

SOCIO-ECONOMIC AND REGIONAL DIFFERENCES IN THE LABOUR MARKET IN BULGARIA AND THE EUROPEAN UNION

Metodi Ivanov

Sofia University "St. Kliment Ohridski", 1504 Sofia; ivanov.metodi@abv.bg

ABSTRACT. The presentation of socio-economic differences in the labour market in the Member States of the European Union will make it possible to highlight the regional imbalances in the labour market in the individual administrative-territorial units. In this way, the current trends in improving the skills of the working population in the underdeveloped regions of the European Union will be outlined as well as the specific reasons leading to the increase of the migration flows to the more developed regions of the European Union. On the other hand, identifying labour market disparities will give us an answer to the socio-economic profile of individual municipalities and settlements and will outline the prospects for the development of the clustering process between regions with clear comparative advantages for achieving regional economic growth based on the application of innovation in trade and production and the creation of opportunities to increase the competitiveness of the region.

Keywords: labour market, competitiveness, regional development, socio-economic development, clustering

СОЦИАЛНО-ИКОНОМИЧЕСКИ И РЕГИОНАЛНИ РАЗЛИЧИЯ НА ПАЗАРА НА ТРУДА В БЪЛГАРИЯ И ЕВРОПЕЙСКИЯ СЪЮЗ

Методи Иванов

Софийски университет "Св. Климент Охридски", 1504, София

РЕЗЮМЕ. Представянето на социално-икономическите различия на пазара на труда в страните членки на Европейския съюз ще даде възможност да се открият регионалните диспропорции на пазара на труда в отделните административно-териториални единици. Като по този начин ще се очертаят съвременните тенденции при усъвършенстване на квалификацията на трудоспособното население в слабо развитите региони на Европейския съюз, както и конкретните причини водещи до увеличаване на миграционните потоци към по-развитите региони на Европейския съюз. От друга страна идентифицирането на различията на пазара на труда ще ни даде отговор за социално-икономическия профил на отделните общини и населени места, както и ще очертае перспективите за развитието на процеса на клъстеризация между отделните региони притежаващи недвусмислени сравнителни предимства за постигането на регионален икономически растеж основан на приложението на иновациите в търговията и производството и създаването на възможности за увеличаване на конкурентоспособността на региона.

Ключови думи: пазар на труда, конкурентоспособност, регионално развитие, социално-икономическо развитие, клъстеризация

Introduction

The labour market must be seen as one of the most regulated and at the same time politically sensitive markets in the economy of every single country, which implies that the main priorities pursued through the implementation of specific employment policies are to reduce unemployment, the process also involves the creation of subsidised employment. But it is undoubtedly one of the main problems in the individual regions of the country that there is long-term unemployment, which is a structural factor on the labour market and therefore its elimination implies the implementation of a reform programme aimed at liberalising the markets and increasing the qualification and mobility of the workforce. It is definitely to be assumed that the creation of high levels of support for the long-term unemployed reduces their incentives to find work, and that an effective policy for the long-term unemployed must be linked to the provision of various forms of retraining, to be accompanied by the provision of additional services to find a job. In addition, a thorough rethinking of the funding system for employment policies should be followed as the level of funding

and the objectively achieved results of individual labour market interventions must be linked, which also implies the rationalisation of new indicators reflecting the relationship between financing and effectiveness in reducing unemployment on a regional level in order to target the resources needed to undertake measures of higher added value, efficiency and performance of the labour market.

