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# **CRISIS AND RECOVERY IN BULGARIA: LABOUR MARKET IMPACT ON MEN AND WOMEN**

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## **Section I. Crisis, recovery and paid work for men and women**

### **1. Overview**

Following a period of stable and positive development at the beginning of the 21<sup>st</sup> century, in the last three years the main characteristics of the labour market are defined by the factorial impacts specific of crisis conditions, namely low demand for labour, increasing levels of unemployment and decreasing investments in labour force. The fluctuation of unemployment increases the pressure exerted over social systems, while the restricted public finances are concentrated on temporary forms of social protection and re-thinking (reduction) of the public programmes under the existing conditions of financial restrictions. Maintaining relatively stable level of economic activity (53.8% in 2008 and 53% in 2009) reflects on the limited possibilities for the majority of the population of replacing the incomes from labour with incomes from other sources. It further predetermines the exertion of pressure on the market from the supply side of labour in both short-run and medium-run. The dependence of the household incomes on the social transfers (pensions, compensations and aids) increases, while their share in the total income increases from 26.2% in July 2008 to 30.9% in July 2009.

The initial expectations that the crisis would be overcome comparatively swiftly have not proved right. On the contrary, the crisis has turned out to be more lasting than the preliminary evaluations have anticipated and the high probability that it will be followed by a lengthy economic stagnation becomes ever more apparent.

The financial crisis has not directly affected the Bulgarian economy, which is under a Currency Board and has a stable banking system. The crisis has affected manufacturing mainly through the decrease in the volumes of production, sales and exports. Another source of growth from the period prior to the crisis – foreign investments – has also decreased rapidly. As a consequence, the crisis has found its reflection in the decreased internal consumption, which is the result of the policies imposing strict financial restrictions and the freezing of the main sources of income such as working salaries and pensions.

In the period mid-2008 to mid-2011, the ruling governments (since the mid-2009 the country is governed by GERB's<sup>1</sup> cabinet, which has replaced the previous trilateral coalition government<sup>2</sup>) have approved three sets of anti-crisis measures. However, the implementation of these measures is not integral and consecutive, which predetermines the relatively poor results from them. Bulgaria is not among the countries that have made swift and considerable investments aimed at protecting particular lines of production and working places. The discussed, approved and partially implemented sets of anti-crisis measures are combined with measures of a fiscal character and with measures aiming at the real economy and employment. The measures aiming at preserving the stability of the treasury have had an effect, but the diversified measures targeting the real economy, manufacturing and employment have failed to produce such. Their great diversity has unfocused their efforts and has predetermined their low level of effectiveness.

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<sup>1</sup> The party is called Citizens for European Development of Bulgaria and has a right political orientation.

<sup>2</sup> The cabinet has included the socialist party and two left centric parties – NDSV and DPS.

## 2. Paid work

### A) Actual trends in employment and unemployment for men and women between 2008 and 2010

According to national LFS, between 2008 and 2010 (2Q2008 and 4Q2010) employment in Bulgaria (15-64) has decreased by 337 000 people – from 3 315 700 in 2Q2008 to 2 978 700 people in 4Q2010. The employment drop is almost twice bigger among men – by 206 800 people, while employed women decrease by 130 200.

According to Eurostat (Figure 1), male employment rate has decreased from 68.4 to 61.7%. The lowest level is reached in the 4<sup>th</sup> quarter of 2010. The big drop in male employment rate increases the gap between the country and the EU average from 4.6% in 2Q2008 to 7.6% in 4Q2010.

Figure 1



Female employment rate drops from 59.5% in 2Q2008 to 55.3% as a lowest level (1Q2010). The decrease is deeper compared with EU average, where the lowest level is 57.9%. However, female employment rate in Bulgaria remains higher than EU average, as it has been during the last five years, after the country has joined EU.

