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BULGARIAN EXPERIENCE IN LABOR MARKET DEVELOPMENT

Abstract:

The political changes of the early 90-s of the twentieth century in Bulgaria lay the foundations for the development of a real labor market and major reforms in the hitherto existing social protection systems and the development of human capital. The transition from a centrally planned to a market economy in Bulgaria results in huge transformations in the ownership and structure of the national economy. These processes lead to a significant downturn in the functioning of the national economy. In these adverse economic conditions, the development of the labor market and social protection policies go through many turns due to the inconsistent policy of frequently changing governments and their different attitude towards policies on unemployment and employment. Further, the entrance of the country into the European Union challenged again the still developing economy and social system which soon after that are deeply influenced by the economic crises. The study presented outlines the main characteristics of different periods of labor market development making analyses of the statistical data available and it provides conclusions on the topic in close connection to the development of economic and social policies.

Keywords:

employment; unemployment; labor; social; policy; development

JEL Classification: J45, J01, J08

1. Introduction

After World War II the actually existing conditions for full employment enabled almost all countries to focus their efforts on the issue of labor efficiency, the behavior of the participants in the labor process, the attitude to labor. After the 70^s essential changes happened in the economic and social life worldwide and they had an impact on „attitudes” egarding labor and labor relations in the strict sense of the term. The widening gaps between the demand and the supply of labor brought to the focus of attention a concept of the labor market in which the main emphasis was on the relation between employers and employees. Major signs of the so called „black economy” and „black labor market” came into existence. Quantitative and qualitative discrepancies, on the one hand, resulted in measures for reducing the labor supply and, on the other hand, in measures for stimulating the labor demand. The marginalization of certain groups of the population and the rising inflation were important issues in this period. The structural changes in the economies were of such a nature that the use of the old methods for regulating employment and unemployment were already inadequate.

At that time Bulgaria and the other socialist countries, which had been subject to the idea of „full employment” for more than half a century, suffered the heavy consequences of the transition and the economy restructuring, which seemed to be the most severe in employment. Bulgaria turned out to be relatively unprepared to meet the challenges of the market economy in this field also because of the lack of public attitudes towards greater personal activity, personal responsibility and entrepreneurship. The expectations for a change were linked again and primarily to the role of the state.

On the other hand, the reduction of the share of industry in creating GDP and in aggregate employment is a natural process marking the transition from industrial to information society. This cardinal change in the structure of national economies is often accompanied by a radical change in the professional careers of the employed, a rise in unemployment and poverty, exacerbation of social conflicts (Kazakov, 2001). The transition from industrial production to development of different types of services is difficult and often has a high cost.

The deindustrialization in Bulgaria has a number of specifics and as compared to Western economies, it was determined not so much by the natural course of the economic development, but rather by the initiated political changes and

policy reforms for transition to a market economy. So the process of deindustrialization had to solve both economic and political tasks: the economy had to become efficient and competitive, but together with that it had to change its ownership, scales and features. The reforms began with the change of ownership, the restriction of monopoly and environmental pollution, the eradication and limitation of inefficient industries, and it continued to the establishment of a functioning market economy, corresponding to the standards and the rules of the EU policy and the requirements of the globalizing economy. These two essential transitional periods- to a market economy and to integration into the EU - led to a radical restructuring of production and employment. Unlike in other countries in Central and Eastern Europe, going through similar transitions, in Bulgaria these processes had a high social cost and significant impact on the incomes of the population, its security and employment.

2. Analysis of labor market development in Bulgaria

2.1. The heritage from the beginning of the transition to a market economy

In the years of socialism, the state policy was aimed at preventing unemployment, which was happening at the expense of economic efficiency and productivity. New job positions were opened all the time and all available labor resources were mobilized to participate in production. The mass accumulation of fixed capital and the major investments in development of the human resources of the country did not contribute to a stable and continuous growth of productivity. There was development of the so called hidden unemployment connected with the inefficient use of the already employed workforce, loss of working hours for various reasons, low labor intensity and others (Terziev, 2015).

By the mid-70s the economic growth was based on a continuous increase of the used production resources (workforce, investment, raw materials and materials, energy)- in proportion to the increase of production or at a faster rate. Long before the end of the 80^s, it started to become clear (and that's why the question was openly posed) that a further increase in production could not be provided following the previous extensive path, i.e. through a steady increase in production factors. Attempts were made for a shift to an intensive type of development through increasing the labor productivity at a faster rate, in terms of used resources and production. However, the conditions for this development were not provided - modernization of production, new

technologies and techniques and economic incentives for the employed in a more productive labor. The deceleration of the economic growth rate in the 80^s, related to the detention and decline in the labor productivity, increased hidden unemployment. Serious difficulties came out to maintaining the achieved standard of living of the population (Shopov et al., 1996; Terziev, 2013).

