



CENTER FOR
ECONOMIC
DEVELOPMENT

**Labor Market Problems in Bulgaria.
Challenges of EU Accession in the Field of
Labor Market, Social Policy and Labor
Migration**

May 30, 2003, Sofia

Labor Market Problems in Bulgaria

- **Worsening demographic indicators;**
- **Declining economic activity rate;**
- **Low employment rate;**
- **High unemployment rate;**
- **Large share of the youth unemployed of all unemployed;**
- **Large share of the long-term unemployed of all unemployed;**
- **High share of the labor force working in the gray economy (as % of the working-age population);**
- **Increasing share of the higher and secondary educated unemployed;**
- **Existence of regional disparities regarding employment and unemployment rates;**
- **Low GDP per capita (PPPs)**

Demographic indicators

	2000	2001	2002
Population, as of 31.12, number	8 149 468	7 891 095	7 845 499
Life expectancy, total, years	71.7 *	71.8**	71.8***
Life expectancy, female, years	75.3	75.2	75.3
Life expectancy, male, years	68.2	68.5	68.6
Average age of the population, years	39.9	40.4	40.6
Population under, at and over working-age, total	100.0	100.0	100.0
Population under working-age, %	16.8	16.3	15.9
Population at working-age, %	58.3	59.2	60.1
Population over working-age, %	24.9	24.5	24.0
Total fertility rate (per 1000 people)	9.0	8.6	8.5
Death rate (per 1000 people)	14.1	14.2	14.3
Natural growth (per 1000 people)	-5.1	-5.6	-5.8

* Data refer to the period 1998-2000 **Data refer to the period 1999-2001 ***Data refer to the period 2000-2002

Source: National Statistical Institute

Labor Market Indicators

	1997	1998	1999	2000	2001	2002
Economic activity rate (LFS), %	51.6	50.4	49.2	47.5	48.1	48.4
Employment rate (LFS), %	43.9	42.4	40.8	39.7	38.7	40.3
Unemployment rate (LFS), %	15.0	16.0	17.0	16.4	19.5	16.8
Unemployment rate (Employment Agency, economically active population 2001), %	-	-	-	-	17.88	16.27
Youth unemployment (age group 15-24) as % of total unemployment	20.7	16.9	17.3	15.5	14.4	15.8
Long-term unemployment (% of unemployed for 12 months or more in total unemployment (LFS))	56.5	53.3	52.5	58.6	63.2	65.8
Shadow Economy Labour Force in % of Working Age Population (age group 16-65) *	-	30.4	30.4	-	-	-

*Schneider, F., "The Size and Development of the Shadows Economies and Shadow Economy Labor Force of 22 Transition and 21 OECD Countries: What do we really know?", <http://www.csd.bg/news/bert/presentations.html>

Source: National Statistical Institute

Educational Level of Unemployed

	1997	1998	1999	2000	2001	2002
Unemployed, total , %	100.0	100.0	100.0	100.0	100.0	100.0
Higher educated, total , %	8.4	8.5	8.0	8.9	11.2	11.9
Higher educated (Bachelor, Master, Doctor), % of total higher educated	5.7	6.2	6.2	5.5	8.0	-
Higher educated (Specialist), % of total higher educated	2.6	2.3	1.9	3.4	3.2	-
Upper secondary educated, %	50.7	50.7	52.5	53.1	54.6	53.3
Lower secondary, primary and primary unfinished educated, %	40.9	40.8	39.5	38.0	34.3	34.8

Source: National Statistical Institute

<u>Employment rate by planning regions*</u>					
Planning regions	1997	1998	1999	2000	2001
Average for the country	44.3	43.8	41.7	40.6	39.8
North – West region	34.0	35.1	32.4	31.3	32.3
North – Central region	40.5	40.8	39.4	38.1	38.3
North – East region	44.7	43.9	40.5	37.9	38.5
South – East region	43.2	42.0	38.5	36.4	36.7
South – Central region	45.7	44.7	41.4	41.3	39.7
South – West region	48.4	47.8	47.9	47.0	44.7
<u>Unemployment rate by planning regions *</u>					
Planning regions	1997	1998	1999	2000	2001
Average for the country	14.4	14.1	15.7	16.9	19.7
North – West region	24.1	22.8	22.9	26.6	28.3
North – Central region	17.9	16.0	17.1	18.1	19.8
North – East region	16.0	16.2	20.5	23.4	24.1
South – East region	17.0	16.9	20.4	23.7	24.6
South – Central region	12.0	11.7	13.9	13.5	18.8
South – West region	10.4	10.8	10.4	10.9	14.4

*Average annual values

Source: National Statistical Institute

Basic Labor Market Indicators in EU, Bulgaria, Slovakia, Estonia and FYR Macedonia in 2001



