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**INEQUITIES BETWEEN GENERATIONS AT THE SUPPLY SIDE
OF THE LABOUR MARKET**

INTRODUCTION

There is at least one common issue in the theories on unemployment. This is the model of changing levels of the unemployment for different socio-economic groups. As a rule, the levels of the unemployment are higher for the young people and those before the age of retirement, women, and people with low levels of education as well as for the representatives of the ethnic minorities. These facts have been observed in all contemporary economies. They are reproduced in different scopes depending on economic power of the country and on other social and cultural ruling factors.

The economically developed countries have well developed capacity (financial and institutional) effectively to target enough resources for solving the problems of “unequal” representatives of the different marginal groups in their societies. Having in mind the scarcity of the resources in the countries in transition, the problem is to find the most important inequities that are in the base of the pyramid of the social contradictions and provoke tension. Following the course of transition of Bulgaria, high priority will have to be given to the inequities that could bring about different access to jobs in the labour markets, and in this way – different access to carrier, wealth, and position in the society. One of the main groups of such inequities could be bounded with the age affiliation.

The growing age itself could cause only some of differences in the capacity to perform certain labor functions. More important are the factors coming from the recruitment system and models of human resource development; from education and vocational training; from some social policies; and income (re)distribution. They could act in favor of preserving the inequities of the generations in the labor market, and even to foster them. In general, these factors impose unreasonable constraints at the starting point of carrier of young people, or when aged are applying for new jobs. If the higher risk of unemployment for the marginal age groups in the labour market is not alleviated, the unemployment itself becomes one of the most powerful factors for sharpening the inequities between generations at the supply side of the labour market.

This paper presents recently observed inequities among generations in the labour markets in Bulgaria that cause unemployment, discouragement, social exclusions and poverty. The latter will be understood as sources for conflicts between competing generations in the labour markets.

The paper consists of two parts. In the first part, the main groups of conflicts are presented. The second part comprises wide scope of direct and indirect reasons for these conflicts. The paper includes only those reasons and conflicts of greatest current importance for keeping the social peace in the country at the end of the year of 2000.

The analyses are based on secondary information. It is collected from officially published statistical yearbooks and surveys on employment and unemployment. In addition the information of the National Employment Service will be used together with some survey studies on the problems under study.

1. THE UNEMPLOYED OF DIFFERENT AGE GROUPS

The number of the unemployed in the country is steadily declining. To some extent it is due to the diminishing number of the labour force. The latter is caused by the common tendency of aging of population and emigration in the period of the transition (after 1989). The majority of the emigrants are people with completed higher education and young people. For the last 11 years the labour force has lost 10% of its potential.

TABLE 1. NUMBER AND BASE INDICES OF THE LABOUR FORCE, EMPLOYED AND UNEMPLOYED

| <i>Months and Years</i> | <i>Labour Force*</i> | <i>Employed**</i> | <i>Unemployed***</i> | <i>Relative share of the Unemployed (%)</i> | <i>Labour Force</i> | | |
|-------------------------|----------------------|-------------------|----------------------|---|---------------------|-------------------|--------|
| | | | | | <i>Employed</i> | <i>Unemployed</i> | |
| | Number (Thous) . | | | Base indices (%) | | | |
| Sept. 93 | 3809,3 | 2994,6 | 814,7 | 21,39 | 100,00 | 100,00 | 100,00 |
| Oct.94 | 3608,9 | 2868,7 | 740,2 | 20,51 | 94,74 | 95,80 | 90,86 |
| Oct.95 | 3552,3 | 3031,5 | 520,8 | 14,66 | 93,25 | 101,23 | 63,93 |
| Nov.96 | 3581,8 | 3085,4 | 490,8 | 13,70 | 94,03 | 103,03 | 60,24 |
| Nov 97 | 3564,2 | 3030,1 | 534,1 | 14,99 | 93,57 | 101,19 | 65,56 |
| Nov. 98 | 3476,8 | 2920,7 | 556,1 | 15,99 | 91,27 | 97,53 | 68,26 |
| Nov. 99 | 3387,9 | 2811 | 576,9 | 17,03 | 88,94 | 93,87 | 70,81 |
| March 00 | 3355,9 | 2733,5 | 622,4 | 18,55 | 88,10 | 91,28 | 76,40 |
| June 00 | 3431,4 | 2872,4 | 559 | 16,29 | 90,08 | 95,92 | 68,61 |

*Labor force (currently economically active population) – persons of 15 years old and over, who furnish the supply of labor for the production of goods and services. Labor force comprises employed (employers, self-employed, employees and unpaid family workers) and unemployed persons.

**Employed – persons of 15 years of age and over, who during the reference period performed work; or temporary are not at work because of illness, paid leave etc. The group includes the employers, self-employed, employees and unpaid family workers.

***Unemployed – those of 15 years of age and over who did not work during the reference period, were actively seeking work within the preceding four weeks and were available to start work within a defined short period of time.

The intensity of the decline in the numbers of the employed and unemployed occurs to be different. By no means, the decrease of unemployed does not relate to the stability of the economy. Also it does not mean that the utilization or the labor force in terms of employment is stable, or that it has reached a satisfactory level.

The decline in the number of the unemployed depends on the increase in the number of discouraged workers, and partly - on those of the young people in schools, colleges, universities or in training. For the later, being involved in studying means finding certain field of activities that could be a substitute to the limited opportunities to find job.

TABLE 2. PERSONS NOT IN LABOUR FORCE BY REASONS FOR INACTIVITY

| | <i>Jun.</i> <i>94</i> | <i>Oct.</i> <i>94</i> | <i>Oct.</i> <i>95</i> | <i>Mar.</i> <i>99</i> | <i>Nov 97</i> | <i>Nov.98</i> | <i>Nov-</i> <i>99</i> | <i>Mar.</i> <i>00</i> | <i>Jun.</i> <i>00</i> | <i>Structure</i> <i>-1994</i> <i>(%)</i> | <i>Structure- Base</i> <i>June 2000</i> <i>Indices</i> <i>(%)</i> | <i>Base</i> <i>Indices</i> <i>(1994 =</i> <i>100)</i> <i>(%)</i> |
|---|--------------------------|--------------------------|--------------------------|--------------------------|---------------|---------------|--------------------------|--------------------------|--------------------------|--|--|--|
| Total number (in thousands) and its distribution by reasons | 3210,4 | 3278 | 3347 | 3391 | 3331 | 3417 | 3502 | 3534 | 3459 | 100,0 | 100,0 | 107,7 |
| 1. Personal (family responses) | 213,5 | 222,3 | 193,2 | 182,5 | 173,2 | 186,6 | 182,4 | 175,6 | 171,7 | 6,7 | 5,0 | 80,4 |
| 2. Illness, disability | 292,9 | 261,8 | 214,9 | 203,8 | 197,1 | 209 | 202 | 192,1 | 198,5 | 9,1 | 5,7 | 67,8 |
| 3. In school, training | 487,5 | 485,3 | 547,8 | 555,4 | 559 | 531,8 | 564,4 | 559,1 | 571,9 | 15,2 | 16,5 | 117,3 |
| 4. Old age | 1783,1 | 1866 | 1895 | 1909 | 1910 | 1896 | 1913 | 1930 | 1875 | 55,5 | 54,2 | 105,1 |
| 5. Discouraged | 208,8 | 196,8 | 195,9 | 195,4 | 239,1 | 295,6 | 357,3 | 374,4 | 398,3 | 6,5 | 11,5 | 190,8 |
| 6. Others | 224,6 | 245,9 | 300,5 | 344,6 | 252,4 | 298,2 | 282,8 | 302,6 | 243,4 | 7,0 | 7,0 | 108,4 |

Source: NSI.

In June 2000 the number of discouraged workers equals 11,6 % of the labor force. If this number is added to those of the unemployed, the rate of the unemployment will rise from 16,3% (as it was officially registered in June 2000, table 4) to 27,9%. The fact that almost one third of the labor force is with low chances, or without chances for employment, well outlines the importance of the problem.

According to the macroeconomic analysis the natural rate of the unemployment for Bulgaria in the period 1990- 2000 is around 10 percent.¹ It is quite high and depends on the insufficient capital recourses directed to the economy. In the same time the restructuring of the economy release high number of the ineffectively hired employees, and in this way - contributes for the high unemployment.

The results of the applied model prove that the cyclic components of the inflation and the unemployment have been observed in Bulgarian economy. In the period of transition, there is a weak influence of the currency rate on unemployment, in general. For the moment it is not observed in long run perspective, but only for short periods. Only the casual fluctuations could be predicted as far as they depend on the changes in the currency rate (before the introduction of the Currency Board in 1997) and the very sharp changes in the expectations of the economic agents. In such periods the increase in the natural rate over 10 % slightly slow down the inflation and vice versa. Decrease of the unemployment from the mentioned above 16,3% to 12-13 % will not cause significant changes in the inflation, other things equal.

The data on employment and unemployment rates in the last 10 years prove that the important role of the age as a factor for being unemployed has also been observed.

The relative share of the young people that could find jobs in the last 10 years steadily declines. The core group of the employed consists of those between 35 and 54 years. In this group the share of people between 45 and 54 increases. It is almost equal with those between 35 and 44 years. The aging population produces an aging labor force.