The distribution of the workforce between sector activities, sectors and economic regions was done administratively. Insofar as under these conditions it could be assumed that there existed a labor market, it had the following characteristics (particularly in the last decade) (Terziev, 2015):

- the labor demand exceeded the labor supply, i.e. the number of jobs was more than the number of the employable persons;
- high level of employment of the population, including women. Virtually all employable persons, who did not continue their education in regular training and were not in the army, but were healthy, were involved in the economy, that is, were employed;
- relatively low wages and little differentiation in the level of pay for various groups of employees (by education, professional training and qualification, working conditions and other factors for differentiating wages);
- continuous improvement of the level of education and professional training of employees, mainly at the expense of the younger generation, regardless of the low wages of skilled labor, often lower than the ones of the labor of workers with low education and without vocational training;
- universal and guaranteed employment, a high degree of protection against dismissal, until in fact the employee himself/herself wanted to be dismissed;
- controlled movement of the population and especially of the workforce to the large towns;
- mandatory distribution of jobs to the university graduates and the graduates from other professional schools (up to the early 80^s);
- substantial share and priority of social benefits in enterprises in labor costs and motivation to work in one or another organization such as opportunities for early retirement, protection against dismissal- especially before retirement, before birth and for mothers with small children, disabled and

others; provision of accommodation or hostels by the enterprise at symbolic prices; mandatory paid leave for childcare (up to the age of 3 years of the child) and continuing education with preservation of the workplace; free or relatively low-priced dining in the enterprises; cheap annual family holidays by the sea and/or at the mountains; purchase of food and other products from the enterprise at low prices; use of free medical, dental, preventive and sports services in the enterprises; use of low-priced childcare places at the enterprise; scholarships for the studying children of long-time employees of the organization and others.

In the second half of the XX century, the economy of Bulgaria changed from a typical farming to a highly industrial one. In the early 50^s the predominant share of the production and of the employed was in agricultural production. The executed collectivization of agriculture in the 60^s and the intensively pursued policy of industrialization radically changed the structure of production and employment. More than one million agricultural workers changed their occupation with one in other sectors - mainly industry and at much lesser extent, construction and services. The share of industrial production and employment was continuously growing and at the end of the 80^s, by share of industrial production, investment, long-term assets and employees, Bulgaria had the characteristics of a typical industrial economy (Vladimirova, 1992).

Several years before the beginning of the transition, in accordance with the ongoing at that time attempts to reform the socialist economy, the distribution of the workforce and its mobility was freed from administrative interference. The very beginning of the transition to a market economy coincided with the realized liberalization of the movement of the population and the workforce - in and outside the country, between different settlements and to large towns; wages; employment and dismissal and others (Vladimirova, 2000).

The first half of the 90^s was a period of economic reform: establishment and development of markets, including the labor market; a change in the pattern of employment and formation of adequate policies to address the social problems arising from the privatization, the structural reforms and the evolved unemployment and impoverishment of the population. Since the late 90^s a policy of EU integration was pursued and related actions of strategic plan character were carried out on reduction of unemployment and increase of employment. Strategies were adopted (including the Employment strategy

and national plans) for linking the economic development with job creation (Terziev, 2015).

The inherited (considerable in volume and diversity) social benefits enjoyed by the population at the time of socialism led to a kind of turn in the situation during the transition. On the one hand, people expected that they would be preserved and on the other hand, the budget constraints, the poor financial situation of the enterprises, the uncertainty on the part of the management team regarding its own future and that of the organization proved to be an obstacle to this. In practice, the costs of these benefits increased labor costs, reduced profits, worsened the economic conditions of the transforming state enterprises and for the newly established small private enterprises there was a lack of practice and often desire or inability to stimulate and motivate the staff (Dulevski, 1998).

The foundations of industrial relations, completely unknown and undeveloped at the time of socialism, were laid during the years of the transition to a market economy. This happened in the early years (1989-1990) and in the subsequent years they developed and enriched. The legislation established the principle of tripartism and determined the subject of the three-way partnership (regulation of labor and social security relations and issues related to the living standards of the population), regulated the manner of the state partnership with the representative organizations of employees and workers (consultation and cooperation), determined the basic criteria for representativeness of the organizations of employees and workers and of employers (membership, representation of sectors, availability of national and regional structures).

The development of the labor market followed the main trends in the economy- restructuring, privatization, liquidation of inefficient industries and activities. Throughout the first period there was a high labor supply and a shrunk, very limited demand. This turned the low employment and the high unemployment into a significant social problem for the successful integration into the EU (Terziev, 2013).

The changes in the volume of production affected the unemployment and employment rate of the population. The quantitative determination of the dependence outlines the lagging response to the unemployment, which resulted in about three times smaller change in its rate compared to the relative change in GDP. This was mainly related to three factors. If interpreted

more broadly and updated, these factors reveal some overt and covert, indirect signs of unemployment, employment and labor productivity; intractable differences between the statistically tracked and the actual dimensions of unemployment. These factors include the following major impacts (Terziev, 2015):

