

Iskra Beleva, Senior Research Fellow, Ph. D.

LABOUR MARKET IN BULGARIA – INTEGRATION, PROBLEMS AND SOLUTIONS

The situation of labour market in Bulgaria has been analyzed in the light of the basic criteria for EU accession and the requirements for equal position of the countries. Problem areas like sustainable disequilibrium between labour demand and supply, low labour activity, ineffective employment restructuring, significant delay in the development of high-tech employment and retarded development in the human potential's quality have been outlined. There has been described the need for re-orientation of the labour market regulations in order to approximate the EU membership criteria for reduction of hidden employment, increase the labour forces adaptation and orientation of the active labour market policies towards targeted selection of risk groups.

JEL: J21; F15

The establishment of market economy in Bulgaria under the conditions of rapid globalization and integration requires clear vision of the perspectives in the development of labour markets as elements of the common European economy.

The economic integration brings advantages as well as commitments with subsequent financial expenditure. In this sense the motivation for accession can be a result of a balance between future economic benefits compared to present expenditure and losses. In some countries, however, the accession is a need related to opportunities for further development of the market structures and the market relations, which are currently being brought to life. One of these countries is Bulgaria. There is national consensus and political will for economic integration. Negotiations for approximation of the legal and institutional frameworks are in progress. Adaptation processes in the various spheres of economic life including the labour markets are under way.

At this stage the possibilities for building of a common European labour market are related to activities for approximation of the educational and social systems, approximation of the movement of people in order to balance employment and reduce unemployment. The living standard, the social protection, the living conditions and equality on the labour market are all elements in the overall puzzle which has to be arranged to achieve the integrity of economic and social life. Bulgaria has a number of problems in the above mentioned areas. The precise deciphering and the opening of opportunities for overcoming these problems would contribute to the acceleration of the integration processes.

Main Criteria of Readiness for Accession

The steps towards the establishment of a common European labour market are reflected in the documents of a number of EU summits.¹ The concrete policies and activities of the EU member countries are dealt with the "action plans". The readiness of pre-accession countries is evaluated on the basis of the annual employment policy reviews of the European Commission in the context of the adopted criteria within the Accession Partnership.

The basic criteria include: mobility, adaptation and qualification of the labour force, formulation of adequate policies and institutions for building a flexible labour market. A number of concrete qualitative and quantitative benchmarks indicate the changes and development trends of the labour market and serve for progress evaluation. They include population dynamics and population migration, the employment level and the dynamics of employment structures, the unemployment rate and the impact policy, the level of economic activity, the educational level and qualification structures of the population, etc.

The regular annual "Employment in Europe" report (2002) of the European Commission outlines the following major issues in the development of labour markets in the member countries: structural improvements in the labour markets which would make employment and labour market participation more responsive over the cycle; advance towards the attainment of full employment; upgrading the quality and productivity of work; maintaining employment friendly economic growth; increasing participation of elderly people in economic activities; increasing the investment in human capital; reducing the regional disparities in the labour markets; increasing the quality of jobs, etc.²

These goals have concrete figure dimensions.³ In 2001 the economic growth was 1.7% and employment grew by 1.2% or by 2 million jobs. This practically means the achievement of an economic growth favouring the creation of jobs. Although the achieved levels were lower than the envisaged ones, the expectations for 2002 were for an economic growth of 1.5% and 2.9% in 2003 and employment growth of 0.3% in 2002 and 1% in 2003.

The employment rate in 2001 in the EU was 64% including 55% for women and 73% for men. This coefficient indicates significant differences in the particular age groups as it is lower for the group 55-64 (39%), explaining the promotion policies for its increase.

The achievement of an employment rate of 70%, formulated as a goal for the European labour market in 2010 at the forum in Lisbon (2000), requires the creation of 15 million jobs over the period 2002-2010 and employment growth of 6 percentage points in eight years. The group of elderly employees, whose employment level should increase from 38.6% (2001) to 50% in 2010 is a special

¹ The beginning was laid in the White Book of EU (1994), followed by the forums in Lisbon, Stockholm, Nice, Laaken, etc.

² Employment in Europe, Recent trends and Prospects. EC, 2002, p. 8-10.

³ These and the following data are from Employment in Europe 2002. Recent Trends and Prospects. EC, 2002, p. 8-22.

target group for achieving employment growth. Emphasis on the policy of training all life through is envisaged to increase the qualification structure of the work force, which presently includes 40% low-qualified work force (20% low-qualified within the age range of 25-30).