National LFS data report that in 4Q2010 employment rate is 59%, which is **4.9%** lower than the pre-crisis period (2Q2008). Male employment rate drops by **6.7%** (from 68.4 to 61.7%) and female employment rate drops by **2.5%** (from 59.7 to 57.2%).<sup>3</sup> National data illustrate that the drop of male employment is 3 times bigger compared with female employment. The reason is the different effects of the crisis at sectoral level – the crisis has been more severe in sectors, where male employment predominates – construction, extracting industries, manufacturing, transport, etc.

The first evidences of the crisis in Bulgaria occur in 2008 in the construction sector, which has been in its pick by that time. The sector could not re-allocate its activity in due course

<sup>3</sup> LFS for respective periods. [www.nsi.bg](http://www.nsi.bg)

because of the structure of investments – mainly in hotel resources and house buildings. Further the crisis has been transferred to some industrial branches through a decrease in export where male employment dominates, like mining and quarrying, manufacturing, etc. The decrease in tourist services and transport also contributes to the shrinkage of male employment. Female employment starts to shrink when the “female” sectors have started to suffer the crisis effects, e.g. textile, education, health, public administration.

The recovery of employment losses is seen among female employment, where an increase of 1.1 percentage points from the lowest level has been recorded. Male employment level is still in a downturn and no recovery has been observed till the end of 2010.

*B) Trends in the occupational segregation over the crisis period. Comment table 1 in the appendix also in the light of national studies/evidence*

Crisis forces sectoral restructuring of the economy, as well as restructuring of the occupational structure of employed people. As mentioned in previous studies, gender segregation in Bulgaria illustrates the specific distribution of labour between sectors, in some of which male labour force prevails (mining, construction, etc.), while in other the female labour force dominates, e.g. education, health, administration, etc. Beside these specific gender distributions, there is a certain occupational segregation outlining the concentration of male or female labour in the occupation structure. However, the occupational segregation, measured by IP index 2000-2010 (Table 1), points out an increasing trend during the studied period, and level higher than EU average for the last 10 years. Data point out that the crisis has not influenced the level of occupational gender segregation, which is 29.3 in 2007 and remains unchanged in 2008 and 2009 (29.4). In 2010 the occupational gender segregation index decreases to 29. However, compared with 2000, the level of gender segregation has increased by 1.6 points, and at a level of 29 it is higher than EU average by 4.2 points. This level of gender segregation ranks the country among those with higher IP index.

The national data, as presented in the LFS, outline some transformations caused mainly by structural changes as a reaction to the crisis. Here are some of the findings:

1. The crisis has changed the proportion of men and women in employment – from 53.4% (men) and 46.5% (women) in 3Q2008, to 52.2% (men) and 47.7% (women) in 4Q2010. This means that more women are in employment, and male employment is lower as numbers.
2. The gender gap by different occupations has changed in the period 2008-2010 as follows:
  - Figure 1 outlines almost unchanged gender gap among “Legislators, senior officials and managers”.
  - Gender gap among “Professionals” has increased from 9.7 to 11.3 points due to higher share of women employed.
  - Gender gap among “Technicians and associated professionals” has also increased (from 2.9 to 3.9) in favour of women.
  - Gender gap among “Clerks” indicates insignificant increase from 8.2 to 8.5 in favour of women.
  - Gender gap among “Service workers and market workers” decreases from 9.9 to 8.8, since the share of employed men has increased.

- Gender gap among “Skilled agricultural and fishing workers” increases from 0.1 to 1 because the share of women decreases, while that of men increases.
- Gender gap among “Plant and machine operators and assemblers” increases from 9.3 to 11.7 because the share of men increases, while that of women decreases.
- Among people with elementary occupations the gender gap remains almost unchanged.

3. The occupational changes as presented above in view of the crisis effects could be summarized in the following way: in 8 of 9 occupational groups the number of employed men has been reduced, which could indicate that labour hoarding has been higher among men. Another reasonable explanation is that men are preferred for firing, since they are higher paid and employers would realize higher labour cost reduction in that case. On the contrary, lower paid women are less fired, since the number of employed women increases among clerks, service workers and shop workers, skilled agricultural workers, craft and related trade workers, plant and machine operators and elementary occupations.