- In cases of a significant and prolonged decline in production, the process of dismissing employees is accelerated, although it is possible that this process runs with a different intensity. The unemployment rate increases at a slower pace (and not similar), because for different reasons less (but not all) of the total number of dismissed workers additionally fall into the group of unemployed.
- One part of the discharged people relatively quickly orients to self-employment, entrepreneurship (mostly in the field of small business), others give up participating in labor activities, i.e. go into the group of economically inactive persons.
- Every more significant and lasting decline in production affects the length, forms and nature of employment. The number of persons employed part-time is increased. Because of the fact that the volume of production is reduced, due to the dropping revenues and profits, companies seek to reduce their costs in order to get quickly out of the situation. Very often this results in a decline in labor productivity and GDP growth rate. Part-time employment can be regarded as a form of flexible employment, attainment of freedom of individuals in relation to the duration of their work time, but also as an „intermediate” labor indicator that is formed on the border between employment and unemployment, because human resources are underutilized, employees receive a not rhythmic, significantly smaller pay which does not satisfy them. Thus, although formally employed, part of the employees can be defined as hidden unemployed. In practice, especially during the first period of the transition, the employment in many enterprises did not comply with the definition of employment, the longitude of the working time, the labor productivity and the receipt of remuneration did not match the established standards. The employment of these people was more limited and less reliable than the regular one. This happens mainly in case of deterioration of the global economic growth of development, production limitations for individual enterprises (markets, supplies,

cooperated supplies, etc.), resulting in deteriorated production and financial results and increased likelihood of mass layoffs (dismissals, discharges).

Significant development happened in the informal economy and employment, there was a particular increase in the insecurity of employees and the ones who had lost their job. Bulgaria registered the highest decline in employment: in the period 1989-2000 the decline was 34.3%, in Romania- 17% (1987-1990), in Hungary- 9% (1992-1998), in the Czech Republic- only 4% (1985-1993) (Data presented according to the Annual surveys on the labor market in the country). In 2002 the number of the employed in Bulgaria was one-third less than the number of the employed in 1989, mainly due to the reduction of the employment in manufacturing. The growth of the employment in construction and services failed to offset the mass layoffs in the industrial sector. To avoid at least taxation or because of financial distress, irregular incomes and the uncertain future, some of the companies did not report the total volume of goods manufactured or concluded transactions and sales. This effectively reduced the volume of GDP produced in the country. For households, the relatively high income from family farms kept stable.

2.2. Structural changes in employment

The sphere of services is crucial in the modern structure of the Bulgarian economy. Its share in different years was approximately 60%. These industries have a scope for development and, on the other hand, they have a relatively high potential to increase employment, because they are more labor intensive. But they require and hire more workers with lower education and without appropriate professional training, for a lower pay, under fixed-term or civil contracts or without contracts, for seasonal or temporary employment.

The industry branch, most affected by the process of privatization and reorganization of the corporate activity, gradually overcame its lagging behind and already predisposed to increased employment. Since 2005 there has been a rise in the number of the employed in the manufacture of food products, textiles and clothing, leather processing, wooden material and others. Because of the predominant development of activities with high labor intensity, even the productivity growth of about 7-8% annually, recorded during the last years, is not enough. Prevailing are small and medium-sized enterprises which have limited opportunities to generate jobs and growth. They often change employees, that is, they have a high turnover of employees.

The unfavorable situation is predetermined by the choice of models and approaches for economic reforms and their slow and inconsistent implementation.

The more significant changes in the employment of the countries in Eastern Europe, including Bulgaria, have been the following (Terziev, 2015):

- a drastic reduction in the employees in the public sector - with a different rate for each country. There is an increase in the number of the employed in the private sector by way of privatization and development of SME.
- significant reduction in the number of the employed in industry and an increase in the number of the employed in services;
- development of a new structure of employment (by status) and emergence of a trend of increase in the number of self-employed, entrepreneurs and employers;
- development, albeit with different scales in the countries, of the informal economy and employment;
- diversification in the forms of employment and employment contracts, as a rule reducing the security and stability in employment, and others.

For many years the registered unemployed exceeded the number of the vacancies many times. Among the registered unemployed dominated the high proportion of women, young people aged up to 29 and those over 50 years, low-educated and long-term unemployed. By parameters of unemployment Bulgaria ranked in one of the first places among the European countries. In 2000 the unemployment rate was 12.4% on average for the region, for Bulgaria- 19.7% (the highest) and in other countries- 18.2% (Lithuania), 6.9% (Slovenia), 7.2% (Hungary) and 7.4% (Czech Republic). The unemployment fluctuated from its lowest level in 1990 (1.5%) to 17.9% in 2000 and 2001 (Data presented according the information provided by the National Statistical Institute). Its annual change was uneven and was related to the irregularity and the slowdown of the economic reform aimed to eradicate or strongly limit the inefficient industries. During the 90^s the economic growth was also uneven- with more economic downturns, but with booms during some years. Therefore, the unemployment was changing unevenly and ambiguously, but remained high. At the same time, during this period the employment of the employable population declined dramatically. The proportion of the people of

working age, who were neither employed, nor registered as unemployed, grew and reached the rate of the registered high unemployment. Only after 2000 the employment began to grow and there was a decline in the economically inactive population.

Among the reasons for the few significant changes in the unemployment in the 90^s were mostly mass layoffs of employed in the public sector and in large state or privatized companies after the reorganization of their activity, the outflow of qualified specialists in intensive emigration flows and others. Some of these factors were temporary, short-term, and transient. The decline in the level of employment during the period from 1995 to 2001 can be considered as a sign of the increasing efficient use of the available functioning capital and the employed workforce. This trend, however, turned for the period after 2001. The unemployment rate for the fundamental 1990 was too low, unrealistic (1.5%), but this was the beginning of the unemployment officially registered in the country over the past four decades (Terziev, 2015).