Country	EU 15	Bulgaria	Slovakia	Estonia	FYR Macedonia
Economic activity rate	69.2	63.3	70.4	69.9	63.1
Employment rate	63.9	50.7	56.7	61.1	38.6
Employment in agriculture as % of total employment	4.2	9.7	6.3	7.1	21.9
Employment in industry as % of total employment	26.4	32.7	37.1	34.2	31.8
Employment in services as % of total employment	69.4	57.6	56.7	58.7	46.3
Unemployment rate	7.4	19.9	19.4	12.4	30.5
Youth unemployment rate	14.9	39.3	38.9	24.5	56.1
Long-term unemployment rate	3.3	12.5	11.3	5.8	11.9

Source: Eurostat

GDP per capita (PPPs), EU-15=100, %

Country	1997	1998	1999	2000	2001
Bulgaria	28	28	28	26	25
Slovakia	49	50	49	47	48
Estonia	38	39	38	40	40
FYR Macedonia	22	22	22	22	19

Source: Eurostat



**Under the EU Chairmanship of Spain Bulgaria Closed Temporarily
Both Negotiation Chapters of the European Legislation Related to
Social Policy, Employment and Free Movement of Workers:**

Chapter 13 “Social Policy and Employment” – April 22, 2002

Bulgaria received a transition period till 31.12.2010 for applying the European legislation in the field of tobacco industry and more particularly the maximum substance of tar in cigarettes.

Chapter 2 “Free movement of people” – June 10, 2002

The maximum transition period before the full liberalization of free movement of workers is 7 years. The European Union offered to all EU candidate countries with exception of Malta and Cyprus the universal scheme 2+3+2.

Main Subjects in Negotiation Chapter 13 “Social Policy and Employment”:

- **Labor Law;**
- **Gender equality;**
- **Anti-discrimination laws;**
- **Health and safety;**
- **Social protection;**
- **Social dialogue;**
- **Labor employment;**
- **Establishment of institutions required in the European legislation;**

Negotiation Chapter 2 “Free Movement of People”
includes 4 Subdivisions:

- **Mutual recognition of diplomas and professional qualifications;**
- **Civil rights;**
- **Free movement of workers;**
- **Coordination of social security systems;**

European Commission's Recommendations to the Candidate Countries in the Field of labor Market

- **Increasing the labor supply and engaging on the labor market a considerable part of the working-age population;**
- **Increasing the employment level and increasing labor productivity;**
- **Labor market performance should be submitted to the restructuring of the economy;**
- **Improving the qualification and skill level of the work force as a counteraction to the aging labor force.**



**Main Challenges of EU Accession of Bulgaria in the Field of Labor
Market Aiming at Harmonization of the Bulgarian
to the European Legislation:**

- **Strengthening the administrative capacity;**
- **Future collaboration with the European Commission for a Joint assessment of priorities in employment policy (JAP);**
- **Achieving a progress in the area of safety and healthy labor conditions and labor law as well;**
- **Adopting a detailed and effective anti-discrimination law and legislation in the area of equal treatment of men and women;**
- **Creating affectively functioning legal and administrative structures;**
- **Developing such labor market policies that would help low qualified workers to find alternative job opportunities;**

Specific Recommendations for Solving Labor Market

Problems in Bulgaria:

- **Implementing a purposeful tax and social security policy for encouraging the development of the SME sector;**
- **Encouraging initiatives at a local level and the more intensive cooperation among the executive power, local authorities, business representatives, social partners and NGOs in developing local labor market policies;**
- **Creating risk capital funds and guaranteed funds by the municipalities;**
- **Actively advertising the local capacity by municipalities aiming at attracting more national and foreign investments;**
- **Increasing the awareness of municipalities regarding the European labor market policies;**

Specific Recommendations for Solving Labor Market Problems in Bulgaria:

- **A longer vision of labor force qualification is needed;**
- **National programs of a “Long-life learning” type are recommended;**
- **A regular monitoring of the future labor requirements of the entrepreneurs and a better coordination with the educational system are necessary;**
- **A regular monitoring of the undertaken active and passive labor market measures is of great importance as well;**
- **Further efforts in the fight with youth and long-term unemployment should be encouraged;**
- **Strengthening the dialogue with social partners and encouraging the activity of the newly established National Institute for Reconciliation and Arbitrage are necessary steps;**
- **A better coordination between labor market policy, wage policy, social assistance policy and social dialogue policy is of great importance;**
- **Strengthening the administrative capacity is also necessary.**

Challenges of EU Accession of Bulgaria in the Field of Social Policy (Social Insurance, Social Assistance and Social Dialogue):

- **Additional measures for increasing the collection of the social security contributions to the State Social Security Funds, for raising the social insurance contribution to the Universal Pension Funds and for greater liberalization of the investment activity of the pension insurance companies are necessary;**
- **The inequality among different groups of insured individuals should be wiped out;**
- **A National Plan for Alleviation of Poverty and Social Exclusion should be worked out;**
- **Social-statistic systems for measuring poverty and social exclusion should be created and should be brought in conformity with the common EU indicators;**
- **The social protection system in Bulgaria should be more connected to the regional disparities in the means of livelihood so that the funds of the social protection system to be distributed more fairly;**
- **A regular monitoring of the social assistance system is needed;**
- **A Charter for the Rights and Obligations of the Socially Assisted People and an Ethnic Code for the Social Worker should be implemented;**