### *C) Comparative impact of the recession on the segment/groups ”at risk”*

The recession affects the segments/groups of the labour force in a different way. As usually the attention is focused on those segments, which are considered to be “at risk”, or those people who are employed in more precarious forms as part-time workers, seasonal workers, people with temporary labour contracts.

Eurostat data on changes in number and share of **employees in public sector** in the period 2007-2009, as presented in Table 2 in appendix, outline that the private sector has been significantly affected by the crisis. The number of employed people in this sector decreases from 612 000 to 589 000 people, which is a reduction of 23 000 people or 10% only in the period 2007-2009. The share of employees in the public sector in 2009 is 17.8% of all employees. Since the crisis in Bulgaria continues, we have to say that for the period 3Q2008 – 4Q2010 the employees in the public sector have decreased by 42 000 people according to national data. The share of employees in the public sector by 4Q2010 is 24.2% of total employment. The reduction of the number of employees in the public sector is one of the anti-crisis measures, which the Government has announced in the package for fiscal consolidation and reduction of public expenditures.

**Part-time employment in Bulgaria** is relatively poor developed in comparison with other EU countries and the EU average level. Figure 3 underlines this fact, ranking Bulgaria as the country with lowest level of part-time workers as a percentage of all employees. This is valid for men (1.5% in 2Q2008) and for women (2.4% in 2Q2008). The crisis has not changed this group of the labour force, since female part-time employees are at the same level in 4Q2010, and the level of male part-time employees has increased by 0.5% only.

The national data, as presented by the LFS, indicate the same tendency – the share of **part-time employees** in 3Q2008 is 1.5% and in 4Q2010 – 1.7%, i.e. there is a very modest increase in part-time employed people as a reaction of the recession.

The involuntary part-time employment as a mean for adjustment of the working hours to the reduced volumes of production and supplied services in Bulgaria has started in late 2008 and has been in force in 2009 as one of the important anti-crisis measures, aiming to prevent employment and avoid unemployment boom. Figure 4 presents the Eurostat data on involuntary part-time employment by gender. According to these data, the majority of part-time employees are involuntarily part-time employed – 59.9% of male part-time employment and 49% of female part-time employment in 2010. In 2007 these shares are 63.8 and 58.7%

respectively. The impact of the crisis on involuntary part-time employment in the period 2007-2008 is not gender oriented – almost equal drops (by 10 percentage points for men and 9.7% for women) have been registered.

For the period 2008-2010 the share of involuntary part-time employed people has been 0% for women and 6.6% for men. In comparison with EU-27, the increase of the involuntary male part-time employment is almost twice higher, which the lack of increase of the share of involuntary part-time employed women within total part-time employment is close to the 0.8% increase in the EU-27.

We miss national data on this topic, as well as national data on part-time employment by gender, and that is why the conclusion drawn out on the basis of presented Eurostat data is that women are less willing to be in involuntary part-time employment and quite employment, while men are more reluctant to accept part-time employment even as involuntary. This comes to outline the limited options, which the labour market offers to the labour force. This also might say that there are more options for women in comparison with men, as well as that women are more reluctant to exit employment.

**Temporary employment** as a form of flexible form of employment is also relatively poor developed in comparison with EU-27. The share of people employed under temporary labour contracts is 5.9 and 4.2% for men and women respectively in 2Q2008 (Figure 5 – Eurostat data, Appendix). The crisis contributes to further decrease of this share, most significantly among men (-1.4%) and less among women (-0.6%) for the period 2Q2008 – 4Q2010.

National data point out that the share of temporary employees within total employment increases during the recession from 1.5% in 3Q2008 to 4% in 4Q2010. In 2008 the share of women employed under temporary labour contract is higher compared with men. In 2010 the picture is almost the same – among all employed people under temporary labour contract women prevail.

#### *D) Impact of the recession on in-work poverty*

The recession influences in-work poverty, contributing to increase of its level from 5.8% in 2007 to 7.5% in 2008 and 7.4% in 2009 (according to Eurostat online database – Table 3 in Appendix). An increasing tendency of in-work poverty has been registered in most of the EU countries, although the EU-27 average level increases by 0.2-0.3 points only. Bulgaria is among the countries, where the increase of in-work poverty is higher compared with the EU average increase.