The changes in the actual and cyclical unemployment were closely related to the process of market transition, with the experienced deep financial and economic crisis and the recently set under control variation in the growth rate, although they happened relatively smoothly and monotonously. In the first 2-3 years of the period, the unemployment dynamics was characterized by an explosive drastic increase and a sharp drop in 1994. In the remaining years of the period it was oriented towards a more moderate rate. So in 1993-1994 the unemployment rate fluctuated mostly within a more narrow range, regardless of the collapses, the booms or sometimes the large variations in the rate of growth, showing only occasional distortions. The proportion of the structural unemployment grew, driven by the simultaneous introduction of radical branch, product and technological reforms and restructuring of the national production. The provided benefits and other social payments in case of unemployment had an adverse impact on the demand for employment and on the long stay in unemployment. Along with the rise in unemployment (in absolute terms, level and duration), there was an increase in the gray economy and informal employment, production and marketing without paying taxes, employment without employment contracts and without insurance. The presence of hidden economy (Vladimirova, 2000) was visible by many indirect indicators including the highest number and proportion of the people of working age, who officially did not work, that is, did not receive income from work, nor were registered as receiving social benefits (what is more, for many

years) and the difference between the total amount of the income received and the expenditure of households.

The high number and the relative proportion of the working age population outside the economically active population (employed and officially registered as unemployed), i.e. inactive, had an adverse effect on the economic development, the state budget and the social security funds and it became a source of social insecurity not only for the moment, but mainly in perspective.

2.3. Trends in employment and unemployment in the period 2000-2010

Since the beginning of 2000 and especially after 2003, the reduction of unemployment in Bulgaria has been associated with the attenuation of the processes of privatization and liquidation of unprofitable businesses, as well as with the pursued active policy, creating a high share of offered subsidized jobs. Since the mid-2008 one could observe again processes of increase of the officially registered unemployment, which are connected not only with the usual seasonal fluctuations in production and employment, but also with the started global financial and economic crisis (Terziev, 2015), which had repercussions in Bulgaria – a country with an open economy, with a significant export to the developed countries affected by the crisis and with a high proportion of import of raw materials and materials, whose prices were rising. The global financial crisis resulted in a drop of the foreign investments in the national economy. An additional factor were the constraints, the drop in the transfer of financial resources in the country by Bulgarian emigrants which were significant in volume and share, including in the financing of consumption and investments and therefore in the GDP growth.

In the second period, the growth conditions were gradually recovered and improved - mainly after the reduction in the intensity of denationalization and privatization. National Statistical Institute (NSI) data show that in the beginning of 2007 the employment rate in Bulgaria was 47.2%, including 52.4% for men and 42.5% for women. The highest was the employment of people aged between 35 and 44 years (82.2% men and 78.5% women). Much less was the employment among the young and the most adult people of working age. The highest was the employment rate of people with university education: 71.7% for men and 73.6% for women. The employment rate of the persons with primary and lower education was respectively 13.5% for men and 5.7% for women. For 2007 as a whole there were reported some of the best results for the entire period of the labor market operation in the country. The employment

rate of the population between 15 and 64 years of age reached 61.7%, women (15-64 years)- 57.6%, adults (55-64 years)- 57.6% and the total unemployment coefficient rose up to 6.9%.

The state of the workforce in the period from 2000 to 2010 depended on the demographic trends during the year and on the economic conditions. The economic situation, though changed in a positive direction, still did not provide favorable conditions for a more open and dynamic labor market. The labor market as a whole retained its stability and development trends, despite the deterioration of the economic situation and the business environment in the last two years. As a result of the economic crisis, the number of the employees was reduced and their average annual number dropped to and below the level of 2006- 3052.8 thousand people. Compared to the previous year, the employment coefficient declined by 2.7% and reached 46.7% (according to the data provided in the national annual surveys on the labor market).

Given the comparability of the data for Bulgaria and the European Union, under consideration shall also be the employment coefficient in the age range 15 to 64 years. In 2010 in Bulgaria it was 59.7% and also declined by 2.9 percentage points annually. According to Eurostat data, for 2010 the employment coefficient for the population aged 15 to 64 years in the European Union was 64.2%, as compared to 64.6% for 2009. Over the years 2009-2010 the changes in the structure of employment by gender were in favor of women. More than half of all employees were still men- 52.7% (1608.3 thousand people, as compared to 53.2% in 2009), but their proportion was reduced in 2010. Women represented 47.3% (1444.5 thousand people), with 46.8% in 2009. The dynamics of the age structure of employees showed signs of deepening of the observed trends, decline in specific age groups. In 2010 the coefficient of employment of all age groups declined, as the highest coefficient could still be observed in the group of those aged from 35 to 44. The lowest coefficient of employment was the one of persons aged 65 and over- 2.8%. The greatest decline was observed in the employment coefficient for those between 25 and 34 years of age.

