



# **European Employment Observatory**

## **EEO Review: Youth Employment Measures, 2010**

### **Bulgaria**

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*This article is the sole responsibility of the author(s)*

## 1. Introduction

During the past ten years, youth employment rates in Bulgaria have remained limited compared to the EU-27 average (Table 1). Despite increasing employment rates, the increases have been insufficient to compensate for the low youth employment. The employment rate of young people aged between 15-24 years has been consistently two times lower than the rates for persons aged between 15 and 64.

**Table 1. Differences in employment rates in the EU-27 and Bulgaria by age groups (in %)**

Age	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
15 -64	11.7	13.2	13.1	11.3	9.5	8.2	6.2	3.7	1.9	2.0
15-19	17.8	19.0	18.6	18.6	18.6	14.6	14.1	14.0	13.3	12.0
20-24	22.1	19.3	19.9	16.6	13.1	12.5	10.1	7.7	5.1	5.8

Source: EUROSTAT

In Bulgaria, as in other EU countries, young people have been the most affected by the economic crisis. (See: Tables 1 and 2 in Annex). With regard to changes in the employment and unemployment rates of young people and their position in the lifecycle, those in the age group 25-29 years old have the more stable position in the labour market. However, in the years of the crisis, their activity rate decreased from 80.4 % in 2008 to 76.0 % in 2010 (EUROSTAT data for the first quarter of 2010).

The gender gap in the indicators of economic activity, employment and unemployment of the young people in Bulgarian labour market is moderate, but slightly increasing. The distribution of employed youth by districts corresponds to the overall distribution of employed persons. The Bulgarian labour market is still not attractive to immigrants, while the number of Bulgarians, who came back as a result of the economic crisis, is relatively small, including young people.

In 2009, Bulgaria, in comparison with the other Member States, had the highest share of young people neither in employment nor in education and training (NEET) (See Annex, Table 4). Some of the reasons for this situation are connected with the high unemployment rates of young people and the still weak positions of the vocational adult training and non-formal education after graduation.

## 2. Measures to promote youth employment

### 2.1. The Youth Strategy and anticipated amendments in legislation.

In October 2010, the Council of Ministers adopted a comprehensive Youth Strategy 2010 - 2020 that demonstrates the serious political will to solve the problems of young people. The first strategic aim is to stimulate their economic activity and career development based on a motivating and supportive educational and labour market environment. The main groups of actions that will realise the aim include new jobs' openings and inclusive labour markets that encourages young people's career development, improving the quality of secondary and higher education in conformity with labour demand. The other strategic aims concern: improvement of access to information and high quality services; quality of education; prevention of social inclusion, youth volunteering and citizenship activities; provision of

special care for the young people in small cities and in villages. In 2008, a Lifelong Learning Strategy was also adopted and applied in practice.

A new Law on School Education has been drafted. Several changes are envisaged concerning the improvement of the level of knowledge of school leavers and ensuring equal access to quality education and training on key competences. Another set of changes concern the reduction of early school leavers. These changes include the obligatory coverage of children aged between 5 and 7 years by pre-school education; intensification of primary education and its completion at 7<sup>th</sup> grade; completion of secondary school up to the 12<sup>th</sup> grade; greater responsibilities for parents and students in case of unjustified continuous absences.

Recently, labour legislation has been amended several times, mostly in order to introduce the concepts of flexibility and security. Yet, it is not comprehensive and does not cover some forms of employment such as tele-working, home-working, etc., which are relatively new in Bulgaria. Legislation should better stimulate functional and professional flexibility and this is of particular importance for young people to maintain sustainable jobs in their first years of employment.

A question of interest for employers is retaining well trained young people. According to the Labour Code, the employer may sign a contract with a person, grant a scholarship and hire him/her for a position relevant to an obtained qualification for a mutually agreed period, that can last no longer than six years. The contract shall stipulate the obligations of the intern/apprentice to finalise the training in the agreed time and to work for the employer during the agreed time period. These provisions aim at ensuring reciprocity. Due to financial problems in the period of crisis, this opportunity is used in a small number of cases by employers. It may be supplemented by the provision of additional stimuli for employers during the first years of hiring a young person, in order to compensate for their lower productivity.

Bulgarian legislation still does not provide for job placement vouchers. If they were used, recipients would be free to choose the private or public employment agency they would approach. This would be an instrument to reduce the public placement monopoly and would be of particular importance for the labour mobility of young people. Therefore it would be beneficial if they became an element of Bulgarian practice.