¹ Unemployment and inflation in Bulgaria, Ivanov, L., Economic Thought 6/2000, p. 47-70.

The changes in the rates of employment prove the decreasing chances for the young generation to both - find and preserve their jobs. The most demanded employees prove to be those between 45 and 54 years.

TABLE 3. AGE STRUCTURES OF THE EMPLOYED AND RATES OF EMPLOYMENT

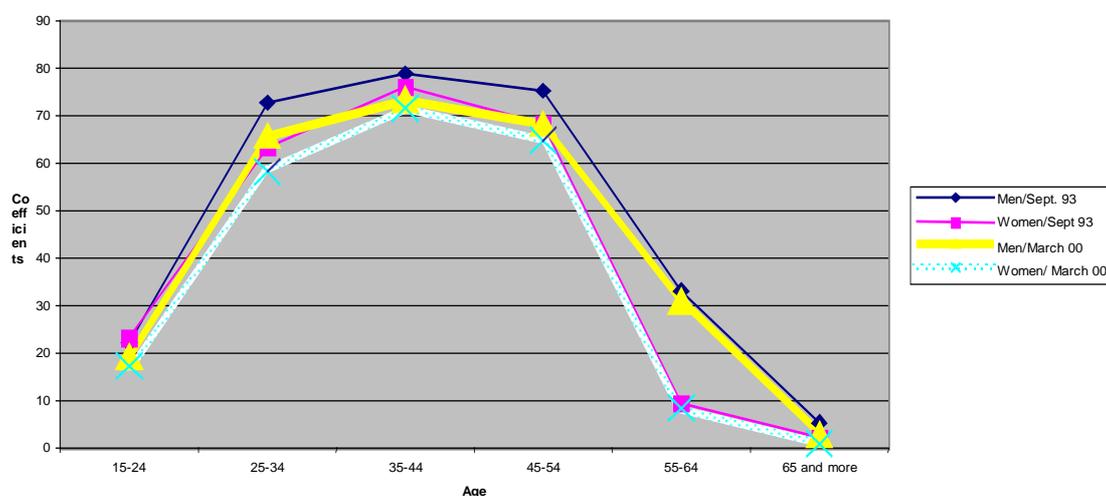
| <i>Months and Years of the Survey</i> | <i>Total Number (in thousands)</i> | | | | | | | |
|---|--|--------------|--------------|--------------|--------------|--------------|------------------------|------|
| | <i>Total</i> | <i>15-24</i> | <i>25-34</i> | <i>35-44</i> | <i>45-54</i> | <i>55-64</i> | <i>65 and more</i> | |
| Structure (%) | | | | | | | | |
| Sept. 93 | 2994,6 | 100.0 | 9,4 | 24,3 | 31,5 | 26,0 | 7,2 | 1,5 |
| Oct.94 | 2868,7 | 100.0 | 9,2 | 25,0 | 31,4 | 27,1 | 6,4 | 0,9 |
| Oct.95 | 3031,5 | 100.0 | 8,6 | 24,2 | 31,2 | 28,6 | 6,5 | 0,9 |
| Nov.96 | 3085,4 | 100.0 | 8,4 | 24,4 | 31,4 | 28,6 | 6,4 | 0,8 |
| Nov 97 | 3030,1 | 100.0 | 8,2 | 23,3 | 31,6 | 29,2 | 6,9 | 0,8 |
| Nov. 98 | 2920,7 | 100.0 | 8,6 | 23,7 | 30,7 | 29,6 | 6,6 | 0,8 |
| Nov. 99 | 2811 | 100.0 | 8,5 | 24,0 | 31,0 | 29,4 | 6,5 | 0,7 |
| March 00 | 2733,5 | 100.0 | 8,0 | 24,1 | 31,2 | 29,3 | 6,3 | 0,9 |
| June 00 | 2872,4 | 100.0 | 8,1 | 23,7 | 30,4 | 29,4 | 7,1 | 1,3 |
| Employment Rates* (%) | | | | | | | | |
| Sept. 93 | 43,5 | 22,8 | 68,2 | 77,6 | 71,8 | 20,7 | 3,7 | 43,5 |
| Oct.94 | 41,7 | 21,1 | 66,7 | 76,2 | 71,8 | 17,8 | 2,1 | 41,7 |
| Oct.95 | 43,9 | 20,8 | 69,8 | 80,4 | 76,3 | 19,2 | 2,2 | 43,9 |
| Nov.96 | 44,7 | 21,1 | 69,9 | 81,4 | 76,5 | 20,1 | 2 | 44,7 |
| Nov 97 | 43,9 | 20,3 | 68,7 | 79,5 | 75,9 | 21,4 | 1,9 | 43,9 |
| Nov. 98 | 42,4 | 20,7 | 65,3 | 77 | 71,5 | 20,3 | 1,8 | 42,4 |
| Nov. 99 | 40,8 | 19,6 | 63,8 | 74,4 | 69,4 | 19,7 | 1,5 | 40,8 |
| March 00 | 39,7 | 18,4 | 62,2 | 72,5 | 66,6 | 18,9 | 1,9 | 39,7 |
| June 00 | 41,7 | 19,5 | 64 | 74,8 | 69,7 | 22,1 | 2,8 | 41,7 |

Source: National Employment Office.

*Employment rate is the ratio of the employed to the population of 15 years of age and over.

The shape of the curves of the employed men and women divided in age groups are similar. They follow the common tendency of decreasing employment rates. The women over 45 years of age are in a most difficult position and easily loose their jobs.

GRAPH 1. THE RATES OF EMPLOYMENT (%)



The counterpart data on unemployment also proves the tendencies pointed above. The lowest is the decline of the unemployment rate of those between 35 and 54 years. At a vulnerable position are the young generations. In June 2000, the share of the unemployed between 15 and 24 years was 20% of the total number of the unemployed. The group of the unemployed between 15 and 34 amounted to 46% of their total number in the same year.

TABLE 4. UNEMPLOYED AND UNEMPLOYMENT RATES BY AGE GROUPS (%)

| Months and Years of the Survey | Total Number (in thousands) | Unemployment Rates* (%) | | | | | | |
|--------------------------------|-----------------------------|-------------------------|-------|-------|-------|-------|-------|-------------|
| | | Total | 15-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65 and more |
| Sept. 93 | 814.7 | 21.4 | 47 | 22 | 16 | 14,1 | 17,6 | 13,4 |
| Oct.94 | 740.2 | 20.5 | 44,9 | 21,5 | 15,3 | 13,8 | 17,4 | 10,5 |
| Oct.95 | 520.8 | 14.7 | 37,7 | 15,2 | 11,0 | 9,8 | 8,6 | 5,7 |
| Nov.96 | 490.8 | 13.7 | 33,5 | 15,6 | 10,5 | 9,3 | 7,5 | 6,6 |
| Nov 97 | 534.1 | 15.0 | 36,0 | 16,3 | 11,6 | 11,0 | 8,7 | 7,1 |
| Nov. 98 | 556.1 | 16.0 | 36,0 | 17,2 | 12,6 | 11,9 | 10,8 | 8,6 |
| Nov. 99 | 576.9 | 17 | 36,7 | 16,7 | 13,8 | 14 | 13,1 | 7 |
| March 00 | 622.4 | 18.5 | 39,2 | 18,4 | 14,9 | 15,7 | 15,1 | 7,6 |
| June 00 | 559 | 16.3 | 33,4 | 17,1 | 13,8 | 13,6 | 12,3 | 3,5 |

* The unemployment rate is a ratio between unemployed persons and labour force.

Source: NSI.

According to the last survey on employment and unemployment (June, 2000) conducted by the National Statistical Institute (NSI), the highest is the relative share of the unemployed aged 55 or older. Practically they are the outsiders in the labor markets and

could hardly find a new job. The women (Graph 1) are with very low chances for starting new employment.

The duration of the job search of the representatives of the different age groups is quite good indicator for their different chances in the labour market. The following table represents the compared values of the relative shares of the unemployed in different age groups in the years 1994 and 2000 .

TABLE 5. THE DIFFERENCES BETWEEN RELATIVE SHARES (IN %) OF THE DIFFERENT AGE GROUPS OF UNEMPLOYED IN JUNE 2000 TO THOSE IN OCT. 1994

| | <i>Total</i> | <i>15 -24</i> | <i>25 - 34</i> | <i>35 - 44</i> | <i>45 - 54</i> | <i>55 - 64</i> | <i>65 and more</i> |
|-------------------|--------------|---------------|----------------|----------------|----------------|----------------|------------------------|
| | <i>years</i> | | | | | | |
| Less than a month | -1,8 | -2,9 | -1,9 | -0,6 | -1,1 | -1,6 | -3,2 |
| 1 - 5 months | -2,5 | -5,2 | -0,9 | -1,0 | 2,6 | -6,8 | -7,7 |
| 6 - 11 months | 4,9 | 4,6 | 5,3 | 4,7 | 4,5 | 7,0 | -12,6 |
| 12 - 17 months | 0,5 | 3,5 | -0,9 | 0,1 | 0,1 | 1,8 | 14,7 |
| 18 - 23 months | -0,5 | -0,5 | -1,1 | -1,2 | 0,6 | 0,6 | -3,3 |
| 2 years | -5,5 | -3,4 | -4,7 | -5,3 | -9,0 | -6,6 | -5,5 |
| 3 and more years | 5,2 | 4,8 | 4,1 | 3,6 | 2,1 | 6,1 | 3,4 |
| Unknown | -0,4 | -1,1 | 0,1 | -0,3 | 0,2 | -0,7 | 7,1 |

Source: NSI.