The proportional dependence between the level of education and the value of the employment rate remained unchanged in the educational structure of the employed, as the amplitude between the two extreme values was very large. The highest was still the employment rate of people with university education- 70.01%, with 72.7% in 2009. For those with secondary education

it was 57.7%, with 61.6% in 2009. For people with primary education – 20.0%, with 23.2% in 2009. The lowest employment rate was the one for persons with elementary or lower education - 8.5%, with 11.2% in 2009. The dynamics of the education structure of employees showed a continuing decline of employment in all groups, with the largest decline for those with secondary education (by 3.9 points less), followed by the employees with primary education (by 3.2 percentage points less) and the group with elementary or lower education (by 207 percentage points less).

In terms of the employment of the population at the age over 15 years by residence, one can notice a declined employment rate in large towns (from 54.1% to 51.4%- by 207 percentage points less) and in villages (from 38.0% to 35.2%- by 208 percentage points less). The situation of uneven distribution between urban and rural areas remained unchanged. The employed in large towns were 2390.8 thousand people or 78.3% of all employed and in villages - 662.0 thousand people or 21.7% of all employed. These processes were influenced by the economic crisis and the different employment opportunities offered by large towns and villages. This process was long-term and was increasingly deepening.

The impact of the global financial and economic crisis, that started to occur in Bulgaria at the end of 2008, worsened the economic situation in the country during the period from 2009 to 2011, turned the direction of the firm trend of economic growth and significantly changed the situation in the labor market causing a rise in the number of unemployed. The unfavorable economic environment resulted in market contraction, reducing the workload in many economic activities, cost optimization, implementation of structural changes and reduction of the employees in companies. According to the National Statistical Institute, in the period 2009-2010 over 300 thousand jobs were closed. The average annual number of the unemployed in 2010 was 350944 people, which is close and goes back to the recorded value in 2006. Similar findings were reported by the Labor Market Survey of the National Statistics Institute for the average annual number of unemployed persons, which in 2010 increased to reach 348000 people.

The average annual rates in the country during the period from 2001 to 2008 showed a lasting positive downward trend, but in 2009 and 2010 they increased as compared to the previous year. In 2010 the unemployment rate was 10.20% and was 3.40 percentage points higher, reaching the level of

2005. In 2010 and 2011 the registered unemployed in labor offices significantly increased. The average annual number of the unemployed registered in labor offices was 350944 people. Compared to the previous year, there was an increase by 69964 unemployed persons. At the end of 2010 the unemployed were 342419, increasing from the beginning of the year by 24468 people or 6.7%. In 2010 the average annual unemployment rate was 9.47%. Compared with the previous year, it had increased by 1.88 percentage points. In 2010 the unemployment rate gradually declined from 10.26% in February to 9.24% in December and became almost equal to the values of December 2009. There was a persistent downward trend in the average annual unemployment rate in Bulgaria, according to data of the National Statistics Institute and anticipatory estimation of the reported average annual unemployment rate in the European Union. In 2010 the reported average annual unemployment rate in Bulgaria was higher than the EU average one. According to Eurostat data, the average annual unemployment rate in 2010 in the Euro area was 10.00% and for the European Union - 9.60%.

Under the impact of the global financial and economic crisis, in almost all states of the European Union the average annual unemployment rate in 2010 increased, as compared to the previous year. In 2010 there was an interruption in the long lasting positive trend of shrinking of the variation range in the values of the unemployment rate in the country. The variation range showed the difference between the reported minimum and maximum values of the unemployment rate in the country, respectively in Sofia-city and Smolyan District. The value of this indicator increased by 2.16 percentage points compared to 2009 and reached 13.86 percentage points, with 11.70 percentage points in 2009. The variation range, showing the difference between the reported minimum and maximum average monthly unemployment rate in the municipalities of the country, rose to 48.98 percentage points. In the last ten years these two municipalities had been on the two extremes. The trend that the municipalities with the highest unemployment rate were concentrated in the North, Northeast and Southwest planning regions, remained unchanged.

In 2010 the labor demand was formed mainly under the influence of the economic situation in the country, the seasonal factor and the active employment policy. At the end of 2010 the total business climate indicator, according to data of the National Statistics Institute, showed an increase trend compared to the end of 2009, while the rate remained unchanged as

compared to the rates in 2000-2001. The main reasons were the uncertain economic environment and the market contraction. The consequences were insufficient financial security, reduction in the consumption of goods and services, reduction of the volume of production, closure of companies, substantial limiting of foreign investment in new productions or for expanding existing productions, cost optimization and more. The specificity of the reactivity of the labor market to the changes in the economy over the year explains the continuing decline in the labor demand on the primary market, regardless of some optimistic signs at the end of 2010. At the same time, the efforts of the Ministry of Labor and Social policy and the Employment Agency to balance the labor market were related to the implementation of an active policy for promoting employment through the state budget and the European Social Fund, respectively the Operational Program „Human Resources Development” and the announcement of a large number of jobs for subsidized employment.