Bulgaria has a major problem because, according to the World Bank estimates, by 2050 its population will fall by over 40% and it will about 4.5 million people. These statistics do not take into account Bulgarian citizens who live permanently in the EU and abroad and their children do not bear Bulgarian names and do not have Bulgarian citizenship. There is an unpredictable and beyond the control possibility for a refugee wave to Europe that does not have the necessary territory and conditions to shelter and integrate the incoming people. The factual situation requires an adequate response of the international community and its authorities to prevent escalation, terrorist acts and the prosperity of cannabis. The increasing migratory pressure creates the need to redirect significant financial and organisational resources to address

the situation and to avoid creating direct risks to the emergence of a humanitarian crisis (Ivanov, Naydenov, 2018). Migration is a global problem that will remain in the future. Coping with the increasing migratory flows of people is one of the main problems at the beginning of the 21st century. In many countries there is a serious conflict between the economic and demographic case for expanded labour migration, and public resistance to increased migration. European states have dealt with this problem in different ways. In most cases, governments have been able to introduce liberalising legislation or programmes. Most of these have been for high-skilled and skilled migrants, in the form of points systems, streamlined procedures for recruitment in particular sectors or occupations, or facilitating labour market access for foreign graduates (Naydenov, 2018).

Socio-economic differences in the labour market in Bulgaria

The situation in Bulgaria with regard to the demographic crisis and the coming changes in the economy are partly due to the increased life span, combined with the low birth rate and emigration, which lead to the aging of the age pyramid of the population at the top, as well as the increase of the coefficients of age dependency. The economic sectors involved in the engagement of low-skilled workforce are experiencing the largest contraction in the economic crisis, but we must also note the activities that require highly qualified labour such as financial and business services and information and communication technologies. Undoubtedly, the labour market in Bulgaria still does not respond adequately to the demographic challenge, which is mainly due to the growing discrepancy between the demanded and the offered skills, especially given the development of the demographic situation in the country, it is assumed that its economic development will be proportionate to the commitment of available human resources. It is, of course, a fact that our country has the opportunity to mitigate the challenge of increasing dependency ratios by attracting to the labour market the groups that are not sufficiently used at this time, such as young people (and in particular the Roma) and the older population, that is where the potential reserve of the country is hidden of a labour force that can be involved in the labour market. The Bulgarian labour market is not working well, which has an impact on 68.6% of the "Relatively Low Level of Economic Activity (LFPR), and is second only in the EU at the level of young people who neither study nor work or train (NEET) (*Report of the World Bank*, 2016). It is noteworthy that employers often encounter difficulties in finding candidates with appropriate education and skills, especially in innovative sectors such as IT and high value added industries. As a result of the increase in skills gap, the gap between the unemployment rates of the more highly qualified and the under-qualified, as well as the steadily increasing number of long-term unemployed persons is widening. It is definitely difficult for our country to prepare for the next generations to enter the labour market, as about 40% of 15-year-olds are functionally illiterate in mathematics and reading. The picture we described implies that national and regional policies should aim at raising the skills of the economically active population at the moment, as well as a significant increase in the investment of the growing

population, as appropriate policies in this direction must be related to providing lifelong learning opportunities and developing the skills of marginalised groups.

A positive element in the future development of the labour market by state institutions may be a timely early investment in skills as this investment will have the highest returns. Given the demographic profile of the country, the access to pre-school and early childhood education programs for children from vulnerable groups and disadvantaged communities needs to be broadened and the process should be accompanied by adaptation of the curriculum and teaching methods to overcome gaps in the skills of disadvantaged communities, and targeting students in profiled, general and vocational schools. On one hand, at this stage of the socio-economic development of the country, it is vitally necessary to increase the quality of the basic education of all students and the development of the vocational/dual training system. On the other hand, the participation of the population in labour market programmes needs to be strengthened, and this must be improved and maintained in close contact with employers.

The development of a culture of lifelong learning and education in the economically active population in the country can help in bringing Bulgaria closer to other EU member states. The continuing contraction of the working-age population, coupled with the rapid aging of the population, leads to an increase in the age-dependency ratio. Bulgaria needs to adapt to the changing demographic situation by looking for opportunities to preserve its long-term economic prospects, which is directly dependent on how its labour resources are used. In the long run, a major impediment to employment and the growth of the country's economy is the continuing aging, rising emigration rates and inactivity in the economically active population. As a natural result of the outlined trends, it should be noted that in the future, it is necessary to predict an increase in the cost of health, long-term care and pensions, with anticipated fiscal problems in the coming decades. According to World Bank reports, given the shrinking labour force in the country, the GDP growth is expected to be around 0.7% per annum by 2050. We can assume that, in the medium term, economic and social development will be determined by how human resources are deployed at regional and national level. The economic crisis has revealed the weaknesses of the labour market in Bulgaria, especially looking at the data for 2013, where our country with a labour market participation rate of 68.6% is below the European Union average during the period, where the average is 72.1%.

