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# NEGOTIATE

Overcoming early job-insecurity in Europe

NEGOTIATE – Negotiating early job-insecurity and labour market exclusion in Europe  
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## INTRODUCTION

In the years after 1989, Bulgaria underwent important transformations as it moved from a totalitarian regime of government to democracy and from a plan economy to a market economy. It is precisely in this period of transition that today's young people have formed their values and shaped their ideas about their future. The National Youth Strategy 2012–2020 points out that the most salient feature of young people is their striving for independence and self-fulfillment. Yet, although youth people in our country are growing strongly independent in their attitudes and way of thinking, their social and economic dependence on their parents is found to be growing even stronger (National Youth Strategy 2012–2020: 9).

As in other EU countries, there is an evident aging of the population in Bulgaria. At the end of 2014, the proportion of the population aged over 65 years was 19.6%, those aged 15–24 were 10.4%, having decreased by more than 4 percentage points since the beginning of the century, while the share of the elderly had increased by over 3 percentage points<sup>1</sup>. At the same time, nearly 5% of the population is of the Roma ethnic group, which is plagued by low education levels and high unemployment. The data from the national censuses show that the percentage of this group in the total population is constantly growing and has doubled since the beginning of the century. Concurrently, surveys have registered that every eighth young person in Bulgaria has concrete intentions to emigrate in the near future. The educational structure of the emigration stream is changing: its largest categories are young people with secondary education (11.9%) and lower than secondary (10.2%). University graduates are increasingly seeking opportunities and perspectives for a better material situation within the country, and only 7.5% of them declare they wish to find professional realisation in foreign countries (National Youth Strategy for the period 2012–2020: 10).

According to the current laws in the Republic of Bulgaria, a person attains legal working age at 15. Economically active young Bulgarians aged 15–24 years in 2008 amounted to 30%, and by 2015 the figure fell to nearly 26%<sup>2</sup>. The youth unemployment rate of people aged 15–24 has grown considerably in Bulgaria since 2008, when it was 12.7%; it reached a peak in 2013, when it was 28.4%, decreases to 23.8% in 2013<sup>3</sup>, and was under 22% in 2015<sup>4</sup>. The level of people who are not in education, employment or training (NEETs) is also problematic.

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<sup>1</sup>Source: Eurostat (code: INDIC\_DE ) Accessed on March 09 2016.

<sup>2</sup>Available at: <http://www.nsi.bg/en/content/6497/labour-force-and-activity-rates-national-level-statistical-regions-districts> Accessed on March 9, 2016.

<sup>3</sup>Source: Eurostat (code: Imp\_rjru) Accessed on March 4, 2016.

<sup>4</sup>Available at: <http://www.nsi.bg/en/content/6481/unemployed-and-unemployment-rates-national-level-statistical-regions> Accessed on March 9, 2016.

Furthermore, the share of NEETs among people aged 15–29 years has increased over time, reaching 24% in 2014, which is among the highest rates in EU 28. It has been observed (National Youth Strategy for the period 2012–2020: 14) that in most cases young people have no practical or work experience in the specialty they have acquired in their education, and find it difficult to enter the labour market. Moreover, young people of a low level of education and low qualification are the ones most affected by the deteriorated economic conditions.

#### **a. Objectives and tasks of the analysis**

The main objective of the analysis is to present the influence of the institutional framework upon the early job insecurity of young people in Bulgaria. This study examines how the Bulgarian policies related to the labour market and skill formation systems influence the entry of youths in the labour market, the cases of unemployment and insecure work, and the opportunities for skill development.

An important task of this presentation is to examine the present state of the measures and initiatives taken in Bulgaria with regard to the labour market. The modes of regulation, financing and delivery of the measures are discussed, as well as the role of public employment services. Another objective is to trace whether, and what, significant changes have been made in connection with the economic crisis of 2008. The changes introduced prior to that, but impacting on the situation of youths on the labour market, will also be reflected.

Included in the object of analysis are policies and programmes in education, employment and unemployment. Initiatives for encouraging young entrepreneurs will be presented. The system of maternity indemnity payments will be discussed, as well as the allowances allotted for raising young children, which have a gender-differentiated influence on the labour market behaviour of young people.

#### **b. Limitations of the analysis**

The data used are mainly from the National Statistical Institute (NSI) in Bulgaria and Eurostat, from strategies and official reports of state institutions, and from scientific analyses on the topic.

## **SECTION 1: EDUCATION**

### **Abstract**

The political situation in Bulgaria during the years of economic crisis was relatively unstable, and this became an obstacle to the implementation of comprehensive educational reforms. Although all consecutive governments have claimed education is a national priority requiring national consensus, crisis developments in other social areas (the economy, the bank system, the judiciary) and fears of provoking public discontent have led to serious delays in making much-needed reforms. A positive sign is that a series of strategies, action plans and projects related to important issues in education were elaborated. The main strategic document providing a conceptual and legal framework for reforms in school education is the new Pre-school and School Education Act, passed by the Parliament in September 2015.

Despite the efforts made, the state of affairs in education did not improve significantly in respect to its quality, to educational inequalities, or to improving the connection between education and the labour market. Overall, the crisis was accompanied by an increase of job insecurity and a high unemployment rate, especially among Bulgarian youths. In this context, the main measures undertaken to facilitate the transition to work by stimulating cooperation between the educational system and business were the introduction of: i) the dual system of education in 2015; ii) performance-based funding, in which the allocation of financial resources to state universities is linked to their actual performance, partly measured by labour market integration of graduates, in 2011.

### **A. Description of the basic institutional features and policy substance by the end of 2015**

#### **1. Policy objectives**

Several important strategic documents in the sphere of education were elaborated recently, the most important of which is the new Pre-school and School Education Act (2015). To a great extent, these documents reflect the objectives of the strategic framework Education and Training 2020. The main debated issues have been: the quality of education, relevance of education to the labour market, the percentage of the population aged 30–34 which should complete tertiary education. Concerns have been raised that both the EU and the national targets do not take into account the specificity of different national labour markets, and that, if achieved, these targets would increase unemployment and job insecurity among graduates. Some of the strategic documents touch upon the issue of job insecurity and aim to decrease it by providing better links between education and the labour market. For instance, the National

Strategy for Lifelong Learning for the period 2014–2020 has set the following strategic objectives and indicators as targets that should be reached by 2020 and whose progress is monitored on an annual basis:

- to increase the share of the children covered by preschool education and training from age 4 until first grade enrolment age from 87.8% in 2012 to 90% in 2020;
- to reduce the share of early leavers from the educational system aged 18–24 from 12.5% in 2012 to less than 11% in 2020;
- to reduce the share of 15-year-olds with poor achievements in: reading – from 39.4% in 2012 to 30% in 2020; mathematics – from 43.8% in 2012 to 35% in 2020; natural sciences – from 36.9% in 2012 to 30.0% in 2020;
- to increase the share of those attaining professional qualification degrees in the broad areas of Informatics, Technical Equipment, Manufacturing and Processing, and Architecture and Construction, to at least 60% in 2020;
- to increase the share of those completing higher education aged 30–34 years from 26.9% in 2012 to 36% in 2020;
- to increase the employment rates of the population aged 20–64 from 63% in 2012 to 76% in 2020;
- to increase the employment rates of the population aged 20–34, who have recently graduated upper secondary or higher education (1–3 years);
- to increase the participation of the population aged 25–64 in education and training from 1.5% in 2012 to more than 5% in 2020 (a 4-week reference period);
- to reduce the share of illiterate persons: among persons aged 15–19 years, from 2.0% in 2011 to 1.5% in 2020; among persons aged 20–29, from 2.3% in 2011 to 1.5% in 2020.
- to increase the share of public funding for education as a proportion of the GDP from 3.4 in 2010 to 4% in 2020.

Respectively, the Updated Employment Strategy 2013–2020 includes a target related to young people, which is to decrease youth unemployment in the target age group of 15–29 years down to 7% in 2020. For its part, the curricula policy attempts to facilitate the achievement of these targets. However, given the poor performance on PISA tests and on the nation-wide assessment, it is still not clearly evident whether the policies have been effective.

## **2. Brief overview of the institutional set up/framework and the changes**

The initial education in Bulgaria starts with compulsory pre-schooling at the age of 5, and continues with compulsory schooling for children aged 7 to 16. The transition from lower to upper-secondary education is at the age of 14, when children decide whether to continue in a general or a vocational track. Dual education was introduced in 2015. The new Education Act proposed a new education structure according to which a student will complete basic education upon finishing the 7<sup>th</sup> grade, not the 8<sup>th</sup> grade, as previously. One of the main arguments for this reform is the existing confusion as to when children in language schools finish basic school. Some of them finish after the 8<sup>th</sup> year, and others, in the middle, or the second half, of the 9<sup>th</sup> grade. The new proposed division of upper secondary education splits it into two stages: from 8<sup>th</sup> to 10<sup>th</sup> grade and from 11<sup>th</sup> to 12<sup>th</sup> grade; a diploma for upper secondary education is received after completion of the second stage. The completion of basic education after the 7<sup>th</sup> grade presents a real challenge, since in all other EU member states, basic education is completed at the end of 8<sup>th</sup> or 9<sup>th</sup> grade. Furthermore, according to experts in the field, this amendment will stimulate dropouts at an earlier age, given that most students drop out after they obtain a degree. After pupils graduate from high school there are no restrictions for them to apply to higher education institutions (HEIs). In cases when people have no education or low levels of education, courses are available for acquiring various levels of professional qualification.

**2.1. The structure of the educational and training institutions,** as of the school year 2014/15, comprises 1,991 kindergartens (of which 88 private), 2,019 general schools (of which 70 private) and 481 vocational schools (56 of which, private) (NSI 2015). The structure of the Bulgarian education system is shown on Figure 1 in the Annex. Overall, the Bulgarian school system is highly stratified. A recent World Bank report (2014) even describes it as the most stratified in the EU. The number of accredited HEIs in 2015 was 51 (14 of which, private). At the end of 2015, there were 1,002 licensed vocational training centres and 32 centres for information and vocational guidance<sup>5</sup>.

## **2.2. Governance of education**

***Regulation of education.*** The Bulgarian Ministry of Education and Science has the most significant role in coordinating education. As the country is a member of the EU, the coordination of education in Bulgaria undergoes supranational influence, mainly through the EU instrument of Open Method of Co-ordination. The main drivers of Europeanisation of education, which have gradually turned, to some degree, into imperatives for our country,

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<sup>5</sup>Available at: <http://www.navet.government.bg/en/register-civg/>

have been the Bologna Process, the Copenhagen Process, the EU benchmarks, and the EU programmes and funds. One of the main recent reforms in school education (primary, basic and secondary), a reform that has had a significant influence on the school system, was a change towards greater decentralisation of the financing model by the introduction of the so-called ‘delegated budgets’ in 2007. The municipalities received the right to allocate 80% of the school budget on the basis of the given formula and 20% on the basis of additional criteria. This model of financing schools is further legitimised in the new Pre-school and School Education Act. The positive aspects of this change are: a) greater school autonomy and b) enhanced accountability of schools for better educational outcomes. The principals were entrusted with a very important role in budget planning and in allocation of state finances within the schools.

**Financing.** Bulgaria is one of the countries with the lowest total public expenditure on education – only 3.8% of the GDP. This expenditure is below the EU–28 average of 5% in 2013 (European Commission 2015: 2). When we consider the annual expenditure on public and private educational institutions per pupil/student in € PPS, the difference gap in funding appears even much bigger. This expenditure was three times lower than the EU–28 average in 2011 for ISCED 1–2, ISCED 3–4, and ISCED 5–6 levels (European Commission 2014: 2). The funding model of school education is based on uniform cost standards<sup>6</sup> and on delegated budgets, the principle of which is “money follows the student”. The financing formula, based on the principle “money follows the student” has been recently criticised as leading to lower quality of education for disadvantaged groups. It is argued that: a) the results of the introduction of a formula-based financing of schools strongly depend on the way it is implemented and the aim of the reform; and b) the basic components of the formula (the

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<sup>6</sup> These standards were specified in amendments to the Education Act from 2013 and 2014 (Art. 41a). In the Bulgarian system per student quasi-vouchers are called unified cost standards. In order to differentiate between municipalities and schools, two-stage buffers were used. At the first stage, municipalities are divided into 4 groups with different per capita standards, starting from the most urbanised down to the rural regions with small settlements and very small schools. The number of students in each municipality is multiplied by the specific per capita standard for the group to which the municipality belongs. At the next stage, there is also a provision for compensation of differences among schools at municipal level. The municipality has to distribute at least 80% of the funds on a per capita basis. The remaining 20% can be distributed by a formula designed by the municipality. In this way, at least in theory, the municipality can take care of differences between schools within the municipality. The most obvious is the difference in the size of schools. But the municipality can also use a formula to create incentives based on certain local values, targets, or priorities. These priorities have to be transparently reflected in an allocation formula, which should be discussed with school head masters, approved by the municipal council and publicised. The formula was readjusted in 2012. The initial 4 categories of municipalities in the formula were replaced by 7 municipal categories, and the formula per pupil amount has been increased. The categories are based on the municipality center population and the number of settlements with population above 600 people. The municipalities with smaller populations and higher numbers of surrounding settlements are entitled to higher per pupil amounts (Makarova unpublished manuscript; Zachariev 2014).

criteria for dividing municipalities into groups) need to be evaluated and revised on the basis of surveys results (Zachariev 2014). In 2011, performance-based financing was introduced in higher education (HE). The Strategy for Development of Higher Education for the period 2014–2020 envisages that 40% in 2017 and 60% in 2020 of the state funding for HEIs will be based on the quality of institutions and performance indicators. On the 4<sup>th</sup> of May 2015, the Ministry of Education and Science published a Draft Law for Amendment of the Higher Education Act<sup>7</sup>. The draft introduces several important changes:

- The number of students in a given higher education institution whose education is subsidised by the state will be defined on the basis of four criteria<sup>8</sup>: evaluation of teaching and research activities; data on graduate employability; socio-economic priorities; proposals from higher education institutions, based on their capacity.
- By an act of the Council of Ministers, some professional fields will be defined as priorities, and some specialties as “protected” (i.e. specialties that are important for the socio-economic development but are not very attractive for applicants).
- The share of state funding for higher education institutions to be allocated according to quality and performance-based indicators should be no less than 30% during the 2016/2017 academic year; no less than 30% during the 2016/2017 academic year; no less than 40% during the 2017/2018 academic year; no less than 50% during the 2018/2019 academic year, and no less than 60% during the 2019/2020 academic year.
- The limit, according to which higher education institutions can allocate up to 5% of the available places in study programmes to students who pay a higher fee for their studies, will be removed, i.e. higher education institutions will receive the right to provide paid education to as many students as they decide in their institutional capacity.