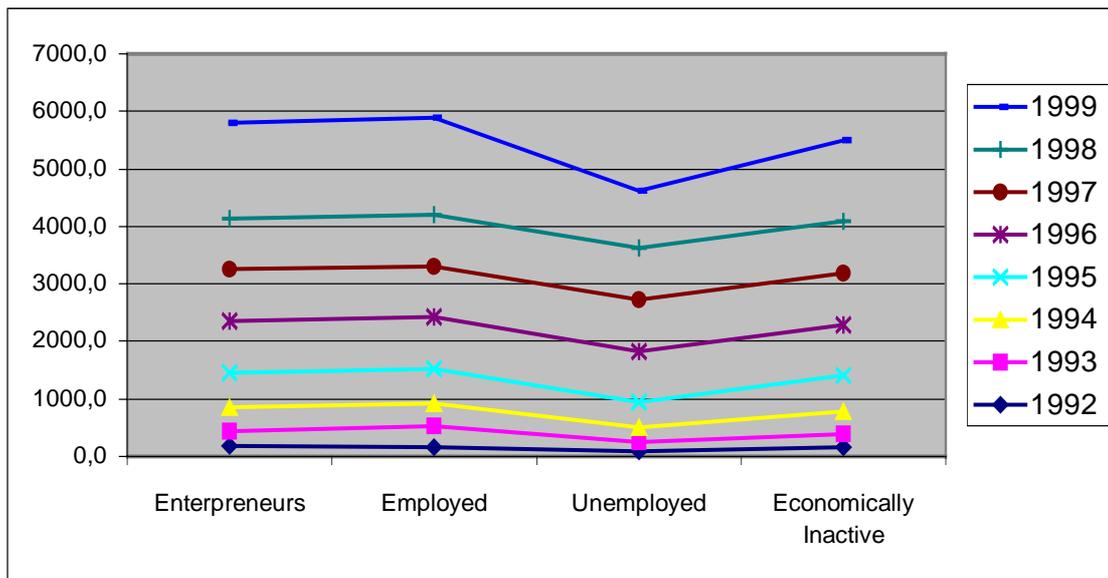
According to the increase of the shares of the different groups of unemployed the critical line in the search of job is between 12 and 17-th month of the spell of unemployment. The best are chances for employment for those between 25 and 34 years. The unemployed with lowest level of employability (for 3 or more years in the labour market) increase their shares and join the group of the discouraged workers. Well outlined is the highest increase for young people and aged ones. The fact that the representatives of the young generations can't find jobs and stay for long periods in the labour market is one of the worst consequences of all economic and social changes during the period of transition.

Having the results of the analyses on the structures of the unemployed (and employed) in Bulgaria it would appear that a relationship exists between unemployment and age. However, we are not in a position to say that this relationship is important, or that it is more important than those between the unemployment and other social characteristics as ethnic affiliation, educational status and region of residence, etc. In terms of statistics the importance of the relationship could be represented with measures of its substantive significance. According to the results of a logistic regression of probability of being unemployed as dependent on a set of personal characteristics, the most important factor for being unemployed was the ethnic background, followed by the age, educational degree, marital status, engagement in any form of training, region of residence. The nominal measures for association (Chi-square and Pearson coefficients) for urban unemployment proved that the highest was the probability of being unemployed for

representatives of different than Bulgarian ethnic groups and for those in low and high age groups.² It is obvious, that the age factor is of importance for being unemployed . As a rule, the impoverishment provokes unemployment and vice versa, other things equal. For more broad illustration of the level of the impoverishment of the households with unemployed members, their incomes per capita are compared with those in the other households with employed and inactive members.

GRAPH 2. TOTAL DISPOSAL CASH INCOMES* OF THE HOUSEHOLDS (PER CAPITA), ACCORDING TO THE ECONOMIC STATUS OF THE HEAD

The cash incomes are not adjusted to the rate of inflation..

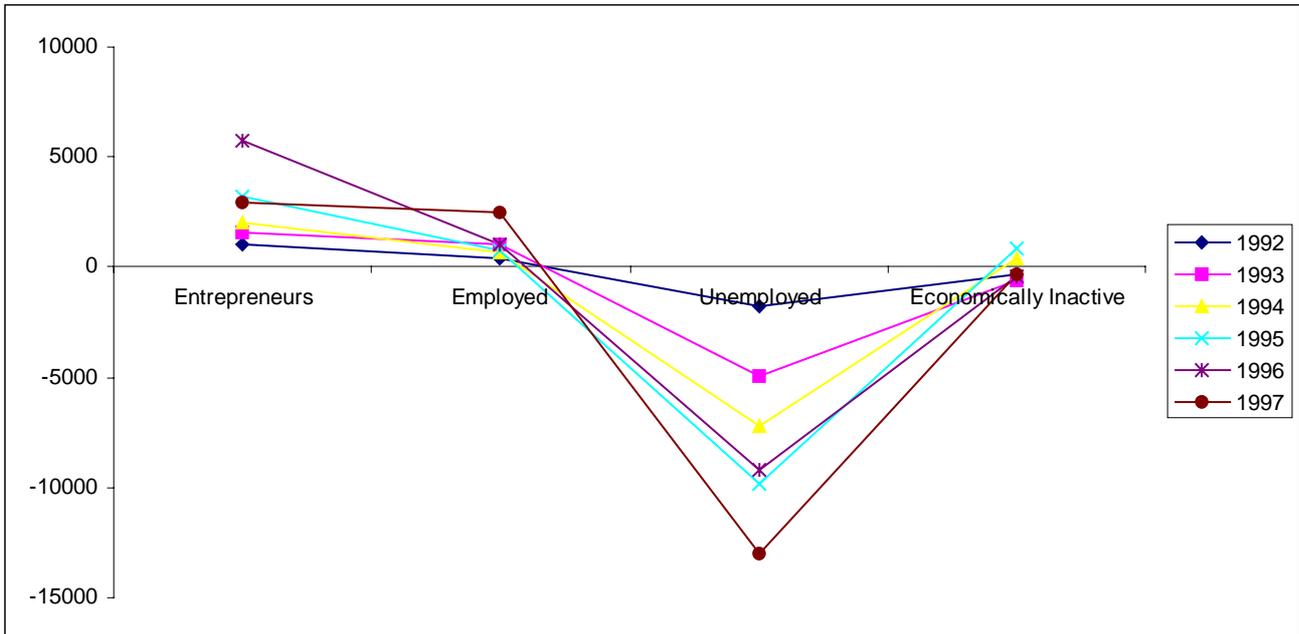


Source: NSI.

The fact that will have to be underlined is the deepening gap between the incomes of the households of the unemployed and of the other groups of households. Even the families with an economically inactive head are in a better position. The comparison of the curves starting from 1992 well outlines the deepening of these negative tendencies. For better illustration of the tendency, additional calculations were made up to year of introduction of the Currency board. In this period (1992 -1997) the data can be adjusted with the coefficients of the inflation and to be compared.

² The investigation was completed by the author in 1994 and its results were reported in: The ACE Quarterly, Journal of the ACE program, Issue N2, spring 1995.

GRAPH 3: DEVIATIONS OF THE REAL INCOMES OF THE HOUSEHOLDS (PER CAPITA) TO THE AVERAGE ACCORDING TO THE ECONOMIC STATUS OF THE HEAD OF THE HOUSEHOLD



Source: NSI.

The gap of the impoverishment of the unemployed is spectacular deep. As it was told, the representatives of the young generations and those in high ages before pensioning are most probable to be unemployed. Following this, it is safe to conclude that the levels of impoverishment of these age groups are highest. The roads out of the gap of unemployment and poverty for these people are quite steep and narrow, or just do not exist. For these reasons, the poverty of the households and individuals is one of the strongest factors for them to remain unemployed for long periods of time.

The results of survey study "Unemployment and risk groups" (1997)³ prove that there are strong tendency of impoverishment of the households with unemployed members of risk groups in the labor market⁴. It is possible from the data of this survey to prove why the impoverishment leads to decreasing labour mobility and chances of new employment.

The share of the expenditure on food (90%) prevails in the structure of consumption. Moreover 68,0% (more than one answer) of the respondents declared that they couldn't afford buying goods from a first necessity. The families with an unemployed head aged between 41 and 50 years were in worst situation. More than 90% of the respondents in this group evaluated the status of their families as continuously deteriorating. On a

³ The results were published in: Labour problems, 6/1998, p. 81 - 101.

The survey comprises 388 respondents that have been included in the program: "From social cares towards employment". The Government in 1996 initiated the program. The labour offices manage it. For this reason, the respondents came from a labour office "Triaditza" in Sofia and from all such offices in Russe district. The respondents are the registered unemployed at the labour offices.

⁴ These are the long term unemployed with high level of impoverishment that receive social assistance benefits.

second place was the group of those over 50 years. All of the respondents were very skeptic about the chances for finding new employment.

Conclusions: The data available on employment and unemployment in Bulgaria prove the low chances for being employed of young people (between 15 and 24 years); for the representatives of the group over 54 years; and for the women over 45 years. The impoverishment of the unemployed is stable and accelerating process in the last 10 years. The unemployment (and poverty) could provoke conflicts between the generations in the labor market and to cause impoverishment of the households and conflicts between their members.