The investment in human capital over the period 1995 – 2001 was marked by a 2.2% growth of jobs in the high-technology sectors and a 2.9% growth in the science intensive services, which is 20% of all jobs created in this period. Such a tendency will continue to develop in future aimed at increasing labour productivity and improvement of the quality structure of the labour force.

The unemployment rate in the EU in 2001 was 7.4% and remained above the unemployment rate in the USA and Japan. The long-term unemployment was measured by 3.3% of the work force, which suggested some significant regional disparities. The aim is to reduce the general unemployment rate, as well as the regional disparities through employment increase and reduce long-term unemployment, particularly in those countries, where it is above the average for the EU – Italy, Spain and Greece.

The labour markets in the transition countries, which are negotiating for accession, indicates significant deviations in terms of employment and unemployment levels, employment structures by economic sectors, the qualitative level of the work force and most of all the low income level and high poverty level. Thus the picture of an united future Europe shows that the integration of the pre-accession countries will reduce the overall employment level by 1.5 percentage points and will intensify the structural disparities in the area of employment. It is also considered that the accession will increase the income deviations, as 10% of the poorest population in united Europe (including 27 member-countries) will have an income of 31% in the average, while presently it stands at 61% (Europe consists of 15 member countries).

Obviously not only the candidate countries will have to make a number of efforts and financial expenditure for preparation for membership, but the EU will also feel the benefits, as well as the negatives from the accession.

What is the situation and the trends in the development of Bulgarian labour market in the light of the outlined priorities and goals for the development of the European labour market?

Negative Demographic Indicators, Leading to Reduction of Labour Resources and Aging of Human Resources

The demographic development of Bulgaria is characterized by unfavorable trends related to the declining birth rate and increasing death rate. As a result of this a sustainable population aging process is under way. The active emigration particularly over the last 12 years has also contributed to this. Young people occupy a significant share in the structure of emigration, which is an additional pre-requisite towards the declining birth rate. A number of other negative trends affecting the qualitative aspects of the labour potential like long-term deterioration of the educational level, qualification, health status, have been observed.

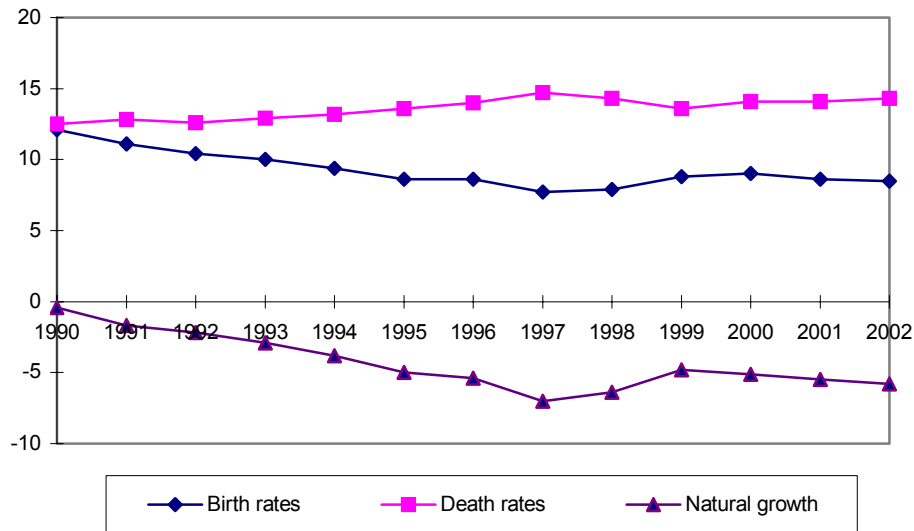


Figure 1. Dynamics of the birth rate, death rate and natural growth of the Bulgarian population in the period 1990-2001

According to census data the country's population decreased from 8 949 000 (1985) to 7 974 000 people in 2001. (Figure 1).⁴

The statistical data indicate that over the last ten years death rate has increased from 12.5 per one thousand people to 14.1. Meanwhile birth rate has decreased from 12.1 to 8.6 per one thousand people. As a result of this the population's natural growth reached (-5.5) per one thousand people in 2001.

Apart from features already pointed out in demographic aspect there are also changes in the reproduction model from a traditional family towards a co-habit. This has increased the number of children growing in poverty as well as social benefits for single mothers. The changes in the economic and social environment reflect in the increase of the number of abandoned children including the financial inability to provide allowance. A number of sociological surveys over the recent years have been alarming society for poverty rises particularly among families with many children, thus becoming a reproduction model.⁵

The increase of drug-addicts including among children, the increase of prostitution, raping of children, family harassment, school drop-outs, vagrancy, homelessness, etc., are also some phenomena with negative mid-term and long-

⁴ Statistical Reference Book 2002. Sofia, National Statistical Institute, p. 7.

⁵ The World Bank Study "Poverty in Bulgaria", 2002.

term aspects. All these negative features reflect not only on the quantitative reduction but also on the deteriorated quality of the reproduction as a physical, psychological, ethical and health status of the population.

The emigration of Bulgarian population and its reflection on the demographic, economic and social development of the country is a significant issue and presently it is beyond the focus of society. According to data of the International Migration Organization the average migration potential for Bulgaria amounts to 22.5% of the population in working age,⁶ i.e. almost one fourth of this population has attitude and readiness to leave the country. The high emigration attitude and the significant flows of real emigration amounting to about 600 000 people for the period 1989-2000 indicate that the number of population will continue to decline in the future due to the mechanical outflow of people from the country. The nature of emigration defined as a “temporary labour emigration”, should not underestimate the serious negative consequences of the outflow of labour potential. As a rule the assessment of the “benefits” from the emigration of labour force, related to the acquiring of education and qualification, the receiving of income, part of which are transferred in Bulgaria, and the “losses” resulting from the “export” of labour potential and its non-use in the country, is indirect and reflects on the dynamics of the living standard. At this stage the emigration waves and attitudes give arguments to think that the emigration is more a “survival strategy” for almost one fourth of the population considering the increasing impoverishment and the unclear perspectives for future prosperity.

The projections for the population’s dynamics based on the existent trends indicate that in the long run the population of Bulgaria will continue to decline and in 2020 it will fall to 6 611 000 people.⁷ The same trends are shown in a number of other projections of the National Statistical Institute, the Institute of Demography with the Bulgarian Academy of Sciences. This means that the economic and social development of Bulgaria should take into account the declining inflow of labour resources and the significant changes in their structure. The social expenditure in the country will increase in relation to the allowance for the elderly people, while the economic development will not be able to rely on extensive growth of labour resources but mostly on the increasing labour productivity.

By the present moment the decline of the human potential has not influenced significantly the balance of labour resources. The population in working age will still increase for the mere fact that people born in periods of higher birth rate, become of labour age.

⁶ Survey of the International Migration Organization, March 2001. Similar surveys are conducted periodically for evaluation of the potential migration attitudes of the population age 18-60 years. For Bulgaria such surveys have been conducted in 1992, 1996 and 2001.

⁷ See *Hristov, E., I. Beleva*. The declining birth rate in Bulgaria - demographic and socioeconomic effects. - In: *Der Donauraum*, IDM, Wien, 2001, N 4, p. 21-29.

Table 1

Population below, in and above working age – structure

| Indicators | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Population – total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Population below working age | 21.6 | 21.1 | 20.5 | 20.0 | 19.5 | 19.0 | 18.5 | 18.1 | 17.6 | 17.2 | 16.9 | 16.4 | 15.9 |
| Population in working age | 55.4 | 55.6 | 55.7 | 56.0 | 56.1 | 56.5 | 56.9 | 57.3 | 57.6 | 58.0 | 58.3 | 59.6 | 60.1 |
| Population above working age | 22.9 | 23.2 | 23.6 | 23.9 | 24.0 | 24.3 | 24.4 | 24.5 | 24.6 | 24.7 | 24.8 | 23.8 | 24.0 |

Source: Statistical Reference Book, National Statistical Institute, 1994, p. 52; 1997, p. 8-9, 1992, p. 23; 1997, p. 8; 2000, 2003, p. 12.

The population in working age had increased by 2000 in absolute numbers as well as in relative share of the total population, after which its absolute number started to decline and in 2002 it amounted to 4 711 945 people (4 748 150 in 2000).

The tracing of demographic trends, the situation of human potential and its use, indicate that Bulgaria will be integrated in the European economy with aging human resources and deteriorated human potential quality. The declining population growth will limit the opportunities for growth in terms of labour resources. The deterioration of the qualitative parameters of the labour resources and the extremely high level of their non-use are additional unfavorable factors not only in relation to the economic growth but also in the light of the integration processes. These problems are a significant obstacle to the accession process especially regarding the qualitative reproduction of the labour resources and their effective use.

Labour Market with Sustainable Disequilibrium

The labour market is in a situation of continuous and sustainable qualitative and quantitative imbalances. The labour demand remains low in relation to supply due to which unemployment in Bulgaria has one of the highest rates compared to the other transition countries from Central and Eastern Europe.