In the country, young and under-educated workers are more vulnerable to rising unemployment during the crisis, which is complemented by data on the preservation of low rates of economic activity among young people, which, on one hand, is the result of national culture for full-time education for this age group. Regional increase in poverty and inequality is seen at regional level in view of the problems of the labour market in the different municipalities in the country. In the small municipalities in the country, inactivity and unemployment are disproportionately highly concentrated in the households that receive the lowest income, which is why the unemployment rate in small municipalities is often observed to be around 25%. But even those who have a job usually work part-time and take low-paid jobs performing low-skilled jobs. Here again, the extent to which the average wage in all sectors shows

objectively the situation among the poorest and the most vulnerable segments of the population is debatable. On one hand, low wages are more widespread and are often close to the minimum wage for the country, while the higher remunerations amount to several tens of thousands of leva, as a result of which the objective picture of the remuneration changes in the country. For example, an average wage in the economic activity "Finance and Insurance" in 2017 is about 1800 BGN, but about 90% of the employees in this economic activity receive an average of about 900 BGN, while the remaining about 10% of the employees receive remuneration several times higher than the average salary of 1800 BGN. With this example, it is logical to ask whether the use of the average wage by economic activity in the country is reliable and provides correct information about the imbalance in the remuneration from the labour activity in the individual administrative-territorial units in the country. In recent years, highly skilled labour sectors such as information and communication technologies, financial services and real estate, and business services have been intensively developing, but there are indications that unemployment among the low-skilled is rather structural than cyclical, since the average length of the out-of-work period in recent years is increasing. Therefore, the potential for addressing the demographic problem can be highlighted by increasing the economic activity rate of young people, the Roma population and the elderly, as it should not be overlooked that young and often low-skilled Roma will become a significant source for labour market participants as the Roma population provides 9 to 19% of the new workers in the individual regions (de Laat, Bodewig, 2011), and given the rising population of Roma origin, we can expect an increase in the importance of integrating the Roma population into the economically active population. Consequently, these data require rethinking policies and creating opportunities to remove the restrictions on Roma participation (wherever they exist) in their implementation on the labour market. Through the successful realisation of the Roma labour market, the pressure of the current demographic situation can be partially mitigated.

The necessity to change the skills of the workers on the labour market in Bulgaria

One of the main labour force problems in Bulgaria is the lack of skills that are being sought on the labour market, which is why employers in the country are extremely concerned about the future development of their companies, especially employers in more innovative sectors, such as the information technology, electronics and facilities, etc. Certainly, employers in Bulgaria have difficulty in finding suitable candidates for the jobs they offer, one of the reasons being the lack of socio-emotional skills. Attention should be paid to the implementation of a reform in the country's education system, as perhaps the early targeting of pupils in different schools has a rather negative effect on pupils' performance. The very early selection of pupils based on their abilities starts from the first and fourth grades and applies to the whole system after grade 7, resulting in more than half of the 15-year-old students in vocational schools being functionally illiterate compared to nearly 1/3 of the secondary schools. And it should not be forgotten that skills are developed throughout life, starting in early childhood and continuing in the formal education system and beyond. Often

the formation of early childhood skills is perceived as fundamental but skills can also be developed at a later stage through targeted education and inclusion in specific educational and social programmes. Naturally, the types of skills continue to develop during the younger age, as in the process of growth, a person is shaped by both education and work experience and the influence of the immediate surroundings. When working on skills analysis by the working population, they must be measured beyond the diploma content. The characteristic of all cognitive and socio-emotional skills, apart from the mental attitude, is that people with lower education have lower standardised results, but by acquiring a bachelor's degree, skills related to work style, training and lifelong learning life, as well as interpersonal relationships can be developed. The acquisition and development of better skills in each field, is often linked to the acquisition of a master's degree or a higher degree by but one must not overlook the fact that during the life cycle of a person, the combination of skills changes for the young, but also for middle-aged and older Bulgarians. There is a tendency for older adults to have a greater fixed mindset than younger groups, but they have better interpersonal skills. It is definitely worth noting that three of the socio-emotional personality traits, namely good faith, goodwill, and emotional stability, improve with age.