In 2010 the contraction of the labor market continued as a result of the negative impact of the economic crisis in the country. It dramatically affected the labor demand and the trend of reduction of the announced jobs in labor offices continued. Due to the crisis, a significant decline (compared to 2009) was observed in the real economy and in particular in the private sector. There was also a great reduction in the number of jobs for subsidized employment within programs. In 2010 the proportion of vacancies in the primary market, in the structure of the requested jobs, increased by 2.4 percentage points compared to the previous year and reached 66.0%. This change happened at the expense of the proportion of jobs under employment programs, which decreased to a value of 31.9%, due to limited financial resources. The EPA measures retained their relative proportion (from 2.2% in 2009 to 2.1% in 2010).

In terms of professional-qualification structure of the requested jobs, there was still a steady trend, people to seek mostly low-skilled labor in labor offices. A slight increase by 0.5 percentage points was recorded, as in 2010 the proportion of the jobs for persons without qualification and profession reached 79.5%.

For the period 2000-2008 the number of the registered unemployed persons without specialty dropped significantly and in 2009 and 2010 one could observe a logical rise, given the increase of unemployment in the country.

Extremely high values of the supply of this kind of labor were reported during the first three years of the period. The situation changed in 2003, with the launching of the National program „From Social Assistance to Employment” (Terziev&Arabska, 2014), which resulted in the creation of a large number of jobs, mainly for unskilled workers. The launch of the program coincided with the revival of the economy in the country and these circumstances led to a certain balance between the demand and supply of unskilled labor in the following years. With the reduction of the program, the demand for workforce decreased from 2005 on. In 2010 the labor demand for people without education and qualifications dropped more sharply than in the previous years, while at the same time the supply significantly increased. This resulted in a turn of the proportions. These processes formed a large discrepancy between the demand and the supply of labor for people without qualification.

The requested jobs in the real economy continued to become less, as a result of the stagnation and the economic crisis in the country. The impact of seasonal factors on the primary market was significant. In 2010 there was a continuation of the negative trends in the labor market in the real economy. The private sector employers were reluctant to creating new jobs and the market was formed mainly by jobs resulting from the staff turnover in the companies. It is known that new jobs are opened more slowly than they are closed, as employers balance the workforce and their costs and they are cautious about increasing them. During the year in the primary market 123887 vacancies were announced in labor offices - which means 18926 (13.2%) jobs less. The largest number of jobs was announced by the private sector- 91787, representing 74.1% of all the jobs announced in the real economy. The jobs announced by the private sector became less in number and in share. Their proportion decline was 6.4 percentage points for a year and their number was 23188 less. The data show that the private sector was more affected by the crisis than the public one. During the year in almost all economic activities there was a registered decline in the labor demand. The demand was unchanged in the production of electricity, gas and water and in financial intermediation. Growth in demand was observed only in the field of state government (by 1754), which has its explanation. The change in the Employment Promotion Act in 2010 had a significant impact. Since August all employers of state and municipal enterprises and the administration were obliged to declare in labor offices the vacancies for employment relations. A reflection of this can be seen in the direction of increasing the jobs in the

government, administrative and complementary activities. Except in quantitative terms, the effect was reflected in the quality of demand- provided were jobs suitable for professionals and for this group of unemployed the demand was insufficient.

The number of the new jobs in the economy is symptomatic of its state. In times of economic crisis, the creation of new jobs is sharply declined as a consequence of the unfavorable economic situation. Companies focus their efforts on keeping the most effective employees and on cost optimization. When one analyzes the sought jobs in the real economy in the professional section, as in 2009, the most sought after through labor offices turn out to be the jobs in the textile and clothing production - tailors, machine operators in the textile and clothing production and others (over 13400 jobs). During the year there was also a great demand for workers in agriculture, forestry and hunting, gardeners, plant growers, forestry workers, stock-breeders, producers of mixed products and others (almost 9440 job positions), kindergarten teachers, teachers in elementary, primary and secondary schools, university teachers and others (over 9200 jobs), administrative and office staff, secretaries, lawyers and others (around 9000 jobs). Unlike in other years, there was a significant growth in the demand for care workers (domestic helpers and related to them- approximately 7700 jobs).

During the year 2010 the filled vacancies were 153669. Their number fell by 65732 jobs (30%) compared to 2009. 96623 were employed in the primary market. The decline in the number of filled vacancies in the real economy was by over 40000. The data suggest that the filled vacancies in the primary market declined at a more rapid rate than that of the announced ones, which is an indicator of the disparity between the characteristics of the supply and the demand of labor. The data for a total increase in the remained unfilled vacancies at the end of each month can be considered an argument in that direction. The closest values of the announced and the filled vacancies were the ones for January and November, when the vacancies under employment programs (mainly under the National program "From Social Assistance to Employment") were filled in priority.

The regional differences in the labor demand remained the same. The situation of the local labor markets was directly determined by their socioeconomic development. Differences were recorded both between districts and between the municipalities within one district. Many factors

determined the uneven distribution of vacancies in the country - the specificity of the branch structure of the local economy and the seasonality, the size of the region, in terms of the number of economically active population and the traditions of the population in employment, which is decisive in the search in the primary market.