2. CONFLICTS BETWEEN GENERATIONS CAUSED BY THE UNEMPLOYMENT

Two groups of conflicts will be presented. These are conflicts in the labour market and those in the families with unemployed. According to the different groups of social actors in the labour markets that could act as a party (side) in the conflicts, they will be divided in three groups. These are: conflicts between different age groups of unemployed looking for jobs; conflicts between the marginal age groups of unemployed and the social order; conflicts between the unemployed and the employers (managers) at the level of company. At the level of the families, the conflicts are those between the spouses, between parents and children.

A. CONFLICTS IN THE LABOR MARKETS

Conflicts between the representatives of the unemployed in different age groups are not frequently observed. For the moment, there are not studies available on such conflict and on the behavior of the unemployed.

In periods of (mass) lay-offs in the beginning of the transition, as a rule, the first group of fired people is those of the young employees and those in high age groups. Nevertheless, unemployed consider themselves as people in one and the same boat. On the surface, their interests seem to be quite common. They are connected with the future of the company, in which they were employed. The slogans in such cases are “that the company will not have to be closed”, and in this way – the vacancies will be not closed as well.

The main interests of the unemployed do not mean that it is easy to organize them. Just the opposite - they are manipulated by the politicians and are relatively easily involved in conflicts. The best examples can be found in the periods before the elections. This is a good sign that proves that there are differences in their positions as unemployed that are well used by political leaders. Also proves the need of further precise study of these differences as a resource for conflicts (including those, implemented from outside).

The high rate of unemployment of the young people and the insufficiency of the policies that promote their employment steadily foster **emigration**. This is one of the most frequently used ways that they choose to solve their conflicts with unemployment.⁵

⁵ On January 16th an unknown hacker broke into the Internet site of the Bulgarian president Peter Stoyanov. For more than 9 hours, instead of the usual information, on www.president.bg the following appeal for the young people to leave the country could be read:

In the same time, the acceptance of such strategy of leaving the country is a sign for deep conflicts between the young people, whole society and the social order.

According to the results of national representative survey study (Dec. 2000) held by Alfa Research Co. (Sofia, Bulgaria), 54% of Bulgarian mothers will advice their children to emigrate and only 40% of them – to stay in the country. At he end of 2000 - 49% Bulgarians would like to leave the country. In 1999 the share was 47% according to the same type of survey conducted again by Alfa Research. The main parts of those that want to emigrate are the young people up to 30 years old that live in the country side. The data prove that the willingness to emigrate is stable and has been created before the changes in the foreign policy in the year 2000. It will not be an exaggeration to conclude that not only the young people, but also their parents accept the emigration as a prestigious way of behavior and as a highly esteemed way of building professional career.

The increasing number of the **discouraged workers** is also an indicator for a conflict situation provoked by the high unemployment.

The discouraged workers predominantly are those in the high age groups after long spells of unemployment. In June - 2000, the share of those over 50 years was 61,3 % from their total number. The share of the young people (between 15 and 24 years) was 24,9 %.

Very alarming is the fact that the majority of this group (15%) is between 15 and 19 years. This group consists of young people who have quit secondary school. It seems that they enter the labor market with low chances for finding a job, or have been in this market for long enough periods to become discouraged. The latter two facts decrease their employability.

The **behavior of consumers of social assistance payments instead of wage earners** is typical for the discouraged in the high age groups. Such behavior is also a sort of conflict and a sign of corrupted social contract in the society. The ratio between the low (minimal) wages and the unemployment benefits is low and this group of unemployed does not have a strong stimulus to accept jobs with such levels of payment. As a rule they prefer to receive social payments and to top them up with incomes in kind coming from the household plot, or with other cash incomes from temporary jobs (or with those from the sector of the black economy).

Another sort of conflicts is the **acceptance of higher paid employment at any price and even in the black economy**. It is observed for all age groups in the labor market. The young unemployed however, more frequently perform it.

In addition, the unemployed in the marginal age groups prefer to look for a job not via the services offered by the labor offices, but through the assistance of relatives, friends etc. The fact is another important proof about the level of **confrontation between them and the labor administration**. It also proves that these services (and the policies in the

“Why did I do this? The answer is very simple – what else could I do when my parents live in misery, when I can not find a job because I am not a relative of anybody who is influential, when ¾ of my friends emigrated abroad...One might say “Oh no, not again. I know this story!” But, even the most ardent patriots reach a point when they start thinking that this is ENOUGH. One does not find any positive future prospects in Bulgaria and emigrates abroad.

I do not want to leave, but, as awful as it might sound, I do not have another choice. I suppose that at least half of the young people in Bulgaria support my opinion. I can only hope that the politicians will pay at least some attention on this fact.”

labor market) are not well designed in favor of people in a real need for finding new occupation.

TABLE 6. UNEMPLOYED BY METHODS OF JOB SEARCH AND AGE*

| Methods of search | Total | Age | | | | | |
|--|-------|--------------------|-------|-------|-------|-------|-------------|
| | | 15-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65 and more |
| | | Number (in thous.) | | | | | |
| Total number of unemployed : | 559 | 116,2 | 140 | 140,2 | 132,5 | 28,7 | 1,4 |
| | | Structure (in %) | | | | | |
| Total, of which searching job by: | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 | 100,0 |
| 1. Registration at public employment office | 55,2 | 46,6 | 57,1 | 59,6 | 58,2 | 47,0 | - |
| 2. Direct contact with employers | 16,7 | 16,2 | 17,9 | 17,4 | 15,3 | 14,6 | 28,6 |
| 3. Seeking assistance of friends and relatives | 49,7 | 56,2 | 47,4 | 48,4 | 46,0 | 56,4 | 71,4 |
| 4. Placing advertisements in newspapers | 6,4 | 7,5 | 5,9 | 6,3 | 5,8 | 7,0 | - |
| 5. Answering newspaper or other advertisements | 13,4 | 15,7 | 13,1 | 12,7 | 12,3 | 13,6 | 21,4 |

* More than one answer.

The group of **conflicts between unemployed and employees in risk age groups and employers at the level of companies** could be summarized as follows⁶:

First - Employers prefer to hire (and to keep the employment) of those with developed habits and professional skills for performing certain job. The representatives of the other generations are well taught to follow the discipline, to work in a team, to be more collaborative and to be friendly in their relations. In one word - they have developed certain capacity and habits for work.

Second - The professional qualification of the young people does not match the needs of the employers. The system of secondary vocational training needs structural changes.⁷

On the other hand, the vocational training do not receive strong incentives to change the structure of the taught professions. The reason is that employers are looking for

⁶ The reasons are formulated on the results of a Survey study on employment in Pernik region conducted by Club "Economika 2000" (March 2000). The region is one of those that have been specialized in steel producing and mining industry. It is under reconstruction and structural funds of the EU Commission will be used for the region in the following years.

⁷ In year 2000, the Ministry of education adjusts the structure of the secondary professional schools and colleges. Five of these schools will be closed at the end of the school year (2000 - 2001). The experts at the Ministry together with representatives of the employers' organizations analyzed the changes in the demand for professionals. On its base, the list of professions that are now studied in the secondary schools and in the colleges (these are 32 professions) will be revised following the requirements of the employers. The reform is at its beginning.

In the year of 2000, Club "Economika 2000" finalise a study on continuous professional education for the released employees in the style and mining industries. These industries are located near the town Pernik and are under reconstruction. The results from the study proves that the schools in the region preserve almost unchanged the structures of the professional qualifications that are studied in their schools.

employees with low levels of education and qualifications, because of low levels or the lack of investments.⁸

According to the data received from the National Employment Service, the structure of the offered jobs is dominated by positions for workers and for other categories (different from workers and professionals).

TABLE 7. STRUCTURE OF THE NEWLY REGISTERED JOBS (IN %)

| <i>Years</i> | <i>Total</i> | <i>For workers</i> | <i>For professionals</i> | <i>Other</i> |
|--------------|--------------|--------------------|--------------------------|--------------|
| 1994 | 100,0 | 32,2 | 31,1 | 36,5 |
| 1995 | 100,0 | 28,0 | 32,6 | 39,3 |
| 1996 | 100,0 | 23,0 | 25,4 | 51,5 |
| 1997 | 100,0 | 13,1 | 16,5 | 69,2 |
| 1998 | 100,0 | 18,8 | 32,1 | 49,1 |
| 1999 | 100,0 | 8,7 | 14,4 | 76,7 |

Source: NSI.

The majority of the jobs in the group of “other types of jobs” are those for people that have low education. In 1999 their share was 85%, in 1998 – 54%; in 1994 – 41,7%. This indicator well illustrates what is the real content of the ongoing reconstruction of the economy and the privatization.⁹ The indicator allows drawing conclusion that the process of restructuring has caused a shift in the demand for labour, concentrating it in the areas where unskilled and uneducated labour force is needed.

Young people are not inclined to accept positions that will need lower levels of education. People over 30 years that are bread earners more frequently accept such type of compromise. That is also one of the reasons for the higher levels of employment of those between 30 and 45 years and for the emigration of the youngsters.

Fourth – there are some signs of violation of the law on employment promotion from the side of the employers.

