



CENTER FOR
ECONOMIC
DEVELOPMENT

**Labour Market, Social Policy, Social Security
System and Migration Policy - Current State
and Problems Which Bulgaria Faces**

February 21, 2003, Bratislava

I. Labour market- current state, problems and undertaken measures

1. Current state

- ✓ **The economically active population in December 2002 is 3248.6 thousand people or 48.4% of the population of 15 or over years aged.** The ratios of the economic activity regarding the urban and rural population are respectively 53.2% and 37.6%. The difference amounts to 15.6 points. The economic activity of men (53.2%) is larger than the economic activity of women (43.9%) with 9.3 points.
- ✓ **The ratio of employment in the cities is with 15.3 points larger than the ratio in the villages.** The employment of men is with 6.9 points larger than the employment of women.
- ✓ **37.2% of the employed are in the public sector and 62.6% of all employed are in the private sector.** 78.7% of the employed in the private sector are paid employed and 21.3% are self-employed. Over half of the employed are in the sphere of services (58.6%). The employed in the industry are 32.8% and in the agriculture- 8.5%.
- ✓ **In December 2002 the unemployed people are 544.2 thousand or 16.8% from the active part of the population in the country.** The rate of unemployment among men and women are respectively 17.6% and 15.8%.

I. Labour market- current state, problems and undertaken measures

Total rate of unemployment (%)

	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
2002	18.57	18.46	18.06	18.32	18.19	17.79	17.64	17.55	17.40	17.39	16.87	16.27
2001	19.13	19.27	19.02	19.11	18.32	17.66	17.37	17.22	17.00	17.21	17.74	17.88

I. Labour market- current state, problems and undertaken measures

- ✓ **The long-term unemployed (for one or more years) are 65.8% from the total number of the unemployed. In the cities the share of the long-term unemployed is 64.8% to the total number of the unemployed and in the villages it is even bigger- 68.3%. 11.9% of the unemployed are higher educated, 53.3%- with secondary education and 34.8% with primary or below this level education.**
- ✓ **The economically non-active population is 51.6% of the population of 15 or over years aged. The labor reserve amounts to 509.3 thousand people. It consists of people aged between 15 and 64 years who are not looking for a job actively.**
- ✓ **According to the Consumers Survey, conducted by the National Statistical Institute in Bulgaria in January 2003, the expectations of the consumers regarding the future finance of the households are more favorable than the evidence from the previous observation conducted in October 2002. The data show that the unemployed people, people aged between 50 and 64 years and people with above secondary school education, have changed for the worse as far as the balance of family finance is concerned. The expectations regarding the future change in the consumer prices in the next 12 months are more pessimistic as compared to the opinions three months ago. In January 2003 the consumers in Bulgaria are in more optimistic mood regarding the future state of the unemployment rate for the next 12 months.**
- ✓ **The expected tendency for 2002-2005 is that overall labour supply will continue to exceed substantially labour demand.**

2. Negative factors, affecting labour market flexibility:

- ✓ **Mass lay-offs** as a result of the privatization process and the reforms in the defense, education and healthcare systems;
- ✓ **Lost abilities and skills** of a part of the labor force that has shifted from industrial employment to subsistence agriculture as a survival strategy.
- ✓ **Low educational and vocational training level of the unemployed** - over 60% of the unemployed do not have a specialty or profession which requires considerable funds for education and vocational training;
- ✓ **Higher unemployment among the older people** resulting from the pension age increase and the demographic process of population aging;
- ✓ **Labor productivity growth and implemented new technologies** which lead to **labor savings and reduction in the number of the employed**;
- ✓ **Low incomes of the population and comparatively low living standard** which lead to labor supply on the part of students, pensioners and employed persons who are searching for a second job;
- ✓ **A large number of the long-term unemployed** which makes the labor habits and the adjusting of the labor force to the demand in the labor market worse;
- ✓ **The data reveal substantial differences in terms of main and additional employment. The written contracts concluded are twice as many under the main employment compared to the additional paid work.**

3. Objectives of the Bulgarian employment policy

- ✓ **Ensuring an effectively functioning labor market that would guarantee higher level of employment for the economically active population;**
- ✓ **Implementing a new individual-based method of approach to each unemployed person;**
- ✓ **Enhancing employability;**
- ✓ **Encouraging entrepreneurship;**
- ✓ **Creating employment to disadvantaged people;**
- ✓ **Delivering vocational training and retraining;**
- ✓ **Achieving more sustainable employment;**
- ✓ **Lessening the regional discrepancy regarding employment;**

4. Measures for achieving the objectives:

- ✓ National program “From social welfare to employment”;
- ✓ National program “Assistance in retirement”;
- ✓ “The Job Opportunities Through Business Support Project” (JOBS);
- ✓ National program “Beautiful Bulgaria”;
- ✓ “Enhancing employability and encouragement of entrepreneurship among young individuals”;
- ✓ National program “Computer training for youths”;
- ✓ National program for education, vocational training and employment of the Roma population;
- ✓ National program for ensuring employment through activities aimed at improvement of the ecological situation;
- ✓ National program for ensuring alternative employment for persons out of work as a result of privatisation of large companies and monopolies;
- ✓ National program for educational and labour inclusion of young people dropping out of the secondary educational system;

II. Social policy in Bulgaria- current state, philosophy and problems

1. Current state and problems:

After 12 years transition period the situation in Bulgaria is as follows:

- ✓ 16.27% unemployed (data for NSI for December 2002);
- ✓ 600 000 persons who receive social assistance;
- ✓ 2 500 000 pensioners and an increasing deficit in the Pensions fund in the Social Security System;
- ✓ 30-40% of the employed in the grey economy;
- ✓ Not developed social services.

II. Social policy in Bulgaria- current state, philosophy and problems

2. New philosophy in the Social policy

The new philosophy in the social policy is set up on four main principles:

- ✓ A new individual-based approach to each unemployed person;
- ✓ An active labour market policy;
- ✓ A financial decentralization;
- ✓ A coordination of policies.

II. Social policy in Bulgaria- current state, philosophy and problems

3. Objectives in the New Social Policy:

- ✓ Growth in incomes;
- ✓ Establishment of an effectively functioning labour market;
- ✓ Enhancing the employability of the workers through constant training and retraining;
- ✓ Introduction of flexible working/remuneration patterns– hours, part-time, etc.;
- ✓ Poverty monitoring, establishment of a national poverty line and development of a national policy for dealing with poverty
- ✓ Improving the mechanisms for bettering the collection of social insurance contributions and increasing personal incomes tax revenues;
- ✓ Raising gradually the ceiling of all types of pensions without an increase in social insurance burden;
- ✓ Establishing of a unified information system for the needs of the Tax Authority and NSSI;
- ✓ Promoting the development of the second and third pillar of the social insurance system;
- ✓ Amending the labour legislation;
- ✓ Development of the Social Dialogue;
- ✓ Ensuring occupational safety and health;
- ✓ Modernization of the industrial relations.

III. Social Security System

1. Current state

The Bulgarian pension model consists of three pillars:

- ✓ **Social Security System;**
- ✓ **Supplementary Compulsory Pension Insurance in Universal Pension Funds for individuals born after 31.12.1959 and in Occupational Pension Funds for workers in the conditions of first and second labour category;**
- ✓ **Supplementary Voluntary Pension Insurance.**

III. Social Security System

1. Current state

The collected social security contributions at the National Social Security Institute are distributed in 5 funds. The rates of the contributions to the funds are as follows:

- ✓ Pensions fund- 29% from the insurance income;
- ✓ Not connected to labour activity pensions fund- paid from the budget;
- ✓ Labour accident and professional illness fund- 0.7% (paid 100% by the employers);
- ✓ General illness and maternity fund- 3%;
- ✓ Unemployment fund- 4%.