Table 2

Unemployment rate in some Central and East European Countries

| Countries | 1992 | 1996 | 1998 | 2000 | 2001 | 2002 |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Albania | 27.0 | 12.3 | 17.3 | 16.9 | 14.5 | ... |
| Bulgaria | 15.3 | 12.5 | 12.2 | 17.9 | 17.9 | 16.3 |
| Czech Republic | 2.6 | 3.5 | 7.5 | 8.8 | 8.9 | 9.8 |
| Hungary | 12.3 | 10.5 | 9.1 | 8.9 | 8.0 | ... |
| Poland | 14.3 | 13.2 | 10.4 | 15.1 | 17.5 | 18.1 |
| Romania | 8.2 | 6.6 | 10.3 | 10.5 | 8.8 | 8.1 |
| Slovakia | 10.4 | 12.8 | 15.6 | 17.9 | 18.6 | 17.5 |
| Slovenia | 13.3 | 14.4 | 14.6 | 12.0 | 11.8 | ... |
| Estonia | 1.6 | 5.6 | 5.1 | 7.7 | 7.7 | 6.8 |
| Latvia | 2.3 | 7.2 | 9.2 | 7.8 | 7.7 | 7.6 |

Source: Economic Survey of Europe 2003. United Nations, N 1, p. 229.

The transition period in Bulgaria has been characterized by one of the greatest employment declines – over one-fourth for the last 12 years. The registered increase of the employed in 2000 and 2001 was insignificant considering the very low basis and obviously the pre-start level of employment will not be reached even in mid-term perspective.

Low Labour Activity

In September 2001 the coefficient of economic activity (the ratio between the labour force and the population age 15 and over) was 50.2 and indicated slight trends towards an increase compared to previous periods. This was a positive trend if it had become sustainable because one important labour market problem was related to the increasing number of the so called “discouraged people”, i.e. people, who did not see sense in being registered as unemployed in the labour offices or who were employed in the shadow economy. In September 2001 the number of discouraged people was 390 000 people (196.8 thousand in October 1994), while the number of employed in the shadow economy according to expert evaluations was about 1 million people. The existence of such a large labour army beyond the accepted labour rules showed a number of existing problems related to the registration of the economic agents and their employment, taxation, the legal and institutional service on the labour market, which reflected in an increasing labour demotivation and/or unwillingness to accept the existing economic rules. The deciphering of these problems and the consequent steps for their solution was/is an urgent priority in the labour and economic relations’ policy.

Figure 2 presents the dynamics of employment and employment coefficient of the population in working age. The sharp decline of both indicators is clearly outlined as well as the weak restoration development over the last year. However, it is still far from the level at the beginning of transition.

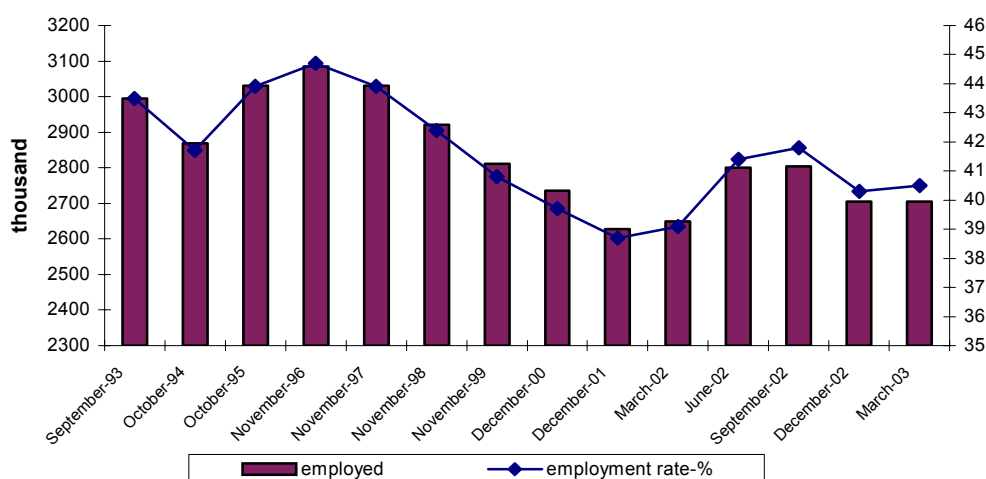


Figure 2. Dynamics of employment and the employment coefficient in Bulgaria

Ineffective Employment Restructuring

Another issue contributing to the long-term disequilibrium on the labour market on behalf of labour demand is the steady unclear strategy for the structure of Bulgarian economy and the consequent inability to project and restructure the labour supply. Some serious issues are subjects of rethinking in the nearest perspective: the effectiveness of privatization in terms of job creation and labour demand stimulation; the role of the small and medium size enterprises as generators of new jobs; the branch structure of the economy and the perspectives for the labour demand in Bulgaria. The following issues have been considered:

First, development of the privatization processes not for the sake of changing the ownership form but a replacement by a more effective one, which would increase labour productivity and lead to a more perspective development of production and opening of new jobs in the future.