Some of the declared newly opened jobs are not actually additional job places. Employers keep certain contingency of workers that are periodically fired and hired again as newly employed persons. Or, in case the employer has two firms, he simply sends the group of the released from one firm to be hired in the other. In this way the employers are utilizing the subsidies given for wages for the new jobs.

B. CONFLICTS IN THE FAMILIES

Deterioration of the relations between the members of the families is frequently observed.¹⁰ The scarcity of the resources makes the adults feel as a burden for their

⁸ For this reason the educational system (the secondary vocational training and training courses) were not considered as a factor for increasing the rates of unemployment. For the moment, the structure of the demand for labour do not afford the education to play any role in the process - neither positive, nor negative.

⁹ It is quite reasonable that the plan for employment promotion of the Government for 2001 includes large number of new jobs in projects for building of new infrastructure. It is well known that this works are performed mainly by the low qualified workers.

¹⁰ The conflicts are outlined on the basis of the information received from the survey on "Unemployment and risk groups" (1997) that has been mentioned above.

children and vice versa. It also reflects the education and the health of children. Some of them have to leave school and to start any kind of work, even illegal.

The increasing number of the students that quit schools is a national problem, provoked by the impoverishment. For the school year 1999 – 2000 the drop out accounted 8% of the students from first to the twelfth grade. This means growing illiteracy of the young people.

Minority dropouts, in particular, create a vicious circle for them and for society. As minority students lag behind their classmates they isolate themselves and their communication problem aggravates and often limits their Bulgarian language skills. Ultimately, minority dropouts lead to isolation from society and from main economic activity.

The impoverishment also leads to tension between spouses. Most frequently it is observed for those between 41 and 50 years. The relative share of the respondents in this group was 3 times higher than the share of those between 21 and 30 years. Obviously the unemployment is one of the destabilizing factors for the families.

The young poor unemployed complain that the low incomes affect the intensity of their contacts with friends. The fact was proved by one fifth of the unemployed. The social contacts become more difficult and occur incidentally.

The poverty among young people leads to postponement of marriages.¹¹ In 1970 in Bulgaria, the average age for the first marriage of the men was 24,4 years and 21,7 years per women; in 1980 it was respectively 24,5 and 21,7; in 1990 -24,7 and 21,7; and in 1999 - 27,1 and 23,8 years¹². Some of the young people just reject such opportunity. One fourth of the unmarried respondents in the survey declare that do not want to have families until they change the status and have stable incomes. Such a postponement was typical for the young respondents between 20 and 30 years old. For the families with spouses over 40 years, poverty acts in the opposite direction. It leads to diminishing number of divorces. Some of the partners could not afford paying for the legal procedure of divorcing. This does not make them happier and takes off a significant part of their personal freedom and self esteem.

Conclusions:

- The conflicts listed above prove to be important for keeping the social peace. They could become a source of tension in the period preceding the coming elections in June 2001;
- The brain draining and the mass emigration of the valuable labor force imply that special priority should be placed on the employment of the young people;

3. THE CONTROVERSIAL RESPONSE OF THE GOVERNMENT TO THE CONFLICTS

A national plan for action in the field of employment in 2001 has been adopted. The main groups of problems that will have to be solved come from the high rates of unemployment; the mismatched between the supply and demand for labor; the

¹¹ The poverty is not the only reason, but one of the important ones. The postponement of the marriages is a commonly observed tendency even in developed countries and for off-springs coming from well - off families.

¹² Statistical yearbook - 2000, NSI, p. 6-7.

inequalities of the regional distribution of the supply and demand for labor. The aim is to solve these problems through developing the human resources on the basis for improving the quality of the labor environment and standards of living.

The priority actions will be the following:

- Improvement of the education system and of the vocational training and providing the labor with qualification adequate to the registered demand;
- Introducing a large scope of active policies for encouraging the sustainable employment;
- Approving the administrative capacity for realization of the active policies; modernization of the work of labor administration;
- Introducing decentralization and rationalization and the social partnership in the initiatives for development of the human resources.

Special group of measures will be directed to fight the youth unemployment. The measures in this direction include the following two groups:

First - Inherited activities from previous periods as:

National program for professional qualification and orientation, and for further hiring of unemployed at age to 28 years with high education and for those - up to 24 years with secondary education, that have not started any work after their graduation. Financing of the costs for professional qualification and for the wages (but not higher than the level of the minimal wage) for a maximum period of 12 months is provided to the employers from the latter fund "Professional Qualification and Unemployment" fund (FPQU).

National program for hiring the latter group of unemployed. Again the FPQU covers only the part of the wages that is up to the size of the minimal wage for the country for a period not more than 6 months.

Micro project "Together in the beginning" for encouraging the employment of young people in one of the border regions (Russe region).

Second - New initiatives:

- National program for social integration and professional realization of the orphans that have no family and have been educated in orphanages;
- Project financed by PHARE program for vocational training of young people in two regions of the country.
- National program for integration of the young people that have left school before completing secondary education

The program will be worked out. It will assure these people with free education and vocational training. It will aim at receiving at least basic education and the first degree of professional qualification. The aim is to improve the employability of this group. The scope of the initiatives of the government that have been planned is not satisfactory in terms of alleviation of the inequities of the generations in the labor market. In addition, the low effectiveness of already applied policies in the labor market does not produce a strong base for finding a general solution to the problems of the employed in general. Such conclusions came from a comprehensive research on the net effects of the programs in the labor market. It was held in 1999. According to the summarized results of the research, the Program for temporary employment (up to 5 months) in social works and other useful activities for the local communities had a positive influence on youth employment. It has the role of a temporal alleviation that eventually bridges the more stable employment. This Program, however, has received a negative net evaluation.

The Program for vocational training and changes in the level of the qualification previously acquired, helps the unemployed over 44 years to find more easily new jobs. The Program is not efficient for the unemployed with high levels of education; the periods of the courses are relatively short; some of them are not coordinated with the demand in the labor markets.

The subsidized employment, the ventures for employment and the stimulus for self-employment have positive net effects on all age groups. The subsidized employment is not useful enough for the young workers; the ventures have higher net effect for the young unemployed up to 30 years and on those over 44 years of age. Again, the young unemployed are the ones who use the program for self-employment in the best way.

The programs applied in the labor market have, in general, clearly positive effects on employment of the representatives of the marginal groups in the labor market. The general requirements towards these programs are towards expansion of their scope and better targeting. For the moment, these requirements are not met in a best way mainly because of the financial instability of the FPQU and because of the limited potential of the employers to share with the Fund the expenditure on employment promotion initiatives.

Consequences of the insufficient regulations (policies) for alleviating unemployment:

- Decreasing number of the labor force and stable tendency of its aging;
- Increasing burden of the economically inactive on the social assistance system;
- Broadening tendency of social exclusion of the marginal age groups of unemployed;
- Strong tendency for emigration of the young people that is followed as a survival strategy;
- .Dramatic drain of already created human capital;
- Constrains on the reproduction of human capital;
- Lowering the quality of the labor force and reproduction of this low quality (it is well known that the aging labor force is much more conservative towards the innovations and new qualifications);
- Reception of the work in the illegal sector of the black economy as a “normal” way of earning incomes, if others are not available for the moment;
- Inefficiency in consuming the unemployment benefits and the incentives given to the employers for opening of new jobs;
- Erosion of the family model;
- Avoiding for relatively long periods the decision for marriage;
- Growing illiteracy among the representatives of young generations and increasing number of those with low levels of education (below secondary);
- Ruined social contract between the young people and the society.

**APPENDIX: THE BACKGROUND OF THE PROBLEM OF THE INEQUITIES
BETWEEN GENERATIONS IN THE LABOUR MARKET**

**1. RECENT CHANGES IN THE DEMOGRAPHIC CHARACTERISTICS OF
THE POPULATION**

In 1998 the country was on 20-th place among the 46 European countries according to the number of population. It comprises 1 % of the total population in Europe.

The decrease of the population in Bulgaria started in 1990 and is accelerating ever since. The strong tendency of aging of the population is obvious. It is well illustrated by the increasing average age. In 1960 it was 32,4 years and in 1999 it reached 39,6 years (37,6 years for the population in towns and 44 years for those in villages).