As regards the individual co-payment, public and private HEIs are allowed to define their own fees. However, in the case of public institutions, maximum amounts are set by the government. Student tuition fees strongly depend on the programme and field of study. The lowest fees are required for the social sciences and the highest, in medicine. There are also some differences between HEIs offering education in the same professional field, but these

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<sup>7</sup> Draft of the Law for Amendment of the Higher Education Act. Available at <http://www.mon.bg/?go=page&pageId=381&subpageId=63>

<sup>8</sup> These criteria are with different weights.

are not considerable. The first cycle fees in the state universities for full-time studies range from BGN<sup>9</sup> 300 to BGN 1,450 per year, and for part-time studies from BGN 115 to BGN 1,000. Annual second cycle fees for full-time studies range from BGN 300 to BGN 1,550 and for part-time studies from BGN 115 to BGN 1,000. The tuition fees for international students are subject to different rules and are generally higher than those paid by Bulgarian students (European Commission/EACEA/Eurydice 2015: 18).

***Delivery of education.*** The main body responsible for ensuring cooperation in this sphere is the Sectorial Tripartite Cooperation Council in the field of secondary education. Analysis based on a recent national representative sample survey among 1,000 enterprises in Bulgaria shows that only 8.6% of them cooperate with HEIs (Ilieva-Trichkova 2015). Several projects for improving the practical training of students have been recently conducted.

### **3. Policy content/substance**

#### **3.1. Initial education system**

***Access to education.*** Several measures have been implemented to ensure access to education for all children and students at mandatory school age; these are: free transport, “protected schools” which may not be shut down, full-time arrangement of the school day and provision of canteen meals for children travelling from other communes, and provision of free textbooks for all students until 7<sup>th</sup> grade (National Report 2014: 18). Bulgaria is among the countries where inequity in access to HE resulting from socio-economic disadvantages is most salient (Eurydice 2012, Ilieva-Trichkova and Boyadjieva 2014). There are also important regional and gender differences in the percentages of people completing HE<sup>10</sup>.

***Alternative routes for dropouts.*** The level of dropout as of the 2013/14 school year was about 2.4%. Students mainly dropout due to family reasons (44.53%). In 34.41% of the cases pupils dropped out because they went abroad, whereas for 14.16%, the reason was unwillingness to continue school (NSI 2015: 104). However, the level of early school leaving in Bulgaria in 2014 was 12.9%, which is higher than the EU-average. At the same time, there are substantial regional differences on this indicator, as the percentage ranges from 5.9% in the Southwestern region of the country to 20.8% in the Northwestern<sup>11</sup>. The Northwestern region is the poorest in Bulgaria, assessed on the basis of the GDP per capita. Furthermore, there is only one accredited higher education institution in this region – the Medical University in Pleven.

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<sup>9</sup> 1 EUR =1.95583 BGN.

<sup>10</sup> Source: Eurostat (code: edat\_ifse\_12), Accessed on January 2, 2016.

<sup>11</sup> Source: Eurostat (Code: edat\_ifse\_16), Accessed on December 30, 2015.

Alternative routes for dropouts are provided by evening schools and vocational centres, which provide vocational education for people above the age of 16.

**Quality of education.** According to the newly adopted Education Act, new state educational standards will be developed with the participation of all relevant stakeholders. The curricula of HEIs have been recently updated in order to bring them closer to the labour market demands (National Report 2014: 59–60). This was done via a special project “*Updating higher education curricula in compliance with labour market requirements*”, funded by the Human Resources Development Operational Programme. As a result, by the end of 2014, 36 out of 51 HEIs implemented joint projects with employers. The project aims to create a direct link between HEIs on the one hand, and employers’ organisations, large companies and key experts on the other, in order to jointly update the curricula. Most of the HEIs that participated in this project have introduced new curricula (Europe 2020: National Reform Programme 2015 Update (April 2015): 94). As regards human resources invested in education, only 8.16% of the teaching staff in general schools in 2014/15 were below the age of 34 years (NSI 2015: 41).

**Specifically key characteristics of the upper secondary and tertiary level.** The number of pupils enrolled in upper-secondary level in 2014 were 286,804, of which 53.72% were studying in a vocational track. The proportion of males in the general track was 43.95, whereas in the vocational, it was higher by almost 15%, amounting to 58.32%<sup>12</sup>. A slightly lower number of students were at the tertiary level (278,953). This level is also female dominated, as the proportion of women out of all students in the 2014/15 academic year was 54.56%. There are four educational-qualification degrees at tertiary level: Professional Bachelor, Bachelor, Master and Doctor; the majority of students (61.46%) in that year were Bachelor students.

### **3.2. The Lifelong Learning paradigm in education**

**Access to further education and training.** The participation rate in education and training (last 4 weeks) in 2014 for people aged 25–64 was 1.8% for all ISCED 2011 levels<sup>13</sup>; this was among the lowest rates in EU–28. Women (2.0%) and people with a tertiary degree tended to participate more in education and training (3.1%).

**Types and quality of further education and training.** The main providers of further education are HEIs and vocational centres licensed by the National Agency for Vocational Education and Training. Systematic training of employees provided by the employers is underdeveloped

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<sup>12</sup> Source: Eurostat (educ\_uoe\_enrs05), Accessed on January 19, 2015

<sup>13</sup> Source: Eurostat (code: trng\_lfse\_03), Accessed on December 30, 2015.

and practiced mainly by large enterprises. Although employers do not tend to invest in training, it seems that they value further education provided by vocational centres, judging by the fact that these centres have increased in number over time. Recently, business representatives have been very critical towards the quality of education, including higher education, and especially in regard to the practical knowledge and skills acquired by students. It is a positive fact that business has started to be more actively involved in curriculum development and in the organisation of internships. For example, more than 67,000 students were involved in practical training by March 2015, as part of the “Student Practices” project (Europe 2020: National Reform Programme 2015 Update (April 2015): 94).

*The role of further education and training in labour market inclusion.* Further education is defined as a means to overcome shortcomings of initial education and to facilitate labour market inclusion. Over one third of all employees had participated in non-formal training to enhance their professional qualifications. However, among the unemployed and economically inactive, the participation rate in 2011 was dramatically lower – respectively 3.8 and 1.6% (National Strategy for Lifelong Learning 2014: 40).

#### **4 Assessment: gaps, weaknesses/strengths, policy outcomes**

The current educational policy is directed towards the modernisation of education and improving the match between the skills acquired and employers’ requirements. Some relevant strategic documents have been adopted, although at this stage, results are not clearly visible. The main weaknesses of the current educational policies are related to the insufficient capacity at different levels (national, regional, school), ineffective coordination between different stakeholders, and lack of timely and comprehensive impact analysis regarding the implemented measures. For example, measures for improving the relationship between education and the labour market have been adopted by both the Ministry of Education and Sciences and the Ministry of Labour and Social Policy, in some cases without sufficient coordination. A positive step is that a National Coordination Committee for Lifelong Learning was recently established. The Committee includes experts from different ministries, as well as representatives from trade unions, different organisations and associations, and scholars. Included in its annual action plans are a number of activities related to all levels of education and to strengthening partnership between educational institutions, business and labour market.

### **B. Key institutional and policy changes in 2008–2015**

**1. Policy objectives.** The main policy objective in the sphere of education in Bulgaria has been its further Europeanisation in terms of widened access to all forms of education, and

improved quality and efficiency. Many of the reforms in HE have been motivated by Bulgaria's desire to be an active member of the European Higher Education Area.

**2. Institutional framework and the changes.** Main changes: a) increased autonomy of schools and HEIs; b) introduction of two-year mandatory pre-school education for all people and of all-day training<sup>14</sup>; c) introduction of nation-wide centralised external evaluation; d) pilot projects for introduction of dual education.

### **2.1. The structure of the educational and training institutions.**

The number of kindergartens, general, special and vocational schools decreased in the period between 2008/09 and 2014/15 (NSI 2012, 2015). However, in terms of the public/private divide, there was a twofold increase of the private institutions (from 42 in 2008/09 to 88 in 2014/15). To a great extent, this is due to problems with the access to the state institutions. The number of children exceeds the places that state kindergartens can offer. Only the number of HEIs<sup>15</sup> has been stable – there were 53 in 2008/09 and 2011/12, and 54 in 2014/15. The number of Centres for vocational education has constantly increased, reaching 908 in number at the beginning of 2014.

### **2.2. Governance of education**

**Regulation of education.** After 1989 reforms were made for decentralisation of the system and increasing the autonomy of schools by the introduction of delegated budgets in 2007, and of HE by facilitating the process of honouring scientific degrees and academic positions via the enactment of the Act for Development of Academic Staff in the Republic of Bulgaria in 2010. Furthermore, the public-private partnerships have expanded over time. At least three examples of such partnerships can be given. The first is related to the pilot projects launched in the school year 2015/2016. In late April 2015, an agreement was signed for the implementation of the project "Swiss support for the introduction of the principles of dual vocational training in Bulgarian vocational education". It will be implemented by the Ministry of Education and Science in cooperation with the Swiss Federal Institute of Vocational Education and Training (Marinova 2015). The project started with the introduction of dual training in two professions in three schools; it was initially expected that each year two new professions and three new schools would be added. However, in April 2016, the new minister of Education and Science approved the state admission plan for the school year 2016/2017, which entirely complies with the requests of business and the needs at municipal, regional and

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<sup>14</sup> According to the New Pre-school and School Act art. 102. (2) the school organises all-day training of the school day for pupils from 1<sup>st</sup> to 4<sup>th</sup> grade if parents wish and for pupils from 5<sup>th</sup> to 7<sup>th</sup> grade if parents wish and if the school can afford to do so, whereas in sports schools it is entirely all-day art. 102. (3).

<sup>15</sup> NSI counts both accredited and non-accredited HEIs.

national level; according to the plan, there will be 22 professional classes with dual training in 16 professions, in 12 districts<sup>16</sup>. The second example is related to the implementation of the already mentioned project “Student Practices” (See p. 12). The third one is related to the fact that one of the new criteria for funding of higher education institutions is the professional realisation of students. This stimulates them to initiate cooperation with business.

**Financing.** During the whole period after 1989, education has been underfunded. The real expenditures on education in 1995 were 52.6% of those in 1990; in 2000, they were even lower – 40.3%; these were the lowest rates among all post-communist countries (Mertaugh and Hanushek 2005: 212). In 2007, delegated budgets and a funding system based on uniform cost standards were introduced for schools. Since 2011, targeted state funds have been annually allocated to HEIs on the basis of two criteria (measured by BURS indicators<sup>17</sup>): a) quality of education offered and b) how training matches labour market needs.

**Delivery of education.** The links between education and the labour market have been very weak so far, which has opened a huge gap between demand and supply of labour force. Making analyses of the trends and short-term forecasts on the demand for labour force have recently gained in importance among stakeholders. The role of Sectorial Tripartite Cooperation Council did not change considerably in the period 2007-2013. However, in recent years the Council has become more active in connection with the discussions related to the adoption of the new Pre-school and School Education Act.

### **3. Policy content/substance**

#### **3.1. Initial education system**

**Access to education.** The educational policy during the whole period has been based on the principle of equal opportunity; it was believed that the adoption of this principle would, by itself, contribute to a fairer educational system. The result has been a massification of education. However, despite the growth of enrolment rates between 2008/09 and 2011/12 for all levels of education except lower secondary and post-secondary non-tertiary, in 2014/15 these rates decreased for all levels of education except HE: pre-school compared to the previous school year (from 83.6 % in 2013/14 to 82.9 % in 2014/15), basic (from 95.5 to 94.8 %), lower secondary (from 79.7 to 78.6), upper secondary (from 83.0 to 82.2 %), and higher (from 39.0 to 39.5%)<sup>18</sup>.

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<sup>16</sup> See: <http://www.mon.bg/?go=news&p=detail&newsId=1677>

<sup>17</sup> BURS – Bulgarian University Ranking System, available at <http://rsvu.mon.bg/rsvu3/?locale=en>

<sup>18</sup> Available at: <http://www.nsi.bg/en/content/4786/net-enrolment-rate-population-educational-system>

Data show that inequality of educational opportunities in Bulgaria, based on students' socio-economic status, type of school, place of residence, and gender, is the highest in the region and in the EU. A persistent challenge in this regard are the PISA score differentials between students in the highest and lowest socio-economic quintiles. For instance, in the subject of mathematics, the difference is approximately 115 points, which is much higher than OECD standards. The difference between the top and bottom 20% (according to socio-economic criteria) of performers is equivalent to almost three years of schooling (while the OECD's difference is two years of schooling). Furthermore, in all OECD countries, 22% of the differences in students' results are due to socio-economic factors, whereas in Bulgaria the percentage is 32%. Gender, age, and socio-economic status account for almost one third of students' differences in reading performance. This reflects the low degree of equality of students' educational opportunities, as an important share of performance is predefined by students' backgrounds; this potentially limits their social mobility. Social stratification in Bulgarian schools is the highest among EU countries (World Bank 2014: 1, 18). Whereas all (100%) young people from high socio-economic status families can afford the necessary school books, this is true for only 1 in 5 young people from poor families. This problem is especially significant in the case of pupils in 10<sup>th</sup> grade and above - 24% and 28% of the students in 11<sup>th</sup> and 12<sup>th</sup> grade respectively study without school books<sup>19</sup> (Annual Report on Youth of the Republic of Bulgaria for 2006). The results from the International Civic Competences Survey (ICCS) also reveal a huge difference in Bulgaria between students coming from families of different socio-economic status: this difference in all other countries is 29 points, whereas in Bulgaria it is 48 points (Centre for Monitoring and Evaluation of Quality of School Education and Teaching for the Bulgaria Foundation 2012: 56). Disadvantaged groups, such as pupils from rural areas and linguistic minorities, perform much worse on PISA tests than pupils in urban areas and Bulgarian-speaking students. Students living in urban areas score as high as 90 points more (equivalent to more than two years of schooling) than students in rural areas. The performance gap between girls and boys on the PISA reading scores is the highest in the region (World Bank 2014: 34). Last but not least, there is a huge difference in the average performance of pupils from different types of schools, as pupils from profiled high schools consistently perform much better than those who studied in vocational or non-profiled schools in all three areas of assessment (Centre for Control and Assessment of the Quality of Education in Bulgaria 2013: 99).

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<sup>19</sup> Available at: <http://www.mon.bg/?go=page&pageId=74&subpageId=143>

**Alternative routes for dropouts.** The relative share of dropouts shows some stability: it was 2.4 % in 2008/09, 2011/12, and 2013/14 (NSI 2012, NSI 2015). However, the proportion of early school leaving displays vicissitudes—it was 13.9% in 2010, 12.5% in 2013, and 12.9% in 2014 (while the national target is 11%)<sup>20</sup>.

**Quality of education.** In 2006, nationwide centralised external evaluation was introduced. Despite this, seen in a comparative perspective, the overall performance of Bulgarian students on PISA tests is disappointing. Although Bulgaria's PISA results for 2012 showed an improvement in all three subjects and a decrease in the share of lowest-performing pupils in reading and mathematics, the stable negative trends are nevertheless alarming: a) performance of Bulgarian pupils corresponds to one year less of schooling than the average in OECD countries for the given age; b) the percentage of low achievers remains very high: 39.4% for reading, 43.8% for mathematics, and 36.9% for science (European Commission 2015: 2). The introduction of the university quality assurance system in 1999 has not led to significant improvement of the quality of HE. The teaching staff in Bulgarian education is aging and is female dominated. The teaching profession is losing its prestige over time.

**Specifically key characteristics of the upper secondary and tertiary level.** In the course of transition, there has been a growing interest in general upper-secondary education as providing better preparation for HE than vocational education. The latter in Bulgaria is mainly school-based. A huge gap exists between what is learned in school and what is needed in a business setting. After a long period of expansion of HE, a peak was reached in 2009/10 (287,086 students). This was followed by a period of contraction, which up to 2014/15 was by about 2.3%<sup>21</sup> and was absorbed mainly by a decrease in the number of students in private HEIs. Analysed in a dynamic perspective, from 2008 onwards, the number of graduates of general schools slightly exceeds that of graduates of vocational programmes. Since 2007, the number of graduates in both programmes has gradually decreased. Thus, since 2010, HE graduates outnumber graduates of secondary education. In 2014, a total of 53,461<sup>22</sup> students graduated from high schools, while 63,373 graduated from HEIs<sup>23</sup>.

### **3.2. The lifelong learning paradigm in education**

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<sup>20</sup> Source: Eurostat (Code: t2020\_40), Accessed on April 16, 2016.

<sup>21</sup> Available at: <http://www.nsi.bg/en/content/4790/pupils-and-students-level-international-standart-classification-education-isced-2011>.

<sup>22</sup> Available at: <http://www.nsi.bg/en/content/4869/graduates-secondary-education-general-and-special-schools> & <http://www.nsi.bg/en/content/4871/graduates-secondary-education-vocational-schools>.

<sup>23</sup> Available at: <http://www.nsi.bg/en/content/4908/graduates-tertiary-education-educational-qualification-degree-and-sex>.

***Access to further education and training.*** One of the main obstacles to participation in lifelong learning of Bulgarians is the cost of training (AES 2007)<sup>24</sup> – it was 43.4% for respondents aged 25–64. The other two obstacles with highest proportion reported are: conflict with work schedules, and trainings conducted at inconvenient times, and family responsibilities. This problem was pointed out by respectively 14.3% and 11.3% of the respondents aged 25–64<sup>25</sup>. The data obtained from the Adult Education Survey (2011) show that these three obstacles occur with the highest proportion among people who have recognised the need for (further) education and training.

***Types and quality of further education.*** In addition to HEIs, centres for vocational education have gained in importance as providers of further education. Only 31.2% of all enterprises in Bulgaria offered continuing vocational training to their employees in 2010<sup>26</sup>.

***The role of further education and training in labour market inclusion.*** The National Qualification Framework, adopted in 2012<sup>27</sup>, defines eight qualification levels, based on learning outcomes, and covers the entire cycle of qualifications attainment<sup>28</sup>. The development of sector qualification frameworks is still in its initial stage. According to the Action Plan for the implementation of the Strategy for the Development of Higher Education, the elaboration of profiles of competences for each specialisation is due to be completed by 2018<sup>29</sup>.

#### **4. Assessment: gaps, weaknesses/strengths, policy outcomes**

Bulgaria has invested effort in various initiatives to reform its school and HE system. However, at this stage, many of these initiatives have not passed from the strategy documents into concrete results in terms of improved quality of education, greater equality of educational opportunities and better relevance of education to the labour market. The main weaknesses of the key institutional changes were that they were made under conditions of underfunding of the sector and weak links between the educational system and the labour market.

#### **C. Assessment of the changes and their impacts**

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<sup>24</sup> Source: Eurostat (code: trng\_aes\_179), Accessed on December 30, 2015.

<sup>25</sup> A study has shown that in almost half of the countries, which participated in Adult Education Survey (2007), the majority of people do not aspire to lifelong learning because they did not need it for a job (Boyadjieva and Ilieva-Trichkova, forthcoming).

<sup>26</sup> Available at: <http://www.nsi.bg/en/content/4925/enterprises-provided-cvt>

<sup>27</sup> Available at: <http://www.strategy.bg/StrategicDocuments/View.aspx?lang=bg-BG&Id=719>

<sup>28</sup> Available at: <http://www.mon.bg/?go=page&pageId=74&subpageId=143>.

<sup>29</sup> Action plan for measures under the Strategy for Development of Higher Education in Republic of Bulgaria for the period of 2014-2020, Available at: <http://www.mon.bg/?go=page&pageId=74&subpageId=143>

### **Do labour market institutions and recent reforms in Bulgaria favour labour market entry of young people through insecure/precarious jobs and to what extent?**

Almost 86% of Bulgarians aged 20–24 have at least upper secondary education; this is higher than the average for EU28 (see Fig. 2). However, i) the employment rates of graduates are lower than the EU28 average (see Fig. 3); ii) a huge disparity has grown in the period after 1989 between the quality of graduates' education and skills, and the requirements of employers. These problems seem to have been exacerbated by the economic crisis, but they existed even before 2008. Two of the most recent reforms in Bulgaria (the introduction of the dual form of education in 2015 and of performance-based funding in HE in 2011) aimed to favour the youth labour market. The introduction of the dual form of education is seen as a possible instrument for combating the unemployment rates among Bulgarian youth (see Fig. 4) and for facilitating the transition between education and the labour market. Performance-based funding has emphasised the quality of HE, since the professional realisation of graduates is viewed as an element of that quality. Most likely, the introduction of such a principle of funding will stimulate stronger cooperation between HEIs and business. At the same time, career orientation at the upper-secondary level is also high on the agenda. The project "System for career orientation in school education"<sup>30</sup> (2012–2015) has managed to establish a system of lifelong career orientation.

### **Do labour market policies and the skills formation system (education and training) provide adequate protection from risks of social exclusion?**

The current system of skills formation and the educational and training institutions in Bulgaria do not provide adequate and efficient prevention of, and protection from, risks of social exclusion linked to job insecurity. Despite some positive reforms and initiatives, the educational and training institutions have not succeeded in combating problems such as insufficient relevance of education to labour market needs, early school leaving, and high rates of NEETs. Furthermore, the share of NEETs among people aged 15–29 years has increased over time, reaching 24% in 2014<sup>31</sup>. Bulgaria is one of the EU28 countries with the highest rates on this indicator. The group at highest risk in this respect are the Roma. However, there is a more general problem of their integration that has not been solved either. The introduction of mandatory two-year full-day preparation for children before entering first grade in 2012 is considered to help prevent social exclusion especially among the Roma population.

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<sup>30</sup> Available at: <http://www.orientirane.mon.bg>

<sup>31</sup> Source: Eurostat (code: edat\_ifse\_20), Accessed on January 2, 2016.

**Have recent reforms in skills formation system and educational and training institutions aimed to generate more flexibility or promote flexicurity?**

Reforms in the skills formation system have only very recently started to produce greater flexibility, in connection with the development of the National Qualification Framework. By providing distance-learning and part-time education, the educational and training institutions in Bulgaria have aimed to generate greater flexibility, thereby promoting flexicurity. The number of students who prefer distance-learning has increased by 24% from 2010/11 to 2014/15 (NSI 2015). Moreover, a considerable proportion of students studying in regular form of education combine work with study. Data show that 35% of all students work alongside their studies (Eurostudent 2008). It is also possible for people to do on-the-job training or improve their qualification over time, but participation in lifelong learning is very low.

The educational attainment seems to affect the labour market participation in Bulgaria in two ways. On the one hand, the higher the level of education, the lower the risk of unemployment. On the other hand, despite the low levels of unemployment among HE graduates, they are affected by qualification mismatch. The quality of education is a main determinant for a smooth transition to the labour market. A recent study shows that the better the quality of the academic staff, the better the employability of HE graduates aged 22–34 (Boyadjieva and Ilieva-Trichkova 2015a). This research also shows that the higher the level of their tertiary degree, the greater the employability of graduates, and that female graduates are less employable than males. A study on school-leavers aged 18–34 highlights that the horizontal differentiation of secondary education influences students' transition after high school (Boyadjieva and Ilieva-Trichkova 2015b).

## **SECTION 2: LABOUR MARKET REGULATIONS AND WAGE SETTING**

### **Abstract**

The political situation in Bulgaria in the period from 2008 to 2015 was characterised by instability and frequent changes of governments. Despite this, there has been an observable consistency in the elaboration of policies aimed at regulating the labour market. The existence of national action plans for employment, adopted annually, and of middle-term national employment strategies, ensures that, as the economy changes, it is possible to make corresponding changes in the employment measures and their means of application. This possibility was confirmed by the amendments made in 2013 in the Employment strategy, reflecting the beginning revival of the economy after the peak of the crisis.

The applied measures and fixed goals during this period were aimed at stimulating youth employment. This is done directly by developing programmes for subsidised employment, by providing funding possibilities for people starting up their own business, and by training the unemployed. Stimulating employment is an objective pursued indirectly through legislation amendments that expand the opportunities for flexible employment. The existence of these measures has brought about an almost double increase in the number of youths working under temporary employment contracts, and to a very small increase in the number of employed in the age group 15–64 years.

### **A. Description of the basic institutional features and policy substances by the end of 2015**

#### **1. Policy objectives**

The policy for labour market regulation in Bulgaria in 2015 reflected the beginning trend of economic recovery. The policy goals were defined in the National Action Plan for Employment in 2015; they include: “Accelerating the transition from unemployment to employment in the real economy, including for disadvantaged groups on the labour market, with a priority for the least developed regions, and decrease of the disparity between supply and demand of labour force” (National Action Plan for Employment in 2015: 2). The policy applies measures for decreasing unemployment, increasing the demand for labour force, and training of staff in the required skills.

The policy objectives for work on temporary contracts in the National Action Plan for Employment in 2015 puts the following main groups in focus:

- Unemployed young people up to the age of 29, with a subgroup of youths up to 25 years.
- Youth who are neither in employment nor in education (NEET's)
- Unemployed up to the age of 50 years
- Long-term unemployed
- Low skilled unemployed

Provision of employment for up to 26,000 unemployed and training for more than 12,000 unemployed is also among the main political objectives (National Action Plan for Employment in 2015:20).

Among the measures included in the Action Plan, the following can be identified as helping the employees obtain higher security regarding the continuation of subsidised job positions and support for retirement :

1. In order to provide more secure working positions, the funding of subsidised jobs will cover part of the salaries of the people working under temporary contracts – 300 leva for employees without, and 380 leva for those with, tertiary education. The other part of the salaries is to be covered by the employers. This, plus the condition that the employer will keep the employee for a period of time at least equal to the period of the programme, is expected to result in more secure jobs. In addition, the funding of jobs in the community service sphere without the provision of training, where the employer is the local administration, is limited due to the lack of any sustainable results after the end of the programmes (National Action Plan for Employment in 2015:36).
2. The national programme “Help for retirement”, designed for unemployed people over the age of 55 years who lack the years and work practice for retirement, is prolonged. This programme is again subsidised by the budget. The programme provides employers with funds to cover minimal expenses for salaries (380 leva for people without tertiary education and 450 for people with tertiary education) and the social insurance for the hired people<sup>32</sup>. The programme can cover the expenses for a minimum of 3 months and up to two years.

## **2. Institutional setup/framework**

The authorities responsible for implementation of employment policies are the state organs at central, regional and local level, and the associations of employers and employees. The main institutions are:

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<sup>32</sup> Employment Promotion Act, article 55a

1. The Ministry of Labour and Social Policy: the Ministry develops annual employment action plans (Employment Promotion Act: 2);
2. The Employment Agency: the Agency is a mediator between those seeking and those offering jobs; it also elaborates and implements measures for employment and training of unemployed and employed persons. Attached to the Agency are the local public employment services, situated across the whole country;
3. General Labour Inspectorate. This agency is responsible for control over labour legislation;
4. Agency for Social Assistance. This agency is responsible for providing social assistance and services;
5. Tripartite Cooperation Council. It includes organisations representing employees, employers, and representatives of the government. The council gives opinions on draft laws in course of preparation regarding labour, social insurance and salary regulation issues, including the minimum wage. It has a national council as well as branch, regional, and municipal councils;
6. Employees' syndicates and employers' associations. Syndicate representatives take part in discussions on labour and insurance relations and on internal regulations prepared by employers. The employees' syndicates and employers' associations have the right to conclude collective employment contracts (Ganev 2012), which may pertain to a specific enterprise or to an entire branch of the economy.

### **3. Policy content/substance**

#### **3.1.Types/varieties of institution used to define formal settings for the labour market.**

The Labour Code regulates mutual relations between worker and employee. It defines two basic kinds of employment contract – fixed-term contracts and permanent contracts. The permanent ones are for an indeterminate period of time, while the fixed-term contracts are for a period of three years. Both kinds of contracts guarantee the same rights for workers, who are insured against the whole range of social risks. The Labour Code provides sufficient possibilities for employers to establish flexible contract relations, both through contracts for seasonal work and through contracts between a worker and a mediating enterprise, which finds jobs at enterprises offering temporary work and internship contracts.

Internship contracts are a specific type of temporary work contracts included in the Labour Code in 2014. They can be drawn up with people up to the age of 29 who have completed secondary or tertiary education and have no work experience in their area of study. The duration of these contracts is between 6 and 12 months. All young people who work under

them have a tutor who is a specialist in the respective field<sup>33</sup>. The interns receive a salary that cannot be lower than the minimal wage. Their tutors also receive payment.

At this point, it is hard to assess the usefulness of these contracts due to the limited number of cases. In April 2015, the total number of such contracts was 130<sup>34</sup>. Moreover, insufficient data has been provided by the institutions regarding the different types of contracts within the different programmes.

The Employment Promotion Act serves to promote employment, professional training and orientation. The law contains a separate section concerning the stimulation of youth employment. Employers who hire unemployed persons up to the age of 29 under programmes for subsidised employment, are provided resources covering those workers' salaries for a period of 18 months. The hired youths have the same labour and insurance rights as the rest of the workers. Salaries under subsidised employment are to the amount of the minimum insurable earnings for the respective economic activity. The minimum salary is fixed by the Council of Ministers. In 2015, the minimum salary was increased by 12%, from 340 to 380 BGN<sup>35</sup>. As of 1.01.2016, the minimum wage is 420 BGN.

In addition to subsidised employment, another means of promoting youth employment are the programmes for entrepreneurship promotion, funded under EU operational programmes. The Innovations and Competitiveness Programme provides funding for startup entrepreneurs aged up to 29 years, who intend to realise a business idea costing over 25,000 € (Operational Programme Innovations and Competitiveness 2014–2020: 73).

### **3.2. Scope of the measures**

The distribution of people working under fixed-term contracts (see Table 2.1) indicates that this case is far more frequent among youths just entering the labour market than among older people.

### **3.3. Comment briefly on the quality of the measure**

Fixed-term contracts are an appropriate instrument for achieving flexible employment. They may have duration of up to 3 years and be applied for temporary, seasonal, or short-term work, as well as for newly hired workers. It is also possible for an already signed permanent contract to be transformed into a fixed-term contract. A fixed-term contract may be renewed

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<sup>33</sup> Labour Code, article 233b

<sup>34</sup> <https://ec.europa.eu/epale/en/node/5003>

<sup>35</sup> [http://ec.europa.eu/eurostat/en/web/products-datasets/-/EARN\\_MW\\_CUR](http://ec.europa.eu/eurostat/en/web/products-datasets/-/EARN_MW_CUR)

with the same worker only once, and for duration of up to one year (Labour Code 2015: 36); when it expires, it may also be automatically transformed into a permanent contract.