The National Statistical Institute reports an indicator, named “low pay trap”. The indicator includes employees with wages between 33-67% of the national average wage for full-time employment. Data point out an increase from 19.1 to 22% for the period 2007-2008 and confirm the already pointed out upward tendency of in-work poverty.<sup>4</sup>

One of the reasons for the increasing in-work poverty is the fact that the minimum wage during the recession has been frozen, as well as all wages and other incomes. In fact, the last measures for reduction of in-work poverty are introduced in 2007, when the former government increases the minimum level of social insurance<sup>5</sup> as a mean for increasing the minimum branch wage and a tool for reduction of in-work poverty.

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<sup>4</sup> <http://www.nsi.bg/otrasal.php?otr=26>

<sup>5</sup> The branch social insurance thresholds are a matter of negotiation between the employers and trade union organizations.

In-work poverty increases also because of the decrease of working time. Employers respond to output decline by introducing different schemes of reduced working time, which means that people work less hours and receive less payment. This fact supports the increase of in-work poverty, since people are paid less because of reduced working hours. Many extra payments, e.g. extra hours work, work on holidays, night work, etc., are also reduced or not paid by employers.

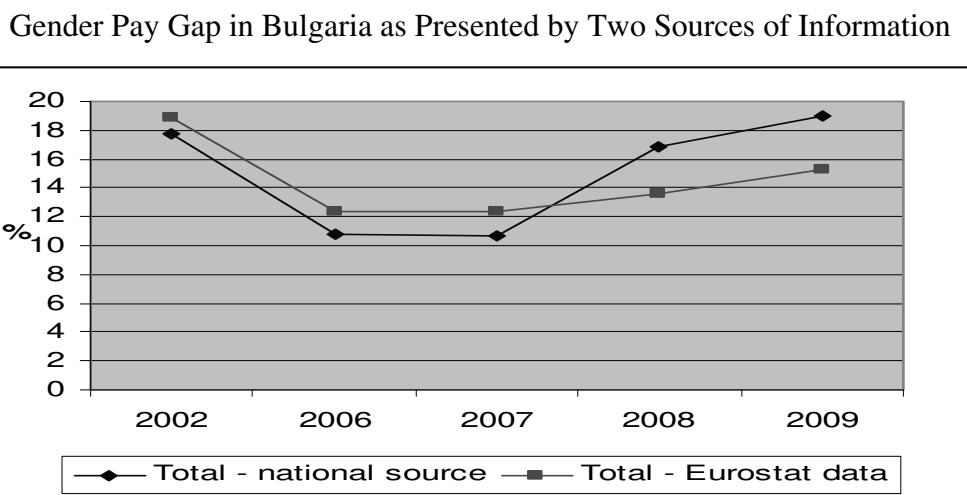
The implementation of SWTS schemes has been an anti-crisis measure, introduced at the beginning of the crisis in 2008. The scheme includes reduced working time and compensation, payment from the state budget for the rest of the working time. In fact the incomes from wages are reduced by 50%, and the compensation does not equal the level of income of the workers before the crisis.

*E) Trends in the gender pay gap during crisis and early recovery*

The recession influences wage dynamic and wage level in comparative aspect, e.g. between sectors, by gender, etc. In Bulgaria, as mentioned above, the main sources of incomes (wages, pensions, social allowances, etc.), paid by the state budget, have been frozen since 2008. In the private sector, where over 80% of the employees work, the fluctuation of wage level depends on the economic output, as stated by the law.

Depending on the source of information (Eurostat data, as presented in Table 4 in Appendix, and the national sources of information), the level of gender pay gap differs. However, the upward tendency during the period of recession is confirmed by both.

Figure 2



Despite the increasing tendency in the gender pay gap during the recession, its level of 15.3 remains below the EU-27 (17.1 in 2009).