Second, re-evaluation of the possibilities of the small and medium size enterprises to be effective and prospering in terms of employment. The present structure of these enterprises indicates extremely low employment without perspectives for its development on the qualitative level. The channeling of structural funds to such enterprises should use as criteria their capabilities to create new highly-effective jobs with competitiveness large enough to be effective. Here it is necessary to include investments in staff promotion, development and implementation of programs for maintaining and improvement the staff qualification and re-qualification.

Third, outlining a clear policy for structural changes in the economy and improvement of the opportunities for planning the labour needs.

Table 3

Changes in the structure of employment by economic sectors (structure - in %)

| Employed | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Industry | 44.7 | 41.5 | 38.8 | 36.8 | 35.0 | 33.8 | 33.1 | 27.5 | 26.5 | 26.2 | 24.0 | 23.4 | 23.6 |
| Agriculture | 18.4 | 19.5 | 21.2 | 22.1 | 23.1 | 23.8 | 23.9 | 25.3 | 26.1 | 26.6 | 26.2 | 26.3 | 25.6 |
| Services | 36.7 | 38.8 | 39.9 | 41.0 | 41.8 | 42.3 | 42.9 | 47.0 | 47.3 | 47.1 | 49.7 | 50.3 | 50.7 |

The structure has been calculated based on data from the National Statistical Institute and the Statistical Reference Book for the relevant years.

The continuing process of “de-industrialization” of the economy, influenced by a number of internal and mostly external factors, is indicated by the 21.3% decline of employment in the industry for the period 1990-2001.

Employment in the services’ sector has increased in absolute terms as well as in relative share and it occupies over half of the total employment with almost 1,5 million employed people. The problems of this sector in terms of employment

are related to its structure – the newly developed services have low labour intensity; highly labour intensive services are closed or restructured; part of the employment in the services' sector is "hidden"; the increase in the amount of services does not correspond to their quality.

During the period 1990-2001 employment in agriculture increased by about 8.0%. This was usually related to an increase in the amount of agricultural produce, or to an increasing labour intensity.

The comparison of the dynamics of the structural changes in employment and the gross value added may provide a more clear answer to the reasons and consequences from the changes in the employment by economic sectors.

The data on Table 4 indicate that for the period 1997-1999 the decline of employment in industry by 1.3 percentage points led to an increase of the gross value added by 1.4 percentage points (at other factors held constant). For the period 2000-2001 the figures were respectively 2.9 and 2.3 percentage points.

During the period 1997-1999 the increase by 4.9 percentage points of the relative share of the employed in the services' sector led to an increase by 10.2 percentage points of the services' share in the gross value added (other factors held constant). For the period 2000-2001 the results were respectively 3.2 and 2 percentage points.

Table 4

Changes in the structure of employment and the gross value added by economic sectors

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|----------------------------|------|------|------|------|------|------|
| Employed by sectors | | | | | | |
| Industry | 27.5 | 26.5 | 26.2 | 24.0 | 23.3 | 23.6 |
| Agriculture | 25.3 | 26.1 | 26.6 | 26.2 | 26.3 | 25.6 |
| Services | 42.9 | 47.3 | 47.1 | 49.7 | 50.3 | 50.7 |
| Gross value added | | | | | | |
| Industry | 28.2 | 28.7 | 26.8 | 29.1 | 28.5 | 27.8 |
| Agriculture | 26.6 | 21.1 | 17.3 | 13.9 | 13.6 | 12.5 |
| Services | 45.2 | 50.2 | 55.9 | 57.0 | 57.9 | 59.7 |

Data from the Statistical Reference Book, 1999, 2000, 2001 and 2002.

The increase by 1.3 percentage points of the employment's share in agriculture is expressed in the decrease of the sector's share in the gross value added with 9.3 percentage points in 1997-1999. In 2000-2002 the employment started to decrease (0.6 percentage points), and the decline in the relative share of the gross value added continued and now with 1.4 percentage points.

In practice the changes in the relative weights of the employment and the gross value added for both periods indicate the following:

- In 1997-1999 one unit of growth in the services' sector achieved increase of the gross value added with 2.08. Over the next two years this growth in the sector led to increase with 0.65 percentage points of the gross value added.
- In 1997-1999 one unit decrease of employment in the industry achieved an increase of 1.07 of the gross value added, while for 2000-2001 one unit decrease of employment led to an increase of the gross value added by 0.79.
- In agriculture over the period 1997-1999 one unit of labour growth resulted in a decrease of 7.1 percentage points of the gross value added. During the period 2000-2002 more favourable trends had been observed, because the sector's decline in the gross value added had been more moderate and it had also been achieved at the expense of employment reduction.

