

NATIONAL ASSEMBLY OF THE REPUBLIC OF BULGARIA

COMMITTEE ON EUROPEAN AFFAIRS
AND OVERSIGHT OF THE EUROPEAN FUNDS

REPORT

Regarding: EU Employment Package - job creation, labor market reform – Opinion statement by the Committee on European Affairs and Oversight of the European Funds (CEAOEF) on Item 24 of the 2012 Annual Work Program of the National Assembly on EU Affairs, chapter ‘More opportunities for the people – flexible and mobile labor market, social issues and social inclusion’

At its regular meeting, held on **May 16, 2012**, the Committee on European Affairs and Oversight of the EU Funds (CEAOEF) reviewed the **EU Employment Package - job creation, labor market reform – opinion statement by the Committee on European Affairs and Oversight of the European Funds**, included as **Item 24 of the 2012 Annual Work Program of the National Assembly on EU Affairs**, chapter ‘**More opportunities for the people – flexible and mobile labor market, social issues and social inclusion**’

I. EU Employment Package Measures

On April 18, 2012 the European Commission presented **Communication to the European Parliament, the Council, the European Economic and Social Council and the Committee of the Regions COM (2012) 173 – Towards a jobs-rich recovery**, proposing new measures and **outlining several key opportunities** for recovery from the crisis and creation of more jobs in the EU.

In its Communication the European Commission **urges the Member States for reinforced coordination** of employment policies and efforts to generate conditions for growth, taking into account the approach applied in line with the new EU economic governance.

The European Semester has been the first step in this new approach, whereby Member States and EU institutions are focusing their efforts on strengthening the fiscal and economic coordination and building a coherent economic policy. The Semester constitutes an effective governance method for monitoring and steering the implementation of actions to support the Europe 2020 goals. Moreover, the economic and fiscal policy coordination has been recently reinforced by the ‘six-pack’, by the proposed ‘two-pack’ and the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. In this regard, better EU

employment governance and coordination has become essential for two reasons. First, labor market participation, unemployment and labor costs are vital for macroeconomic stability and are taken into account in the new regulation on prevention and adjustment of macroeconomic imbalances. Second, the crisis has further revealed the interdependence of EU economies and labor markets, emphasising the need to accompany the **new economic governance with strengthened coordination of employment and social policies in line with the European Employment Strategy**, provided for by the Treaty.

The European Council held in December 2011 highlighted the need to supplement the reinforced economic coordination with **enhanced employment and social policies monitoring**¹. This political commitment was reiterated at the 2012 spring European Council when the Member States were urged to draft 'national employment action plans', containing large scale initiatives in this field.

As an integral part of the Member States **National Reform Programmes**, the National Job Plans should provide key deliverables with regard to the employment guidance delivered by the European Council, addressing structural labor market deficiencies and seeking to make a short-to-medium term impact on jobs. The plans should include a clear timetable on how the multiannual reform agenda is to unfold over the upcoming 12 months.

With regard to financing, the European Commission is promoting reinforced **coordination and integration of the funds to be covered by the Partnership Contracts, including ESF and ERDF, as well as the EAFRD and the EMFF**. This approach aims at maximizing synergies, including from the employment perspective.

That is why in the Multiannual Financial Framework for 2014-2020 the Commission has proposed minimum allocations for the European Social Fund in each type of region, amounting to an EU total of at least 84 billion EURO. In addition, the close alignment of the EU budget with the Europe 2020 Strategy **in the next programming period needs to be regarded as an opportunity to increase and improve the use of the EU funding to support the reform efforts of the Member States** – position, which has been repeatedly supported by Bulgaria. This calls for a closer interaction and connection of the priorities set in the post-2013 **Partnership Contracts and respective Operational Programmes which benefit from the ESF** with regard to **employment policies** as part of the EU economic governance.

II. The Position of Bulgaria

Although our country does not fall among the Member States with highest levels of youth unemployment, we have timely responded to the recommendations of the European Commission by drafting **National Employment Action Plan 2012, adopted by Council of Ministers Resolution No 957 of 29 December 2011**. In addition, the updated National Reform Programme and 2012 Convergence Programme, presented to CEAOEF on 9 May 2012, provide a strong focus on employment issues as a key driver of growth.