The opportunities for the unemployed to find employment in the labor market are in a direct and significant correlation with the gender, age, vocational and educational characteristics of the unemployed. An increase in both groups of unemployed (men and women) was recorded in the structure of the unemployed according to Paulsen. The average annual number of women registered in 2010 was 191684 and that of unemployed men- 159260. The economic crisis mostly affected the economic activities in which the workforce is dominated by men- construction, agriculture and forestry, manufacturing and others. The monthly dynamics expressed by the average monthly rate of change was almost the same for unemployed women and men. The average monthly rate of decline in the number of unemployed women was 0.6% (with an increase of 2.2% in 2009), while that of men was decreasing- 0.7% (with a growth of 4.5% in 2009). The ratio women: men (54.6%: 45.4%) continued to shrink in favor of women, as in 2010 there was a significant reduction in the proportion of women - by 3.1 percentage points (with 57.7%: 42.3% in 2009 and 62.5%: 37.5% in 2008).

In the crisis 2010 the dynamics in the age structure of the unemployed mainly concerned the groups at the most active working age (from 35 to 44) in the direction of increasing their proportion and the group of the youngest (up to 19) and the elderly (over 55), whose relative shares continued to decline. The steady trend of population aging over the last decade is the reason why the age groups over 45 continued to be the most numerous in number and with the highest proportions. In 2010 the average annual number of unemployed increased in all age groups.

In the age structure of the unemployed, with the lowest relative share was still the group of young people under 29. The unfavorable upward trend in the number of persons over 50 years, observed in all years since 1991, continued. Young people under 29 and people over 50 are among the main target groups of the active policy in the labor market pursued by the Employment Agency in recent years. The structure of the unemployed by occupation includes the following occupational groups: people with worker

specialty, specialists and people with no specialty. The unemployed with worker specialty registered in labor offices were 82058 people. For a year they increased by 20289 people (32.8%), as the average monthly rate (monthly dynamics) showed a decline by 0.6% (with a growth of 4.2% in 2009). Their proportion for one year period was increased by 1.4 percentage points up to 23.4%.

On average for a year, the group of the unemployed specialists included 70945 people, with an increase of 14438 (with 25.6%). The average monthly rate of decline in their group was 0.4% (with a growth of 3.7% in 2009). The proportion of the unemployed specialists remained almost unchanged- 20.2% (only by 0.1 percentage point more). The increase of unemployment in these two professional groups was mainly due to dismissals and layoffs of qualified staff from enterprises as a result of the economic crisis, as before that the employers had dismissed the low-skilled staff. The unemployed without qualification and specialization were the largest group in the professional structure of the unemployed, including 197941 persons- with 35237 people (21.7%) more than in the previous year. The average monthly rate of decline in their group was 0.7% (with a growth of 2.5% in 2009). The relative share of the unemployed without qualification and specialty continued to be high in 2010, but at the same time one could observe a decline in their share from 57.9% in 2009 to 56.4% in 2010 for the third consecutive year.

The economic crisis affected very negatively the disadvantaged groups in the labor market, for which there is an increased risk of social exclusion and poverty. These groups include young people under 29, people over 50, long-term unemployed, unemployed persons with permanent disabilities and other smaller groups. They were a priority of NEAP (National Employment Action Plan) in 2010 and respectively the action plan of the Employment Agency. In 2009 and 2010, in parallel with the increase in the total number of registered unemployed, there was an increase in youth unemployment. The persons under 29 years form one of the disadvantaged groups, as during economic crisis most employers prefer to dismiss mainly employees without experience for the position. There is another unfavorable fact- the majority of the unemployed young people under 29 registered in labor offices have very low education and skills. In 2010 the unemployed young people up to 24 years were 30168 on average for a year and for one year they increased by 5449 persons or 22.0%. Their proportion, however, declined from 8.8% in 2009 to 8.6% in 2010 of the total number of registered unemployed. The long lasting

trend remained unchanged - the highest relative share (67.2%) among the unemployed youths under 24 was the one of those without qualifications. The group of the unemployed young people up to 29 years included 63500 people, with an increase by 12165 persons (by 23.7%). Their proportion was 18.1% of the total number of registered unemployed.

The unemployed persons over 50 were 131887 people, with 23.7% (25240 people) more. In recent years (after the introduction of the point system for retirement in 1999), the group of the persons over 50 years stood out with a permanently growing proportion, but in 2009 this many-year unfavorable trend was interrupted and in 2010 their proportion of the total number of the unemployed in the country continued to decline from 38.0% in 2009 to 37.6% in 2010. The reasons for the decline in the proportion of this group were related to the fact that it was among the priority target groups of the active policy pursued by the Employment Agency in the labor market and also because of the bigger number of dismissals in the lower age groups (35 to 44 years) during the year. The long observed trend was preserved among the unemployed over 50, with the highest relative share of those with no qualifications (55.7% in 2010, 57.5% in 2009) and with elementary or lower education (52.9% in 2010, 55.9% in 2009), but these values were significantly lower.

There was a significant rise in the number of long-term unemployed in 2010, both in number and share. The average annual number of the long-term unemployed registered in labor offices for more than one year was 110848 people, as it had substantially increased by 39.0% (31120 people) in comparison with the previous year. The average monthly rate (monthly dynamics) of long-term unemployed had increased by 2.3% (with much lower rate of 0.6% in 2009). Their proportion also increased substantially (by 3.2 percentage points) from 28.4% in 2009 to 31.6% in 2010.