#### **- Employment protection legislation**

With respect to the termination of an employment contract, the employee and employer are equal parties. The worker may terminate the employment contract with advance notice of at least 30 days. If the contract is fixed-term, the advance notice period is three months. The termination may occur without a notice if both parties agree to this.

The employer may terminate the contract by advance notice for a legitimate reason (closure of production, decreased work). Every dismissed employee has the right to unemployment compensatory benefits for a minimum of four months (Social Insurance Code).

In addition to the payments made by the state as compensation for unemployment (a percentage of the employee's salary while he/she was still working), the person is also provided with health care insurance.<sup>36</sup>

An employer may dismiss a woman employee who is the mother of a child aged up to three years only with the preliminary permission of the Labour Inspectorate for each individual case. Labour legislation places pregnant women under special protection: they may refuse to do certain work, they may not be charged with night work or extra work, they may take leave in order to pass medical examinations, etc. Working mothers with children aged up to six years have the right to work from home, to negotiate with their employer to work during only part of their working hours, or to fulfill part of their duties. There are also provisions for obtaining leave for breast-feeding and feeding children. Mothers have the possibility of additional non-paid leave until the child reaches the age of eight years<sup>37</sup>.

#### **- Working time arrangements - maximum hours per week**

The regulation of work hours provides considerable freedom for employers to make changes as the need arises; part-time work is also a possibility. After consultations with the syndicates, the employer may set reduced work hours. The standard work hours per week are 40, but it is possible to increase the work by two hours a day up to 48 hours per week, while the part-time work hours may be reduced to one hour per day and to 40 hours per week.

#### **4. Assessment: gaps, weaknesses/strength**

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<sup>36</sup> National Revenue Agency

<sup>37</sup> Labour Code, Chapter XV "Special protection of some categories of workers and employees", section II "Special protection of women"

The existing system of regulation of work relations provides considerable possibilities for young people to enter the labour market. Thanks to the possibilities of inclusion in subsidised employment, young people may benefit from all the social services accessible to other employees both during the time of employment and if they lose their jobs. A disadvantage of subsidised employment is the low income and the small indemnity received after the end of employment. The programme for entrepreneurship promotion provides an additional instrument for economic activity of young people; unlike subsidised employment, this instrument does not depend on the desire of employers to hire unemployed youths.

The rise of the minimum wage is expected to have a positive impact on low-skilled workers, including young people up to the age of 29. The negative impact is related to the decreasing difference between the income of people working for minimum wage and the low starting salaries of young people without professional experience.

## **B. Key Institutional and political changes in 2008–2015**

### **1. Policy objectives**

The changes made in employment policy have reflected the systemic problems of the labour market, the changes occurring in the economy, and the changing employment levels, in the period from 2008 to 2015. The data on the unemployment and employment rates of youths indicate it is possible to distinguish between 2008, the year when the economic situation was still favourable, the subsequent deterioration, then the stabilisation in 2011 and 2012, and finally the return to growth in 2014 (see Table 2.2 and Table 2.3).

The political goals regarding employment in Bulgaria in 2008 were defined in a context of over 6% economic growth in 2007 and increasing economic activity, as well as decreasing unemployment (Employment Strategy of the Republic of Bulgaria 2008–2015). The basic goals of the employment policy are: to provide skilled labour, increase the knowledge and skills of the employed, provide a balance between flexibility and security (flexicurity) on the labour market. Unemployed youths up to the age of 29 are one of the main policy target groups.

The balance between flexibility and security (flexicurity) is defined as a balance between the companies' need for flexibility and adaptivity, and the needs of the labour force for job security and security during the transition from one job to another, from unemployment to work.

The policy to provide this balance targets the employed, the unemployed, the inactive, those working in the gray sector of the economy, and the employers. The employed will be

supported to increase their skills and knowledge as well as in their transition from one job to another. The marginalised groups will be provided with economic incentives and measures for easier inclusion in employment and transition from the grey sector to the regulated job market.

The support of both internal (inside the companies) and external flexibility and security will be achieved through flexible contracts and system, providing support in the transition from one work place to another and mobility from unemployment and inactivity towards inclusion in the labor market.

In order to achieve this, four key elements are needed: flexible work contracts, active labour market policy, a stable, up-to-date system for lifelong learning, and a modern social security system.

The measures for achieving this are defined in the employment strategy as:

1. Active work with the social partners to bring about changes in labour laws for introduction of new forms of employment (distance work and via agencies for temporary work) and of organisation of work (flexible work time, part-time jobs...).
2. Provision of security to all employed (under temporary and permanent contracts) for access to training.
3. Encouragement of both employers and employees to use the available opportunities for flexible organisation of working hours.
4. Support for the development of collective labor agreements for preventive measures and early intervention in the search for a new job or training before mass layoffs. Also, flexible contracts that allow employers to hire low-skilled workers under temporary contracts but also allow those workers to receive training and start work under indefinite duration contracts<sup>38</sup>.

The changes that took place after the start of the crisis led to decreased economic growth and appreciable increase of general and youth unemployment. These factors were reflected in the updated strategy adopted in 2013 (Updated Employment strategy 2013–2020: 7–15). The basic objective of the Strategy is defined as “improving the quality of the labour force and increasing employment in the economy through intelligent, sustainable, and inclusive growth, aimed at raising the living standards and promoting social inclusion” (Updated Employment strategy 2013–2020: 18). Young people are included in the strategy not as one of its main

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<sup>38</sup> Employment Strategy of the Republic of Bulgaria 2008–2015 page 54-56

goals, but as a sub-goal, which is to decrease youth unemployment in the target age group of 15–29 years down to 7% in 2020.

In 2015, the basic problems continued to be the slow increase in the number of jobs, especially for low-skilled employees and in the poorly developed regions, the high level of long-term unemployed, and youth unemployment, the low level of income, which constrain the flexible forms of employment, and the shortage of skilled workers (National Employment Plan for 2015: 17–19). Among the basic target groups are unemployed youths up to the age of 29, with a sub-group of youths up to the age of 25 who are not in training or employment (NEETs).

## **2. Institutional setup/framework**

In the period 2008–2015, no changes were made in the basic administrative organs engaged in implementing and designing employment policies. The basic changes made at institutional level aimed at improving the work of the Employment Agency by devising individual plans for work with unemployed youths.

## **3. Policy content/substance**

### **3.1. Types/varieties of institution used to define formal settings for labor market.**

Amendments of the Labour Code aim to make contract relations more flexible. The option has been added that employment contracts for work from home and for distance work may be concluded. There is also the included possibility of making employment contacts for work on certain days of the month. Contracts for seasonal agricultural work with one-day minimum duration is another measure for achieving more flexible work relations. Specifically, youths up to the age of 29 who have completed their education and have no work experience are given the option of employment contracts including internship as a condition.

Amendments have also been made in the Employment Promotion Act. In 2013, youths hired part-time were included in the category of persons up to the age of 29 who may engage in subsidised employment. This possibility is also available for youths hired as interns and for persons with basic education or less, and without qualification, hired for apprenticeship.

From 2007 to 2013, a system for promoting the economic activity of unemployed persons was applied in the framework of Operational Programme Human Resources Development; it provided training, services and starting capital up to 20,000 BGN to people with ideas about developing their own business.

There have been considerable changes in the level of minimal wage, and between 2008 and 2015, it increased by more than 90% – from 220 to 420 BGN<sup>39</sup> (see Table 2.4).

### **3.2.Scope of the measures**

The number of young people working under part-time contracts nearly doubled (see Table 2.1) in the period 2008 to 2014, while the share was quite small in the same period among the broader group of persons aged up to 64. The explanation of this might be that all forms of subsidised employment for young people moving from education to employment are in the form of fixed-term contracts.

There is a variety of different programmes, covered by budget subsidies, for internships, apprenticeships and transition to employment for unemployed young people. These programmes can cover both fulltime and part-time contracts<sup>40</sup>. The target groups differ in regard to age and level of education. For example:

- The “Carrier start” programme is for young people up to the age of 29 with tertiary education but without work experience in their sphere.
- The “New opportunity for employment” programme has no age or level of education requirements and covers contracts with 6 hours’ work per day.
- The “From Social Assistance to Employment” programme is for people receiving social benefits; here, the priority group is young people aged up to 29. This programme includes employment with 4 working hours per day.
- The “From training to employment” programme is for unemployed people and young people without work experience or qualification; it provides training and employment<sup>41</sup>

On the basis of our data, it is not possible to determine the share of part-time contracts out of all contracts subsidised by the state. The increase of employment under temporary contracts (table 2.1 in Annex) and the increase of part-time contracts (table 2.5 in Annex) for the age group 15-24 years, in the period from 2008 to 2014, together with the increase of funding for direct job creation (table 3.1 in Annex) and participation in direct job creation (table 3.3 in Annex) enables us to hypothesise these contracts are connected with, and coming mainly from, work-promoting state programmes.

In 2015, an assessment was made regarding the effect of the active labor measures implemented. It showed that:

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<sup>39</sup>[http://ec.europa.eu/eurostat/en/web/products-datasets/-/EARN\\_MW\\_CUR](http://ec.europa.eu/eurostat/en/web/products-datasets/-/EARN_MW_CUR)

<sup>40</sup> Employment Promotion Act, article 41

<sup>41</sup> National Employment Action Plan for 2015, Appendix, pages 1-11

- After the end of the measures subsidised by the budget, more than half of the participants were able to find a job (including under temporary contracts);
- 29% continued to work in the same company where they started the programme;
- 23% had managed to find work outside the programmes provided by the Employment Office;
- 3% had started their own business;
- 3% had participated in another programme;
- 36% could not find work after the end of the programmes;
- In general, the effect was lower for the programmes focused on disadvantaged groups - people receiving monthly social benefits, the long-term unemployed, people with disabilities. The effective programmes were those for young, educated people. A large share of them, although without work experience, after subsidised employment, mainly in private companies, remained in the company where they had made their internships or apprenticeships (National Employment Action Plan for 2015:35).

### **3.3. Comment briefly on the quality of the measure**

#### **- Employment protection legislation**

A new amendment provides that, when an employee loses his/her job due to sickness, he/she has the right to compensation to the amount of two salaries, providing he/she has at least 5 years of service (Labour Code: 67).

#### **- Working time arrangements - maximum hours per week**

The amendments made in the regulation of work hours allow employees to work from home or to do distance work, to determine the start and end of the workday themselves, as well as rest periods during the workday. Amendments have also been made regarding work under part-time employment contracts, in view of the fact, that work hours may prove longer in such cases. When such a violation is registered, the contract is regarded as a normal full-time one.

### **4. Assessment: gaps, weaknesses/strength**

Some positive employment policy measures taken in the period from 2008 to 2015 aimed at providing the possibility for contracting on more flexible work and enlarging the target groups included in the measures for subsidised employment, particularly unemployed youths. Another positive change is the striving for more sustainable results for subsidised employment by establishing the condition that the work place for which budget funding has been provided must be preserved for at least 12 months after the end of funding, and that at least half the hired persons must be kept in employment during those additional months. The

programme for promoting economic activity is not achieving an appreciable effect, and in the period 2007–2014, only 1,134 new enterprises were opened, which amounts to only 11% of the target, while one year after the end of the programme, the number of persons working in those enterprises was only 285<sup>42</sup>.

When assessing temporary contracts, we find the most significant change during the period in question has been the introduction in 2015 of one-day temporary contracts for agricultural work. The aim of those contracts is not only to give the employers more flexibility when hiring people but also to reduce the grey economy in agriculture by reducing the administrative burden. Under these contracts, even though the employee is hired for only one day, the social payments for pension, and insurance for health and work accidents, are covered<sup>43</sup>. Although this is a new type of contract, in 2015 there were around 72,000 such contracts, and 15,000 for the first quarter of 2016<sup>44</sup>; these figures show the positive effect of this measure.

Another major change made in the Employment Promotion Act in 2013 allows employers participating in programmes for subsidised employment to hire people up to the age of 29 not only on 8-hour workdays but also on workdays of shorter duration. This also includes young people on internship programmes. Again, it is regrettable that the assessment reports for the implementation of these measures do not include information regarding the number of full-time, part-time positions for work and internships.

### **C. Assessment: gaps, weaknesses/strength**

#### **Does employment regulation/protection and their recent reforms favour labour market entry of young people through insecure/precarious jobs, and to what extent?**

The existing system for regulation of work relations provides the possibility for successful entry of young people in the labour market. It provides employers with considerable possibilities for concluding employment contracts that closely meet their needs, and (depending on the economic changes taking place) for regulating the intensity of work through changes in length of time and number of employees. A fact indicating the importance of fixed-term employment contracts for young people is that in the years from 2008 till 2014, the number of persons working under such contracts in the age group 15–24 years nearly

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<sup>42</sup>[https://www.eufunds.bg/images/eu\\_funds/files/OP\\_Human\\_Resources\\_2014\\_2020/HRD\\_OP\\_AIR\\_2014\\_OCT\\_OBER\\_final.pdf](https://www.eufunds.bg/images/eu_funds/files/OP_Human_Resources_2014_2020/HRD_OP_AIR_2014_OCT_OBER_final.pdf)

<sup>43</sup> <http://www.gli.government.bg/page.php?c=53&d=1891>

<sup>44</sup> <http://www.gli.government.bg/text/page.php?c=13&d=2242>

doubled, while the increase in the general group of 15–64 years was insignificant (see Table 2.1). Through employment programmes, young people are given the possibility to acquire work experience, which will facilitate them in their subsequent search for a job in case the employer chooses not to keep them on the job after the termination of the programme. By using the possibilities of qualification programmes, young employees can additionally develop their skills and competencies and thus improve their chances to start another job.

The existence of entrepreneurship promotion programmes, although still showing limited results, provides young people the possibility for greater economic activity, especially in regions with aggravated economic indicators. These programmes make youths more independent, because they do not have to rely on an employer willing to hire them and invest in their training.

**Have recent reforms in employment regulation/protection been aimed at generating more flexibility, promoting flexicurity, or do they promote something else?**

The amendments made in the period 2008–2015 in regulations relevant to employment had as their main goals to achieve better qualification of the labour force and a more flexible labour force, though not deprived of the support of the social system. Although young people are not always among the main target groups, in the updated strategy of 2013 they are a sub-group and are always within the scope of the amendments made. When using the opportunities of inclusion in subsidised employment, young people benefit from all the social services available to other employees both during their time of work and when losing their employment. A shortcoming of subsidised employment is the low earnings, and hence the low levels of compensation benefits. One of the latest amendments made in the regulation for funding employers will also help youths achieve better realisation on the labour market: according to this amendment, after the period of subsidised employment, the work places for which budget funding was provided must be preserved for at least 12 months, and half of the youths hired to those places must be kept in employment.

## **SECTION 3: ACTIVE LABOUR MARKET POLICIES AND ACTIVATION**

Active labour market policies (ALMPs) in Bulgaria can broadly be viewed as an instrument for promoting the effective functioning of the labour market. They aim to improve access to the labour market, especially for disadvantaged groups, by adapting services and trainings to people's needs, by preventing disadvantaged groups from falling into extreme poverty and social deprivation, and by supporting business for the enlargement of labour force demand and the training of employees in needed skills. The basic priority is to fulfill the European Youth Guarantee.