¹Conclusions of the European Council of December 9, 2011 and conclusions of the Council (Employment, Social Policy, Health Consumer Affairs Council) of December 1, 2011.

The National Reform Programme, combined with the measures foreseen in the National Employment Action Plan and targeted use of funds from the European Social Fund through the Human Resources Development OP, underlies the integrated approach in formulating and undertaking specific actions for reducing the rate of unemployment in the country, with a focus on youth employment.

In terms of youth employment in Bulgaria it should be noted that as of May 2012 the share of unemployed in the country aged 15-24 stands at 32.8% according to Eurostat².

In this regard, action has been taken to optimize the labor market conditions by developing a **National Initiative 'Jobs for Young People in Bulgaria'**, adopted by the Bulgarian government in early 2012. It provides for integrated efforts of the responsible institutions and social partners aimed at reducing unemployment and the number of inactive persons among the young population aged under 29.

As regards the financing of national measures relating to employment such as the National Initiative 'Jobs for Young People in Bulgaria', we shall seek to provide funds from the budgets of the responsible institutions through the annual budget procedures, under EU programmes in the field of education, youth and academic mobility and under the EU structural funds.

'Jobs for Young People in Bulgaria' will be implemented in the period 2012-2013, when the country is expected to speed up its way out of the economic crisis and mark progress in attaining the national goals set in the Europe 2020 Strategy. The elaboration of the document is included in the **National Employment Action Plan 2012** and is viewed as an instrument not only for implementation of the Plan, but also for implementation of the National Reform Programme 2102-2020 in the respective years.

In the framework of the **2012 National Employment Action Plan** funding for training and employment has been provided in the amount of BGN 73 million from the state budget active policy funds and **BGN 350 million for 2012 under the Human Resources Development OP**. Various groups of employed and unemployed persons will be beneficiaries of these funds with **employed and unemployed young people being a priority group** under a number of HRDOP programs and schemes. Funding of programs, measures and schemes tailored **especially for young people** has been secured in the framework of the National Employment Action Plan 2012 in the approximate amount of BGN 9.6 million from the state budget active policy funds and about BGN 27 million for 2012 under HRDOP.

In order to **reduce the gap between demand and supply of labor force with specific knowledge and skills**, a study will be conducted to examine the employers' skills needs and to collect and analyze information on sectors faced with shortage of qualified workers but holding potential for job generation such as, *inter alia*, health, social services and high tech sectors.³ Subject to analysis will be the opportunities provided by the current OPs and in specific by the Human Resources Development OP, Regional Development OP, Competitiveness OP, Environment OP and Transport OP **for priority employment of qualified young people.**

² <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=teilm021>

³ Based on the results of two projects under the HRDOP - "Development and implementation of an information system for assessing the competence of the workforce by sectors and regions" of the BIA and "Building a system for forecasting the demand for labor with certain characteristics" of the Ministry of Labor and Social Affairs.

In parallel to the measures taken by the Executive in support of youth employment, the **National Assembly** is also actively involved along the following three lines:

- 1. Parliamentary monitoring and control** on the process of elaboration and implementation of the National Reform Program and the National Employment Action Plan. As part of the activities of the Committee on European Affairs and Oversight of EU Funds (CEAOEF) **hearings of the Executive are held on the overall progress in the EU funds absorption** with monitoring conducted in particular on the absorption of the ESF funds aimed at employment support and labor market optimization measures with a focus on young people.
2. Participation in the adoption of the **Youth Act** introducing legal definitions related to youth, youth organizations and youth activities. The Act regulates the responsibilities and coordination of government bodies, local government authorities and representatives of young people, and provides legal grounds for funding of youth activities under national and European programs and projects.
- 3. Discussions involving all stakeholders.** The Committee on European Affairs and Oversight of EU Funds has initiated, through the Council for Public Consultations⁴, a discussion on the **'Youth perspective of the Bulgarian business growth in Europe'** held on April 3, 2012. The emphasis was laid on the need to optimize the link between the academic and the business aimed at reducing youth unemployment and generating growth. The discussion generated **14 recommendations** which, following their endorsement by the Council members, were forwarded to the institutions in charge of their implementation, i.e. Ministry of Education, Youth and Science, Ministry of Labor and Social Policy, Council of University Rectors:

1. Creating a single system of information on labor force qualifications and education.
2. Design and development (with the participation of employers by economic sector) of a sustainable skills needs forecasting system.
3. Regulating the role of professional standards in the development of state educational requirements (SER).
4. Developing and implementing a national career education program. Amending the criteria for education funding based on final realization.
5. Updating the 'Workforce Training' section of the Labor Code and the respective by-laws.
6. Creating prerequisites for young people to take flexible work hours jobs. Introduction of part-time employment.
7. Organizing fora enabling young people with ideas to present their insights in front of the business.
8. Introducing the 'Stanford Model' in Bulgarian higher schools, i.e. professors recommend students' ideas to employers and people capable of taking ideas to implementation.

⁴ The Council for Public Consultations to CEAOEF was established in March 2010 and consists of 60 members representing a wide range of organizations - employers, trade unions, NGOs, academia, research and more. In this format, the Council creates conditions for carrying out a constructive dialogue between civil society representatives, the Executive and the Legislative power and provides valuable support to the Committee's work.

9. Enhancing professional specialization in secondary schools and provoking young people's interest to technically oriented disciplines.
10. Higher schools penetration in new market niches in education by offering courses to elderly people to enhance their professional qualifications.
11. Changing the university funding mechanisms to encourage the market-driven approach not only at the students' admission stage but also taking account of their realization.
12. Strengthening the business-education relationship by setting up 'science shops': Higher schools launch a list of services and products that can be offered on a competitive market basis to potential clients (private or public).
13. Encouraging the public-private partnership in the 11th-12th grade segment of vocational high schools.
14. Inclusion of potential employers in the learning process (drafting and updating school curricula; assigning papers and masters theses meeting the needs of their activities). Presence of potential employers as observers or evaluators at the state examinations and defense of master's thesis with possibility of offering fixed-term contracts to best performers. New regulation of internships.

III. Statement of the Committee on European Affairs and Oversight of the EU Funds

After considering the European Commission Communication to the European Parliament, the Council, the European Economic and Social Council and the Committee of the Regions COM (2012) 173 – Towards a jobs-rich recovery, the Committee on European Affairs and Oversight of the European Funds will focus on youth unemployment as in the long run it implies loss of human capital and creates obstacles to growth and social cohesion.

Young people in the EU are a depleting resource, whose share of 20% of the population in 2010 is anticipated to **drop down to 15% by 2050**. Along with the greater opportunities available for them today, young people in the EU are also faced with complex challenges. One such challenge is the level of youth employment in the Member States.

In Bulgaria, as of May 2012 the overall unemployment rate stood at 12,6% and the percentage of unemployed youth (aged 15-24) amounted to 32,8%. In this regard, the Government addressed the challenges of the labor market by **updating the National Reform Program and by elaborating National Employment Action Plan 2012, which focuses on youth unemployment through the 'Jobs for Young People in Bulgaria' initiative**. Furthermore, an integrated approach has been applied to the EU funds utilization with the aim to implement reforms and raise youth employment in the country.

In this respect the Bulgarian Parliament is of the opinion, that while the responsibility for unemployment lies with the individual Member States, they may benefit from a closer cooperation within the European Union by exchanging good practices and examples of 'working solutions' that could be applicable in the individual countries.

In order to secure sustainability of decisions, CEAOEF emphasizes the need to involve young people, along with all other stakeholders, in the process of generating solutions and measures related to youth unemployment. In this regard and in the framework of practices established by

the Council for Public Consultations with the CEAOEF, a **discussion was held on ‘Youth Perspective for Growth of Bulgarian Business in Europe’** with participation of the non-governmental sector, businesses and Academia. The forum generated **14 recommendations** for enhancing youth employment, which were forwarded to the competent authorities in charge of their implementation (see the CEAOEF Report attached hereinafter). In parallel to that, legal definitions of youth, youth organizations and youth activities were introduced in the adopted **Youth Act**. The Act regulates the responsibilities and coordination among government agencies, local authorities and youth representatives, setting legal grounds for funding youth activities under national and European programs and projects.