Challenges of EU Accession of Bulgaria in the Field of Social Policy (Pension Insurance, Social Assistance and Social Dialogue):

- **A decentralization process in the financing and management of the system of social services should be encouraged;**
- **A single information system in the field of social assistance and employment should be established;**
- **New programs for diminishing the dependence of individuals on the received social aids should be developed;**
- **Social dialogue and committing additional rights to social partners should be encouraged;**
- **Not only tripartite structures (government, syndicates and employers' organizations) but a self-governing representative bilateral dialogue should be developed;**
- **Signing bilateral social security agreements with all current and future member-states of the European Union should be encouraged.**

Challenges of EU Accession of Bulgaria in the Field of Labor Migration:

- **Special attention should be given to the push and pull factors, which mostly affect the emigration from Bulgaria to the EU and the immigration to Bulgaria such as the general social-economic situation in the country, labor market situation, income gap and traditions in migration;**
- **A clear division between the academic and professional recognition of qualifications should be achieved;**
- **Suitable policies for ceasing the “Brain Drain” process should be developed;**
- **Signing bilateral labor force exchange agreements, which are usually accompanied by bilateral readmission agreements and bilateral social security agreements, should be encouraged;**

Challenges of EU Accession of Bulgaria in the Field of Labor Migration:

- **Dissemination of information brochures should be encouraged;**
- **The activity of the Inter-ministerial Employment Agreements Working Group set up in 2001 at MLSP should be encouraged;**
- **Suitable administrative structures and capacity should be developed;**
- **A regular monitoring of the implementation of the European legislation in the field of migration and security should be carried out;**
- **Intensive data exchange, analysis and implementation of joint research between Bulgaria and EU regarding the current migration flows in the period till the EU accession of Bulgaria and in the transition period as well should be supported;**
- **Selective policies for labor migrants and restrictive measures regarding joining of relatives and families to foreigners already working at our national labor market as a counteraction to the demographic problems and labor market problems should be developed;**



Survey of the National Statistical Institute Regarding Potential Emigration Based on the Methodology of the International Labor Organization, conducted in 2001

“Permanent emigration” - 15 percent of the population. Potential emigrants, who state that they will probably go to live, work or study abroad for more than a year (“settlers” - 8 percent and **“external labour emigrants”** - 7 percent/;

“Temporary emigration” – 5 percent of the population. Potential emigrants who state that they will probably go to work or study abroad for less than a year;

“Others” – 10 percent of the population. Persons who state that this year or in the next years they will probably go abroad for a short time as tourists or to visit relatives and friends.

Characterization of the Potential Labor Emigration from Bulgaria



Preferred countries for emigration from Bulgaria for the period 1992-2001	Preferred countries by the Bulgarian potential labour emigrants	Share of the individual age groups among potential labour emigrants	Distribution of potential labour emigrants by sex	Educational status of potential labour emigrants	Ethnic status of potential labour emigrants
Germany (23%)	Germany (25%)	20-29 г. (35%)	men (65%)	higher educated (14%)	Bulgarians (77%)
USA (19%)	USA (15%)	40-49 г. (19-22%)	women (35%)	secondary educated (55%)	Turks (12%)
Greece (8%)	Greece (11%)	over 50 г. (8-10%)		lower secondary educated (28%)	Roms (8%)
Spain (8%)	Spain (9%)				
Great Britain (6%)	Great Britain (8%)				
Italy (6%)	Italy (5%)				
Canada (5%)					
France (4%)					

Source: National Statistical Institute



Characterization of the Immigration Process in Bulgaria

Distribution of the issued work permits by countries (1994-2001)	Distribution of the work permits by qualification of the workers	Structure of the immigration flow regarding the reason for staying towards 2002
USA (332)	1-st place: high leading staff, hired by foreign investors from EU and USA	Registration by trade activity (62%)
Turkey (169)		
Ukraine (165)		
Russia (152)		
Greece (135)		
Former Yugoslavia (125)		
Roumania (123)	2-nd place: consultants and technical engineer staff	Registration by labour contracts (6,7%)
England (112)		
Germany (102)		
FYR Macedonia (101)		
Italy (90)		
France (88)	3-rd place: foreign teachers in Bulgarian secondary and higher schools	By marriage with Bulgarian citizens or constantly staying persons (31.3%)
Belgium (31)		
Holland (19)		
Total: 2205 (1384 news and 821 extended)		

Source: Employment Agency

Non-EU Nationals, Working Legally in the EU Towards 1999

	Labor Force of the EU		Residents in the EU	
	Stock	Share of EU total	Stock	Share of EU total
Non-EU nationals, working legally in the EU	5 280 000	3.1%	12 000 000	3.2%
Of whom: candidate country nationals	290 000	0.2%	830 000	0.2%
“Working tourists” from the candidate countries	600 000			

Source: "The Free Movement of Workers in the Context of Enlargement", EC (2001)