### **A. Description of the basic institutional features and policy substance by the end of 2015**

#### **1. Policy objectives**

Active labour market policy has the priority aim of assisting the social-economic integration of disadvantaged groups into the labour market. One such group are unemployed youths up to the age of 29; the policy aim is to integrate them into employment by providing trainings and subsidy for long-term employment (National Reform Programme – 2015). The other aim of ALMPs is to activate youths who are not in education and not registered in the public employment services. According to Eurostat Data, Bulgaria is in second place (after Italy) by shares of NEETs – in 2014, people aged 15-29 years in this category amounted to 24%, whereas the average for EU 28 during this period was 15,4%<sup>45</sup>.

Another disadvantaged group are the unemployed Roma. By means of various programmes, these Roma are to be included in training and/or employment. The results of the latest population census, of 2011, show that nearly 5% of the population (or 325,343 persons) belong to the Roma ethnic group. Data from past censuses indicate that the share of this ethnic groupe is constantly increasing, and has nearly doubled since the start of this century (NSI). There is an evident trend for some of the people that the surrounding population designates as “Roma” to self-identify as Bulgarians, Turks, or Rumanians; hence, according to some studies, the actual number of the Roma in Bulgaria is in fact higher, amounting to between 638,162 and 815,313 (Pamporov, 2007) or between 700,000 and 800,000 people (Ilieva, 2012). 20.8% of the Roma are children between the ages of 0 and 9 years, while 18.3% are aged 10 to 19; the same percentage are aged between 20 and 29. The economically active members of this group are only 38.8% of all members (National Strategy for Roma

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<sup>45</sup> Source: Eurostat (code: edat\_ifse\_20), Accessed on January 2, 2016.

Integration 2012-2020). The proportion of NEETs (16-24) among the Roma is very high - 61% (European Commission 2016).

Some of the main objectives of the NRP are: to attain 76% employment among people aged 20-64 by year 2020 and to reduce youth unemployment (15-29) up to 7% (in 2014 it is 17.7%: see Figure 4 in Annex). There is a limitation to the youth participants in ALMPs - up to 30 % of the people included in employment measures and training will be youths aged up to 29 (National Employment Action Plan for 2015).

## **2. Institutional set up/framework and the changes**

### **2.1. The structure of the institutions**

The Ministry of Labour and Social Policy (MLSP) is the managing organ of OP Human Resource Development (OP HRD) and as such, it delegates responsibilities and tasks for the fulfillment of certain priorities to the following intermediate units:

- The Employment Agency and its 9 Directorates entitled Regional Employment Office and 98 local directorates entitled Employment Services;
- The Ministry of Education and Science;
- The Social Assistance Agency and its 28 Regional Social Assistance Directorates and 147 local Social Assistance Directorates.

MLSP controls and coordinates the implementation of state labour policy for promoting and maintaining employment and reducing unemployment. However, there is a lack of structured cooperation and data exchange between employment and social authorities (European Commission 2016: 32) Performing a significant role for the implementation of ALMPs are the regional and municipal administrations, the syndicate organisations, and some non-governmental organisations, which develop projects under OP Human Resource Development (OP HRD).

### **2.2. Governance/responsibilities of the institutions**

#### **Regulation of ALMPs and activation policies**

The Employment Promotion Act (EPA) regulates the principles and priorities for designing the programmes and measures for employment offered by ALMPs and activation policies. The main ones among them are included in the National Action Plan for Employment (NAPE). The regulation for application of EPA is an important normative document in the legal framework of ALMPs. A basis for implementation of employment policies is also established through the Updated National Employment Strategy 2008–2015, which takes into account the main European documents in this area of the renewed Lisbon Strategy, as well as through the

Updated National Employment Strategy 2013–2020, which is aimed at achieving the priorities of the Europe 2020 strategy.

### **Financing of ALMPs and activation policies**

According to the Employment Promotion Act, funding of active policies is provided through the state budget. Besides the funds allotted by MLSP through the state budget, the active policies are also supported through OP Human Resources Development, financed by the European Social Fund (ESF). For the period 2014-2020, BGN 388,972,695 will be provided from the national budget, for implementation of active labour market policy. National budget funds are also envisaged for preparing individual action plans for each of the newly registered youths up to the age of 24; these plans will be designed by the work intermediaries at the Employment Offices and the Employment Agency. Thus, the total sum of national funding for the active labour market policy in Bulgaria in this period will amount to BGN 408,972,695. The European Social Fund (ESF) and Youth Employment Initiative (YEI) will support the Action Plan of Employment with the sum of BGN 324,176,000, which will also serve to implement the European Youth Guarantee schemas (National Employment Action Plan for 2015).

### **Delivery of services:**

The main directions of active policies indicated in the Employment Promotion Act, are:

- Programmes and measures for training;
- Promoting and preserving employment;
- Promoting entrepreneurship and startup of a business;
- Implementation of international agreements on exchange of labour force;
- Regional employment programmes;
- Professional realisation of disadvantaged people

## **3. Policy content/substance**

### **3.1. Services available to young people**

#### **Forms/types and intensity of job mediation and counselling**

##### **Youth Guarantee**

In 2014, all activities related to the policy for decreasing youth unemployment will be carried out in the context of the National Plan for Implementation of the European Youth Guarantee. The introduction of the Youth Guarantee began in Bulgaria in 2014 through the National Plan for Implementation of the European Youth Guarantee 2014–2020. The funding of measures implementing the Youth Guarantee comes from the state budget as well as the European Social Fund, in accordance with the Youth Employment Initiative. The Youth Guarantee

envisages for all young people aged 15 to 24 (inclusive) to be provided good job offers, continuation of education, or apprenticeship or internship, within 4 months after becoming unemployed or leaving the system of formal education. An individual profile is prepared for each youth registered at the employment service directorates of the Employment Agency, and on the basis of this, he/she should receive an offer for a job or training. In all, 111,327 individual plans were prepared by December 31, 2014. This is the first step, at which young people register at the Employment Offices. Each individual plan is drafted jointly with the labour market intermediary, and it contains a profile of the young person, identifying his/her skills, competencies and desires, and specifying future action, together with deadlines and commitments. The next step is the provision of professional orientation and motivation by experts at the Employment Offices or at licensed centers providing information and labour guidance. In the period January-December 2014, labour market intermediaries at the Employment Offices provided monthly consultancy services to 147,245 youths, which included assistance for independent search for employment, counseling on professional development, counseling on work under intergovernmental agreements and EURES, providing information on published job vacancies and the requirements for applicants, counseling on programmes and measures for employment and training, counseling on the possibilities for inclusion in projects under OP HRD, guidance for inclusion in group activities for professional orientation and motivation of all youths up to the age of 29, registration at the employment offices. Priority is given to funding the training and employment of youths up to the age of 24 who have basic education or less. Youths with secondary education are also offered training for acquiring professional qualification. In the case of young people with a higher education, funding is provided for the start of first employment through internship. Despite the priorities defined by the strategies, practical experience has shown that it is difficult for ALMPs to reach precisely the youths with low education levels (European Commission 2016).

Here, as in other measures for employment promotion, the main condition for inclusion in the programs is that a person be registered at the employment service. However, it is envisaged that youths who are not employed, not in education and not registered as such, will be identified through various means and, with the aid of mediators, will receive information about the possibilities that the ALMP, and specifically the Youth Guarantee, provides for continuing education and/or entering the labour market. The MLSP, through the Employment Agency (and its regional directorates of public employment services), is responsible for collecting this information. Apart from the state institutions, also taking part in the

implementation of the National Plan for Implementing the Youth Guarantee are a number of social partners, NGOs, physical persons and legal entities acting at national and local level.

### **3.2. Scope and targeting, regional distribution**

Since 2014, ALMPs and initiatives have run under the influence of the new programme period, covering the years up to 2020, for the use of European Social Fund and European Programs. In the period 2014–2020, under OP HRD, more funds are envisaged for implementation of policies for employment and social inclusion. More than 80% of the European funding was planned to be absorbed in 2014 and 2015 – respectively, BGN 48,412,345 and 212,763,655, or a total of BGN 261,176,000 for the two years, which respectively amounts to 0.06% and 0.25% of the GDP. For the period 2016–2020, the sum of BGN 63,000,000 of European funding remains to be allotted.

The reverse was planned regarding funding from the national budget. For the years 2014 and 2015, the total sum planned was BGN 61,475,000 (respectively 24,275,000 and 37,200,000) or 15% of the funding envisaged for the period 2014–2020. As a percentage of the GDP for these years, the national funding was respectively 0.03% and 0.04%. For the period 2016–2020, the sum envisaged to be allotted from the national budget for applying active labour market policies is BGN 347,497,695<sup>46</sup>. Thus, ALMPs are strongly dependent on the ESF budget.

### **4. Assessment: gaps, weaknesses/strengths, policy outcomes**

Research data (Atanasov 2015) on the effectiveness of active labour market policies in Bulgaria in the period 2003–2013 indicate that approximately half of the participants in programs and measures for employment and training found professional realization on the labour market through reemployment or by starting up a business, while slightly less than half remained unemployed. The persons taking part in programs and measures had approximately 60% greater chances of finding a job compared with those not included. The chances of subsequently finding employment among women who passed through these programs and measures for training and employment were more than 20% higher than among men. Young persons proved to have the greatest chances for subsequent realization. The older a person is, the harder it is for him/her to subsequently achieve realization on the labour market. The study has confirmed the importance of education for labour market realization. On the one hand, a much larger share of people entering the program on their own initiative have a better

education; in other words, educated youths take advantage of the opportunities afforded by ALMP, using them as a strategy for entering the labour market. On the other hand, the higher the educational level of a person, the stronger the effect of his/her inclusion in the programs and measures. Better education creates better chances for subsequent realization of youths who have taken part in the programs and measures for training and employment.

## **B. Key institutional and policy changes during 2008–2015**

### **1. Policy objectives**

During the years since the beginning of changes (1989), labour market policies have been aimed primarily at dealing with the impact of economic reforms upon employment. Since the year 2000, the labour market policies have included a greater number of active programmes and activities, great enough to reflect more adequately the changes taking place in the macro-economic environment. Today, the labour market policy has a distinctly active character and is aimed at impacting upon the processes or forming the behaviour of whole target groups in accordance with the planned goals.

### **2. Institutional set up/framework and the changes**

#### **2.1. The structure of the institutions**

The shift from predominantly passive to active labour market policies signifies a change in the functions of the institutions charged with implementing policies. MLSP has been entrusted with the function of managing organ of OP HRD and with the mission to develop human capital in order to improve the labour market situation. An increasing number of functions are being delegated to the Employment Agency; this is an executive agency at the Minister of Labour and Social Policy under autonomous management by an executive director; it performs functions related to protection of the labour market, professional guidance, training of adults, and performance of mediation services for employment. Social partners have been found to play an important role.

#### **2.2. Governance/responsibilities of the institutions**

**Regulation of ALMPs and activation policies.** Introduction of the Youth Guarantee in Bulgaria began in 2014, but prior to that, measures supporting young people were started in 2011 under the Youth in Employment Initiative. The economic and financial crisis of 2008, accompanied by growing unemployment and changes in the structure of the labour market, has necessitated changes in the policies as well. The economic crisis was felt later in Bulgaria than in other states, so the changes were initiated and came into force likewise at a later stage. An exceptionally important measure was the elaboration of the National Action Plan for Employment (2011).

## **Financing of ALMPs and activation policies**

In the period after 2008, a significant decrease of expenditures for programs and measures in categories 2–7 (see Table 3.1) has been observed. The decrease was especially great in 2010 and 2011, amounting to more than half the funds for 2009. The level of expenditures increased in 2012, and in 2013 they were the highest since 2004 and until now. The reduction of funding was based on a political decision that aims, as we saw, to reduce national budget resources at the expense of EU funding. But European Social Fund resources are not able to compensate for this reduction and to provide sufficient funding for Bulgaria's active policy in a time of financial crisis. Hence, the number of youths included in active labour market policy measures has been decreasing (see table 3.3). For instance, the number of youths in 2011 was nearly three times less than in 2004. On the other hand, in the period of economic and financial crisis after 2008, the number of unemployed has grown. Thus, on the one hand, the funding of ALMPs is decreasing, and on the other, we have an increase of unemployed persons. That is why a drastic drop is evident in the percentage of participants in such measures for the unemployed in general and for the youth group in particular. While in 2008 the share of people entering ALMPs was 82 % of the total number of unemployed, in 2010 the percentage fell to 22 % (see table 3.4).

### **3. Policy content/substance**

#### **3.1. Services available to young people**

The programs targeting young persons up to the age of 29 under OP HRD 2007–2014 offer:

- provision of internship;
- provision of employment and social integration for unemployed persons who are beneficiaries of monthly social assistance;
- promotion of inclusion of inactive youths in training, their return to education and/or employment;
- professional training, training in key competencies and motivational training;
- provision of specialized mediation services; professional orientation of unemployed youths;
- provision of subsidized employment for a certain period of time.

#### **3.2. Scope and targeting, regional distribution**

The total number of labour market interventions in Bulgaria is 112, of which 107 are services and measures (categories 1-7) and 5 are supports (categories 8-9)<sup>47</sup>. Although a number of

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<sup>47</sup>Source: Eurostat. 2015. Labour Market Policy Statistics. Qualitative Report.

initiatives for employment promotion have been funded in the period 2007–2014, and now under OP HRD 2014 – 2020, according to the data<sup>48</sup>, there has been a significant decrease in the rate of activation of labour market entry among the registered unemployed for categories 2–7 of the active labour market policies. While in 2007 this percentage among youths under the age of 25 was 31.2, in 2008 it was 18.9 and continued to fall until 2011, after which it rose slightly. Still, it is yet far from the levels before the financial crisis, and in 2013 it was 17.1% (see Table 3.53). This level is far below the 50.1% registered in Luxembourg, however, it is three times higher than in the Czech Republic, where the percentage is 5.8%. The gender distribution in this group for 2012 and 2013 was nearly equal. By contrast, in the years from 2008 to 2011, the percentage of women by this indicator was higher than that of men. The data show a balanced distribution by genders. Moreover, it is evident (see table 3.4) that the share of youths entering ALMPs, in proportion to the total number of participants in these programmes, has not exceeded 20% (except in 2006). In other words, even the restriction of 30% of youths aged up to 29 out of the total number of participants, set by the National Reform Programme, has not been attained. It was understandable that the number of young people participating in active policy measures should increase after 2014, when the European Youth Guarantee began to be implemented and active policies began to focus on a concrete vulnerable group: youths up to the age of 24 without employment or work experience.

#### **4. Assessment: gaps, weaknesses/strengths, policy outcomes**

The economic crisis is linked to growing youth unemployment, which leads to a growth of resources in the categories “out-of-work income maintenance and support” (Passive labour market policies). Funds for Startup incentives, Direct job creation (in the period from 2009-2011), Employment incentives, and Training have been reduced considerably. This, in turn, is reflected in the decreasing rate of activation of registered unemployed. The main aim of ALMPs, which is inclusion of youths in employment and/or training and activation of NEETs, has been replaced by social assistance that does not promote activation of young unemployed and promotion of their initiative. The large number of initiatives leads to the insufficient focusing of ALMPs on vulnerable groups (such as unemployed youths), and insufficiently effective inclusion of these people in the labour market or reduction of their labour insecurity.

#### **C. Assessment of the changes and their impacts**

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<sup>48</sup>Source: Eurostat (code:Imp\_ind\_actru) Accessed on February 8, 2016.

**Do active labour market and activation policies and institutions and their recent reforms in each country favour labour market entry of young people through insecure/precarious jobs and to what extent?**

The implementation of the European Youth Guarantee began in 2014; it represents a significant change in labour market policies, as it targets a concrete vulnerable group - young people - and promotes concrete measures for surmounting poverty and social exclusion in this group. Nevertheless, Bulgaria still has difficulties in providing services and measures under ALMPs precisely for some of the most vulnerable groups, such as youths and low-skilled people. In other words, ALMPs are hampered by limited prioritisation and targeting (European Commission 2016: 32). The European Commission's report on Bulgaria pointed out, however, that the Public Employment Services are in contact with the educational establishment to identify young people in danger of dropping out of school and to support higher education graduates; most measures target young people with secondary or tertiary education, and there is less focus on low-skilled youth. According to experts, this is particularly worrying as the proportion of low-skilled Roma NEETs is high and targeted actions remain limited (European Commission 2016: 31). As we see in Table 3.1, ALMPs are focused on employment subsidies rather than on support for training, re-skilling and up-skilling.

**Have recent reforms in active labour market and activation policies, and labour market institutions aimed to generate more flexibility or promote flexicurity?**

In Bulgaria, work under a fixed-term employment contract or part-time cannot be a sure indicator of the creation of greater flexibility or flexicurity on the labour market, since these forms are often used by employers to decrease labour costs and lead to reduced income for workers. That is why a large share of young persons are unable to move from part-time to permanent employment: thus, in the perspective of so-called "sustainable employment", these programmes are not effective; what effectiveness they have is primarily social and of short term (only for the duration of the programme). The brief duration of subsidised employment is aggravated by low pay. This shows that ALMPs offer labour market entry to young people but do not guarantee reduced risk of poverty and social exclusion. One attempt to overcome this factor has been the stipulated condition that the job for which budget funding has been provided must be preserved for at least 12 months after the end of funding, and at least half of the hired persons must be kept on their jobs. Job insecurity is especially strong among youths with low education, who were hard hit during the crisis.

## SECTION 4: UNEMPLOYMENT INCOME PROTECTION

### **Abstract**

Due to the requirement of a minimum length of professional experience, the greater part of young people leaving education are excluded from the possibility of receiving unemployment benefits. Young unemployed persons may register at the employment service directorates of the Employment Agency, where they receive information for available job vacancies. Researchers (Institute for Market Economics 2015b) have found that registering at an employment service is far from signifying that a person is “actively” seeking work.

### **A. Description of the basic institutional features and policy substance by the end of 20151. Policy objectives**

State Social Insurance (SSI) is a form of material protection for working people in case of loss of earnings from employment. SSI pays benefits to people who have lost the ability to receive income for work due to an insurance risk that has occurred. The social risks identified in social insurance legislation, and for which benefits are paid, are: unemployment, temporary disability; temporary decreased ability to work; invalidity; maternity; old age; death. The basic condition set by the SSI system for granting material support is for the person to have been performing labour activity under certain employment contract relations, and for the person or the person’s employer to have made periodical insurance contributions. The amount of the received benefits depends on the length of service and the amount of the insurance contributions made during the time preceding the occurrence of the specified risk. The basic principles of social insurance in Bulgaria are: mandatory and universal insurance; solidarity of insured persons; equal standing of insured persons; social dialogue for management of the insurance system; fund-based organisation of the insurance resources.

Another element guaranteeing social security for citizens is social assistance. This is a system for providing assistance for people in need who are not able to earn resources for themselves and/or their family. The assistance benefits are given through the state budget and are non-repayable. Unlike social insurance, social assistance payments are allotted in equal amounts to those in need without the requirement of insurance relations.

### **2. Institutional set up/framework**

#### **2.1. The structure of the institutions**

The system of mandatory unemployment insurance is managed by the National Social Security Institute (NSSI), a public institution that reports its activity to the National Assembly

of the Republic of Bulgaria. Its supreme managing organ is the Supervisory Board, composed of representatives of the state and the national employers' and syndicate organisations. The NSSI is a legal entity composed of a Central Management, with headquarters in Sofia, and territorial divisions in all 28 district centre cities in Bulgaria.

The social assistance system is effectuated by various agencies and organisations who are secondary disposers of budget resources at the Ministry of Labour and Social Policy (MLSP). Some of these agencies are the Employment Agency, the Social Assistance Agency, the Child Protection Agency, the Agency for Disabled People, the Centre for Human Resource Development and Regional Initiatives.

## **2.2 Governance/responsibilities of the institutions**

The organisation of the social security system in Bulgaria is of a mixed type: the management and spending of resources are centralized, but the accumulated resources come from employers and insured persons. The income on which social security contributions are made includes all remuneration for work activities. The obligatory contributions are collected by the National Revenue Agency (NRA). The person responsible for paying the contribution is the insurer (the employer) or the self-insured person (who pays the contributions him/herself). NRA is an institution that manages the budget of the State Social Insurance.

## **3. Policy content/substance**

### **3.1 Types/variety of instruments offered/available to young people**

**Unemployment insurance system.** The persons entitled to **unemployment cash benefits** are those for whom security contributions have been paid, or are due, in the Unemployment fund for at least 9 months out of the last 15 months before the termination of employment relations. One more obligatory requirement is that the person be registered as unemployed at the Employment Agency. The daily unemployment benefit amounts to 60 percent of the average daily remuneration on which the due security contributions were paid in the last 24 calendar months. The time during which the unemployment benefit is paid is between 4 and 12 months, depending on the length of the social security length of service. The minimum amount of the unemployment benefit is currently BGN 7.20 (€3.68) per day. However, in practice, the amount of the benefit can never exceed 60% of the daily maximum amount of the maximum contributory income for the country. The cash unemployment benefits of the unemployed persons who have worked part-time shall be determined pro rata to the agreed time. In this case, the amount of the benefit may be less than the minimum amount of the unemployment benefit (MISSOC).

**Unemployment assistance system.** The programme **Providing Social Assistance by Applying a Differentiated Approach** is part of the social assistance system and is related to the income of persons, instead of to the work experience and the amount of security contributions before unemployment. In order to be entitled to the benefits, the monthly income of the person or the family must be less than the fixed minimum income in the country. Except this persons entitled to monthly unemployment benefits have to be registered at the Employment Service for at least 9 months before applying for social assistance, and who have not refused offered work or inclusion in training and retraining courses.

**Social assistance system:** Cash assistance benefits are paid monthly to the person or family meeting certain conditions, such as low income, lack of mobile or real estate property, savings that do not exceed 500 BGN (255.65 €) per family member, etc.

Another social assistance programme is **Targeted Heating Allowance**. This targeted social assistance is granted for a period of five months, from 1<sup>st</sup> November to 31<sup>st</sup> March. Entitled to this allowance are persons and families whose average monthly income for six months previous to the month when the request application is submitted was less than the differentiated minimum income for heating, and who meet certain criteria.

Still another programme entitles people to targeted assistance for **payment of rent for municipal housing**. Users of this benefit are persons whose income for the previous month was up to 1.5 times of the differentiated minimum income, providing they are also lone elderly people over the age of 70; or orphans up to the age of 25, who have completed training at a social professional learning centre; or lonely parents.

People with reduced work capacity are also given assistance under the programme **Integration of People with Disabilities**. Social integration allowances are given to people for transport services, balneo-medical treatment, diet nutrition and medicaments, information and telecommunication services. They amount to BGN 10–13/5,11 (6.65 €) monthly for each service.

**Social services in the community** are among the basic instruments for promoting social inclusion of vulnerable groups. Some of the risk groups at whom these measures are targeted include: children and youths accommodated in special institutions – in communal social services of a residential type, in foster families, in the homes of relatives; children and youths who are leaving the specialised institutions for children. A characteristic feature of social services is that they are based on social work and aim to provide support for daily activities and social inclusion.

**Tax credits.** Young families may benefit from tax concessions in the form of deduction from the sum of their annual tax base of the interest payments made during the year for housing mortgage, providing certain other conditions are met. Tax concessions are also granted to families with children: depending on the number of children in the family, deductions are made from the sum of the parents' annual tax base.

**Income support during parenthood.** NRA allots cash compensation for pregnancy and childbirth, providing the mother has the necessary length of service – 12 months. If this is not the case, the mother has the right to monthly social benefits for raising a child up to the age of one year, allotted by the Social Assistance Agency to the amount of BGN100 (51.13 €) monthly. The daily benefit granted for pregnancy and childbirth is set at 90 percent of the average daily gross wage or the average daily insurance income on which insurance contributions were paid, or are due, for the 24 calendar months prior to the beginning of pregnancy or childbirth leave. This provision gives an advantage to mothers with high levels of education and stimulates them to early return to work after the child reaches the age of one year. The cash benefit for pregnancy and childbirth is paid for the duration of 410 calendar days – this being one of the longest terms in Europe. After that, if the child is not placed in a childcare establishment, the mother has the right to additional leave to care for it until it reaches the age of two years. During this leave, a compensatory benefit is allotted to the mother: in 2015, it was BGN 340 (173.83€), which is less than the minimum salary; this benefit is an issue that provoked social tension in 2012 (Stoilova 2016). In response to parents' discontent with the lack of synchronicity between fixing the size of the compensatory benefit for childcare up to the age of two and fixing the minimum wage, the government declared that the way to solve the problems of young families was not to increase the parent's leave but to invest in childcare establishments (Kotzeva and Dimitrova 2014). As a form of social service, the state offers families the option of putting children in childcare establishments from the age of 10 months to three years, and from the age of three to the age of seven. The fees paid by parents to these state establishments are considerably lower (in some cases more than ten times lower) than for private ones (BGN 60 per month, amounting to 30.67 €). Other problems are the shortage of kindergarten places in the large cities and the capital, and the pre-school training of children from minority groups, especially the Roma.

When a woman raising a child obtains employment, she may receive 50% of her maternity allowance, which she may transfer to a friend or a childminder hired from the employment service. A one-time financial allowance is given upon the birth of a child, regardless of whether the mother is insured. The amount of this allowance is: for a first child – BGN 250

(127.82 €); for a second child – BGN 600 (306.78 €); for a third or every following child – BGN 200 (102.26 €); for twins – BGN 1200 (613.55€). Mothers who are regular university students are given one-time allowance amounting to BGN 2,880 (1,472.52 €).

**Programme Assistance for Families with Children.** Families are entitled to child allowance if their children regularly attend school and their average monthly income per household member does not exceed BGN 350 (178.95 €). The monthly allowance for first and third and every following child amounts to BGN 35 (18 €), and for a second child, BGN 50 (25 €). For a child with disabilities, the allowance is BGN 240 (122.71 €).

**Social-pedagogical measures and assistance to young people with special needs.** Persons with long-term disabilities and decreased work capacity are provided facilitated enrolment in higher schools according to procedures stipulated in the statutes of the higher school. Persons with long-term disabilities and decreased work capacity of 70, or over 70, percent are relieved of tuition fees in state higher schools. Persons with long-term disabilities are entitled to the right to remunerated work regardless of whether they receive a pension. They also benefit from a number of exemptions and preferences in accordance with other normative acts: financial assistance for public transport services, for municipal housing rent, for training, etc.

### **3.2 Scope and quality of the measures**

When considering the measures described in the previous section, it is evident that the requirement of a minimum of 9 months length of service, applied as a criterion for granting unemployment relief, would exclude most young persons just completing school from the right to receive financial assistance from the Unemployment Fund. In 2008, only 6,424 of all registered more than 41,000 youths aged up to 29 years had the right to financial compensatory benefits from the Unemployment Fund, i.e. 15.42 % of the registered unemployed young persons. In 2015, they were respectively 12,437 out of 51 680 registered unemployed youths, i.e. 24.06 % (see Table 4.6 in Annex). At the same time, the average size of unemployment compensation paid by the state in 2008 increased by 2 times in 2014. There is also an observable growth trend as regards the total sums of increasing compensation benefits paid from the State Public Insurance budget (see Table 4.2). Nevertheless, the size of compensations remains low, being under the poverty line, which was BGN 323.7 in 2014. This means the cash compensations do not provide protection from poverty and social exclusion for young people.

If a person does not meet the criteria for receiving compensation from the Unemployment Fund, he/she may turn to the Social Assistance Agency for payment of benefits under some of the other programmes provided by the Agency. A World Bank study on social assistance

expenditures throughout the world (World Bank 2014) shows that the programmes “Providing Social Assistance by Applying a Differentiated Approach” and “Targeted Heating Allowance” have effectively reached 84.2% and 66.8%, respectively, of the bottom 20% poor households. But the programmes “Monthly Social Integration Allowances”, and “Assistance for Families with Children” manage to reach only 39.8% and 41.1% of the 20% poorest households. The policy for integration of disabled people, based on the principles fixed in the Integration of Persons with Disabilities Act, also includes disabled youths. Unemployment compensatory benefits may be combined within validity pensions, with all non-contributory pensions, and with all family benefits.

#### **4. Assessment: gaps, weaknesses/strengths**

The group of people leaving education and looking for a first employment, and more generally youths up to the age of 29, are not defined as a specifically vulnerable category by the State Social Insurance system. A minimum length of professional experience is required for the granting of cash benefits for unemployment, a condition that excludes a large share of young persons. The possibility of receiving social welfare benefits is something that inclines a large share of youths, especially those from ethnic minorities, not to seek work but to rely on state welfare support. On the other hand, when faced with the prospect of a salary so low that it would put them in the category of the “working poor” (see Table 4.3), many youths prefer to remain in the situation of NEETs (see: Table 4.1). There is a high probability for them to fall into the so-called “unemployment trap”<sup>49</sup>, which is why people prefer to receive welfare benefits rather than enter the labour market for the first time or return to it. In Bulgaria, the unemployment trap in 2013 amounted to 81.6%<sup>50</sup>. In this situation, researchers have calculated that, when employed with a salary equal to that before unemployment, a person would receive an additional income of only 18.4% of his/her gross salary above the sum of the benefit he/she would receive when unemployed.

### **B. Key institutional and policy changes**

#### **1. Policy objectives**

The transition to a market economy and democratic order of Bulgarian society has been accompanied by a radical reform of the social insurance system. Stage by stage, this reform has effected a comprehensive change of the normative regulations of the system. Until 1991,

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<sup>49</sup> The “unemployment trap” measures the percentage of the gross income deprived through the combined effect of taxes and social insurance and the loss of compensatory benefits for unemployment and other social benefits when the person returns to employment. The unemployment trap % =  $100 * (1 - ((\text{Gross income in time of employment}) - (\text{Gross income in time of unemployment})) / (\text{Gross salary}))$ .

<sup>50</sup> Available at: <http://www.nsi.bg/bg/content/3970/> Accessed on March 9, 2016.

the size of the social insurance contribution was general and covered all insurance risks. It was charged entirely on the account of the employer (i.e., the state). Since the end of the 1990s, constant changes have been made in the social insurance system. The main trend is for social security contributions to gradually be divided between the employer and the employee.

## **2 Institutional set up/framework**

The National Social Security Institute is one of the main institutions responsible for conducting the reform in the social security system. In 2006, a division of institutional responsibilities was made between revenue collection (by NRA), and expenditure (by NSSI) related to the State Social Insurance (SSI).

## **3 Policy content/substance**

### **3.1 Types/variety of instruments offered/available to young people**

A significant change in the SSI system was the introduction in 2003 of mandatory minimum monthly amounts of insurable income, fixed for 48 basic economic activities and 9 qualification groups of professions. A maximum amount of insurable income is also fixed (see Table 4.4). Another basic change is in the proportion of the insurance weight between employers and employed. Until 2001, the proportion was 80:20 in favour of the employer. The ratio gradually changed to 60:40, and this proportion was preserved until 2015. The logic behind this decreased ratio is that when they pay smaller contributions, employers would be stimulated to hire new workers and employees. In 2002, limitations were set on the amount of cash compensation benefits received for frequent periods of unemployment: unemployed persons who return to work and regain entitlement to unemployment benefits within three years of their previous entitlement, receive the benefits for a maximum of 4 months. The aim of this measure is to prevent the widespread practice of employers hiring workers for six months, then dismissing them and sending them to the employment service for the rest of the year, and then rehiring them. In 2015, evasion of mandatory social insurance contributions by employers in large amounts (over 3,000 BGN (1,533 €)) and particularly large amounts (over 12,000 BGN (6,134 €)) was declared a crime. The aim of this measure is, on the one hand, to restrict the grey economy and, on the other hand, to decrease the wide practice of dishonest employers not paying insurance contributions for their workers.

A number of changes are also being made regarding welfare benefits for pregnancy and caring for children up to the age of two years. The high compensatory benefits during the child's first year, and the sharp decrease for the second year, are stimulating mothers (especially those with a higher education and high qualification) to return to work; the possibility is provided

that the paid leave for childcare up to the child's second year may be transferred to the father or another relative (usually a grandparent).

### **3.2 Scope and quality of the measures**

The unemployed entitled to social benefits may be classified under the following basic groups<sup>51</sup>:

- persons who do not work, live on welfare benefits, and for whom social assistance has become a way of life. They have lost motivation for work. These persons have been clients of the social services for years.
- persons working in the grey economy, without employment contract, but who receive income. They are regularly registered in the employment service directorate and receive social welfare benefits, since their income from the grey economy cannot be detected.

To these categories, we may add:

- persons with professional experience, who have received good salaries, upon becoming unemployed, register at the employment service; since the unemployment benefits they are paid are quite high in their case, they are not interested in beginning work during the time they receive them. The length of time in which unemployment benefits are paid depends on the prior years of service and the size of the social security contributions the person has made (see table 4.8).

In the first two cases, the benefits people receive do not produce the expected result. The persons are demotivated to work, and the welfare benefits are a temporary survival means and only aggravate their weak social situation. In the third case, the benefits may be expected to produce results, i.e., to provide support for people while they are without employment but actively looking for a job.

### **4. Assessment: gaps, weaknesses/strengths**

The economic crisis caused a considerable increase in the number of unemployed people who are registered and apply for cash compensatory benefits for unemployment. Despite this, the data show that less than one third of the registered unemployed are entitled to unemployment benefits (see Table 4.2). When the limiting conditions for receiving unemployment benefits (a person is not entitled to the full amount if he/she has already received the maximum in the preceding three years), the people who have conscientiously been paying their insurance contributions find their rights limited.

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<sup>51</sup>Source: National Programme "From Social Welfare Benefits to Provision of Employment", Available at: [http://www.asp.government.bg/ASP\\_Files/NP-OSPKOZ.html](http://www.asp.government.bg/ASP_Files/NP-OSPKOZ.html)

Despite this, researchers (IME 2015) have found that these resources fail to bring about a real reduction of the effects of poverty. This is largely related to the low amount of the guaranteed minimum income (GMI), which is used to calculate the differentiated minimum income (DMI) of different groups of beneficiaries. In other words, GMI base, plus some individual traits of the person's profile, serve to define the size of the social welfare benefits the person will receive. DMI is the sum protected through the system of social welfare benefits. Unlike the poverty line, which is constantly rising, the GMI remains unchanged; moreover, it represents a rather small proportion of the minimum wage in Bulgaria (see Table 4.7).

In 2002, a radical reform of the family benefits system was introduced. The most important change was that some of the family benefits, previously granted regardless of the family income, were made subject to mean-testing. This political decision has transformed the universalistic nature of the family benefits system and has channeled the public support towards the families with the lowest incomes. The threshold used for the mean-testing and the average monetary income per household member is 350 BGN, which is not far above the poverty line – 286 BGN in 2015. At the same time, the Institute for Social and Syndicate Studies of the CNSB, on the basis of observation of consumer expenditures and the cost of living, has concluded that 562 BGN are required for a normal living standard. This amount would exclude a considerable share of families with children.

As regards social services offered by the state for childcare, there is a distinct, severe shortage of places in childcare establishment, especially in the capital and the large cities.

### **C. Assessment of the changes and their impacts**

#### **Does unemployment, and other relevant income, protection provide adequate protection from risks of social exclusion among youths in terms of economic exclusion/material deprivation, social exclusion/social deprivation, and other indications of life quality?**

The crisis of 2008 has not, overall, led to a drastic change in the systems of unemployment and other relevant income protection in Bulgaria. The main changes in this system were made prior to this period. The measures and services provided through the system of social insurance and of social assistance do not identify young persons as a separate group vulnerable to social exclusion, and support is provided for them under the general rules and conditions for unemployed and socially weak Bulgarians. The effort that the Bulgarian state invests for overcoming the negative effects of the economic and financial crisis, particularly the growing unemployment among young people, are aimed primarily at the sphere of active labour market policies and activation. Hence, unemployment protection and other income protection cannot be viewed as a basic instrument for protection of youths from poverty and

social exclusion. Moreover, the data from a nation-wide social survey conducted in 2014<sup>52</sup> show that only 3% of young people found work through the employment offices. Respondents have indicated that the best way to find a job is through friends and relatives (for 57 % of youths). The influence of people's social networks with respect to how people find jobs and what jobs they find is not a new topic for researchers. However, the use of personal contacts and social networks when searching for a job is becoming especially important nowadays (Krasteva 2015) in view of the economic crisis and the growing unemployment rate and labour insecurity, especially among young people.

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<sup>52</sup> National sample survey "Identifying the effect of youth policies on young people in the country", conducted in 2014 by the Institute for Social Surveys and Marketing MBMD, at the order of the Ministry of Youth and Sports.

## CONCLUSION

At present, the labour market policies in Bulgarian are distinctly active and aim at impacting on the on-going processes and shaping the behavior of target groups in accordance with preliminary planned goals. In recent years, in all four policy fields a series of measures were undertaken and strategic documents were elaborated for promoting job/employment security of young people during their transitions to the labour market and beyond. The statistical data show that the undertaken initiatives have produced positive results. The youth unemployment rate in Bulgaria among persons aged 15–24 years has decreased from over 28% in 2012 and 2013 to 23.8% in 2014 (Table 4.1), and from 21.8% among youths aged 15–29 to 17.7% in 2014. Thus, the values have become equal to the average for EU28. We should point out that youth unemployment in Bulgaria is far lower than in Greece, Spain, and Italy, where it is respectively 52.4%, 53.2% and 42.7%<sup>53</sup>. The next few years will show whether these positive results are a permanent trend resulting from the adopted measures. The interaction between the analysed policy fields is clearly reflected in three strategic documents – the Employment Promotion Act, the National Youth Strategy 2012–2020, and the European Youth Guarantee. The basic conclusions that may be drawn from this analysis regarding policy fields are the following:

- There is high activeness in elaborating strategies, implementing measures and initiatives for reducing youth unemployment, facilitating entry into the labour market, ensuring opportunities for increasing qualification; however, the results are not yet visible, and the effect is low;
- There is a weak connection between various stakeholders taking part in the process of decreasing job insecurity of young people. Coordination between them is weak, which reduces the effectiveness of applied measures;
- Despite some positive reforms and initiatives, the educational and training institutions have not succeeded in combating problems such as the insufficient relevance of education to labour market needs, early school leaving, and the high rates of NEETs;
- The main weaknesses of the key institutional changes made in the education system are that they were made in a context of underfunding of the sector and weak links between the educational system and the labour market;
- Pilot implementation of the dual system of vocational education has been carried on; the dual system is linked to legislative changes that allow young persons at the age of 16 to

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<sup>53</sup>These high rates have an impact on the average values of the coefficient for EU.

conclude employment contracts with employers. The authorities are relying on the dual system to engage employers in the elaboration of the scholastic contents of training of young people for concrete professions, to bring education closer to the needs of the economy, and to provide a better distribution of educational opportunities across regions; but it remains unclear whether the dual system might not increase the gender segregation in the occupational fields dominated by men and respectively by women. So far, Bulgaria is among the countries with the lowest levels of gender segregation on the labour market (Ilieva-Trichkova, Stoilova and Boyadjieva,2015; Stoilova, 2015b);

- Changes are being made in the labour legislation of Bulgaria: new regulations of labour relations have been introduced, such as work from home and distance work. As a result of the opportunities for subsidized employment, young people may enjoy all the social services available to other employees, both during their employment and after loss of employment;
- The shortcoming of subsidized employment lies in the low earnings and, consequently, the low unemployment benefits received afterwards. The short duration of the subsidised employment programs also creates insecurity for the people hired under them;
- The entrepreneurship promotion program provides young people with an additional instrument for economic activity; unlike subsidized employment, this activity does not depend on the willingness of employers to hire unemployed youths. However, the program has not succeeded in producing an appreciable effect;
- Since 2008, the coverage of active labour market policies in Bulgaria has been reduced. The sharpest decrease is observed with regard to training measures. The largest share in active labour market measures in Bulgaria have direct job creation measures, i.e. subsidized employment. Nevertheless the number of youth ALMP entrants declines for all labour market measures till 2013. The support to unemployed young people become predominantly passive.
- The higher a person's education, the stronger the effects of his/her inclusion in the programs and measures. A better education creates better chances of subsequent realisation for youths taking part in programs and measures for employment and training;
- The unemployment benefits provide insufficient protection to youth unemployed. For young people without labour market experience is difficult to fulfill the eligibility conditions to receiving unemployment benefits.

- The monthly child benefits were made subject to mean-testing and are channeled towards the families with the lowest incomes. Furthermore the benefits are not related to the cost of living and are low.
- The length of childcare leave for mothers in Bulgaria is one of the longest in Europe. The childcare benefits women receive during the child's first year are likewise high, amounting to 90% of their salary. The policy is favorable for women with high income. Social welfare benefits are provided for mothers without income as well, but they are very small. There is a limited capacity for providing state childcare services for children up to the age of seven in nurseries and kindergartens, especially in the large cities and the capital;
- The “working poor” phenomenon is saliently present: these are people who have a job but, due to the low salary they receive, are still exposed to the risk of poverty and social exclusion. Being employed on minimum wage does not guarantee a sufficient capacity to achieve a satisfactory material status. Low earnings are a problem, as this stimulates emigration to other EU countries, where people get higher pay for the same work. This is equally true, for instance, for people occupied in tourism and agriculture, and for qualified specialists in healthcare;
- The combination between low salaries and the possibility to receive social welfare benefits is becoming a basic factor of subsequent shifting to low economic activity and/or incapacity to increase one's labour income;
- Despite intense activity for developing policies to fight the negative effects of the economic and financial crisis on young people, assessments as to the results of the adopted public policies in Bulgaria are lacking. Studies assessing the effects of the implemented reforms (specifically in the field of education) are yet to be undertaken. Yet assessments are necessary at every stage of the measures and initiatives – before, during, and after their implementation – in order to estimate which of them work and achieve the desired effects, and whether they are not linked to unforeseen negative effects.

Overall, another factor impacting on the effectiveness of policies for reducing youth unemployment and early job insecurity, and for facilitating the labour market entry/integration of young women and men, is the unfavourable context in terms of the low rate of economic growth, the distribution of income, and the tax and social insurance weight, which negatively affect the low and lowest strata of society, but are favourable for the upper strata. The inclusion of this broader perspective, together with the general conclusions contained in this analysis, may serve as a basis for elaborating theoretically grounded explanatory analyses regarding the differences between the various national patterns of job

insecurity and the differing significance of the socio-demographic and economic variables influencing the chances of young people to be unemployed or inactive.

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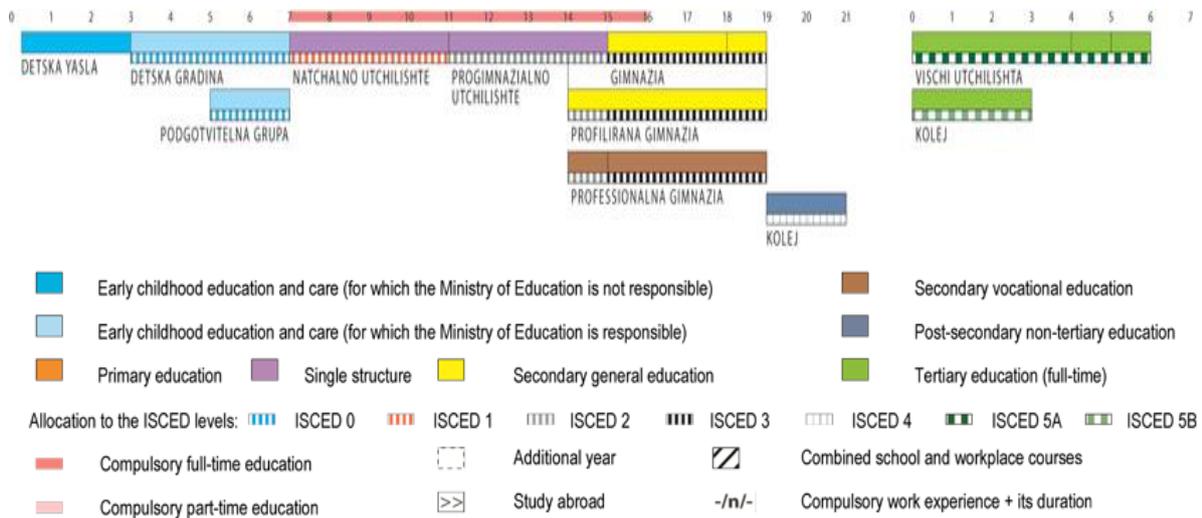
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## ANNEX TO SECTION 1

