) employments that are compatible with studying. Quite important task for the group of young people is the legalization of their employment in the grey economy in branches such as of tourism, hotels and restaurants, civil constructions.

Table 7

Labour activity of young people between 15 and 24 years old

Year	Population	Labour force	Employed	Unem- ployed	Econ. inactive	Rates (%):		
						Economic activity	Employ- ment	Unemploy- ment
	In thousands, average per year							
2003	1062.6	311.0	227.0	84.0	751.6	29.3	21.4	27.0
2004	1062.0	307.1	227.9	79.2	754.9	28.9	21.5	25.8
2005	1048.5	292.2	226.9	65.2	756.3	27.9	21.6	22.3
Forecast for 2010*	898.5	465.0	404.3	60.6	433.5	51.8	45.0	13.0
Difference between 2010 and 2005 **	-30.0	34.6	35.5	-0.9	-64.6			

*The number of the population between 15 and 25 years in 2010 was cited as it was defined in the demographic forecast of the experts at NSI mentioned above. The choice of the rate of the unemployment for the representatives of this group was made by the author and presents an alternative for 2010.

** Annual increase, in average.

Source. NSI

It has to be summarized that the utilization of the now existing reserves from labour supply side will add to the labour force and employed mainly low-skilled and insufficiently educated people in their mid-ages, or older. The improvement of the quality of the labour resources will require assuring of easy access and regular

participation of the labour force in life-long learning. In the near future this learning is without alternative in the case of Bulgarian employment promotion.

Some factors for employment increase

Acceleration of the economic growth

The positive changes in the employment, other things equal, depend on economic growth and its potential to create new jobs and/or to sustain the existing ones. It is accepted that with the decrease of the gross domestic product (GDP) rates – unemployment increases and vice versa⁷. At the same time the increasing volumes of gross value added (GVA) give some clues about the quantity of labour applied and its productivity.

The macroeconomic situation slightly improved at the beginning of 2006. The GDP slope downwards in Q3/2005 (4.6%) and Q4/2005 (5.5%) has been overcome. The preliminary information for Q1/2006 suggests growth of 5.6%. However, the recent growth is moderate and at the level of those in Q2/2004 (5.5%). It leads to low per capita real growth in terms of purchasing power parity. For 2004 it was 30.4, being 26.6 in 2000. Both figures are below the 33.4 level registered in 1995⁸. In this regard, pessimism in the expectations registered by the regular consumer surveys is increasing in 2004 and 2005. However, in January 2006 - the Consumer Trust Index increased by 2.4 points, but is still lower than those in January 2005. Consumers' expectations regarding investment opportunities deteriorate considerably. These perceptions are registered through the easy access to consumer credits.⁹

Investment went up substantially throughout 2005 and at the beginning of 2006.¹⁰ However, the share of uncompleted construction remains high and civil construction predominates in construction works. That proves that the present high investment is not connected with the overall economic restructuring and technological changes. It has to be added also that there are some serious grounds to consider as to whether the investment growth is due to credit expansion, efforts of businesses to meet European standards of quality and work safety conditions, the work to restore the damages caused by the flooding¹¹ in 2005.

The recent significant change from the GDP expenditure side is the increase of inventories. The shares of stocks could become real assets, but for the moment,

⁷ See Цанов, В., П. Луканова. Безработицата в България. "Колбис", 2003, p. 32.

⁸ Member States being 100%

⁹ The average monthly household income from credits and loans for September 2005 is BGN 9, 17, being BGN 4, 19 for September, 2004. In November, 2005 it reaches BGN 20, 59, being BGN 7, 20 in November 2004. NSI data.

¹⁰ It has to be added that in Q1/2006 the foreign direct investment in Bulgarian non-financial enterprises reached 120841,4 thousand US Dollars. The sum is 2.2 times higher than Q1/2005 and 1.7 times higher than Q4/2005. This is also an incentive for better business expectations and openings of new vacancies.

¹¹ The Bulgarian Economy in 2005, Report of the Center for Economic Development, www.ced.bg

the growing unrealised production (of industry in the first place) have to be considered mainly as losses for the producers rather than potential profits.

The negative trade balance for the last six years¹² proceeds further in 2006. Recently, it is considered as one of the main factors for the GDP low growth from expenditure side.

From the production (supply) side the situation in agriculture provokes the main concerns. At the beginning of 2006 the relative shares of the production of industry and services are almost at the same levels on a year-to-year basis. Positive development here is the rising economic potential of the private sector.

The NSI survey on business conjuncture in July 2006¹³ gives signs that it continues to get better. The total business climate indicator increased by 11.7 percentage points and has reached long-term maximum (43.8%) since 1994. This is due to the favorable development of industry,¹⁴ but also to the construction and retail trade.

The ESTAT index indicates that the business climate reached the value of 5.4% in Q1/2006 after being much lower in 2005.¹⁵ Traditionally the business expectations are positive at the beginning of the year, but falling at its end. The period of Q1 is the time for contracting the seasonal and subsidized employment and this also fosters positive expectations.

Some of the sobering indicators about the economic situation in Bulgaria are the increasing rate of *inflation, current account deficit and foreign debt*. Inflation slowly inches up at the beginning of 2006 for the same reasons as in the whole 2005.¹⁶ This is felt in the prices of imported raw materials and those of fuel, in the first place. The moderate growth of wages still does not make them a factor for inflation.

The *current account deficit* continues to grow and is still considered as a factor that threatens financial stability. The foreign debt and the ratio between it and GDP also goes up.

¹² In 2005 the balance was (-20.4%) of the GDP; in 2004 – (-15.1%); 2003 – (-12.5%).

The foreign exchange balance for 2005 is –16.6% of GDP, in 2004 it is –10.2% in 2003, 2002 and 2001 - (-9.4%), (-6.6%) and (-7.6%) respectively. Source of data: NSI.

¹³ NSI, <http://www.nsi.bg/>

¹⁴ The business climate indicator about the industry sector increased by 15.2 percentage points against the previous month, reaching its maximum value since 1994. The last inquiry showed also increased optimism as regard to present and expected production activity. The capacity surplus decreased and the average capacity utilisation in industry reached 71.6% which was by 8.0 percentage points above its April level. In comparison to the three months before the assessments of the competitive position of enterprises on domestic as well on foreign markets (also inside the EU-countries) were strongly optimistic, which were also accompanied with higher expectations of the managers in industry about export and hiring labour force over the next 3 months. About one fifth of the managers in the industry sector foresee increase of the selling prices. Source: NSI, <http://www.nsi.bg/>.

¹⁵ ESTAT index changes from 3.55% in April to 3.12% in July and 3.73% in October, 2005, CED data, www.stat.bg

¹⁶ This is a reflection of the prices of the imported raw materials and fuel, in the first place. The moderate growth of the GDP does not lead to significant increase of the wages. For the moment they do not contribute to the inflation.

It has to be concluded that for the moment, the moderate growth of the GDP, in general, does not produce strong signals for employment promotion. As far as growth is slightly increasing at the beginning of 2006, it could provoke slow increase in the employment. If the Bulgarian economy moves ahead with such rates – it will be not possible to catch up the member countries employment in the near future. The growth could be accelerated after utilization of the assets coming from the Structural, Global and other funds in 2007 and further. For the moment the practice in this field is quite unsatisfactory because of the low administrative capacity of the country and some other reasons.

Encouragement of changes in the branch structure of the employment

From the point of view of the “branch aspect” of the employment, the most important issue is the stabilization and the increase of the employment in manufacturing, as far as almost one forth of the employed is engaged there. In 2003 – 2005 the raise of the employment rates was caused mainly by the increasing number of the employed in health care, social care and assistance, civil construction and manufacturing (Table 8).

Table 8

Differences of the total number of employed on a year-to-year basis (tsnd.)

Economic activity groupings/Quarters	(1) 2004 to 2003				(2) 2005 to 2004			
	I	II	III	IV	I	II	III	IV
<i>Total number of the employed. Incl.:</i>	79.5	93.8	91.5	86.3	54.6	39.1	73.5	70.4
Agriculture, hunting, forestry and fishing	4.2	-1.6	-5.0	-11.8	-13.8	-38.7	-18.1	7.2
Mining and quarrying	-1.6	-3.1	-0.8	-5.5	-2.6	-2.0	0.0	-3.3
Manufacturing	15.5	37.8	10.6	11.5	37.2	31.2	37.6	25.4
Electricity, gas and water supply	3.2	4.2	7.0	-3.6	2.3	3.6	-0.6	-0.5
Construction	13.3	13.5	19.6	27.4	16.4	18.3	24.5	23.2
Trade, repair of motor vehicles and personal and household goods	6.1	14.2	18.1	12.0	9.4	0.9	16.2	19.0
Hotels and restaurants	13.9	3.6	16.2	13.5	1.7	14.0	19.9	4.3
Transport, storage and communication	6.5	-6.8	-6.1	-6.1	-6.9	8.3	1.9	6.5
Financial intermediation	3.3	6.5	5.3	0.0	0.3	4.4	4.1	4.8
Real estate, renting and business activities	10.0	27.6	15.5	13.5	13.5	10.4	10.0	4.7
Public administration; compulsory social security	-3.3	-17.1	0.5	-14.5	-16.3	7.4	-10.3	-9.2
Education	-9.5	5.7	-4.2	8.3	0.4	-13.6	-2.0	2.6
Health and social work	0.9	-9.9	-0.4	15.4	12.7	7.7	3.1	-14.9
Other services	17.3	20.5	16.7	24.1	0.2	-13.2	-13.5	0.4
Unknown	-0.4	-1.1	-1.2	2.0	0.0	0.3	0.6	0.4