The negative demographic tendencies in recent years are presented in the following table:

TABLE 1: MAIN DEMOGRAPHIC INDICATORS

| | <i>1997</i> | <i>1998</i> | <i>1999</i> |
|---------------------------------------|-------------|-------------|-------------|
| Population as of 31.12 (thousands) | 8283.2 | 8230.4 | 8190.9 |
| Urban | 5608.6 | 5596.8 | 5577.9 |
| Rural | 2674.6 | 2633.6 | 2613.0 |
| Population density per sq. km | 74.6 | 74.2 | 73.8 |
| Sex ratio (women per 1000 men) | 1048 | 1050 | 1052 |
| In towns | 1058 | 1060 | 1065 |
| In villages | 1026 | 1027 | 1026 |
| Age dependency rate - % | 47.9 | 47.4 | 47.2 |
| In towns | 40.3 | 39.8 | 39.5 |
| In villages | 66.6 | 66.7 | 66.7 |
| Crude birth rates (‰) | 7.7 | 7.9 | 8.8 |
| In towns | 8.1 | 8.5 | 9.3 |
| In villages | 6.8 | 6.7 | 7.8 |
| Crude death rates (‰) | 14.7 | 14.3 | 13.6 |
| In towns | 11.8 | 11.5 | 11.1 |
| In villages | 20.7 | 20.2 | 18.9 |
| Natural increase (‰) | -7.0 | -6.4 | -4.8 |
| In towns | -3.7 | -3.0 | -1.8 |
| In villages | -13.9 | -13.5 | -11.1 |
| Marriages (‰) | 4.2 | 4.3 | 4.3 |
| In towns | 4.8 | 4.9 | 5.0 |
| In villages | 2.9 | 3.0 | 2.9 |
| Infant deaths | 17.5 | 14.4 | 14.6 |
| In towns | 15.7 | 12.9 | 13.5 |
| In villages | 22.0 | 18.5 | 17.6 |
| Total fertility rate | 1.1 | 1.1 | 1.2 |
| In towns | 1.0 | 1.1 | 1.2 |
| In villages | 1.3 | 1.2 | 1.4 |
| Average age of the population - years | 39.2 | 39.4 | 39.6 |
| Urban | 37.1 | 37.3 | 37.6 |
| Rural | 43.5 | 43.8 | 44.0 |

Source: Statistical Reference book of the Republic of Bulgaria, 2000.

At 31.12.1998 the share of the population under 20 years old was 23,3% and those over 60 years were 21,7%. The shares mean that each 100 young persons under 20-years counterpart with 93 persons over 60 years. In 1960, the birth rate was twice higher, having approximately the same number of the population and contingent of women in fertility age.

TABLE 2. CHANGES IN THE RELATIVE SHARES OF THE TWO MARGINAL AGE GROUPS OF POPULATION

| <i>Years</i> | <i>Age group</i> | | <i>Age Dependency</i> |
|--------------|------------------|------|-----------------------|
| | 0 –14 | 65+ | |
| 1970 | 22,7 | 9,7 | 48,0 |
| 1975 | 22,3 | 11,0 | 49,9 |
| 1980 | 22,1 | 12,0 | 51,7 |
| 1985 | 21,5 | 11,5 | 49,3 |
| 1990 | 20,1 | 13,4 | 50,4 |
| 1995 | 17,7 | 15,2 | 48,9 |
| 1998 | 15,9 | 16,3 | 47,4 |

Source: National Statistical Office.

The one child family model is typical for Bulgaria. As a rule, the first marriage is postponed as long as possible, together with giving birth of the first child (and the only child in the majority of the cases).

The tendencies mentioned above are typical for the contemporary economically developed countries. In comparison with those in Europe, Bulgaria is on even worse position according to the main demographic indicators.

**TABLE 3. LIVE BIRTHS, DEATHS AND NATURAL INCREASE
PER 1000 AVERAGE POPULATION***

| Countries | Crude birth rate | | Crude death rate | | Rate of natural increase | |
|--------------------------|------------------|------|------------------|------|--------------------------|------|
| | 1996 | 1997 | 1996 | 1997 | 1996 | 1997 |
| Austria | 11.0 | 10.4 | 10.0 | 9.8 | 1.0 | 0.6 |
| Belgium ¹ | 11.4 | 11.4 | 10.4 | 10.2 | 1.1 | 1.2 |
| Bulgaria | 8.6 | 7.7 | 14.0 | 14.7 | -5.4 | -7.0 |
| United Kingdom | 12.5 | 12.3 | 10.9 | 10.7 | 1.6 | 1.6 |
| Germany | 9.7 | . | 10.8 | . | -1.1 | . |
| Greece | 9.6 | 9.7 | 9.6 | 9.6 | 0.0 | 0.1 |
| Denmark ¹ | 12.9 | 12.8 | 11.6 | 11.3 | 1.3 | 1.5 |
| Estonia | 9.0 | 8.7 | 12.9 | 12.7 | -3.9 | -4.1 |
| Ireland ¹ | 13.9 | 14.3 | 8.8 | 8.6 | 5.2 | 5.7 |
| Iceland | 16.1 | 15.3 | 7.0 | 6.8 | 9.1 | 8.5 |
| Spain ¹ | 9.1 | 9.2 | 8.9 | 8.9 | 0.2 | 0.3 |
| Italy ¹ | 9.2 | 9.2 | 9.5 | 9.6 | -0.3 | -0.4 |
| Cyprus | 14.9 | 14.2 | 7.6 | 7.9 | 7.2 | 6.3 |
| Latvia | 7.9 | 7.6 | 13.8 | 13.6 | -5.9 | -6.0 |
| Lithuania | 10.5 | 10.2 | 11.6 | 11.1 | -1.0 | -0.9 |
| Liechtenstein | 13.1 | 13.5 | 7.4 | 7.1 | 5.6 | 6.6 |
| Luxembourg | 13.7 | 13.1 | 9.4 | 9.4 | 4.3 | 3.7 |
| Rep. of Macedonia | 15.7 | 14.8 | 8.0 | 8.3 | 7.7 | 6.5 |
| Malta | 16.2 | 12.9 | 9.1 | 7.7 | 5.9 | 5.2 |
| Moldova | 12.0 | 10.6 | 11.5 | 10.0 | 0.5 | 0.6 |
| Netherlands ¹ | 12.2 | 12.2 | 8.9 | 8.7 | 3.3 | 3.5 |
| Norway | 13.9 | 13.6 | 10.0 | 10.1 | 3.9 | 3.5 |
| Poland | 11.1 | 10.7 | 10.0 | 9.8 | 1.1 | 0.9 |
| Portugal | 11.1 | 11.4 | 10.8 | 10.5 | 0.3 | 0.8 |
| Romania | 10.2 | 10.5 | 12.7 | 12.4 | -2.4 | -1.9 |
| Russian Federation | 8.8 | 8.6 | 14.1 | 13.7 | -5.5 | -5.1 |
| Slovakia | 11.2 | 11.0 | 9.5 | 9.7 | 1.7 | 1.3 |
| Slovenia | 9.4 | 9.1 | 9.4 | 9.5 | 0.1 | -0.4 |
| Turkey | 22.0 | 21.6 | 6.5 | . | 15.5 | 15.1 |
| Hungary | 10.3 | 9.9 | 14.0 | 13.7 | -3.7 | -3.8 |
| Finland | 11.8 | 11.5 | 9.6 | 9.6 | 2.3 | 2.3 |
| France ¹ | 12.6 | 12.4 | 9.2 | 9.1 | 3.4 | 3.3 |
| Croatia | 11.7 | 12.1 | 11.1 | 11.4 | 0.7 | 0.8 |
| Czech Republic | 8.8 | 8.8 | 10.9 | 10.9 | -2.1 | -2.1 |
| Switzerland | 11.7 | 11.4 | 8.9 | 8.9 | 2.9 | 2.5 |
| Sweden | 10.8 | 10.2 | 10.6 | 10.5 | 0.1 | -0.3 |

¹ Preliminary data.

* Source: NSI.

The main result of all those negative changes of the population in Bulgaria led to high dependency ratio and decreasing rates of the economically active population.

TABLE 4: THE RATES OF ECONOMIC ACTIVITY OF THE POPULATION

| <i>Month and Year</i> | <i>Rate in %</i> |
|-----------------------|------------------|
| Sept. 93 | 55,4 |
| Oct.94 | 52,4 |
| Oct.95 | 51,5 |
| Nov.96 | 51,8 |
| Nov 97 | 51.6 |
| Nov. 98 | 50.4 |
| Nov. 99 | 49,2 |
| March 00 | 48,7 |
| June 00 | 49,8 |

The aging labor force is not the best factor for development of an intensively growing economy. It provokes some intergenerational conflicts in the labor market. It also creates increasing burden on the pension system and affects its sustainability. It is obvious that in the near future the young labor will have to be well qualified and to have high levels of productivity. All these requirements insist on applying wide range of active policies in favor of the young people and for assuring them with good chances to live, work and love in their own country.

2. THE ONGOING STABILIZATION DID NOT CONTRIBUTE FOR OPENING OF NEW JOBS

The expected for year 2000 GDP growth of 5% according to the preliminary estimates did not make a positive impact on employment. The National Statistical Institute monthly data for year 2000 show a decrease in the number of employees. The growing number of people employed in the private sector cannot make up for the job cuts in the public sector. At the same time the public sector lowered the intensity of job cuts in the middle of 2000, owing to the slow-down of the restructuring and privatization processes. A disturbing fact however is the shrinking employment in privatized enterprises and in small and medium business: at the end of 2000 the larger part of the registered unemployed have been released by the private sector and the number of employees occupied in private business has been diminishing.