The changes made in the effectiveness of employment restructuring and redistribution among the three economic sectors, indicate that the policies for promotion of labour demand should be directed mostly towards the services and then towards the industry. Although trends towards reducing the effectiveness of restructuring had occurred during the period 2000-2001, the point of saturation had still not been reached and the changes in employment had a positive impact on the growth of value added. Positive changes in the agricultural sector also occurred but employment there is still too high compared to the EU structures, and the gross value added of the sector continues to decline. The policies for promoting the creation of new jobs and self-employment should also act for increasing the effective employment in the industrial and services' sector.

The increase of employment in agriculture has still not been connected with effective labour demand. The direction of labour force towards this sector of the economy is rather an expression of search for employment opportunities as alternatives to unemployment. In this sense the policies in the field of agriculture should first outline the problems of employment and then point the ways of increasing its effectiveness.

The analysis indicates that since the beginning of transition till now employment restructuring in terms of the three major economic sectors has been expressed in the movement of the work force from the industry and services towards the agriculture and unemployment. This has increased the employment effectiveness in the industry and services at the price of low effectiveness in the agriculture and high unemployment.

Development of High Technologies and Employment

One of the main moments in the development of the common European labour market is the priority of high technology productions and respectively of staff employed in these sectors. The creation of more jobs in this market is expected to improve significantly the quality of labour force because highly-qualified work force has been engaged. That is why the investments in the high technology sector and training of work force are elements of the strategy for higher competitiveness of the European economy, higher economic growth and better living standards.

The economic programs of the last two governments included the issues of high technologies as a special and important aspect of the economy structure. This suggests that the sector's importance is assessed in terms of its development. The respective tools and policies will be used for training of the relevant work force.

Nevertheless the sector's importance in the country's economic development is declining. This conclusion is based on the results of the surveys carried out in this area. According to them the high technological productions generate less than 10% of the value added. For the period 1996-1998 the ratio of the created value added to the amount of production in this sector decreases compared to the one of the entire economy.⁸

Telecommunications occupy a major position in the high technology sector (31% of the value added), followed by the production of machines and equipment (28%) and the production of chemical products (19%). The group of high technology services indicates growth in the value added for the pointed period, while the growth rate for the high technology and mid-technology production sectors is decreasing. The employment in the sector for the period 1996-1998 was also declining in the light of the production decline - by 8968 jobs out of total 300 thousand (1996). The employment decline in the high-technology sector is three times higher than the employment for the entire economy for the pointed period. Meanwhile employment in this sector in the EU grows respectively by 1.7% for the high technology productions and by 6.4% for the high technology services.⁹

Bulgaria has made a significant step in relation to research. During the period 1996-1998 the number of employed in this sector declined by 31.9% and their share in the total work force declined from 0.82% in 1996 to 0.62%, which is lower than the level for the EU (1.27%), and than the level of Slovenia (1.20%), Estonia (0.98%), Hungary (1.03%), the Czech Republic (0.89 %), etc.¹⁰

From structural point of view it should be pointed that in the services' sector, which is the main source of growth in the country, the share of employed in the high technology services is 5.5% of the total employment, and the employment in the semi high technological productions in the industry is 27.7%. The data is valid for 1998 and due to the lack of more recent data it is difficult to assess the development trend. However, even if this trend is positive in the sense of increasing the share of the employed in the high technological productions and services, there still remains a large niche regarding the level of the EU countries and the other pre-accession countries.

⁸ The data in this section are from Analysis of the Bulgarian Technology Development, Working paper. Sofia, January 2001 (A Survey of the Center for Economic Development) and can be found at www.csd.bg - techpark.

⁹ Ibid., p.126.

¹⁰ Ibid., p.25.

Delayed Development of the Quality of Human Resources

Although Bulgaria is known for its good quality parameters of the work force measured through the educational level and the qualification structures, the country is starting to lose positions in this relation compared to the other pre-accession countries. The problems of the quality of reproduction of labour resources started to resemble the problems of the developing countries – low employment, high informal employment, employment without social security, pupils dropping out of the education system, advancing non-education and illiteracy, highly deteriorated health care and difficult access to the health system, high unemployment, intense emigration of young and qualified people, etc.