Regarding the development of the labour market in Bulgaria, attention should be paid to the educational outcomes of the Roma, which are probably related to their unequal position in society. It should be noted that Roma children face both obstacles related to their ethnic background and the implementation of the process of transmission of low educational outcomes between the generations. This process is the result of lower education of parents who have lower incomes and at the same time the Roma have a worse job realisation, which is why the Roma population may perceive that the economic return from education is low and additionally discourages these groups which show no interest in investing in raising their education. On the other hand, those who have a job have better skills than those who do not, so we can point out that the unemployed and inactive people have worse cognitive skills than those who work. In cognitive and socio-emotional skills between the unemployed and the inactive persons there are no serious differences in any aspect, but for the economic activity education is the most important. For the economic activity of the population, education is the main driver, and neither cognitive nor socio-emotional skills are of great importance as the degree successfully conveys the knowledge and socio-emotional skills which, on the other hand, affect the motivation to search for work. Often child-care responsibilities are an obstacle to the economic activity of women, as there is a correlation between the presence in the household of children up to 5 years of age and of adults over the age of 65 and the lower economic activity of women. Both cognitive and socio-emotional skills and the functional linguistic and mathematical literacy are important for the employment of men, because not only mental capabilities are important for the employability of men in Bulgaria, but also skills such as self-discipline, insistence, decision making and spatial orientation. Typically, working-minded, development-oriented women with very good work and learning skills are more likely to be employed in the private sector, while the typical public sector is the one that attracts women, who have better interpersonal skills. While there is a difference in skills and employment

among women in the different sectors of the national economy, the evaluation of the necessary skills in both the public sector and the government is similar in men. It is not surprising that working women in the public sector have better interpersonal skills than women in the private sector. In addition, the public sector offers many jobs traditionally occupied by women, while the probability that the private sector in Bulgaria attracts and retains working men with higher education than average is one of the main problems in seeking opportunities for increasing productivity in the national economy. Remuneration of both men and women with better cognitive skills is higher even when the level of education is taken into account, so formal education does not seem to fully capture the skills that attract higher incomes in Bulgaria.

With the continued aging of the population, it will be extremely important to attract marginalised Roma to the group of economically active people, as the education and employment of the Roma population will be of prime importance given the fact that it will soon be more and more part of the labour force in the country. In the longer term, it will be crucial for Bulgaria to ensure that the next generation of workers have the skills they need to build their efforts from an early age, so expanding access to early childhood education will be vital to acquire the basic skills that will be useful to them throughout their lives. In order to harness the potential workforce, the education system must pay special attention to young people, and the curriculum and teaching methods must be adapted to overcome skills gaps and at the same time build a lifelong learning habit. As there is no culture of lifelong learning in Bulgaria, it is also essential to increase the qualification and retraining of the working-age population by providing better incentives. The World Development Report 2018 (Education) states that education is one of the strongest tools to reduce poverty and achieve overall social stability. In today's world, the importance of education as a factor for a better life is constantly growing in the face of dynamic economic and social changes, which is why the acquisition of sound fundamental knowledge and skills by children is becoming a guarantee that the future workforce can be improved through the entire working life. The link between the education system and the labour market is becoming increasingly narrow as the educational characteristics of the workforce affect the quality of the labour market and the growing inequalities formed on the basis of various signs reduce the opportunities for effective labour market functioning in each country or region. In the current conditions, dynamic labour market developments should analyse the existing educational imbalances, outlining their depth and outlining opportunities for overcoming the trends of their deepening and reducing them. In this respect, lifelong learning policy issues are essential as they can help to literate, acquire skills and qualifications to make this inequitable group more suited to labour market needs. When improving learning becomes a priority, great progress is possible. Progress like this requires a clear-eyed diagnosis, followed by concerted action, what can be done to fulfil education's promise, that too many young people are not getting the education they need, how change is possible if systems commit to "all for learning," drawing on examples of families, educators, communities, and systems that have made real progress (*Report of the World Bank*, 2018).