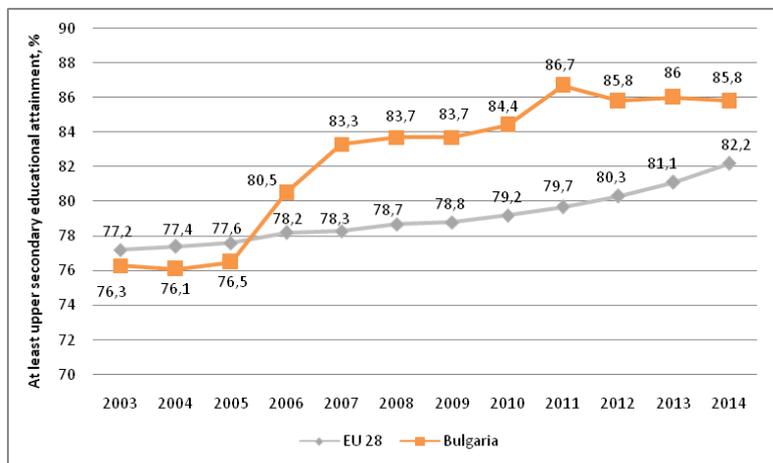
**Figure 1: Structure of the Bulgarian education system 2015/2016**



Source: Eurydice, 14.04.2016

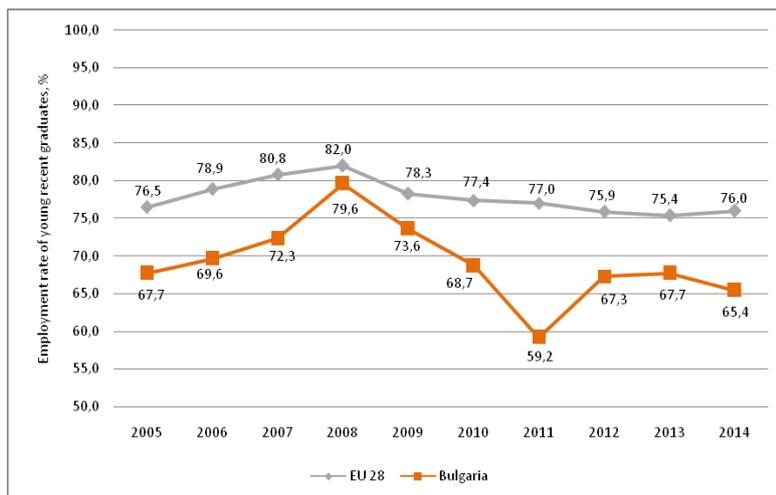
[https://webgate.ec.europa.eu/fpfis/mwikis/eurydice/index.php/Bulgaria:Organisation\\_of\\_the\\_Education\\_System\\_and\\_of\\_its\\_Structure](https://webgate.ec.europa.eu/fpfis/mwikis/eurydice/index.php/Bulgaria:Organisation_of_the_Education_System_and_of_its_Structure)

**Figure 2. At least upper secondary educational attainment, age group 20-24**



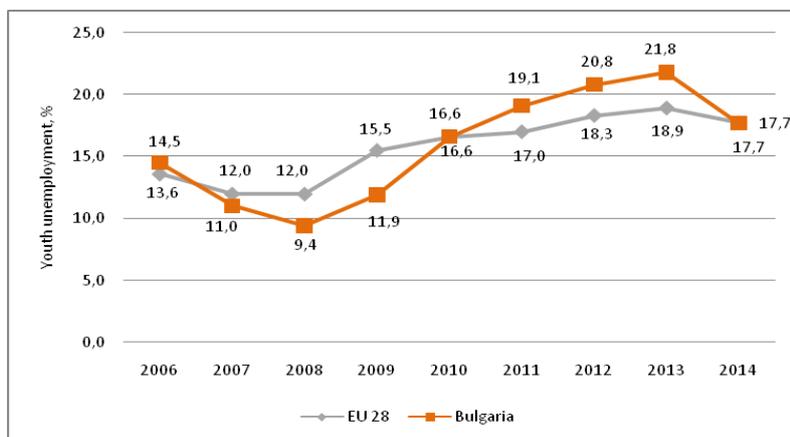
Source: Eurostat (code: tps00186), Accessed on February 11 2016.

**Figure 3. Employment rate of graduates (ISCED 3-6) aged 20-34 who graduated 1 to 3 years before the reference year and who are not in education and training.**



Source: Eurostat (code: edat\_lfse\_24), Accessed on February 11 2016.

**Figure 4.** Youth unemployment, 15-29, %



Source: Eurostat (code: yth\_empl\_090), Accessed on February 11, 2016.

## ANNEX TO SECTION 2

**Table 2.1** Workers on temporary contracts

	2008	2009	2010	2011	2012	2013	2014
15-24	7,5%	9,1%	7,9%	6,9%	6,3%	12,4%	13,2%
15-64	3,5%	4%	3,7%	3,5%	3,6%	4,7%	4,5%

Source: Eurostat (code: lfst\_hhtemchi), Accessed on March 11 2016

**Table 2.2** Youth employment

Age	2008	2011	2012	2014
15-19	5,7%	2,7%	3,7%	3,5%
20-24	50%	37%	35,4%	33,5%
25-29	75%	63,9%	63,7%	64,2%

<b>15-29</b>	40,8%	37,2%	37,5%	38%
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Source: Eurostat (Code: yth\_empl\_010), Accessed on March 04, 2016

Table 2.3 Rate of youth unemployment

<b>Age</b>	<b>2008</b>	<b>2011</b>	<b>2012</b>	<b>2014</b>
<b>15-19</b>	25.3%	56,6%	55.6%	43,6%
<b>20-24</b>	10,8%	21,9%	24.5%	21.6%
<b>25-29</b>	6.4%	15%	15.9%	14.4%

Source: Eurostat (Code: lfsa\_urgaed ), Accessed on March 04, 2016

Table 2.4 Minimum wage

<b>Year</b>	<b>2008</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Wage</b>	220	240/270	270/290	310	340	380	420

Source: Eurostat (earn\_mw\_cur), Accessed on March 04, 2016

Table 2.5 Part time work

<b>year</b> <b>age</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
15-24	3,3%	3,9%	5%	4,6%	4,2%	6%	6%
15-29	2,3%	2,7%	3%	3%	3%	3,6%	3,8%
15-64	2%	2,1%	2,2%	2,2%	2,2%	2,5%	2,5%

Source: Eurostat (code: yth\_empl\_080] and lfsa\_eppgacob) Accessed on March 04, 2016

### ANNEX TO SECTION 3

Table 3.1: PUBLIC EXPENDITURE FOR LABOUR MARKET MEASURES IN BULGARIA (in million Euro)

<b>LMP type</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Labour market services</b>	14,02	15,83	15,03	15,59	18,24	15,29	13,92	15,04	14,34	14,47

<b>Training</b>	11,93	14,36	11,26	11,88	11,97	4,80	1,43	8,42	10,84	4,68
<b>Employment incentives</b>	6,34	10,76	13,40	14,30	16,77	14,16	6,85	6,50	6,45	10,57
<b>Direct job creation</b>	72,41	67,86	72,16	60,88	59,06	58,41	25,52	35,25	58,78	122,98
<b>Start-up incentives</b>	1,77	1,51	1,19	1,04	1,70	0,94	0,13	0,15	1,98	0,68
<b>Total Active labour market measures (categories 2-7)</b>	92,45	94,48	98,01	88,10	89,50	78,31	33,92	50,31	78,06	138,92
<b>Passive LMM: Out-of-work income maintenance and support</b>	51,81	46,66	45,96	44,30	53,18	133,97	162,42	162,61	182,75	183,05

Source: Eurostat (code: Imp\_expme\_bg) Accessed on February 08, 2016.

Table 3.3: PARTICIPANTS BY ALMP INTERVENTION IN BULGARIA (age 15-24)

Type of measure	Year										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
<b>Labour market services</b>					<b>670</b>	<b>2 220</b>	<b>2 064</b>	<b>1 714</b>	<b>2 086</b>	<b>2 466</b>	
<b>Active labour market measures</b>	<b>35 282</b>	<b>35 699</b>	<b>37 681</b>	<b>37 631</b>	<b>24 633</b>	<b>11 910</b>	<b>13 617</b>	<b>10 052</b>	<b>18 564</b>	<b>14 332</b>	
Training	17 451	17 804	13 342	11 833	7 360	1 940	6 419	2 699	5 120	3 947	
Employment incentives	4 070	3 470	2 828	3 084	3 069	320	450	928	1 057	2 014	
Direct job creation	13 761	10 933	8 861	13 954	6 480	4 445	6 743	6 174	11 136	8 214	
Start-up incentives	:	3 492	650	8 760	7 724	5 205	5	251	1 251	157	
<b>TOTAL (1+2)</b>	<b>35 282</b>	<b>35 699</b>	<b>37 681</b>	<b>37 631</b>	<b>25 303</b>	<b>14 130</b>	<b>15 681</b>	<b>11 766</b>	<b>20 650</b>	<b>16 798</b>	

Source: Eurostat (code: [Imp\_partme\_bg]), Accessed on April 18 2016

Table 3.4: PARTICIPANTS IN ALMP AS A SHARE OF UNEMPLOYED PERSONS

Indicator	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Total entrants in ALMP as a share of total unemployed</b>	63.06 %	71.88 %	59.06 %	83.51 %	82.90 %	51.44 %	22.49 %	23.75 %	33.79 %	22.81 %
<b>Youth (15-24) entrants in ALMP as a share of youth unemployed</b>	48.89 %	54.67 %	64.63 %	84.56 %	64.31 %	25.78 %	22.14 %	15.83 %	26.63 %	22.01 %
<b>Youth (15-24) entrants in ALMP as a share of total participants in ALMP</b>	15.36 %	14.86 %	20.87 %	18.76 %	14.88 %	9.73 %	17.18 %	11.25 %	13.39 %	14.40 %

Source: Authors' calculations based on data from Eurostat (code: [Imp\_partme\_bg]) and data from National Statistical Institute, Sofia Accessed on April 18 2016

Table 3.5: RATE OF ACTIVATION OF REGISTERED UNEMPLOYED IN BULGARIA

Total LMP measures (categories 2-7)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Total</b>	16,8	23,7	21,0	27,1	16,9	7,0	5,0	6,5	12,1
<b>Under 25</b>	12,2	27,9	31,2	18,9	13,7	10,9	6,8	8,7	17,1
<b>Males under 25</b>	12,3	29,8	32,3	16,6	12,8	9,6	6,4	8,9	17,4
<b>Females under 25</b>	12,2	26,3	30,3	22,3	14,5	12,1	7,2	8,5	16,8

Source: Eurostat (code: Imp\_ind\_actru) Accessed on February 08, 2016

#### ANNEX TO SECTION 4

Table 4.1: Unemployment rate (2008-2015)

Indicator	2008	2009	2010	2011	2012	2013	2014	Third quarter 2015
<b>Youth unemployment rate, age group 15-24 years EU (28 countries)</b>	15,6	19,9	21,0	21,7	23,2	23,6	22,2	-
<b>Youth unemployment rate in BG aged 15-24 years</b>	12,7	16,2	23,2	25,0	28,1	28,4	23,8	19,2
<b>NEETs rate in BG, age group 15-24 years</b>	17,4	19,5	21,8	21,8	21,5	21,6	20,2	-
<b>Unemployment rate in BG - total</b>	5,6	6,8	10,2	11,3	12,3	12,9	11,4	8,3

Source: Eurostat [code: Imp\_rjru]; NSI [code: unemployment rate] Accessed on March 04 2016

Table 4.2: Social benefits 2008-2014 (in BGN)

Year	2008	2009	2010	2011	2012	2013	2014
<b>Average unemployment benefits per person</b>	141,38	143,97	192,26	257,80	257,35	266,72	267,25
<b>Unemployment benefits</b>	99,0mln	238,12mln	311,16mln	320,03mln	354,32mln	351,26mln	339,15mln
<b>Cash benefits for pregnancy and birth</b>	197,81mln	300,93mln	315,4mln	299,74mln	270,35mln	286,01mln	297,5mln
<b>Social security benefits</b>	48,5mln	45,4mln	52,41mln	53,14mln	55, 55mln	56,79mln	-
<b>Persons and families with social benefits</b>	226 841	233 689	116 003	55 287	57 590	57 905	-

Source: NSI: [code: paid benefits] Accessed on March 04 2016

Table 4.3: Rate of working poor in Bulgaria, persons age 18-64 years

Year	2008	2009	2010	2011	2012	2013	2014
<b>Employed</b>							
<b>Total</b>	7.6	7.5	7.7	8.2	7.4	7.2	9.3
<b>Male</b>	8.0	7.8	8.5	8.8	7.7	8.0	9.8
<b>Female</b>	7.1	7.1	6.7	7.5	7.1	6.4	8.7
<b>Distributed by type of employment</b>							
<b>Full-time job</b>	6.3	6.2	6.4	7.0	6.6	6.4	8.1
<b>Part-time job</b>	20.3	24.2	30.3	33.0	27.9	20.9	27.8

Source: NSI [code: SI-C8] Accessed on March 04 2016

Table 4.4: Minimum and maximum insurance income (in BGN)

Year	2008	2009	2010	2011*	2012*	2013*	2014*	2015
<b>Min. insurance income (self-insured)</b>	240	260	420	420 - 550	420- 550	420 - 550	420 - 550	420- 550
<b>Max. Insurance income</b>	2000	2000	2000	2000	2000	2200	2400	2600

Source: National Social Security Institute

\* The minimum insurance income since 2011 is differentiated according to the taxable income of the self-insured persons

Table 4.5: Number of registered unemployed and of unemployed receiving benefits (2008-2015)

Year	2008	2009	2010	2011	2012	2013	2014	2015
<b>Registered unemployed</b>	233 719	280 980	350 945	332 601	364 536	371 381	366 471	330 816
<b>Registered unemployed before the age of 29</b>	41 657	51335	63500	63690	74779	74 720	64 122	51 680
<b>Registered unemployed receiving benefits</b>	67 481	121 034	136 755	106 580	117 688	116 525	100 806	90 192
<b>Registered unemployed before age 29 receiving benefits</b>	6 424	16 011	17 909	14848	18 802	19 021	15 502	12 437

Source: National Social Security Institute, Employment Agency

Table 4.6: Registered unemployed receiving benefits as a share of registered unemployed (2008-2015)

Year	2008	2009	2010	2011	2012	2013	2014	2015
Share of registered unemployed receiving benefits	28.87 %	43.07 %	38.97 %	32.04 %	32.28 %	31.38 %	27.51 %	27.26 %
Share of unemployed before age 29 receiving benefits	15.42 %	31.19 %	28.20 %	23.31 %	25.14 %	25.46 %	24.17 %	24.06 %

Source: National Social Security Institute, Employment Agency

Table 4.7: Indicators for poverty (in BGN)

Year	2008	2009	2010	2011	2012	2013	2014
Guaranteed minimum income	55	65	65	65	65	65	65
Minimum wage	220	240	240	240/270	270/290	310	340
Poverty line	212.3	276.5	295.0	283.8	279.7	285.9	323.7

Source: NSI [code: OV-1] Accessed on March 04 2016

Table 4.8: Period of unemployment benefits receipt

Length of insurance (Years)	Period of unemployment benefits receipt (Months)
to 3 years	4 months
over 3 to 5 years	6 months
over 5 to 10 years	8 months
over 10 to 15 years	9 months
over 15 to 20 years	10 months
over 20 to 25 years	11 months
over 25 years	12 months

Source: Social Security Code, art. 54