The starting point of this aspect of the labour resources' analysis is the degree of knowledge about the depth of the issue and its development trends. Over the last 12 years the quality of labour resources has been evaluated rather based on the indicator "education degree". Certain sociological surveys covered other quality aspects too, as they periodically reported about the surveyed totalities and the related problems. Since 2001 the periodical employment and unemployment monitoring of the National Statistical Institute has also started to monitor the indicator "vocational classes of the employed". This indicator supplements the quality evaluation, however it does not exhaust it. That is why the next step to tackle the problem is the development and implementation of an overall system of indicators for periodical monitoring and analysis of the development trends of the quality aspects of labour resources.

According to data from the periodical monitoring of the employment and unemployment of September 2001 the structure of the population age 15 years and over includes 16.0% people with different levels of university education (specialist, bachelor's, master's and doctor's degrees); 43.2% - with secondary education; 31.2% - with primary education and 9.4% with elementary and lower education. This structure approximates the data in the international sources comparing the educational degrees in different countries.¹¹ In 2002 the structure remained almost the same as pointed in Figure 3.

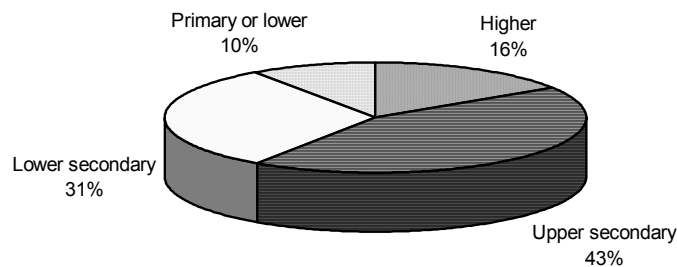


Figure 3. Population of 15 and over years by educational degree, June 2002

¹¹ EUROSTAT, Employment and labour market in Central European countries. Luxembourg, 2001.

Source. The Employment and Unemployment Survey, National Statistical Institute.

In 2002, 28.9% of the population in working age had primary or lower education, 49.7% - secondary education and 22.3% - university education.¹² These disparities require careful attention by the information sources and in the subsequent assessment because they can be the basis for opposite assessment and respectively conclusions and recommendations.

By analyzing the data on Table 5 it can be determined that among the eleven countries with transition economies Bulgaria has the highest relative share of population in working age with primary and lower education, one of the lowest shares of population in working age with secondary education and relatively not a very big share of such population holds university degrees. This educational structure does not indicate the availability of quality labour potential able to push the economy forward to the technical and technological innovations and the progress of the XXI century.

Table 5

Population in working age by educational degree in some transitional countries (%)

| Countries | Total | Elementary and lower | Secondary | University |
|-----------------|-------|----------------------|-----------|------------|
| Bulgaria | 100.0 | 43.9 | 42.7 | 13.4 |
| Czech Republic | 100.0 | 23.8 | 67.0 | 9.1 |
| Estonia | 100.0 | 26.2 | 51.3 | 22.5 |
| Hungary | 100.0 | 38.5 | 50.3 | 11.2 |
| Latvia | 100.0 | 30.6 | 55.3 | 14.1 |
| Lithuania | 100.0 | 31.3 | 36.8 | 31.9 |
| Poland | 100.0 | 33.1 | 58.3 | 8.6 |
| Romania | 100.0 | 43.2 | 49.9 | 6.9 |
| Russia | 100.0 | 14.1 | 35.3 | 50.6 |
| Slovak Republic | 100.0 | 28.8 | 63.5 | 7.6 |
| Slovenia | 100.0 | 33.9 | 53.9 | 12.1 |

Source. EUROSTAT, Employment and labour market in Central European countries. Luxembourg, 2001.

The available data since March 2001 on the qualification structure of the employed indicate insignificant changes, which is normal within such short period. What's more the monitored "vocational classes" have marked a higher degree of aggregation, which eliminates the significant details. Considering these shortcomings the data indicates that slightly over 20% of the employed are

¹² Statistical Reference Book. Sofia, National Statistical Institute, 2002, p. 237-238.

management staff and analysts, about 13% are the so called application specialists. Employees in services, in security and trade are about 13%, as the share of youths (15-24 years) in this qualification group is almost 30%. The low qualified workers are about 10% of the employed, and the highly qualified - about 15%. Meanwhile a significant part of the unemployed are with low education and qualification (61.3% of all registered unemployed at the end of July 2002). However, most of the announced vacancies in June 2002 were also for people without profession and specialization (67.2%). Obviously there is structural unemployment, which would need very active and flexible system for rapid training and re-training in order to be overcome. The lack of such system suggests the maintaining of a very high overall unemployment level over a lasting period.