III. Social Security System

1. Current state

Main Features of the Supplementary Compulsory Pension Insurance (the second pillar of the Bulgarian pension model):

- ✓ **Compulsory participation of all individuals born after 31.12.1959;**
- ✓ **Defined contributions, accumulated in individual lots;**
- ✓ **Privately-managed Universal and Occupational Pension Funds;**
- ✓ **Centralized collection of the social insurance contributions at the National Social Security Institute.**

The State Insurance Supervision Agency (SISA) is an administrative structure under the Council of Ministers responsible for licensing and supervision of supplementary pension, health, and unemployment insurance companies. The status of the Agency is regulated in the Supplementary Voluntary Pension Insurance Act, the Mandatory Social Insurance Code and the Rules of Operation of the SISA.

III. Social Security System

1. Current state

Main Features of the Supplementary Compulsory Pension Insurance:

- ✓ Voluntary participation;
- ✓ Defined contributions, accumulated in individual lots;
- ✓ Privately-managed funds;

III. Social Security System

1. Current state

Insured Individuals and Managed Assets in the Supplementary Pension Insurance by 30.09.2002

Pension funds	Number of insured individuals	Managed Assets /in thousand BGN/	Relative Share in GDP
Voluntary pension funds	491 573	170 630	0.73%
Occupational pension funds	153 419	82 045	0.35%
Universal pension funds	1 127 399	26 531	0.11%
Total	1 772 391	279 206	1.19%

III. Social Security System

1. Current state

Structure of the Investments of the Funds for Supplementary Pension Insurance by 30.09.2002

Indexes	Account by 30.09.2002 /in thousand BGN/	Relative Share in the Total Amount of the Investments
Total Sum of the Investments of the Supplementary Pension Funds	269 418	100 %
Securities Issued or Guaranteed by the State	176 260	65.42%
Securities Listed for Trade on Regulated Securities Markets	7 193	2.62%
Municipal Bonds	315	0.12%
Bank Deposits in the Country	65 852	24.44%
Mortgage Bonds Issued by Banks	12 347	4.58%
Real Property	7 234	2.69%
Investments Abroad	-	-
Other Investments	217	0.08%

III. Social Security System

1. Current state

Accumulated Assets and Average Amount of the Monthly Social Insurance Contribution Per Individual

<i>Pension funds</i>	<i>Average Size of the Monthly Social Insurance Contribution Per Person in 2002 in BGN</i>	<i>Accumulated Assets Per Person by 30.09.2002 in BGN</i>
Voluntary Pension Funds	13.92	341
Occupational Pension Funds	23.71	530
Universal Pension Funds	5.24	13

III. Social Security System

2. Main problems in the Social Security System:

Accumulated Assets and Average Amount of the Monthly Social Insurance Contribution Per Individual

- ✓ **Low collection of social insurance contributions at the National Social Security Institute and hence the payment of higher pensions;**
- ✓ **Constantly increasing deficit in Pensions fund which is covered from the state budget;**
- ✓ **Strong economic motivation to join the grey sector as far as the social insurance burden is concerned;**
- ✓ **Low motivation to join the voluntary pension insurance as a result of the low incomes and low living standard;**
- ✓ **Low pension rates which determines the poor condition of the pensioners in Bulgaria;**
- ✓ **Strong state restrictions regarding the investments of the pension funds;**
- ✓ **Existence of a discrimination between the insured individuals as the social insurance contributions of the state employees and the military are paid from the budget;**
- ✓ **Approximately 2/3 of the working population is insured on the basis of the minimum or lower wage/salary. This leads to tax evasion and difficulties for the tax system.**

III. Social Security System

3. Objectives in the Social Security System:

- ✓ Improving the mechanisms for raising the collection of the social security contributions at the National Social Security Institute (NSSI) and increasing personal incomes tax revenues;
- ✓ Raising gradually the ceiling of all types of pensions without an increase in social insurance burden;
- ✓ Increasing the amount of maternity benefit /i.e. pregnancy and childbirth benefit/ and parental leave benefit;
- ✓ Establishing of a unified information system for the needs of the Tax Authority and NSSI;
- ✓ Promoting the development of the second and third pillar of the social insurance system;
- ✓ Amending the labour legislation;
- ✓ Legislative changes expanding the investment opportunities for the pension insurance companies;
- ✓ Codification of social insurance