The gender pay gap by branches shows high level in health, manufacturing, financial mediation and real estate. There is only one branch – administration – where the gender pay gap has decreased during the recession. The main reason is the frozen wages in the public sector.

Table 1

## Gender Pay Gap in Bulgaria – Total and by Economic Activity

Economic activity	2002	2006	2007	2008	2009
Total	17.8	10.8	10.7	16.9	19.0
Mining and quarrying	21.7	27.7	29.5	19.4	19.0
Manufacturing	27.5	23.4	23.6	31.4	30.0
Electricity, gas	14.3	9.2	7.7	21.5	13.6
Construction	-2.9	-14.9	-17.8	-3.1	1.7
Wholesale and retail trade	10.2	11.5	12.1	26.0	26.0
Hotels and restaurants	0.7	5.9	7.6	16.3	14.6
Transport	7.8	2.7	1.3	12.1	9.4
Financial mediation	13.7	22.5	26.6	29.2	29.6
Real estate activities	-10.4	-17.1	-17.9	24.8	22.8
Administration and support services	9.5	2.1	2.6	-4.9	-1.4
Education	16.3	14.7	14.3	16.9	20.6
Health and social works	23.9	28.5	28.1	32.4	34.2
Others	10.1	6.8	13.9	15.0	16.0

Source: [www.nsi.bg](http://www.nsi.bg) and own calculations for 2008 and 2009 based on data from [www.nsi.bg](http://www.nsi.bg)

*F) Tightening of rights and deterioration/changes of working conditions due to the recession*

There are many evidences, reported in the mass media, on deteriorated working conditions during the crisis period – delay in wage payment, extra working time without payment, transition from permanent to temporary contracts, etc. However, there are no particular evidences that the deterioration of working conditions or tightening of rights provoked by the recession reflect one gender more than the other, or at least there is no statistics on the topic. The Labour Inspectorate reports that employers in the tourist sector use to hire people under short-time schemes (four hours daily), while in fact people work extra hours. Women employment predominates in this sector, however, because of this it is difficult to say that this practice has gender dimension.

All mentioned above confirms that there is a debate in the public area on the deteriorated working conditions during the recession, but the gender aspect is not recognized as problematic. The problem of traffic of women and the violence on women has been hot before the crisis and remains such during the recession.

*G) Forecasts for employment and unemployment rates by gender*

National Reform Programme 2011-2015 presents some figures forecasting employment and unemployment level. There are two scenarios:

- Basic scenario, according to which employment in the period 2010-2020 will increase by 1.8% (from 3 010 000 to 3 066 000 people), and unemployment will decrease by 2.9% for the same period (from 10.3 to 7.4%).
- Second scenario projects changes in employment level to 69.7% for people aged 15-64 in 2020. According to this scenario, employment in the period 2010-2020 will increase by 7.1% (from 3 010 000 to 3 223 000 people), and unemployment will decrease by 4.2% (from 10.3 to 6.1%).<sup>6</sup>

<sup>6</sup> National Reform Programme 2010-2020. [www.government.bg](http://www.government.bg)



The national strategic documents do not present forecasts for employment and unemployment by gender. However, there are some scientific publications with such projections. According to one of them, **employment level by gender for the age group 15-64 in 2015** might vary under 3 different scenarios as follows:<sup>7</sup>

- 65.7% for male and 57.8% for women;
- 68% for men and 58.5% for women;
- 70.3% for men and 60.6% for women.

The presented scenarios follow author's calculation and depend to a high extent on the methodology chosen by the author. The most important thing is that the national strategic documents miss gender oriented projections. This fact creates difficulties for the policy maker in understanding the gender dimensions in the labor market development and designing respective policies.