The deteriorating education background is not a good starting position and does not provide opportunities for a quick qualification change and an adaptation to the technological innovations. The latter is a major characteristic feature of the production processes and is an obligatory condition for development of prospering economies. The comparison of the problems related to the qualification and re-qualification of labour resources, training during the entire labour life, additional training, second professions, combination of professions, the corporate policies for staff training and development, etc., presently resolved by the EU member countries and some of the successful transition countries, and the problems important for our country, outline the growing lag regarding the priority and care for the labour potential.

Main Priorities and Policies in the Labour Market Development

The outlined situation and underlined problems of the labour market in Bulgaria in terms of the accession conditions and the main development priorities of the EU labour market, indicate that emphasis should be made on the following issues:

- *Transformation of the economic growth into employment growth*

This includes improvement of the conditions for transformation of the economic growth into a factor of sustainable employment growth. The EU expects that the positive and relatively high economic growth in Bulgaria over the recent years will be kept till 2003 (4.0% in 2002 and 5.0% in 2003 r.).¹³ These projections place Bulgaria among the first four countries together with Latvia, Lithuania and Estonia. Meanwhile the employment growth projections for Bulgaria remain still lower compared to the above countries (zero growth for 2002 and 0.5% growth for 2003). This means that the unemployment rate will continue to be high, which will preserve all the resulting problems concerning the income level, the social burdens

¹³ Employment in Europe. 2002, EC, p. 135.

to the budget, the low revenues for the pension funds, etc. The improvement of the labour activity including active labour market policies should be promoted as partial prevention.

- *Reduction of the hidden employment*

The reduction of the unemployment rate through transition from unemployment to economic non-activity or employment in the shadow economy should become one of the priorities of the employment policy. Presently the attempts to reduce the shadow economy have shown a tiny success, which means that overall concept and system of measures and instruments are needed as well as persistence but not campaign and sporadic efforts. The state system, the legality, the economically favourable conditions and the favourable business environment are only the general background, against which the concrete tax, financial and legal rules for legitimate economic activities have to be integrated. Some steps in this direction are the tax concessions for the low- and mid-income groups and better collection of taxes from the high-income population groups, the control on the payment of social security contributions, the control on the labour conditions, etc.

- *Effective labour force restructuring*

The existence of clear structural strategy for economic development and concentration of priorities in the sector of high technology services and industrial productions and their support by working mechanisms and policies, are another step on the overall program for improving the labour market. The emphases in such strategy should be put on the investment in human capital, allowing its flexibility and adaptation to the dynamic technological changes and competitiveness.

- *Adaptation of the labour force and higher mobility through more flexible qualification*

The priorities of the labour market should contain several aspects of the quality reproduction of the labour force. The first one concerns its training and preparation in compliance with the requirements of labour demand. The changes undergoing in the education system should be concentrated in the opportunities for labour orientation of the youths, who have graduated with the respective degrees. The second aspect concerns the continuous training during the “labour life” through various forms of qualification, re-qualification, additional training, etc. In this relation the dialogue with the employers in both state and private companies should be intensified and directed towards seeking for the appropriate and mutually beneficial conditions for promoting the training of the employed. The third aspect concerns the opportunities for training and qualification of the employed. The high share of the unemployed without education and qualification indicates

that this is a serious obstacle to employment re-integration and a factor for long-term unemployment.

- *Increasing the effectiveness of the active labour market policy through more targeted selection of the risk groups*

The active labour market policies are in a process of continuous development and improvement. Over the recent years serious steps for transition from a passive to an active labour market policy have been made and presently this policy occupies a serious place in the process of unemployment reduction. The development of regional policies and the active involvement of the regional units in the development of active labour programs can be mentioned as very positive moment. Nevertheless problems in this field still exist, related mainly to the targeting of programs and their effectiveness. That is why the development of the employment policies should continue to be concentrated on the risk groups and primarily on the employment promotion of youths and long-term unemployed.

*

Bulgaria has made a number of positive steps in the labour market policy towards development of modern institutional structures and legal frameworks providing liberal market relations. Meanwhile a number of problems and primarily the highly imbalanced labour market have made our country fall behind the criteria and the goals of the European structures. The low economic activity, the high unemployment, the hidden employment, the low income, the lack of labour insurance, the labour conditions, the quality parameters of the labour force, etc., are indicators which impede the process of our approximation to the advanced transition countries and to the average EU level. That is why the economic policy efforts and in particular the labour market policy should be concentrated rather on the activities for overcoming the disparities in the development trends and their gradual reduction in order to approximate the criteria outlined at Lisbon forum as framework of the future common European labour market.

2.X.2003