Source: LFS for 2005 and 2004, NSI.

The decreasing share of employed in the agriculture is a common trend having in mind the already observed changes in the employment in the economically developed countries. In Bulgaria, the eventual stabilization of the agriculture could boost the employment there in the near future. However, the common tendency has to be towards raise of the productivity in the work force in agriculture, keeping its relatively lower rates of employment compared to industry and services.

The figures in Table 8 present well the strong influence of the seasonal factor on the changes in branch structures of the employed. The highest is the demand for labour in the summer months. Traditionally it comes from branches as "hotels and restaurants", "civil construction" and "agriculture". This factor will preserve its importance and have to be taken into account from the private sector. The employers there have to plan appropriate forms of employment of those that are temporary released, temporal displacement to other branches and employers, etc. For the moment, the only legal way of engaging these people in the months out of the season is through hiring them under the programmes for subsidized employment or self-employment and labour migration.

Having in mind the already announced priorities for the country in targeting the European funds,¹⁷ the main sectors to receive investments are: road rehabilitation (public works and transport), energy, agriculture, environment, human resource development (including education) and science. Having in mind these sectors and recent branch structures of the employment it is safe to be predicted that branches (and sectors) with low technological level and productivity and services for human resource development will have to be considered as generators for mass employment in a short run. After 2010 it could be predicted much broader introduction of modern technologies, information and telecommunication technologies as well. The employers and branches that will succeed to attract foreign investments, to adopt structural funds and to renovate their equipment will be on a competitive positions and will offer stable and increasing (in some of the cases) employment. In parallel, low effective activities will remain to attract people in branches as services, civil constructions, agriculture. There is ground for the prediction that the changes in the branch structures of the employment will equally foster the application of both qualified labour and low educated and skilled labour force, in short and mid-term perspective.

*Allocation of the employed in micro, small, medium
and big enterprises*

According to the report of the Agency for Small and Medium-sized Enterprises small enterprises namely are generators of employment.¹⁸ At present,

¹⁷ They were announced in the process of discussion of the 2007-2009 budget reform targets.

¹⁸ Small and Medium-sized Enterprises in Bulgaria, 2002-2003. Report of the ASME. Sofia, 2004, p.16. According to the 2004 Annual Report of the CED demanded by the Ministry of Economy and Energy in 2003, 31.5% of the total number of the employed are in micro enterprises, 23.8% are in

the problem is not whether this share is satisfactory but rather the character of the employment there.

The sector of micro and small enterprises in the country covers mainly trade, processing industry, hotels and restaurants. In most cases they are not sub-contractors of big companies and part of their chains. Employment in SMEs meets the restrictions of consumer demand of the population and significant change in its level cannot be expected (except for months with additional number of consumers – like tourists). At the same time it applies in the common case (but not in all cases) to implementation of simple labour functions and does not imply quality development of the work force. As main problems to the SMEs can be identified low labour efficiency, slight integration of high technologies in the production process and insufficient understanding and use of personnel. Bulgarian SMEs have 2 to 7 times lower rate of labour efficiency in comparison to the new member states and 15-30 times lower than EU-15.¹⁹ In the coming years, SMEs will preserve their role in employment, but will have to improve its quality. At the same time – it has to be expected in course of restructuring that the share of the employed in big national companies will increase.

Employment in the grey economy

There are strong proofs about serious squeezing of the scope of the grey economy in Bulgaria.²⁰ The efforts will have to continue not only in favour of the increase of the employment rates. Another positive consequence is connected with the quality of labour. The employed in the grey sector, as a rule, do not have access to regular vocational training and practically thus they do not have carrier development. Such prospect is totally unacceptable having in mind the requirements connected with the future membership of the country in the EU.