## **2.2. Measures for improving the quality of education**

The external regular evaluation of students' knowledge has been introduced. Training courses have been provided to improve school management under the new financial schemes of delegated budgets. A national programme for the rehabilitation of schools was implemented with co-financing from municipal budgets. This includes measures for completing the already started installation of modern IT equipment in schools. Another set of measures aims at improving the quality of vocational training through updates of the existing vocational training curricula. It also includes the refurbishment and re-equipment of VET schools. For the first time, the national programme 'With care for every pupil' has introduced a model for the provision of additional services to talented students.

One of the main reasons for early school leaving is household poverty and thus school social assistance programmes continue to be implemented. They traditionally include provision of

breakfast for children in primary grades, free textbooks and other benefits in kind for poor families

Some 74.3 % of children between 3 and 6 years of age attend kindergartens (ISCED -0) and 85 % of those aged 5 to 7 are covered by pre-school classes<sup>1</sup>. That measure facilitates the transition to school and has been proven to prevent drop-out until graduation from primary education (I-IV grade, ISCED-1).

The process of periodic accreditation of universities and the public announcement of their rating has been initiated. It will lead to changes in their financing and, as a result to their work optimisation and further reforming. The links between teaching and scientific research are still poor and only large universities have established guidance and career development centres.

The learning mobility of Bulgarian students is a recent important issue that achieves some results in higher education. Universities are to make further changes to allow students to receive transferable credits according to the European Credit Transfer System (ECTS), the European Qualifications Framework (EQF) and Europass. The secondary vocational education level will also be involved in that process. However, in Bulgaria non-formal and informal learning (such as volunteering) is still underestimated in the process of learning mobility development.

### **2.2.1 Education financing**

The access to education and its financing was not planned to be reduced during the economic crisis. The government stated in its anti-crisis programme that the investments in education were considered significant. However, the share of the GDP spent on education in Bulgaria remains around 4 % (4.13 % in 2008) and lower than the EU average<sup>2</sup> and the difference is going to be preserved in 2009 and 2010. Private companies show poor interest in financing scholarships and vocational training.

An access to bank loans was introduced in 2010 for university and PhD students. This was a positive (and innovative) step for Bulgaria to ensure access to higher education during the crisis.

In 2008, a new programme for school and university internships was developed under the Operational Programme “Human Resource Development” (OP HRD). 90 % of the initially planned funds were assimilated during its first stage (2008 – 09) and that was the argument for extending the programme until the end of 2011.

Another initiative under development is the vocational training to be provided to school teachers and principles, with priority given to those under 29 years of age. Some funds are spent on career guidance for secondary school students in the beginning of 2010 and the target is that 87 % of those in fifth grade and above (ISCED 2A, 2C, 3A and 3C) to be covered by the end of 2012. The OP HRD also provides financing for: the integration of children from ethnic minorities in education; for assistance to children with special learning needs; and for improving the attractiveness of schools in the crisis period.

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<sup>1</sup> According to National Statistical Institute, Bulgaria.

<sup>2</sup> Source: EUROSTAT .

## **2.3. Labour market and employment-related policies, and access to benefits**

### **2.3.1. Active labour market policies.**

Although young people were the most affected group by the crisis in 2009, as already mentioned above, their number in labour market programmes and measures financed by State Budget decreased. In 2009 one third of those in the age group 15 -29 years were included in these initiatives, whereas the shares of the other age groups are much higher. This is a logical result on the basis of the decreasing number of initiatives tailored to young people and the reduction in scope of those in practice in 2007 – 2009. During the crisis, however, support for young people with disabilities and with social problems has not been reduced. Targeted programmes in this field have received the planned financing from the State Budget.

The most important activities for the moment activities include firstly the programme ‘Career Start’, which provides for the employment of young professionals in public administration. It started in 2003 as an initiative only for unemployed higher education graduates that could be hired for six months. After amendments now it includes a component for higher education graduates that can be employed for nine months by public authorities and another component for six months’ employment provided by private employers for secondary education graduates.

Another active programme in 2009 is for six month subsidised apprenticeships or traineeships for drop-outs. The trainees are hired after completing vocational training courses or studying key competences. In addition to the programmes, three specialised measures stipulated in the Employment Promotion Act (2001)<sup>3</sup> are utilised. During the crisis, however, their importance decreases in the context of lower state financing.

Important for the moment are those labour market initiatives that receive financing by the OP HRD, that is, the scheme for supporting the unemployed young people’s employability that will be applied in ten regions and the national scheme for youth work experience. The first initiative includes the provision of ICT and foreign language training, motivation courses, mediation and placement services. The scheme for youth work experience offers a direct grant to the employers for hiring young people with secondary and higher education that have not being employed after graduation. The period of probation is six or less months. The grant is paid for trainees’ salaries and for additional remuneration of the coaches involved. At the end of 2010, a procedure for hiring young unemployed professionals in labour offices was opened again with the aim to facilitate the transition to employment.