III. Social Security System

4. Measures for achieving the objectives in the Social Security System:

- ✓ Establishment of United Revenue Agency for a stricter control over the observation of the labour legislation;
- ✓ Introduction of mandatory registration of the labour contracts at the National Social Security Institute;
- ✓ Introduction of minimum insurance thresholds which differ in branches and professions;
- ✓ Start of negotiations with labour unions and organizations of employers for determining the minimum insurance thresholds by branch and profession;
- ✓ Implementation of a new Social Code;

III. Social Security System

Chief Directions of the Changes in the New Social Code:

- ✓ More legal guarantees for the insured individuals;
- ✓ Raising the safety of the pension savings by clarifying the functions of the custodian-bank which holds the assets of the pension funds;
- ✓ Making more transparent the activity of the Pension Funds by introduction of “reporting in shares” and procedures of revealing information to the insured individuals;
- ✓ Introducing new investment instruments;
- ✓ Creating a mechanism for guarantee of minimum rate of return regarding the compulsory pension funds;
- ✓ Increasing the powers of the State Insurance Supervision Agency;
- ✓ Raising the share of the total assets allowed to be invested in foreign securities;

IV. Migration policy in Bulgaria

1. Current state of the external migration of the population:

The external migration of population for the period between the two censuses (1992-2001) is calculated at 177 thousand people or average per year 22 thousand people have emigrated from the country.

In the years between the two last censuses (1992-2001) the population decreased by 514 thousand people or by over 6% compared to average annual number of population of the country for this period. This decrease results from the natural movement of people as well as from the external migration. Emigration of population from the country for this period is calculated to approximately to 196 thousand people. About 19 thousand people came back or migrated to Bulgaria. When making the comparison between these two opposite migration flows the external migration of population is calculated at 177 thousand people or average per year 22 thousand people have emigrated from the country.

IV. Migration policy in Bulgaria

2. Scope of the potential external migration

2.1. Long-term external migration

- ✓ Data from the representative sociological research carried out at the time of the censuses has shown that for about 8% of the population at the age 15-60 years it is “very probable” and “probable to some extent” to emigrate to another country. These potential emigrants conditionally could be defined as future “trans-migrants”. Concerning the time, 25% of them wanted to do this in 2001, 49%- in the next two or three years and 26%- in the far future
- ✓ There is another category potential emigrants who intend that it is “very probable” or “probable to some extent” to go to work or study abroad for more than a year- 7%. These category potential emigrants basically form the flow of external labor migration. Concerning the time 26% intended to leave in 2001, 48% in the next two or three years, while 25% plan their departure in the far future.

IV. Migration policy in Bulgaria

2. Scope of the potential external migration

2.2. Short-term emigration

- ✓ About 5% of people inquired plan short-term emigration. According to them it is “very probable” or “probable to some extent” to go abroad for a period shorter than a year, with the purpose to work or study. 24% of this group intended to leave the country in 2001, 44%- in the next years, while 31%- in the distant future.
- ✓ About 10% consider that it is probable to leave for abroad for a short period in the coming years as tourist or guests of relatives and friends.

2.3. “Others”

The relative share of those who consider there is “small probability” and “no probability” to travel abroad is 70%.

Conclusion: Total of 80% of population at this age has no intention at all to leave the country, i.e. there are not potential emigrants.

IV. Migration policy in Bulgaria

3. Destination of potential external migration:

- ✓ **For the last several years the Bulgarian emigration has been directed mainly to: Germany- 23%, USA- 19%, Greece- 8%, Spain- 8%, Great Britain- 6%, Italy- 6%, Canada- 5%, France- 4% and others;**
- ✓ **The preferred destinations among the different categories of potential emigrants: “Trans-migrants”- USA- 25%, Germany- 20%, Spain, Canada and Great Britain- 8%, Italy- 5%, etc. “Labour migrants”- Germany- 25%, USA- 15%, Greece- 11%, Spain- 9%, Great Britain- 8%, Italy- 5%, etc.**
- ✓ **Concerning the organization and implementation of emigration 25% state that they will do it independently, 22%- through firms and organizations which have contacts with other countries, 12%- through invitations by relatives and friends, 10% will apply for “green cards” and lottery. 9% rely on concluding an individual employment contract or tourist agencies help.**