There was a sharp increase in the number of the long-term unemployed registered in labor offices for one to two years, with a turn in the observed downward trend in this group from 2002 on. Furthermore, in almost all previous years, the long-term unemployed for one to two years were the smaller part of the total number of long-term unemployed for over a year. In 2010 the long-term unemployed for one to two years were 59495 people and they increased by 34145 persons (2.3 times), as their proportion of all long-term unemployed reached 53.7%. The average monthly rate in this group of

long-term unemployed showed a significant growth of 3.9% (with an even higher growth of 5.4% in 2009). Their proportion also almost doubled by 8.0 percentage points compared with 2009 to 17.0% of all unemployed registered in labor offices. This change was a result of the economic crisis, which led a large number of unemployed persons in the labor market over the previous two and a half years - people who had permanently lost their jobs. In fact the significant growth in the number of long-term unemployed for more than one year as a whole was due to the sharp increase in the group of long-term unemployed for one to two years.

In 2010 the average length of the stay of unemployed in the labor market significantly increased, compared to the previous year, by 9.1 months, as it reached 14.7 months, i.e. exceeded one year. Among women, the average length of registration in labor offices increased by 9.6 months to reach 15.9 months. The average length of the stay of men in labor offices also increased, but less - by 8.6 months up to 13.5 months, as they retained their lower average duration compared to that of women and the total average duration of unemployment. The problem with long-term unemployment is lasting and extremely important. The unemployed persons with permanent disabilities were 13657, with 883 people or 6.9% more. For unemployed persons with disabilities labor offices provided the major opportunity for employment. Single mothers form a specific group, particularly disadvantaged in the labor market. An annual average of 2906 women got registered in labor offices- single mothers, as their number increased by 17.0% (423 women) compared to the previous year. Another disadvantaged group among unemployed women is that of mothers with children up to three years of age, who were 7745 people on average for 2010. They showed a considerable growth of 25.7% (by 1585 women) compared with 2009.

The imbalance between the demand and the supply of labor in the labor market continued to deepen. The crisis mostly affected the most vulnerable groups in the Bulgarian labor market. In this situation the employment programs and schemes under the Operational Program „Development of Human Resources” had a significant role in reducing tensions in the labor market. They were used as a tool for providing greater access of disadvantaged groups to the labor market.

3. Conclusion

The flexibility of the Bulgarian labor market is developed by diversifying the forms of the labor relations and the working time arrangements, by introducing new regulations on the labor relations, etc. Yet, the traditional models of labor relations and stereotypes of behavior of employers and employees still predominate. The informal sector of the labor market complements the traditional patterns of labor relations by more flexible, but illegitimate forms of employment and working time. The presence of this sector significantly deforms not only the image of the real employment in the country, but also the picture of its form and level of pay. Therefore, a policy for limiting this sector should remain one of the highlights not only of the policy on the labor market, but also of the economic policy in general.

A significant problem in the development of labor relations is the combination of flexibility and security. So far the flexibility of the Bulgarian labor market has been developing more actively than the security in labor relations in terms of employment contracts, wages and working conditions. In this sense, further development should be given to both the organization of the operation of labor inspectorates and its effectiveness, but also to the actions for increasing the liability of employers, employees and the general public.

The underlying point in the evolution of the labor market and the employment in Bulgaria remains that for formation of a coherent and sustainable strategy for economic development, with a clear vision for the structure of the economy and the demand for labor in the medium term. The deindustrialized Bulgarian economy determines the change in the structure of the labor demand in Bulgaria and the segmentation of employment. At the one pole stands the shrinking skilled workforce and at the other- the increasing mass unskilled labor. A similar structure of the workforce could hardly supply „intelligent” economic growth and substantial growth of economic development in general. Bulgaria is experiencing serious difficulties in ensuring a quality workforce of specialists with secondary education, well-trained professionals with the necessary communication skills and ability to work with modern technologies. The outflow of specialists from the „middle class” from the country, in addition to the continuing emigration of young people, outlines not only quantitative but also qualitative problems with the workforce in the coming years. The stagnation in the economy, already continuing for several years, will come to an end in the coming years and then the revival of the labor demand will meet

the limit of the proposed low-skilled labor. That is why at short notice the country has to solve two very important issues that are outside the labor market, but directly affect it: first, how to stimulate the creation of jobs and second, in what sectors of the economy these jobs will be created - in sectors that provide high performance and competitiveness or in traditional and less productive sectors. The answer to these two questions will determine the future development and in more distant horizons, it will provide a shift to a higher economic growth supported by productive and competitive work or development within the existing inefficient and technologically obsolete economic structures, seeking cheap workforce.

The restructuring of the economy continues and the efforts should be directed at improving its efficiency and competitiveness, as well as at limiting the budget sector and especially the increase of its capacity. Employment policies can increase their capacities if they become long-term and more closely linked to national and regional economic development plans. It is necessary to shift more to employment in the real economy at the expense of employment growth in public administration and programs for unemployed. The implementation of special employment programs is one of the alternative solutions for reducing the tensions in the labor market. Their implementation, together with local regional initiatives and programs, has the potential to increase employment and reduce unemployment.

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