Young people are given formal priority to be enrolled in training programmes aiming at encouraging business start ups, but the interest is not high. Some elements of entrepreneurship training have been included in secondary school curricula to change this attitude. A positive reform was to combine the access to preferential credits for starting their own business provided by Employment Agency with provision of supporting services during the first year of the business start-up.

The activation of public employment services (PES) is also considered as one of the anti-crisis labour market measure. In 2009, a new start was proposed to 20 % of all young registered unemployed within the first four months from registration, and to 23 % of the

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<sup>3</sup> State Gazette 112, 29.12.2001 in force from 1.01.2002.

unemployed above 29 years of age, within 12 months<sup>4</sup>. This is a reasonable coverage of young people compared to previous years, when such start was offered in the first six months to a smaller proportion. In addition, specialised labour exchanges, that have proved their effectiveness, were organized for young people at regional level in 2008 and 2009, including for representatives of Roma minority. The experience until now proves the high interest of the latter towards the initiative, but still there is not information to prove that they lead to employment.

In 2010, the PES net effect evaluation was finalised<sup>5</sup>. It proved that the PES positive effects have the greatest importance for young people below 29 years of age (as well as for women). The use of placement services provided by the labour offices increased the chances registered unemployed young people to find a job by 13.7 %. Compared to other groups, the provision of information and job opportunities has been the most useful for young people, while advice on vocational training was less important. The current provision of information on job opportunities through the e-labour exchange, through access to the EURES network and from other information sources hosted on the Employment Agency website, is appreciated by young people and should be expanded.

The evaluation of the PES includes some recommendations for the near future that are of particular significance for young people. These are: the activation of job-seekers through development of individual employment plans, regular provision of updated information about the number and quality of vacancies; expansion and diversification of the information provided for job-seekers and employers; well-designed combination of employment services with social and health policies and their integration in specialised programmes.

### **2.3.2. Access to social security benefits.**

According to the Social Insurance Code, uninsured young people who are looking for a job are not entitled to receive payments from the 'Unemployment Fund'<sup>6</sup>. This arrangement is considered as a stimulus for their activation. However, it provokes some doubt during the crisis, when the longer periods of job-search of young people depend on macroeconomic and other factors that are not their personal responsibility. There appears to be a need to introduce certain assistance provision at least for the first four months of the job search, i.e. the period during which individual plans for employment have to be elaborated.

Young people are also entitled to receive compensations for the years 'lost' from their career while they study or care for children (until they become three years old). The period of university or college education is counted as insured length of service for pension, even if contributions are paid by the person at a later stage<sup>7</sup>. The period of paid and unpaid leave for raising children, for pregnancy and childbirth is also recognised as insured length of service.

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<sup>4</sup> Source: Annual Report of the Employment Agency for 2009, p. 8.

<sup>5</sup> Source: Results from the evaluation of the net effect of employment mediation services, Kotseva Mariana and Alexander Tsvetkov, MLSP, 2010. In the report, 61 % of those surveyed managed to find work after registering with the Labour Office. Out of these 61 %, it was young people and women who benefited most from the placement services according to the survey's results

<sup>6</sup> Young people can be entitled to social assistance benefits after a means tested examination to prove their low living standards. These benefits are paid by social assistance funds.

<sup>7</sup> Contributions are calculated on the basis of the minimum insurance income for a self-employed person.

### **2.3.3 Tax system.**

In 2009, a 'flat' income tax rate of 10 % was introduced and employers' social contributions have been subject to reductions since then. The Bulgarian practice proves that the low tax rates can positively influence employment when the reductions are applied in combination with other factors - such as stable economic growth, predictable politics and economic policy, positive employer and consumer expectations, innovation and competitiveness - that are limited, or missing in the period of crisis. Still there are no reported research studies' on the influence of direct and indirect taxes on labour markets and the need for them is more than obvious.

### **2.4. Addressing problematic features of youth employment**

In Bulgaria, there is some differentiation in the branch structure of employment according to age group. Young people are still working in sectors with seasonal employment and a high share in the shadow economy, in sectors such as tourism, some services, construction and agriculture and with the lowest salary levels. They thus occupy precarious jobs and some positions could include illegal payments. Another problem is that employees in sectors affected by the grey economy, in practice have less access to vocational training, social insurance and assistance, or are completely excluded from them. In analysing youth employment and specifically atypical forms of employment, the shadow sector should be taken into account.

In Bulgaria, the interest towards part-time contracts or temporary employment is low in comparison with the other EU Member States. However, at national level, young people prove to be more flexible in their working arrangements than the other age groups.

Part-time work is one of the important anti-crisis measures implemented in Bulgaria. Its positive effect is the combination of the transition to part time work with subsidised vocational training (vouchers under the programme 'Adaptation'). For the moment, young people are poorly represented in these measures and employers demonstrate sensitivity mainly towards older workers.