Based on the above, having regard to the **European Commission Communication to the European Parliament, the Council, the European Economic and Social Council and the Committee of the Regions COM (2012) 173 – Towards a jobs-rich recovery** and the action taken at national and European level, and taking into account the recommendations of the Council for Public Consultations (see the CEAOEF Report), **the CEAOEF expresses the following opinion on the need of:**

I. Adjustment and adequate use of EU funds and programs.

1. **Need to utilize resources available under the ESF** for the implementation of measures to tackle youth unemployment, and to apply integrated approach to the individual EU programs and funds for achieving tangible and sustainable effect;
2. **Need for better coordination and harmonization of the existing horizontal programs and initiatives at EU level** (*Youth in Motion, Youth in Action, Progress, the Lifelong Learning Program* and the *Erasmus, Komenski, Grundtvig* and *Leonardo da Vinci* sectoral programs) and for conducting a better **awareness raising campaign** on the variety of financial instruments available to the young people and contributing to their development and integration in the labor market;
3. **Need to place young people and their realization on the labor market in the focus of debate on the next Multiannual Financial Framework 2014-2020**, as this focus is currently missing while being consistent with the goals of Europe 2020 Strategy;
4. **Need to utilize the opportunities for financial engineering with an emphasis on business angels’ networks and venture capital funds**, in order to increase youth employment by encouraging the entrepreneurial spirit among young people. An example in this regard is Priority Axis 3 of Competitiveness OP.
5. **Need for regional thinking** – CEAOEF has repeatedly made this recommendation with regard to the possibility of developing the so called **‘growth hubs’** – regions of potential economic significance within which to create conditions for region-specific education and subsequent realization.

II. Reforms

Guided by the understanding that youth unemployment is a particular of economic structuring rather than cyclicity, CEAOEF focuses on the:

1. **Need for reforms in the secondary and higher education**, which would contribute to attain the priorities, set in the Europe 2020 Strategy and meet the labor market expectations.
2. **Need for greater flexibility and security (Flexicurity)** on the EU labor market as a measure to end the crisis and overcome unemployment mainly among young people.
3. **Need for strong partnership** among public authorities, universities, students, workers and employers in the shaping of policies for growth and social cohesion and the implementation of reforms.
4. **Need to optimize the education-business relationship** in order to implement the above reforms and adjust education needs to labor market demands and business-offered employment opportunities. In this regard it would be of huge benefit to activate the so called 'triangle of knowledge' – the relation between higher education, research and business, and to address the labor market structural problems.
5. **Need to multiply clusters** in order to enhance the competitiveness and growth of regions, taking into account their specifics and available resources – educational, natural and economic. Their differentiation would provide young people with an opportunity to seek realization within the framework of different regions and thus contribute to the overall improvement of their economic and business indicators.

III. Internships and Youth Entrepreneurship

Guided by the understanding that the most secure way to overcome unemployment is by creating jobs, CEAOEF stresses the need of:

1. Creating opportunities for young people to get adapted to the new labor market environment. **CEAOEF supports the 'Youth Guarantee' initiative**, which will make sure that within four months after graduation young people are either employed or in training/retraining or apprenticeship;
2. Conducting internships as a valuable instrument for illustrating a '**win-win**' situation – on the one hand allowing graduates and graduate students to accumulate work experience, while on the other hand supplying employers with highly motivated, active and creative workforce;
3. Taking measures for: **overcoming the bureaucratic burden and lack of financial resources for business start-ups as well as the insufficient knowledge on behalf of the universities as to how young people respond and behave in a business environment;**

4. Including **entrepreneurs in various training programs**;
5. Successful **transition from temporary to permanent employment**.

Based on the above and pursuant to the voting, **the Report and the Opinion Statement to it were unanimously supported by the Committee on European Affairs and Oversight of the European Funds.**