IV. Migration policy in Bulgaria

4. Series of measures undertaken since the start of democratic reforms in order to enhance migration legislation and policy:

- ✓ Adoption of acts of Parliament and secondary legislation, as well as amendment and supplementation of existing acts so as to achieve harmonization with EU legislation and to carry out a balanced migration policy;
- ✓ Accession of the country to international treaties in the area of migration and human rights;
- ✓ Implementation of a consistent policy for prevention and fight against illegal migration, tightening the visa policy, improving state border security and increasing the control over border regime;
- ✓ Active policy aimed at concluding bilateral intergovernmental agreements for readmission-readmission agreements have been concluded with all the EU member states, except for UK, as well as with Norway, Switzerland, the Czech Republic, Poland, Hungary, Slovakia, Slovenia, Romania, FRY, Macedonia, Ukraine, Georgia, Albania, Latvia and Croatia;
- ✓ Active policy is being conducted on all levels for intensifying the process of concluding new bilateral agreements. Mechanisms are being set up for establishing contacts between institutions in the area of employment in Bulgaria and abroad;
- ✓ Conducting asylum policies harmonized with international standards and **the *acquis communautaire*** in the sphere;
- ✓ A consistent policy on respecting basic human rights and freedoms, on non-discrimination, tolerance and social integration of all groups, including legally residing immigrants and refugee status holders.

IV. Migration policy in Bulgaria

5. Basic legal provisions in the area of migration:

- ✓ **The Foreigners in the Republic of Bulgaria Act;**
- ✓ **The Bulgarian Identity Documents Act;**
- ✓ **The Bulgarian citizenship Act;**
- ✓ **The Civil Registration Act;**
- ✓ **The Personal Data Protection Act;**
- ✓ **The amendments to the Penal Code and the Penal Procedure Code;**
- ✓ **The Asylum and Refugees Act;**
- ✓ **The Employment Promotion Act.**

IV. Migration policy in Bulgaria

7. Measures regarding labour emigration aimed at creating prerequisites for the carrying out of short-term regulated labour emigration:

- ✓ Creation of equal opportunities and control over the short-term regulated labour emigration- through the Employment promotion Act, the Ordinance on terms and Conditions for Information and Job Brokerage, by means of bilateral agreements for labour force exchange;
- ✓ Intensifying the process of concluding bilateral agreements for exchange or sending labour force to other countries;
- ✓ Comprehensive information on the terms and conditions under which Bulgarian nationals can work abroad within the scope of working agreements.

8. Main problems in the area of migration:

- ✓ Illegal migration;
- ✓ Crime;
- ✓ Pressure from Bulgarian emigration to the labour market flexibility of the EU member states;

IV. Migration policy in Bulgaria

9. Adopted additional measures aimed at the prevention of a potential migration pressure from and through the Republic of Bulgaria:

- ✓ Introduction of a visa regime for the Russian federation, Ukraine, Georgia and Tunisia;
- ✓ Creation of a centralized automated information system containing data for Bulgarian nationals with pending criminal cases;
- ✓ Design and dissemination of an information leaflet with the rights and responsibilities of Bulgarian nationals travelling abroad and the competent bodies which should be addressed in case of need;
- ✓ Optimisation of the control over nationals from migration risk countries;
- ✓ Setting up a working mechanism of maintaining regular contacts with the migration services of other countries for exchange of information about the passport regime and migration and joint work on individual cases;
- ✓ Shortening the duration of processing asylum applications;
- ✓ Developing projects within programmes for bilateral cooperation in the area of migration policy and border control;
- ✓ Preparation and carrying out an information campaign for acquainting Bulgarian nationals with the terms and order for short-term travel abroad.

IV. Migration policy in Bulgaria

Having in mind the amount of expected labour emigration from Bulgaria to Europe- about 5.5-6.8 thousand people in 2001, by 3.3-4.2 thousand annually in the next three years and in the boundaries of 1.7-2.2 thousand people annually in the farther future, evidently it can not be spoken about any danger of emigration wave from Bulgaria and about any negative impact on the labour markets of the EU member states.