

# MAIN INDICATORS OF THE BULGARIAN LABOR MARKET AFTER EU ACCESSION

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**Summary:** Labor market is one of the most sensitive markets in the economy and therefore one of the dynamically changing one. EU Accession of Bulgaria (2007) has brought a significant change in its state. This paper researches and analyzes some of the key indicators, that have an influence over its status and perspectives after 2007. Using data from Bulgarian National Statistical Institute and EUROSTAT is presenting an information about main indicators such as GDP, inflation, investment activity, foreign investment level over a ten-year period (up 2007 to 2016) identified as essential for the Bulgarian labor market. By comparative analysis are defined the key trends of its development over the period and evaluated their relevance to those in the EU member states. There are indicated the problems related to the labor market and its remuneration in Bulgaria, the main steps for their solution and marked the perspectives for their development.

**Keywords:** labor market, Bulgaria, employment, activity, wages

## Introduction<sup>1</sup>

In recent years global labor market developments have gone through significant transformations in due to the invasion and coming dominance of new technologies in all business fields and the consequent need for employers and employees/ workers to adapt to the digitizing environment if they want to remain competitive. Parallel to this main trend after EU Accession in 2007 Bulgarian labor market is also facing the trends in the community. The Accession to the EU's common labor market intensifies some of the negative trends in Bulgaria. It defined even more

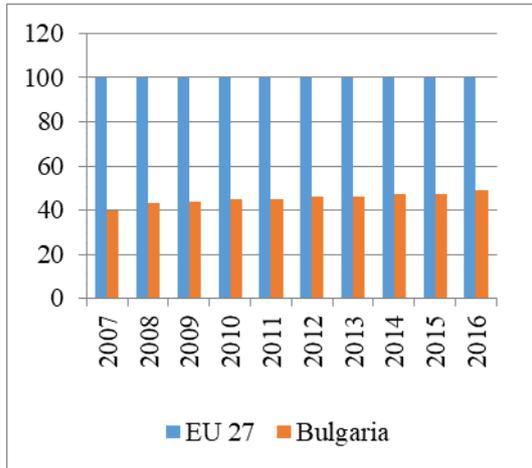
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<sup>1</sup> The authors' participation is as follows: Assoc. Prof. Dr Petya Petrova – introduction and part 1., Assoc. Prof. Dr Veneta Hristova – part 2 and conclusion.

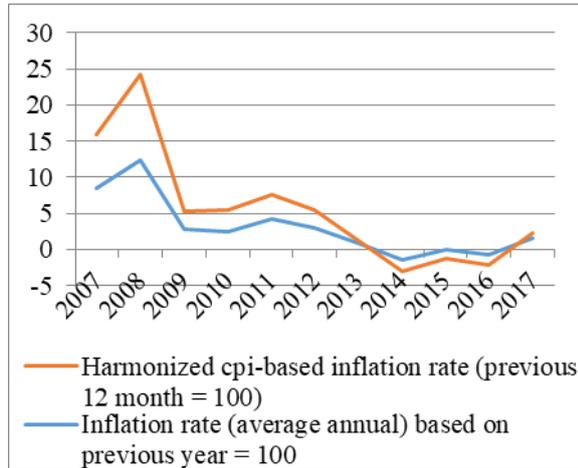
the challenges by placing us of the last few places among the other countries on most of the key indicators. This paper considerate some of the main indicators affecting the labor market in Bulgaria since 2007, on this basis are characterized the key impact parameters to improve its overall condition. Used output data is from National Statistical Institute and EUROSTAT, as well as information published in strategic government documents.

## **1. Macroeconomic framework of development of Bulgarian Economy**

The Accession of Bulgaria to the common European market “catch” her in a situation of privatized property of the large industrial enterprises, imbalance in relations and relationships in the economy, with still establishing entrepreneurial culture, structural labor market mismatches, currency board and relative macroeconomic stability. On other hand accession gives the feeling of optimism in a significant part of the Bulgarians - hopes for rapid economic revival, rich EU funds entering into all spheres of the economy and increased opportunities for travel, work and business. Unfortunately, shortly after 2007 the global financial and economic crisis started and inevitably reflects on the results generated by the Bulgarian economy. The gross domestic product (GDP) of the country is significantly lower than the average European levels for the period, but has risen gradual despite the worsened environment (see Figure 1). Inflation processes are also stabilizing rapidly. Against the backdrop of past inflation parameters, those after 2007 are at very low or negative levels even in recent years has been seen a trend to deflation.. This is a circumstance, which characterized in addition the stability and predictability of the environment in Bulgaria. One of the main positive indicators of the environment is the low tax burden on businesses, which makes the country attractive for investment. At the same time, the worst whip remains bureaucracy, corruption and the hard-working judicial system, which in turn restricts free entrepreneurship.