Temporary employment could be of key importance for young people that are still studying or are in a process of transition to stable employment. The later has to be underlined, because quite a large share of temporal (subsidised) employment is offered by labour market programmes and measures. Going in and out of the labour market because of such types of employment can turn out to be a trap for young people. In this respect, the active mediation and easy transfer to sustainable jobs for young people in the real economy has to be given priority.

### **2.5. Role of labour market actors**

Social dialogue regarding changes in labour market legislation and policies is another key anti-crisis measure. Until now, it has not been abandoned and this is a promising fact for the future.

A particular domain, where the role of the social partners has to be reconsidered is that of the minimum wage in Bulgaria. As a rule, the trade unions insist on its increase for social reasons. The fact that a relatively high minimum wage can be a barrier to youth employment is rarely discussed.

In the collective bargaining process, the trade unions aim at protecting the interests of employees and workers in general, without focusing on youth problems. The inclusion of practitioners in developing training materials and programmes is also not well regulated, particularly regarding remuneration. There is a government Strategy for corporate social responsibility (2008), but its implementation is still lagging behind and the interest of the social partners in it is low.

### **3. Conclusions**

In the period of the recent economic crisis, young people experience both the inherited and additional difficulties in their transition to employment, in developing their learning and labour mobility. Nevertheless they are given priority in labour market programmes and measures and some new initiatives were implemented in the field of education – yet the results remain quite modest.

The strategic importance of youth employment, education and vocational training points to the need for reforms in these fields, despite the scarcity of financial resources. The reform has started with the adoption of the Youth Strategy 2010 – 2020 and with some amendments in legislation in conformity with the Europe 2020 programme. Their success will depend not only on long-lasting stable financing and good organisation of implementation, including monitoring and control, but also on strong political consensus and well operated people's support.

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## Annex

<b>Table 1: YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS (Q1 data)</b>									
<b>Data</b>	<b>Age group 15-19</b>			<b>Age group 20-24</b>			<b>Age group 25-29</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Employment rate (%)	5.1	5.1	(3.0)	47.3	47.9	39.2	74.6	71.3	65.5
Unemployment rate (%)	(26.6)	(26.5)	51.0	12.6	12.6	20.2	7.3	7.5	13.8
Long-term unemployment as a % of unemployed	-	-	-	(31.2)	(35.8)	45.1	57.4	(38.4)	(33.1)
Youth unemployment to population ratio	(1.9)	(1.8)	3.1	6.8	6.9	9.9	5.8	5.8	10.5

Source: Eurostat, Labour Force Survey

- : Data not available

Data in brackets not reliable due to small sample size.

<b>Table 2: YOUTH UNEMPLOYMENT TRENDS (Q1 data, %)</b>						
<b>Data</b>	<b>Age group 15-24</b>		<b>Age group 20-24</b>		<b>Age group 25-29</b>	
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>
Unemployment for the low-skilled (ISCED 0-2)	32.4	41.4	26.7	39.0	18.0	33.3
Unemployment for the medium-skilled (ISCED 3-4)	11.6	21.6	10.3	18.4	6.9	12.2
Unemployment for the high skilled (ISCED 5-6)	-	-	4.9	4.2	3.9	8.5

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

- : Data not available

<b>Table 3: YOUTH TEMPORARY CONTRACTS (% OF EMPLOYEES) (Annual data)</b>				
<b>Data</b>	<b>Age group 15-19</b>		<b>Age group 20-24</b>	
	<b>2009</b>		<b>2009</b>	
Temporary work as a % of employment	-		8.0	
			4.4	

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

<b>Table 4: NEITHER IN EMPLOYMENT NOR IN ANY EDUCATION OR TRAINING (NEET) (Annual data)</b>		
<b>Data</b>	<b>Age group 15-19</b>	<b>Age group 20-24</b>
	<b>2008</b>	<b>2008</b>
NEET rate (% of the age group) (annual averages)	13.7	21.6

Source: Eurostat, EU Labour Force Survey, Annual averages

<b>Table 5: EARLY SCHOOL LEAVERS* (Annual data)</b>		
<b>Data</b>	<b>Age group 18-24</b>	
	<b>2008</b>	<b>2009</b>
Early school leavers (% of the age group)	14.8	14.7

Source: Eurostat, Labour Force Survey

\* Percentage of the population aged 18-24 having attained at most lower secondary education and not being involved in further education or training.

<b>Table 6: DIFFERENCE IN YOUTH UNEMPLOYMENT RATE BETWEEN Q4-2009 AND Q4-2007</b>		
<b>Data</b>	<b>Age group 15-19</b>	<b>Age group 15-24</b>
Difference in youth unemployment rate between Q4-2009 and Q4-2007	10.1	5.0

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted