

**MUTUAL LEARNING PROGRAMME:  
PEER COUNTRY COMMENTS PAPER - BULGARIA**

How to keep Job-Seekers' Needs in the Center of the Public  
Employment Services' Reform

Peer Review on "Systematic Preventive Integration Approach (Support) for Jobseekers  
and Unemployed"

Germany, 28-29 October

A paper prepared by Betty Loukanova  
in consortium with GHK Consulting Ltd and CERGE-E

*Date: 01/10/2010*



*This publication is supported for under the European Community Programme for Employment and Social Solidarity (2007-2013). This programme is managed by the Directorate-General for Employment, social affairs and equal opportunities of the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields.*

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# 1 LABOUR MARKET SITUATION

*This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on Bulgaria's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.*

**1.1. Trends:** Bulgaria made significant progress in activating its working age population from 2000 – 2008. The employment rate of those between 15 and 64 years old (64.0%) was close to the EU-27 average rate (65.9%), but remained lower than the outstanding employment rate in Germany (70.7%)<sup>1</sup>. However – the speed of the changes in the Bulgarian employment rate is noteworthy. Over the 2000-2008 period the growth was 3.7 times higher than that of EU27<sup>2</sup>. Consequently, the unemployment rate for those between 15 and 74 years fell by 12.4% in Bulgaria, whereas in EU 27 the rate fell by 1.0% and in Germany unemployment fell by 0.4%. The increase in employment was realized not only on the basis of the outflows of the pool of unemployed, but by activating discouraged and inactive workers after 2007. In this way the scope of the Bulgarian labour market increased nevertheless, in spite of the negative influence of demographic trends.

**1.2. Recent situation:** There are signs of economic recovery observed in the second quarter of 2010 (Q2/2010) in Bulgaria, but they do not significantly influence the labour market for the time being. The employment rate of people aged between 15 and 64 years old fell by 6.4% on a year-on-year basis (LFS) and this is one of the highest falls registered within the EU-27. The rate among Bulgarians aged between 20 and 64 years is 65.9% (LFS, Q2/2010) which is some distance from the Europe 2020 benchmark of 75%.

In the first half of 2010 the Bulgarian unemployment rate remained under 10% (LFS) and is considered as a border (high enough) level for the country. At the same time the competition for jobs is getting stronger with an average of seventeen job seekers for each vacancy announced at the labour offices in Q2/2010, compared with only eight persons in Q2/2008. Consequently, the number of people who are long-term unemployed has increased in Bulgaria, particularly among young people (aged 29 years and below). Germany and Bulgaria are in a similar position concerning the share of long term unemployment as a proportion of total unemployment at 43.3% in the former and 45.5% in the latter in 2009. Neither country is close to the EU27 average of 33.2%.

Both Bulgaria and Germany have seen an increase in labour supply (in terms of the number of unemployed people available for work) at the same time as measures have focused on increasing placement intensification and improving the efficiency of placement services. The activation of the unemployed in Bulgaria will require further reform of the public employment services (PES) and the German experience could provide useful lessons to inform this process.

## 2 ASSESSMENT OF THE POLICY MEASURE

The labour offices (LOs) at the Employment Agency (EA) are the 105 institutions that deliver PES in Bulgaria<sup>3</sup>. Some job clubs and information centres with the labour offices provide additional information to facilitate the process of job-seeking and professional orientation. A key

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<sup>1</sup> Source: Eurostat, LFS data.

<sup>2</sup> The increase of the employment rate for the period 2000 – 2008 was by 13.6%, whereas it was by 3.7% and by 5.1% for the EU-27 and Germany, respectively.

<sup>3</sup> The labour administration also includes nine of the regional offices and the Employment agency headquarters. Only the labour offices and their branches work with job-seekers.

target for the PES is the timely delivery of a new start to registered<sup>4</sup> job-seekers. According to 2009 EA data, nearly 20% of all registered unemployed young people have been directed to appropriate labour market initiatives within four months of their registration, and 23% of those aged over 29 years - within 12 months. These results are significantly better in comparison with previous figures and the improvements are attributed to the intensification of mediators' work, however there is room for improvement.

There is a movement towards decentralization in the PES in Bulgaria and this has been partially achieved<sup>5</sup>. Employers now announce available vacancies and establish direct contact with job-seekers. As well, a project implementing a national on-line jobs database is at the pilot stage. The EA will offer a new interactive version of its web site that will offer on-line job search facilities and access to 'real-time' notified vacancies in the country, as well as providing access to EURES and to other similar sites.

The main partners of PES, in delivering services to unemployed people, are the vocational training centres (public or private). Specialized business clubs, incubators, information centres, training centres, etc. have been established using project funding. Some of these institutions remain operational (beyond the scope of initial project funding) and deliver services to public labour offices. Temporary employment agencies have not been introduced in Bulgaria until now.

The private labour offices offer specialized mediation services typically to well-educated people; provide some guidance services; send information about jobs announced to the national e-labour exchange office. They rarely work as subcontractors to the public labour offices.

The latest reform of the PES started in 2004 in Bulgaria in line with the Lisbon Strategy requirements (guidelines 19 and 20) and OECD initiative. The aim of the reform was to introduce a process model for the work of the labour offices (*процесен метод на работа*). The process model is based on the main principles and phases as they are applied in the German 4-phases core placement strategy and hence includes: mandatory plans for individuals; skills development for all registered job-seekers; their profiling; and service delivery segmentation. At the end of 2005 practically all labour offices had introduced the reform principles in their work and the next step is the transition to, what is referred to in the Bulgarian context as a 'one counter' approach, which is akin to "one-stop-shop" principles.

The reform started after comprehensive preliminary research in 2004 and was followed up by a survey during 2006. This work continues to underpin the reform process and further survey work has been conducted in 2010, organised by the EA. This latter survey focused on the quality aspects of the service delivery in the context of the economic crisis<sup>6</sup> and explored the attitudes of employers, job-seekers and the labour administration concerning the content and organization of the work in labour offices. At the end of June 2010, research conducted by the National Statistical Institute (NSI) on the net effects of the PES was completed. This is the first study of its kind in Bulgaria and it provides information about the effectiveness of these services as an instrument for successful integration of the vulnerable groups in the labour market<sup>7</sup>.

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<sup>4</sup> Here and further the adjective 'registered' will be used for those that have been included as job-seekers in the registers at labour offices, if not otherwise mentioned.

<sup>5</sup> A common factor out of the labour administration that also constrains its decentralization is the poor state of the local finances and their high dependence of the state subsidies

<sup>6</sup> <http://www.az.government.bg/Analyses/Researches/Inquiry1.doc>

<sup>7</sup> The research comprises the period from the fourth quarter of 2007 to May 2010 and includes over 1200 unemployed and their labour market transitions in that period.

The similarities between Bulgaria and Germany in the current PES reform relate to the common guidelines and principles implemented and the similarities in the core instruments utilized: the individual plan and client profiling. However - the PES in both countries implement the reforms under different conditions. The PES in Germany is better placed than those in Bulgaria to preserve employment levels, even in the period of crisis. While GDP has fallen in both countries, Germany provides much more generous funding to active and passive policies than Bulgaria. Traditionally Germany is attracting migrants and, as a rule, they are one of the most problematic groups in the German labour market. Bulgaria does not face pressure from migrants, where the poor unemployed, typically from ethnic minorities (Roma population, in particular) form the most vulnerable group in the labour market. The migration effect for Germany explains the difference in the unemployment rates of those between 15 and 74 years old in both countries. At the same time, the work with the long-term unemployed seems to be equally efficient in these two countries. Also, the regional differentiation of the labour market outcomes is higher for Bulgaria than in Germany<sup>8</sup>, because of the high concentration of the working population in the Sofia urban region and a few other cities. A comparison of gender data suggests that gender differences are less of an issue in Bulgaria than it seems to be in Germany, however youth unemployment is an extremely urgent political issue in Bulgaria.

Registering oneself as a job-seeker is not obligatory in Bulgaria, but it is a mandatory precondition for unemployment benefit entitlement. Early registration (hypothetically) can occur following the announcement of mass-dismissal (45 days before its date); in cases of dismissal that include the early notification (for a period of 30 to 90 days according to the collective - or other - agreement); in cases of negotiated compensation this is paid 30 days before the labour contract resolution<sup>9</sup> (but again it is not obligatory). Early registration of this type could happen at least 30 days before the actual unemployment and this period is long enough for starting the labour market intervention. However, the Law for Encouraging Employment does not provide for the option “registering a potentially unemployed person”. If the persons who are anticipating redundancy would like to become registered, they should adopt the status of “registered employed as a job seeker” which is not adequate to their case.

The profiling interview conducted by the mediator is an individual face-to-face structured interview, which is used to develop conclusions for the individual concerned. Unlike Germany specialised placement software is not available. The clients are divided into four groups depending on how far they are from the labour market. The ‘market’, ‘promotion’ and ‘development’ profiles used in Germany correspond to the first, second and third groups of job-seekers as they are outlined in Bulgaria.

The German dual system of service delivery is not used in Bulgaria. However, the specific problems of the poor unemployed who receive social assistance are recognized and given priority. They are tackled by the mega programme “From social assistance to employment” that was introduced in 2004 and still used now. It combines training and subsidized employment. In the first years of its implementation the Programme accounted for two thirds of all funding for labour market programmes, while in 2009 it accounted for 38%. Almost all other active labour market programmes implemented include a clause giving priority to the employment of the long-term unemployed, even the programme targeting the green economy.

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<sup>8</sup> In 2008 the regional dispersion of the employment rates in Germany at NUT2 level was 4.8%, whereas in Bulgaria – 7.1%. Source: Eurostat.

<http://appsso.eurostat.ec.europa.eu/>

<sup>9</sup> The cases are cited according to the Labour code.

Poor people that apply for social assistance are means tested. Although the social assistance for the job-seekers is provided in Bulgaria together with specialized labour mediation, it is accessible for registered unemployed in case they are not included in programmes and measures, and after being engaged with community services or similar types of work provided via municipalities for certain short period of time fixed by legislation. The social assistance of the unemployed it is not organized in the consolidated manner described in Germany and this has to be considered as a weak point of the Bulgarian system.

In Bulgaria, however, to help with the Roma population (poor and hard-to-place clients) well-trained Roma mediators have been employed to work in regions where this group is prevalent. The local exchanges and the specific information and other placement services for the Roma population are proven successful to date in their combinations with social, health, administrative and other services.

The outsourcing of employment services has not been broadly introduced in Bulgaria. In 2009 and 2010, however, outsourcing was extended using financing from EU funds and the operational programme “Human Resources Development”. These funding sources are used to deliver common services that the Government cannot fund because of the crisis, and for additional new (and innovative) placement activities.

### **3 ASSESSMENT OF THE SUCCESS FACTORS AND TRANSFERABILITY**

The main lesson from the German example that can be transferred to the Bulgarian PES reform context is its orientation towards clients’ needs and the flexibility afforded within the PES to respond to such needs. Until now, the focus in Bulgaria has been on improving organisational processes. As specified in the host report –in Germany there was limited experience with the four-phase Model and no systematic evaluation (p.9). For these reasons the transferability of some elements of the German approach, that have already been evaluated, is considered further below. Transferring experience will require preliminary amendments to recent Bulgarian legislation; staff training; awareness raising and negotiations with the social partners. Moreover, as stated above, limited resources (in the current climate) for infrastructure and equipment in Bulgaria is a permanent obstacle to innovative practice.

Ensuring the quality of the services provided at the labour offices, is considered a key requirement of further reform. The German experience suggests instruments for assuring adequate staff resources that are useful and these types of instruments are also required in Bulgaria. There is a real need to reduce the case load of the job counsellors and the outsourcing of the reintegration services could help in this area. It is a good idea to use two other criteria for profiling and to outline the ‘stabilization’ and the ‘support’ profiles as they are in Germany, instead of the common profile currently applied in Bulgaria for both groups.

The German experience of placement vouchers and the restructuring of the tendering process for the delivery of PES services could work in Bulgaria. On the one hand, the voucher system linked to vocational training has proven popular and efficient to date. The placement vouchers have already been considered concerning the Bulgarian Flexicurity Path development process. It is safe to assume that these placement vouchers will be readily accepted by the labour administration, employers, job-seekers and private mediators.

Until now, the Bulgarian PES reform has been directed towards the horizontal structures and processes. It still does not influence the vertical connections between labour offices and

regional agencies. The German experience of Regional Purchasing Offices (REZ) requires further study to assess whether it is applicable in the Bulgarian context. It is important to take into account the need to find the appropriate balance between the flexibility of the PES contracting at the level of labour offices for all measures (as it is in Bulgaria), with the responsibilities afforded at the regional level in Germany. As stated above, the decentralization of PES is one of the leading requirements in its reform in Bulgaria, while strengthening the regional dimension appears somewhat at odds with this aim.

The already anticipated, introduction of PES quality standards and certification by appropriate ISO standards in Bulgaria has to be based on initial formalization of service delivery. The process of this formalization can be partly stimulated (and facilitated) by introducing specialised software, such as that described in the German context. The introduction of software to facilitate service delivery would be simple because the Bulgarian PES staff are well equipped to use software and are easily trained to use such tools in an interview context.

The German Jobcentre practice does not seem to be transferable to the Bulgarian context. In Bulgaria, the need for such institutions has not been covered through the reforms to date. Currently the Labour Offices work together with the local Centres of Social Assistance (that can be co-located in the same building). There is regular information exchange between them about poor clients that do not have unemployment insurance. As stated earlier, these people are most frequently representatives from ethnic minorities. Organizing work with these groups through labour offices and in specialised centres could provoke doubts of ethnic segregation and criticism, according to some of the interviewed officials.

Until now the differences between the unemployed with insurance and those without it, seems to be quite underestimated by the labour administration and applied only at initial stage of annual development plans. Here new opportunities for collaboration with German partners could be realised. One of the main conclusions emerging from the host country report is the need for regular financial cost-effectiveness analysis and application of the results to support the reform process in a short, but also in a long-run perspective.

The active contacts with the job-seekers are considered key, in Bulgaria and Germany. The question about the appropriate staff/client ratio is avoided in Bulgaria. Budget expenditure reductions linked to the reform of the public administration is important here. Furthermore, there is a real need to outline an appropriate ratio for efficiency and effectiveness reasons.

## ANNEX 1: SUMMARY TABLE

<b>Labour market situation in the Peer Country</b>
<ul style="list-style-type: none"> <li>In 2010 the Bulgarian labour market is going to achieve a low level of equilibrium. Current expectations are about stabilizing the rate of unemployment and the recent levels of (the already declining) employment. The PES reform develops further and is one of the priorities of Employment Agency and of the Ministry of Labour and Social Policies.</li> </ul>
<b>Assessment of the policy measure</b>
<ul style="list-style-type: none"> <li>Well structured and rationally planned PES reform;</li> <li>The job-seekers' needs and the relevance to them of flexibility of the PES service delivery are in the center of the reform;</li> <li>The balance between clients' needs and their obligations is well outlined.</li> <li>The German reform includes innovative instruments and measures.</li> </ul>
<b>Assessment of success factors and transferability</b>
<p>The German experience is partly transferable, in particular:</p> <ul style="list-style-type: none"> <li>the quality of the service offer</li> <li>improvement in PES organization;</li> <li>optimization of the horizontal and vertical connections between the labour market institutions at the local and regional levels.</li> </ul>
<b>Questions</b>
<ul style="list-style-type: none"> <li>How is PES decentralisation viewed in Germany? Please explain the following perceived deficits in centralization and standardization...where municipalities play a prominent role" (p. 15-16)?</li> <li>What are the criteria used (if any) to rationalize the job seekers/ councillors ratio in Germany?</li> <li>What consideration has been given to balancing early intervention on the one side, and the profiling and segmentation of service delivery, on the other?</li> <li>What has been the rationale for early intervention in cases where it is outside the insurance logic?</li> </ul>

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