GDP in EU 27 and Bulgaria for the period 2007-2016 (by base EU 27 = 100)

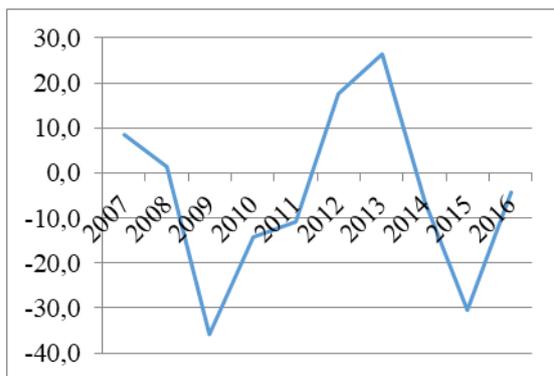


Inflation rate (average annual) based on previous year = 100 and Harmonized cpi-based inflation rate (previous 12 month = 100) for 2007 – October 2017

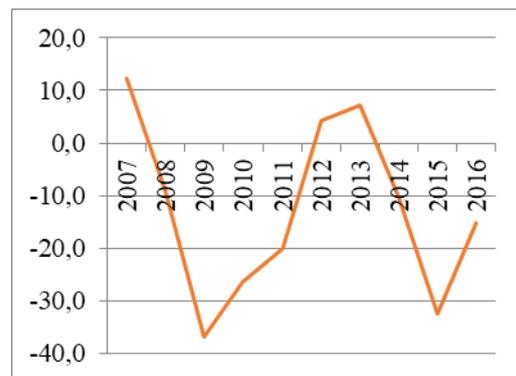
Source: National Statistical Institute

**Figure 1.** GDP and inflation data

Investment activity in industry remained in a fluid state/unstable over the reviewed period, with predominating negative expectations. Total acquisition cost of tangible fixed assets on an annual basis confirmed the trend and marked a significant decline from € 15 million in 2008 to just over € 8 million in 2016. (see Figure 2)



Expected investment growth (EIG) in industry (in the current year compared to the previous year); total for the country to March

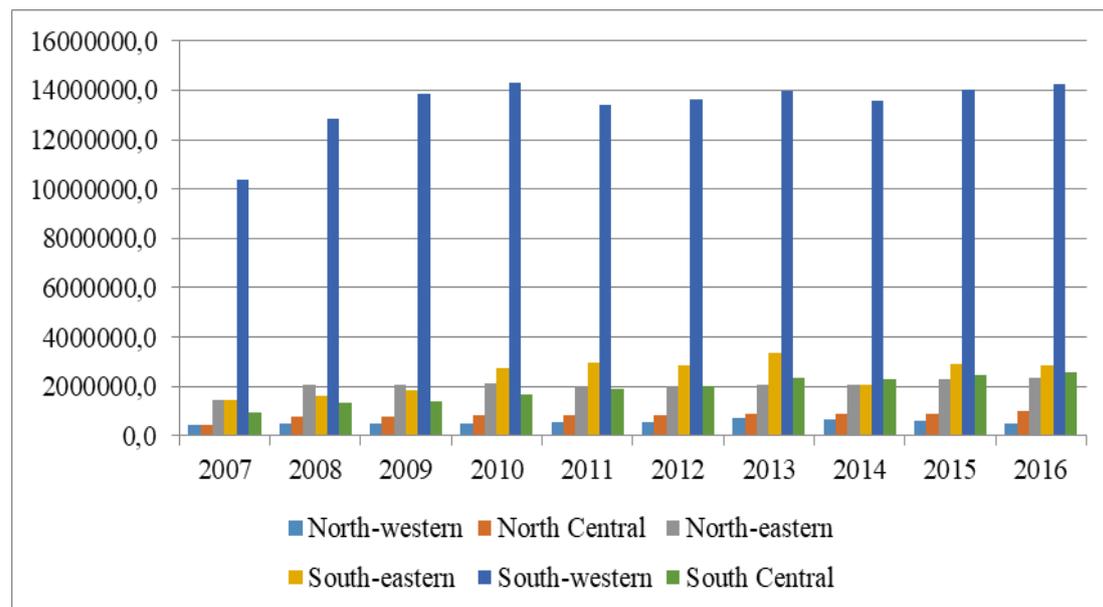


Expected investment growth (EIG) in industry (in the current year compared to the previous year); total for the country to October

Source: National Statistical Institute

**Figure 2.** Investment activities at industry

In contrast to investment activity, are seen positive trends in the volume of foreign direct investment, which for a period of ten years marks a growth of just over 20%. The investments are mostly carried out in the Southwestern region, where the capital of the country is located. In other areas, volumes of foreign direct investment are at least ten times lower, and in the poorest region of Europe - the Northwest - they are almost 30 times less than its neighboring Southwestern region. Investments are mainly in the sphere of construction, real estate and trade. (see Figure 3)



Source: National Statistical Institute

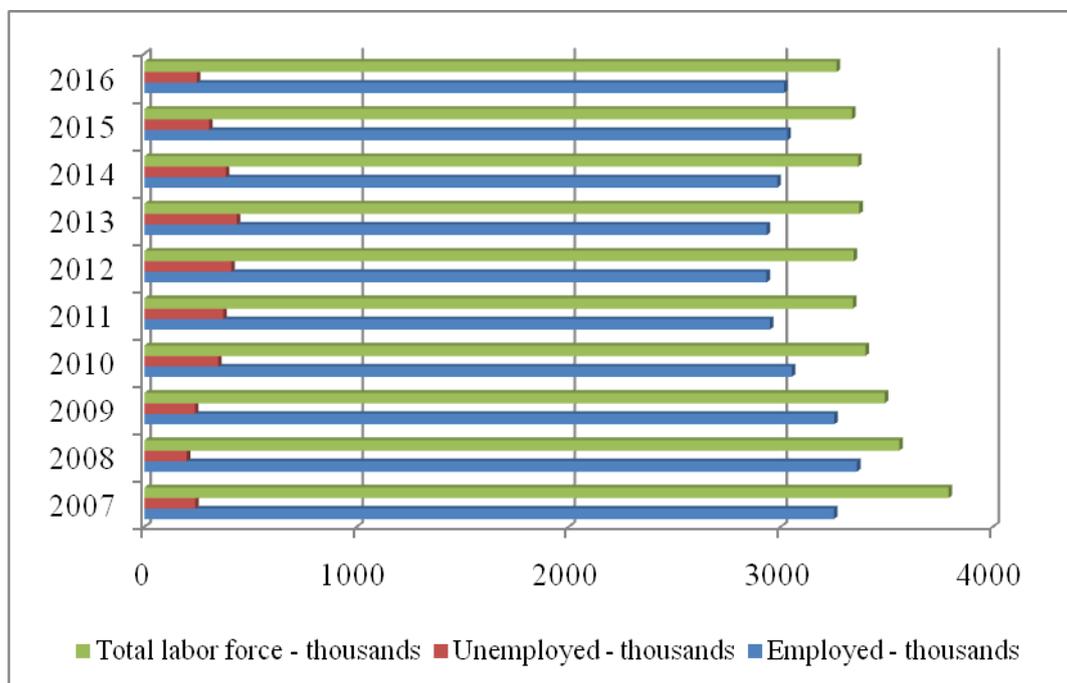
**Figure 3.** Foreign Direct Investments (FDI) by regions in Bulgaria  
(in thousands euro)

Summarizing the macroeconomic indicators of Bulgaria in reviewed period after EU Accession shows relative stability. They are influenced by the general trends of downturn/decrease resulting from the impact of the global financial and economic crisis that cover the world in 2008. There are seen a significant increases in the volume of foreign direct investment, a gradual recovery of economic activity in the different sectors, but still positive trends are generally absent.

## 2. Bulgarian Labor Market – key trends

Against the background of these robust macroeconomic data, the information on the labor market is not so positive. As a whole, the total labor force is gradually

decreasing, as is the share of employed persons - in 2016, less than in 2007, and the total workforce declined by around 500,000. Unemployment in the analyzed period is characterized by sensitive fluctuations, with the highest absolute levels in 2013 - 436,3 thousands, almost twice as high as in 2007. In 2016, unemployment has returned to its levels since the beginning of the period of our accession to EU, but it has completely different parameters. There are serious tendencies of deepening structural unemployment, more and more often the labor market is lacking "the right" employers for the business, and the "leakage" of trained workers and specialists to the economies of the European countries leave the labor market in Bulgaria in very unbalanced form.



Source: National Statistical Institute

**Figure 4.** Bulgarian Labor force parameters for the period 2007 - 2016

Specific employment rates, unemployment and the level of activity of the population are given in the following figure. It is clear that unemployment levels are rising sharply after 2008, reaching their peak in 2013 - 12.9%, and then moving downwards by 7.6% in 2016. It is noteworthy that the average unemployment rate in the EU27 is higher than in Bulgaria in the period 2007-2009, but in 2010-2014 the trend is the opposite - unemployment rates are at least 1% higher in Bulgaria in the EU27. The last two years of the analyzed period indicate again that the unemployment rates in Bulgaria are below the EU average. Behind these figures, however, is a very

serious problem: the Bulgarian labor market continues to plunge into profound structural problems. Structural unemployment does not meet an adequate political solution in our country, and even the opposite - thanks to the measures taken in the educational sphere, these problems are greater. Much of the reasons for the ongoing structural crisis in the labor market lie also in outdated labor legislation, which frequent and chaotic changes only temporarily mask the problem solving, but do not actually contribute to making significant progress.



Source: National Statistical Institute

**Figure 5.** Unemployment, employment and activity rates for Bulgaria

Despite the obvious positive trends in reducing unemployment and increasing employment, the problem of trained specialists is becoming more and more important. Combined with demographic trends and increased emigration, this issue will stay key in the coming years. More and more Bulgarian entrepreneurs cannot find for a very long time the suitable for their vacancies specialists and for 2-3 years part of this imbalance begins to gradually fill with the import of labor from outside.

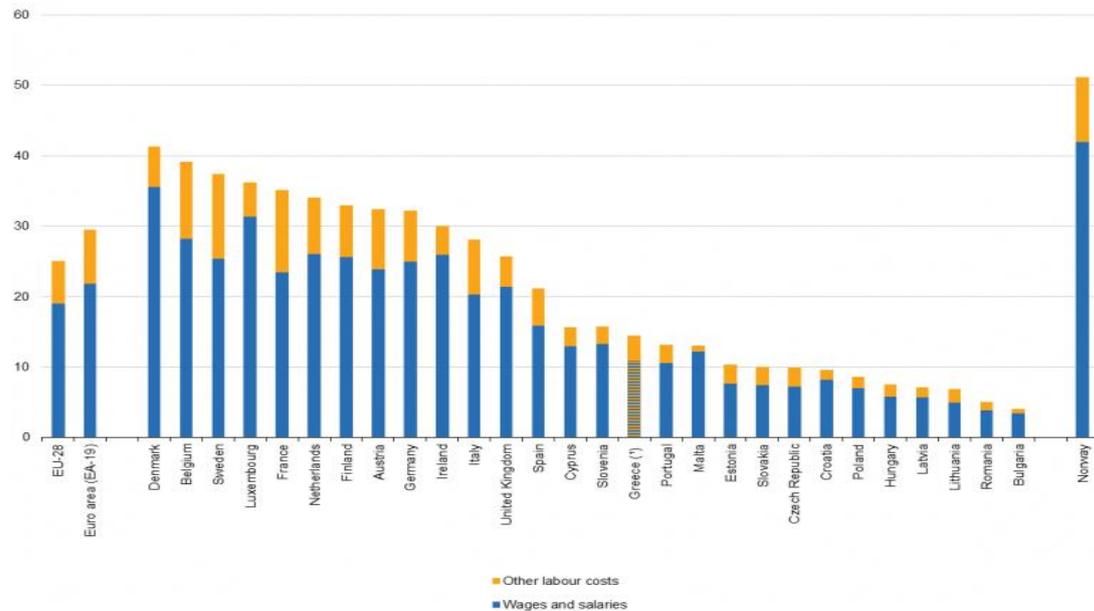
Another significant problem is the income of the employees in our country. Their dynamics is evident from the table below, but however much their overall increase is far from the employees' income in EU. It is also noteworthy that there is a significant difference between the incomes of men and women as it is steadily over 500 € for the period under study. In 2015, women's pay in the EU28 is about 16%