### 3. Summary

The presented picture of crisis impacts on men and women employment/paid work, as drawn out by the statistics (Eurostat and national sources), is a ground for formulating a number of conclusions regarding dimensions and tendencies of the effects:

- The crisis has had more significant effects on male employment and less on female employment. This is due to the fact that the crisis has caused higher production decline in sectors where male employment predominate. A possible explanation could be also that employers prefer to fire men, who are higher paid, and keep the lower paid female labour force.
- The occupational segregation is characterized by an upward trend during the studied period, and level higher than EU average for the last 10 years. However, the changes in the occupational gap by branches differ within the studied period (3Q2008 – 4Q2010). In some sectors (“Professionals”, “Technicians and associated professionals”, “Clerks”) the share of women in total employment increases to a higher extent compared with male share, thus opening the existing gap wider. In other sectors (“Service workers and market workers”, “Skilled agricultural and fishing workers”) the share of employed men increases to higher extent. In some branches (“Legislators, senior officials and managers”, “Elementary occupation”) the gap remains unchanged.
- The impact of the recession on the groups “at risk” includes higher labour shading in the private sector, among part-time employed people and temporary employed people. As everywhere in Europe, a negative impact on youth employment is also recorded.
- In-work poverty during the recession increases due to the frozen incomes. This fact additionally influences the already existing pay gap between the country and EU-27 average level. As known, the level of wages in Bulgaria in comparison with EU-27 is one of the lowest in EU. The restricted wage policy increases the gap of in-work poverty people between the EU average level and in Bulgaria.
- The gender pay gap increases, irrespectively of the source of information (European and national statistics). The lower level of payment of female labour force makes it more attractive for employers during the recession and this could be one explanation of higher female employment compared with male level of employment.

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<sup>7</sup> Todorov, T. Labour Market Projections. <http://alternativi.unwe.acad.bg/br2/4.Todor%20Todorov%20edit.doc>.

- The national strategies miss gender disaggregated projections on employment and unemployment. The lack of such projections does not allow reliable analysis and comments with regard to visions for the future and respective policies.

## **Section II. Policies**

During the second half of 2008, when the first signals of the onset of the crisis in Bulgaria begin to crystallize further (the economic growth rate decreases, as well as the demand for labour), sets of anti-crisis measures are envisioned. The first set of anti-crisis measures is included in “Plan 2009” and aims to (a) preserve the stability of the financial system; (b) reinforce the Bulgarian economy; and (c) guarantee social protection of all citizens. The size of the financial injection to the economy is 5.6 billion BGN, which is to be distributed among the economic sectors, including infrastructure, investments in new working places, and guaranteeing employment with the help of funding from Operative Programme “Human Resources Development” to the amount of 373 million BGN.

The second anti-crisis plan is for the period July 2009 – April 2010. The set is sub-divided into 8 sections with measures for: achieving sustainability of the macroeconomic system and stability of the financial system; improving the business climate; intensifying agricultural production; construction of superior infrastructure; stimulating employment and social security; development of a knowledge-based economy; and effective management of European funds.

The third anti-crisis package is developed in March 2010. The programme contains measures in support of the treasury, like measures for: limiting public expenditures; reinstatement of the country’s financial discipline; ensuring an additional financial resource for the real sector; support of household incomes; labour market policies and policies in support of the social security system. The total number of the approved measures is 59, among which 10 measures concern the labour market area.

Within all these anti-crisis packages, including many concrete measures as instruments to influence the negative effects of the crisis, below are present two of them, as follows:

### *A) Measures at national level for countering the effect of the crisis and stimulating the economy*

- *Provision of credits to small and medium-sized enterprises* via a grant to the amount of 500 million BGN, provided to the Bulgarian Bank for Development. The provided credits are expected to support the enterprises in prolonging the development of their respective activities and in hiring and including more people in the production process.

According to the available information, 636 small and medium-sized enterprises have received credits in the amount of 350.6 million BGN, and 605 farmers received credits in the amount of 81.8 million BGN. The majority of the credits (250 credits) are for amounts between 100 000 and 500 000 BGN, and 167 credits are for amounts of up to 100 000 BGN. This means that SMEs do not assume the risk of a more radical restructuring of their business, but only credit as a means to alleviate the financial pressure. The data do not indicate whether the credit lines support employment and its stability. On the contrary, the sector still occupies the most vulnerable position given the crisis conditions. It could not play the role of a “buffer” against the collapse in employment, which numbers nearly 300 000 working places. The efficiency of the scheme has not been evaluated and can be conducted by using indirect indicators.