TABLE 5. EMPLOYEE DYNAMICS

| <i>Months Years</i> | <i>Employees by Sectors</i> | | <i>Total Employees</i> | <i>Chain Indices (%)</i> | <i>Base Indices (%) Dec. 1999 = 100</i> |
|-------------------------|-----------------------------|-----------------------|----------------------------|------------------------------|---|
| | <i>Public Sector</i> | <i>Private sector</i> | | | |
| Dec. 1999 | 1015 | 855 | 1870 | - | 100.0 |
| Jan. 2000 | 939 | 862 | 1801 | 96,3 | 96,3 |
| Feb. 2000 | 929 | 862 | 1791 | 99,4 | 95,8 |
| March 2000 | 923 | 866 | 1790 | 99,9 | 95,7 |
| April 2000 | 911 | 877 | 1788 | 99,9 | 95,6 |
| May 2000 | 897 | 887 | 1784 | 99,8 | 95,4 |
| June 2000 | 882 | 893 | 1775 | 99,5 | 94,9 |
| July 2000 | 844 | 898 | 1742 | 98,1 | 93,2 |
| August 2000 | 831 | 903 | 1734 | 99,5 | 92,7 |
| September 2000 | 829 | 904 | 1733 | 99,9 | 92,7 |
| October 2000 | 816 | 905 | 1721 | 99,3 | 92,0 |
| November 2000 | 826 | 892 | 1717 | 99,8 | 91,8 |

Source: NSI.

The data coming from the monthly surveys of BBSS Gallup also prove that in the year 2000 the economic activity of the population remained low. The full-time employed on an average monthly basis were 34,2% of the population over 15 years of age (as compared to 36,5% for 1999) and the part time employed were 3,8% (as compared to 4,1% for 1999). According to the data, the average monthly unemployment rate for the year 2000 is 20,3% as compared to 18% in 1999. 13

All these negative results in terms of employment come after certain positive changes in the macroeconomic indicators. The officially disseminated version of the Government is that for the last two years (1999 and 2000)¹⁴ a beginning of a process of economic stabilisation and even growth has been observed. These results came after the introduction of the Currency board in the country and after acceleration the privatisation process.

TABLE 6. MAIN ECONOMIC INDICATORS FOR 1999

| <i>Indicator</i> | <i>1999</i> |
|---|-------------|
| 1. Increase of the gross domestic product (GDP) in % to the last year | 2.4 |
| 2. Share of the GDP produced in the private sector (in %) | 65.4 |
| 3. Annual Inflation (CPI) | 1,8 |
| 4. Currency exchange rate (average per month) | 1.838 |
| 5. Deficit in the Consolidated Budget | -0,98 |
| 6. The Currency Reserves (at the end of the year) in billion USD` | 2,9 |
| 7. Registered unemployment at the end of the year (%) | 15,97 |
| 8. Average monthly wage (BG Leva) | 205 |
| 9. Average pension (BG Leva) | 67 |

Source: National Statistical Office (NSO).

¹³ BBSS Gallup monthly surveys.

¹⁴ The information for year 2000 used for drawing such conclusions was preliminary.

The final values of the indicators listed above provoke some doubts. The increase of the GDP is based on the high dynamics of the final (individual and collective) consumption. In 1999 it reached a record high share of 90.7% of the GDP. In 1992 it was 75.7% and in 1998 - 83.1%. These high shares are indicators of a sick economy.

The higher consumption has been provided with the increasing deficit in the trade balance (8,6% of the GDP in 1999 and 4,8% in 1997). The total increase of the import in 1999 was with 10% and for the import only of the consumer goods - with 33,1%. The latter were mainly luxury goods that do not correspond to the common needs of the population (cars and furniture, for example). Again such proportions are not good indicators for the consumption.

Indirect proves for the squeeze of the economic activity come from the decreases in the imported quantities of energy resources and raw materials. In 1999 the total sum of such imported resources and materials was with share of 2.5% (the increase in the average prices of the energy in the open markets was roughly with 40 %).

The increase of the unemployment rate is the most obvious indicator about the problems of the recent economy. Having such high unemployment, the only way to achieve the reported increase of the GDP is through higher level of the productivity of the labour. The prerequisite for such result comes from introducing of new technologies and improving the management (at national and company levels). There are no such changes observed in the Bulgarian economy.

The official statistics declare increase in the gross fixed capital formation and changes in stocks. It is based on increase of the stocks (from 0,1 % of the GDP in 1997 to 3,1% in 1999) The reasons for the latter are in the swelling prices of the investment goods, depreciation of the Bulgarian currency, difficulties in realisation of the produced goods. The increase of the stocks is a source of additional inflation and an indicator of a low economic rationality.

The increased investments (with 20.8% to 1997) in current prices are induced by the changes in the prices and the deflation of the domestic currency. Again it cannot be connected with improved economic situation in the country.

The registered negative trade balance (export - import) at the end of 1999 was 1064 million USD in FOB prices (on the base of the import registered with custom declarations). To a high extend it is caused by violation of the contents of these declarations. The sums declared are lower than the real levels of the total sums of the imported goods. The best example is the import of the alcohol and of cigarettes. In this way the real import is lower and via it - the registered negative trade balance is not real.

According to the statistics the share of the private sector in the GDP increases (have reached 65,4%). The number of the privatisation deals (more than 2920 in 1999), the amount of the privatised assets, the inflow of the foreign investments, increasing number of the employed in this sector are really impressive indicators. Unfortunately there are some serious reasons leading to the conclusion that the private sector in Bulgaria has not been enhanced so much. The share of the private sector in the GDP did not increase (it was 56,5% in 1997; 56,7 in 1998 and 65,4% in 1999. It is obvious that this sector, even if it was broadened, is not a dynamic one, and significant share of it is in the premises of the black economy.

The low inflation depends on the restriction introduced with the Currency Board, but not only on them. It was provoked with the dramatic decrease of the real incomes of the population. In addition to it is the influence of the low purchasing power and mass impoverishment.

The ongoing economic stabilization will have to be better managed and to lead to opening of new vacancies. This is the only indicator that will be highly appreciated by the population. It will be also esteemed as real result of the economic reforms. The new job offers will contribute for creating the grounds for solving the conflicts in the labor market, including those between generations, other things equal.

3. The welfare state in the period of transition in Bulgaria

In order to characterise the status and the changes in the social functions of the state, the common groups of direct and indirect indicators for the living standard will be analyzed. In 1998-1999, stabilisation of the decrease compared to previous years and even some increase has been observed in almost all indicators.

Real incomes of the population stop to decrease mainly because of the overcoming of uncontrolled rise of inflation after the introduction of the Currency Board.

**TABLE 7. DYNAMICS OF SOME OF THE MAIN SOURCES FOR INCOMES
(RATE IN %)***

| Years | Real annual per capita income of the house-holds | Real average wage | Real minimal wage | Real average pension | Real guaranteed minimal income |
|-------|--|-------------------|-------------------|----------------------|--------------------------------|
| 1991 | -38,4 | -39,0 | -23,2 | -29,3 | 11,7 |
| 1992 | 6,0 | 12,8 | -25,4 | -13,9 | -35,5 |
| 1993 | -4,5 | 1,1 | 7,9 | 4,2 | 24,8 |
| 1994 | -10,2 | -17,9 | -23,5 | -16,0 | -28,0 |
| 1995 | -8,1 | -5,5 | -13,8 | -14,7 | -15,8 |
| 1996 | -31,9 | -17,6 | -30,8 | -21,6 | -27,8 |
| 1997 | -15,4 | -18,8 | -25,0 | -25,4 | -28,8 |
| 1998 | 30,1 | 22,5 | 23,6 | 36,8 | 31,9 |

*Source: Statistical Yearbook, 1999.

Additional data shows that at the end of 1999 certain increase in all real incomes was observed, compared to December 1998. Highest was the rise of minimum wage (1.25), average pension (1.18) and social pension (1.12), and the guaranteed minimal income and minimal social pension increased by the lowest rate. After July, because of the increase in the rate of inflation, real incomes declined. The process continued till March 2000, when inflation stopped rising.

Differentiation in payment in the various economic sectors and incomes of the different social groups slowly decreased in 1998 in comparison to 1997.¹⁵ Differentiation of salaries of employees in non-budgetary organisations also decreases, compared to the levels in the budgetary sector. In 1996 the correlation was 74 percentage points, and in 1998 this figure was 27,6.

General conclusions for the up-to-date income policy are that the inflation pressure has been already overcome; the process of substitution of central regulation of wages by

¹⁵ Economy of Bulgaria till 2001. p. 103.

their direct negotiation progresses; finalise the reform of payment of budgetary sphere employees is to come soon.

Social direction of income policy has been demonstrated. It comprises higher increase of minimal payments in comparison to other incomes.

Income stratification increases. The process develops as a transfer of the incomes from the poor towards groups with high levels of income.

The Gini's coefficient is diminishing from 0,36 in 1995 to 0,34 in 1996 and 0,341 in 1998. The other desegregated indicators also confirm the tendency of sustaining the inequality.

TABLE 8. INDICATORS ABOUT THE INCOME INEQUALITY *

| <i>Indicators</i> | 1996 | 1996 | 1998 |
|--|------|------|------|
| The ratio between the total income of 20% of the households with highest and lowest income | 6,5 | 5,8 | 5,9 |
| The relative share of the incomes of the households in the total income: | | | |
| Of the 20% of the households with lowest incomes | 7,1 | 7,2 | 7,2 |
| Of the 20% of the households with highest incomes | 43,2 | 42,1 | 42,6 |

Source: Budgets of the Households, 1999.

In 1999, the trends of the real incomes are not so steeply declining as in 1998 and 1997. The following trend has been observed¹⁶: the value of most incomes increased compared to 1998; the growth rate is lowering from July due to the increasing inflation. Consequently – the purchasing power is decreasing as well.

The **social protection system (first and second social protection networks)** has been reformed significantly. According to the main principles of the ongoing reform the sum of the incomes under social taxation decreases. The minimal contribution for all of the social insurance cases is 35,7%. The share will be calculated on the total sum of the incomes received as a wage (salary) plus those received for a work under a civil contract. The experience till now proves that the working population is trying to hide some of its incomes. The best way for this purpose is the work in the black economy.

The main component of **the social protection system** develops according to the rules in the new laws (legislation). The most important among them are the Law on Unemployment and Promotion of Employment, Code of the Pension System.

The pension reform envisages introduction of three pillars pension system. It comprises the mandatory universal social security, mandatory supplementary social security and voluntary supplementary social security. It aims at:

- improving the level of social security for the current and future pensioners;
- achieving social parity of the pension system;
- stabilising the social security system financially in the short and medium term;
- diversifying the social security system and combining the advantages of the capital-expenditure social security with those of the mandatory, voluntary, universal and professional social security.

The development of the legislation on pension system proceeds further with adoption of the Supplementary Voluntary Social Security Code in 1999. The implementation of the new legislation in the near future will face some problems as the development of the

¹⁶ Annual Early Warning Report 1999, p. 43.

regulatory acts; improving the institutional capacity; increased social security burden on individual incomes (from 4,5% to 9%); the resistance and preparedness of the society to accept the changes in the pension system.

The main (permanent) problem of the social security system (and the reform of the pension system as well) is its financial stability. In order to avoid such problems, some changes have been introduced in 1999, such as:

- raising of the social security income base, on which social security contributions are paid for some social beneficiaries;
- lowering of social security expenditures by restricting certain more liberal opportunities for access to short-term social security payments, i.e. the so called short-term social security;
- re-distributing social security contributions between the Social Security Fund and the Health Insurance Fund.

The forecasts for the coming year are negative and include possible development of some factors that could threaten the financial stability of the social security system. They include the slow growth of salaries, which form the base for computing social security contributions and the decrease of employed and social security beneficiaries. The latter will impact negatively the beneficiary coefficient.

The Social Assistance System develops under the Social Assistance Act. Depending on the degree of the impoverishment of the population some special programmes for social aid have been implemented. In 1999, for example, this was the targeted energy assistance programme. The social assistance suffers from the same problem as the whole social security system – the lack of financial stability.

The National Health Act and Health Insurance Act regulate the current health care system. The mandatory health insurance mechanism is the keystone of the new system. Three groups of medical services are distinguished in the above two acts. Specific kinds of free medical services are also distinguished. First, specific kinds of free medical services, as per article 3 of the National Health Act (emergency help, stationary psychotherapy, mandatory immunisation and blood transfusion, haemodialysis, and medicines for specific diseases, which are also provided free of charge by the state). Second, medical services expenditure is covered by the mandatory health insurance (mainly basic medical care). Third - services such as surgery operations and hospitalisation.

In the area of basic medical services a National Health Insurance Fund was created to act as an intermediary between health care providers and patients. Significantly, this body is governed by a board of representatives, the majority of which are State representatives.

In the process of transition, most of the national health indicators have deteriorated (high mortality rate, low birth rate), mainly as a result of problems associated with demographic trends of the country. Also there seems to be an increase in the infant death rate and in the overall death rate. The trend is towards lowering of the average age of those suffering from diseases and cancer - a factor, which is of considerable social importance.

The issue of the prevention has also become crucial for the health care system. Some of the main socially important diseases among children as spinal curvature, as well as, cancer for the adults are no longer covered by the current health care system. Also some of good prophylactic practices disappeared (the periodic fluoro graphical examination for lung cancer, for example).

One of the main reasons for the deteriorated health care is the status of its facilities. In the process of transition modernisation of facilities is not fast enough.

The School Reform will have to balance the modification of the school network with the works for prevention of current dropouts. The closure or modification is due to demographic reasons. The number of children decreases. But there is a problem with the increasing rate of students' dropouts as a result of the emigration abroad, health problems, family reasons, and internal migration when students leave one school without being reported to have enrolled in another.

The Law on Education provides for administrative penalties, usually fines, for parents who stop their children from going to school. Experience has shown that this mechanism does not yield the desired results.

In 1998, after the introduction of the Currency Board, certain stabilization of the decline of welfare indicators has been observed. Expectations are for a social change from survival strategies towards strategies reflecting development. In the second half of 1999 the deepening of the economic crisis has resulted in strong deterioration of the living standards and unemployment. In this range of problems, those of the impoverished families will have to be solved with priority.

3. POLICIES IN THE LABOUR MARKET

The wide diversity of active and passive labour market policies in Bulgaria are applicable for countries with completed transition to market economy and for economically developed countries.

- Unemployed receive unemployment benefits after losing their job, benefits for long-term unemployed, employment benefits for part-time employment and for participation in vocational training courses;
- Active labor market policies constitute employment counseling services, creation of conditions for minimum employment, vocational training and re-training, support for job placements, specialized services for starting a business;
- The composition of the Vocational Training and Unemployment Fund resembles the classical modern security fund with the way social security contributions are collected, with its autonomy from the central budget and with its transparency and tripartite management.

The regional dimension of labor market policies and the implementation of specific regional employment programs fall within the process for improving public spending of available resources for job creation by re-allocating these resources regionally to the most destitute groups of the population. So far, regional labor market policies were implemented with respect to:

- The Public Works Employment Program (i.e. the Temporary Employment Program) – municipalities are given quota job openings for a period of five months for long-term unemployed.
- From Social Services to Employment Program – this program contains a regional dimension to a certain extent where job placement of unemployed is under the Temporary Employment Program; in addition this program places unemployed in jobs, which are not subsidized;
- Support to unemployed for occupational mobility in finding a new job.

Specific regional employment programs have been implemented in almost all regions since 1999. Their objective is to sustain existing jobs and encourage sustainable employment in enterprises of key importance for the economy of the region. The activities of the 19 Employment Associations also contain a regional component and implement employment programs for unemployed in regions in critical condition. In addition, the Program for Literacy, Vocational Training and Employment is also a regional program and is implemented in municipalities (regions) with Roma population. The program aims to improve the chances of this population in finding employment.

The scale of labor market policies implemented so far depends primarily on the available resources of the Vocational Training and Unemployment Fund. For a long period of time until 1998 when the Unemployment Protection and Employment Incentives Act was adopted, this Fund had to perform unusual social functions and its resources were borrowed for other purposes.

Over the past 3 years (1998, 1999 and 2000) resources for active labor market policies have drastically declined. The revenues of the Vocational Training and Unemployment Fund are limited due to the reduced number of employed and the subsequent reduction of contributions to the Fund. Expenditures for unemployment benefits have increased to a large extent due to the rising number of unemployed after the initiation of structural reforms in the country; due to the higher value of unemployment benefits (as a result of the updates of the minimum wage); due to the higher social security contributions (16% higher) paid for registered unemployed by the Fund. At the end of February 2000, resources in the Fund were at its critical minimum. Therefore, one can conclude that there is an immediate necessity for a more efficient spending of the limited resources of the Fund by restructuring its costs. Recommendations for implementing this finding include:

- Resources for unemployment benefits should be spent in accordance with the social security contribution paid to the Fund;
- Improved targeting of labor market policies at the regional level; support for their successful implementation; efficient and operational monitoring.

The first recommendation can be implemented by abolishing the current disbursement of benefits for long-term unemployment and lump sum unemployment benefits to unemployed in case of liquidation or financial restructuring of enterprises. Subsequently, these payments can be transformed into funds for job-hunting. Furthermore, the right to social assistance benefits should be separated from the mandatory requirement to register as unemployed at the labor offices. More specifically, the disbursement of these benefits should not depend on a regularly maintained registration of unemployed by the labor offices but on the results of assessment questionnaires filled out by the poor unemployed and on the remaining additional requirements, stipulated under the law on social assistance.

The second recommendation for improving targeting of labor market policies is specific and objective by nature. It depends on an in-depth knowledge of the characteristics of the unemployed, as well as on the capability of the local economy for opening new jobs. At the same time, research and ongoing monitoring of regional demand and supply of labor commands the introduction of specific tools for assessing the risk and risk groups in municipalities with critically high unemployment rates. It is a must to elaborate and introduce in the practice mechanisms (based on objective information) for re-allocating the limited financial resources of the Vocational Training and Unemployment Fund to municipalities in the most critical condition, as a result of high unemployment rates.

The basis for the desired changes is **the stability of the active policies in the labor market funding**. This is expected to be achieved by:

- Combination of funds that cover expenditures with capital type funds (or capital type of a part of the social security accounts);
- Review of the tax policy and existing practices of wage negotiation in order to provide more active contribution of insured persons;
- Combination of the opportunities provided by different funds that encourage employment in implementing regional and sector programs;
- Systematic and efficient control on the collection of social contributions and their spending.

Negative effects of the limited role of the social state on the labor market that should be overcome in short perspective:

Financial resources for social benefits and severance payments should be transformed in resources to promote employment.

It is necessary to correct existing high expectations for active policies in the labor market. For a long period they are the only policies for employment promotion. For this purpose, resources for these policies should be combined with other resources received from other employment promotion programs.

Improvement of effectiveness of state's social functions in the labor market will contribute to open the informal sector and to legalize the gray economy.

The overcoming of these negative effects definitely will contribute for preventing the conflicts in the labor market, as well as the other conflicts and reasons for high unemployment.

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