Labour Market Policies for Employment Promotion

The necessary legislative and other documents that build stable institutional basis for the labour market functioning have been adopted. In the *2006 National Employment Action Plan* 397.8 mln. BGN have been envisaged, compared to 331.1 mln. BGN for 2005. After the Monitoring report on the state of preparedness for EU membership of Bulgaria of 25.10.2005, the government drafted *Program for overtaking economic development to the EU, higher income and approximation of European and Bulgarian citizens' quality of life*. The programme outlines actions for 2006 and further perspective for improving the level and quality of employment while stabilizing the present level of unemployment. Other documents instrumental

small enterprises, 23.6% are in medium enterprises or 79.0% as a total in small and medium enterprises.

¹⁹ National Development Plan of Bulgaria for the period 2007-2013 (draft), p.36.

²⁰ See Скритата икономика в България. Sofia, Center for Research on Democracy, 2004.

for the progress of the country have also been developed like the Human Resource Development Programmes and Joint Memorandum for Social Inclusion.

The recently applied programmes and labour market measures are relevant to the main EU employment guidelines and the present situation in the country. The efficient scheme, that has already shown results, is to combine modules with relevant objectives that lead to employment. Another specific feature of the applied policies and measures is their social direction. They are oriented towards labour market risk groups that in practice need help while starting work.

Over the last few years several documents that prepare the free movement of people have been adopted together with such for mutual recognition of qualifications. New National Classification of Professions in Republic of Bulgaria was approved in 2005.

Subsidizing work places and vocational training (and literacy courses) prevails in the implemented labour market policies. The relative share of the expenses for subsidized employment compared to the total expenses for labour market actions (without the administration) is 78.4% in 2004²¹. That is the highest rate of these expenses compared to the rate in member states and Romania. Analogy could be found with the level of these expenses in France (31.4%) and Belgium (50.0%). However, their total share in EU-25 is 16.2%.

The 2006 Action Plan continues the tendency for strong emphasis on the subsidized employment. Having in mind the presented necessity of the quality of the work force, it is essential to increase the expenses (and the scope of the activities) for the vocational training in the near future while liberalizing the governing of the labour market and enhancing its decentralization.

• *Adaptation and improvement of the vocational training and life-long learning*

The applied policies in the field of adult vocational training in Bulgaria follow the main requirements set by the European Employment Strategy and other documents of the Commission and the concrete requirements for Bulgaria in its accession process.

The recently accepted innovative policy issues (for Bulgaria) are the following:

Possibility to combine medium and long-term²² training. The courses and their modules should be thematically consecutive and bring about the acquisition of deep knowledge within a certain field.

Development of framework programmes for vocational education and training (VET) and standards for professions. The process has been accelerated

²¹ European Social Statistics; Labour Market Policy; Expenditure and participants, Data for 2004. EU-2006, p.14

²² The medium-term training consists of one training course with a minimum duration of 300 school-hours of training. Such training provides first degree of qualification. Second and third degrees can be acquired after the completion of two, three or more such courses, respectively. Decision of the Council of Ministers N 38 from 14.10.2004

since 2004. A comprehensive list with professions²³ was developed, officially approved and now introduced, including training courses for adults.

The training curricula and the training providers have to be licensed by the National Agency for Vocational Education and Training (NAVET). Regular quality control and monitoring of the training is provided by public labour authorities and NAVET. The training organized by the public labour market institutions has to be combined with a contract for further employment in most of the cases.

Without diminishing the importance of what has already been achieved, the actions for the quality improvement of the vocational training still need better organization and coordination. It is mainly oriented towards overcoming the limited opportunities for employment due to low (or none) education and qualification. The preventive interaction of vocational training in favour of keeping employment in case of finding a first job or change of employment still is quite insufficient.

The problem of how to organize the acquiring of qualification by the work force in a way adequate to the employers' needs is still open. The question addresses changes in the qualification of employed persons at particular jobs and is related to their productivity. Moreover, the individual demands and the evaluation of the individual suitability for performing certain profession are still poorly applied.

More detailed analysis on the *correspondence between professional qualification, level of adoption of professional skills and level of education* is required. It should be underlined that the most appropriate skill strategy for Bulgaria is not elaborated yet. The major problems are the insufficient understanding for the importance of the problem; the relatively weak activity for action registered on the side of the employers; the centralization of the methodological and organizational issues in the "hands" of the Ministry of Education and organizations that are mainly under its governance (direct or indirectly influenced); and the recently recognized underestimation (to certain extent) of the specific features of the adults education and training.

• *Improving the efficiency of the labour market actions in parallel with changes in the social protection schemes*

While setting the design of the labour market policies, there has always been the requirement for activating the work force and especially the behaviour of those looking for job. Therefore, corrections in the scope and the duration of receiving unemployment benefits and the related social assistance are undertaken.²⁴ The

²³ The list follows the levels of ISCED – 97.

²⁴ The scope of this social protection, however, favoured political objectives in some extent as well. At the beginning of the transition period they guaranteed rather strong protection of unemployed. Gradually it was restricted as in 2006 the support for unemployed persons in active age is envisaged with monthly benefits for a limited time period that does not exceed 18 months. The unemployed – object of monthly social assistance, who has started work without the cooperation of the Employment Agency, will receive monthly sums for the time of their employment but no longer than 12 months.

question is in studying the opposite impact of each of the social insurance schemes on the active behaviour of the labour market. Main impact among these schemes has the pension system. The withdrawal of the pension ceiling (the first pillar of the pension scheme) as having been postponed due to social reasons, for example, does not stimulate high productivity and the related to it higher salaries. This is also one of the reasons of still existing undeclared total sum of the salaries received. There are as well some unsatisfactory decisions in the field of maternity and its combination with work life and in combining education with youth employment.

- *Protection of the national labour market*

At present, the Law on employment promotion (in force from the beginning of 2002) envisages a possibility for registration of foreigners looking for work with permission of permanent residency in the country; foreigners with a refugee status or humanitarian status; persons, for whom such possibility is foreseen according to an international agreement, in which Bulgaria is a party. This is absolutely reasonable, having in mind the requirements of international legislation and the demographic situation in the country. Furthermore, implementation of result-oriented policies for reinforcement of some professional groups (such as construction workers) with foreign workers will have to be considered. Together with that, serious rationalization of the present clauses for regulating the periods for employing these workers and foreigners or persons, who has gained Bulgarian citizenship, is required.

A real opportunity for improving the quality of the employment in Bulgaria is by attracting high-qualified immigrants. The available practices from other countries propose interesting methods for stimulating this process that need to be examined and used accordingly.

- *Changes in labour conditions and application of the updated legislation in that filed*

The overall state of the present labour conditions is insufficient. In most of the companies in the country they cannot be interpreted as a prerequisite for quality of the work; as factor for attracting higher number of persons towards employment; as condition for health preservation and prolongation of the active work life.

The mentality of employers and employees towards observation of the legislation has not changed. The costs for preserving the legislative norms and requirements are treated massively as an obstacle for gaining quick profit and increase of the personal remuneration.

The percentage of the companies where the management process of the occupational and health conditions is integrated in the overall management of the company is very low. The same has to be told about the quality management. Examples of that practice could be given mainly by big

companies with foreign investments. In small companies from the agriculture, retail, hotel and restaurant sector, services as a whole, the positive changes in labour conditions are slowly promoted.

Active economic mechanisms and regulators that motivate employers for creating occupational safety and health conditions have not been introduced yet. The sanctions (including fines) that are imposed to them also do not have decisive importance.

It is obvious that the overall status of the present labour conditions does not allow their interpretation as provisions for quality of the work and for attraction to work.

*

It could be stated that there are some encouraging, as well as, rather discouraging signals for placing Bulgaria close to the Lisbon agenda's objectives for employment until 2010. The grounds for optimism come mainly from the achieved results so far in the areas of unemployment reduction and macroeconomic stabilization. Unfortunately, those prerequisites might turn unstable in short and mid-term perspective after accepting Bulgaria in the EU. The expectations of consumers and business are not very optimistic. Warning signals could be detected from some of the new member states – with increased unemployment and unfavorable changes in the levels and dynamics of macroeconomic indicators. Therefore, some shocks may occur in Bulgaria during the initial years of the EU membership.

It is obvious, however, that Bulgaria enters the European Union with cheap and low-qualified work force and it will keep these characteristics in short-term perspective. As far as it is an irreversible perspective for the moment, it is interesting to try to find the competitive advantages (if there are any) of such characteristics of the labour and to determine acceptable approaches how to utilize them and for what period? The answers of these questions will help to outline better the period for fulfillment the Lisbon agenda, as well as the appropriate time brackets for transition to such labour force and human capital that is adequate to the requirements of the Common European Area.

23.V.2006