Conclusion

Given the steadily declining number of economically active people on the labour market and a significant gap between business needs and the knowledge and skills of the available workforce as well as in terms of employee education, the development of the overall labour market must not be neglected in terms of continuing training and development, flexibility and mobility in the country's population, with the end result being that the skills and qualifications acquired by the workers do not exactly match the job site requirements, which is why Bulgarian industrial companies believe that their economic growth and expansion is threatened by the lack of suitable skilled workers. However, skill shortages are definitely observed in all economic sectors in Bulgaria, especially in the sectors requiring more specialised technical skills, which combined with the inadequacy of qualifications and lower or higher qualifications, necessitates the active market development measures applied of work to focus on creating opportunities for newly created jobs which should target people with higher secondary or higher education at the sustained pace of technological modernisation in economics of the country. Especially considering the forecasts for the working-age population (15-64) by 2022, when it is expected to be 4381.7 thousand, i.e. 182.1 thousand less compared to 2018, which is a real decline of 4.0 %. This contraction process will have a negative impact on the labour market and the estimated employment for 2022 is 3151.2 thousand, the employment rate of the population will be 71.9%, but in the long run the number of the population in the working age (15-64) will decline. In 2032 the expected decrease is 403.4 thousand, which is a drop of 11.6% compared to 2018, and the number of employed in 2032 is expected to be 2965.7 thousand. The labour market convergence process of the EU Member States implies convergence in the socio-economic development of European economies and restructuring of both the private and public sectors. The restructuring process will be the result of changes in the external environment and the development of European markets that affect private sector development, while public sector restructuring will be the result of a targeted education, health and government policy (*Report of the Ministry of Labour and Social Policy*, 2019).

References

- De Laat, J., C. Bodewig. 2011. Roma Inclusion is Smart Economics: illustrations from Bulgaria, Czech Republic, Romania and Serbia. *Europe and Central Asia Knowledge Brief*, 39, Washington D.C., 4 p.
- Ivanov, M., K. Naydenov. 2018. Migration and demographic challenges for Bulgaria. – *5th International Multidisciplinary Scientific Conference on Social Sciences & Art SGEM*; https://www.researchgate.net/publication/329929692_MIGRATION_AND_DEMOGRAPHIC_CHALLENGES_FOR_BULGARIA.
- Naydenov, K. 2018. International migration in Europe in the 21st century. – *4th International Scientific Conference Geobalcanica*;

https://www.researchgate.net/publication/327851146_INTERNATIONAL_MIGRATION_IN_EUROPE_IN_THE_21ST_CENTURY.

Report of the World Bank. 2016. Importance of skills in the labour market in Bulgaria: the relationship between cognitive and social-emotional skills and the realisation of the labour market; <http://documents.worldbank.org/curated/en/346341467997284649/pdf/102627-WP-P156890-Box394840B-PUBLIC-BULGARIAN-Web-BG.pdf>.

Report of the World Bank. 2018. World Development Report: Education;

<https://www.worldbank.org/en/publication/wdr2018>.

Report of the Ministry of Labour and Social Policy. Srednosrochni i dalgosrochni prognozi za razvitiето na pazara na truda v Bulgaria (2008-2032); https://mlsp.government.bg/ckfinder/userfiles/files/politiki/z-aetosti/informaciq%20za%20pazara%20na%20truda%20te-kusto%20systoqnie%20i%20prognozi/LMforecasts_Analysis.pdf (in Bulgarian).