lower than that of men, with the smallest differences being seen in Luxembourg, Italy, Romania, Belgium, Poland and Slovenia. The largest pay gap was registered in Estonia (26.9%), the Czech Republic (22.5%), Germany (22.0%), Austria (21.7%) and the United Kingdom (20.8%) and Bulgaria in this ranking occupies an intermediate place. Existing differences are due to differences in the economic activity, difficulties arising from the reconciliation of professions and positions with responsibilities in the family, the work of women on part-time contracts, and the persistence of direct discrimination.

Table 1. Average Nominal Employees' Salaries (in leva)

Year	Total	Male	Female
2007	5167	5629	4693
2008	6538	7161	5884
2009	7309	8073	6532
2010	7777	8614	6953
2011	8230	9123	7354
2012	8773	9784	7772
2013	9301	10320	8291
2014	9860	10966	8762
2015	10535	11784	9286
2016	11539		

The current wages situation in the country vis-à-vis payments in the EU is also evident from Fig. 4, where Bulgaria continues to have the lowest levels in 2016. Average hourly labor costs in Bulgaria are about 4.4 € at an average level of EU28 of about 25 €. This average, however, contains significant differences between EU Member States as hourly labor costs vary between € 4.4 in Bulgaria and € 42 in Denmark (see Figure 4), and even higher) in Norway - € 50.20.



Note: Enterprises with 10 or more employees. NACE Rev. 2 Sections B to S excluding O. Provisional data.  
 (\*) 2014. Only the total labour cost is available.  
 Source: Eurostat (online data code: lc\_lci\_lev)

Source: Eurostat

**Figure 6.** Estimated hourly labour costs for the whole economy in euros, 2016  
 Enterprises with 10 or more employees

This substantial difference in the employees incomes can also be traced through comparisons with the minimum wage in Bulgaria and EU: while in Bulgaria it is 184 € in 2015, in Belgium is 1501 €, in Germany, Ireland and France - over 1400 €, and in Luxembourg - 1922 €. In the countries of the former Socialist bloc, the minimum monthly payments are also higher than those in Bulgaria: the Czech Republic and Hungary - 332 €, Poland - 409 €, whereas only in Romania - 217 € the value is close to that in Bulgaria.

One of the key labor problems in the country continues to be labor productivity, although at the end of the period there is a positive change in this direction. Labor productivity in EU per employee has increased in real terms between 2006 and 2016 in almost all countries, with declines in Greece, Italy, Croatia, Luxembourg and Finland. Over the same period, the largest increases (in percentage) in two of these measures of real labor productivity were reported in Bulgaria, Slovakia, Lithuania and Latvia.

**Table 2. Real labour productivity, 2006, 2011 and 2016**

Source: Eurostat

	(thousand EUR per person employed)			(EUR per hour worked)		
	2006	2011	2016	2006	2011	2016
EU-28	50.5	51.8	53.2	30.1	31.4	32.7
Euro area (EA-19)	56.5	58.0	59.2	34.9	36.5	38.0
Belgium (*)	72.4	73.5	74.7	46.0	47.2	48.2
Bulgaria	8.0	9.6	10.5	4.9	5.9	6.4
Czech Republic	26.8	28.7	29.7	14.9	15.9	16.8
Denmark	75.4	76.5	78.1	51.8	53.2	55.3
Germany	57.0	57.8	58.5	40.0	41.5	42.9
Estonia	22.0	23.8	24.3	11.0	12.4	13.1
Ireland (*)	74.4	80.1	106.5	39.6	47.0	61.1
Greece	45.2	41.5	40.5	21.3	20.3	19.9
Spain	47.1	51.5	53.3	27.4	30.0	31.5
France	66.3	67.9	69.4	43.9	44.2	47.4
Croatia (*)	25.0	23.5	23.3	.	12.1	12.8
Italy	59.7	58.4	57.1	32.9	33.0	33.0
Cyprus	42.0	42.0	42.1	22.9	22.8	23.5
Latvia	17.2	19.8	21.2	9.0	10.1	11.1
Lithuania	18.0	21.3	22.7	9.6	11.5	12.1
Luxembourg	105.6	99.5	104.0	68.0	65.7	68.7
Hungary (*)	20.9	21.4	21.4	10.5	12.1	12.1
Malta	.	.	.	.	.	.
Netherlands	64.1	65.4	68.2	44.8	46.0	47.5
Austria	64.5	64.9	64.6	37.0	38.7	40.3
Poland (*)	18.4	21.6	23.6	8.9	10.6	11.5
Portugal	30.5	32.8	33.1	16.2	17.6	18.0
Romania (*)	11.2	12.5	15.7	6.0	6.6	8.7
Slovenia	32.3	33.5	34.8	19.4	20.1	20.7
Slovakia	24.5	28.5	30.6	13.8	15.9	17.6
Finland	66.4	66.3	65.1	39.2	39.9	39.5
Sweden	71.1	72.7	75.9	44.5	44.5	46.8
United Kingdom	56.8	56.9	58.2	34.1	34.6	34.8
Norway	116.6	110.3	113.8	81.8	77.1	79.9
Switzerland (*)	91.8	92.5	92.0	55.5	57.1	57.9
The former Yugoslav Republic of Macedonia	8.6	9.0	.	.	.	.

Note: based on chain linked volumes, index 2010 = 100.

(\*) Per hour worked: 2015 instead of 2016.

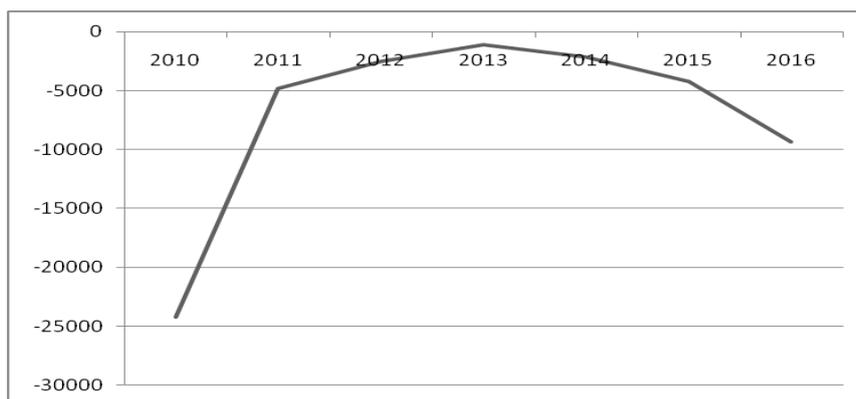
(\*) 2011: break in series.

(\*) 2015 instead of 2016.

(\*) 2016: break in series.

Source: Eurostat (online data codes: nama\_10\_gdp and nama\_10\_a10\_e)

The migrant process of the young Bulgarians, as well as the processes of NEETs, continues to be the most significant labor market problem. Young Bulgarians, increasingly driven by the desire for well-being and social inclusion, emigrate to those economies whose income levels are higher than those in the country of origin. Since, as noted in the previous paragraphs, Bulgaria has steadily occupied the most recent income levels in the EU, each country has a much greater attractiveness to work than its native. For the period 2010-2016, the mechanical emigrant turnout is negative, as in 2016 it is nearly 10000 people. According to surveys, emigrant Bulgarians are mostly educated, women and start work quickly after emigrating.



**Figure 7.** External migration in Bulgaria

### **Conclusion**

From what has been said so far, it is clear that the main indicators of our labor market show seeming tranquility, but reality is far from that. The past decade as EU accession country has not brought the Bulgarians the job they want, security and prosperity, but rather the opposite - employment insecurity, increased emigration and even more fierce decomposition of society. The perceived labor market policies have so far produced modest results, and low levels of unemployment are fueled by people who have no chance of finding a job with their current qualifications. Bulgarian entrepreneurs continue to pay a little, but require too many of the employees, as a result of their long-term efforts, young people do not remain in our companies. Bulgarians still feed EU economies with their cheap labor, but gradually settle their lives outside, create families abroad and raise children. With the continuation of this policy, our only way out will be to “hire” labor market from outside.

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