The set of anti-crisis measures includes further 27 million BGN to be provided to Bulgarian employers as a stimulus to keep their employees; 196 million BGN is the amount of the grant provided for the purposes of supporting the continuation of the technological modernization of the enterprises; 100 million BGN are the resources envisioned for investments in the construction of modern business parks, which create more new working places and solidify the infrastructure.<sup>8</sup>

The schemes related to the utilization of these resources, and more importantly, the evaluation of their effectiveness, remain publicly unavailable. Their effects over the labour market require purposeful studies and such have not been announced or discussed in the public space. In other words, it can be concluded that the provision of resources by programmes, which conduct no preliminary evaluation of the anticipated effects and for which post-factum effectiveness evaluations have not been conducted, constitutes to an unsound practice even when utilized as an anti-crisis measure.

- *Labour market schemes to support employment, financed by the Operational Programme “Human Resources Development”*

The different types of schemes are as follows:

➤ **“Back to Work” Scheme**, an extension of the “In Support of Motherhood” programme implemented in 2010. It entails the preferred hiring of people at pre-pension age and not of pensioners. The scheme meets the demands of the labour market, as well as needs for care for the children aged 1 -3.

“In Support of Motherhood” programme, developed in the period 2007-2009, aims to encourage employment reintegration of young women and their professional career by ensuring child care for their children. The provision of child care is organized through labour offices by unemployed people. The programme has two target groups. On one hand, these are the mothers of small children who are stimulated for employment reintegration by provided child care services. The single mothers/fathers with children aged 3-5 years are considered also a target group. On the other hand, there is the target group of unemployed people or early retired people, who would like to provide child care services. This might be a person close to the family – grandparent or other elderly person (friend, relative, etc.), unemployed or pensioner. The programme creates more favourable condition for equalization of the women participation in employment, since it gives employment opportunities for elderly women. First, the target group has been unemployed grandmothers or pensioners under general conditions. In fact family support in child care is very popular and traditional for Bulgaria, thus, the programme not only stimulates young mother reintegration in employment by “legalizing” the child care but also stimulates their “legal” employment.

As mentioned, the programme has been implemented since 2007. It has been extended in 2008 by expanding the target group with pensioners under different pension schemes (not only general). The further extending of the programme includes a new module, entitled “Back to Work”. Under this module unemployed people in pre-pension age with relevant qualification and education in the field of education, health and social area, are engaged to provide child care services to families, where both parents are employed or self-employed.

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<sup>8</sup> For more information about the set of anti-crisis measures, visit <http://www.tbmagazine.net/statia/antikrizisni-merki-na-drzhavata-v-podkrepa-na-biznesa>.

In 2009 the number of people employed under the programme is 4148 average per month, 2188 of them are pensioners. In 2010 the participants number 1059 people average per month (during the period January – September), 496 of which are pensioners. In 2010 under the module “Back to Work” nearly 500 unemployed people are engaged after passing short courses of education.

➤ **“Adaptiveness” Scheme**, a continuation of the shortened working hours programme, guarantees shortened working hours for 42 000 people. Its goal is to restrict mass layoffs and the resignation of workers and employees from enterprises that for economic reasons have adopted part-time working hours. For a period of up to 5 months the people who have switched to shortened working hours are included in professional training activities and receive a scholarship. The administrative accountancy provides data both about the exhausted resources and the number of people who have participated in the individual programmes. For example, in 2009, 531 employers have used the shortened working hours programme, 19 485 workers have received compensations for the shortened working time; the total amount of the paid benefits is 5 793 7000 BGN. In 2010, according to data from the Employment Agency, the number of employed people who have received compensatory labour remuneration as a result of shortened working hours is 6188<sup>9</sup>. Information on the number of employers who have used this measure and the total amount of paid benefits is not provided. The scarcity of the available information allows for the formulation of limited conclusions related to the fact that in 2009 the programme has made a considerable contribution to decreasing the tension on the labour market and that in 2010 its functions are attenuating. In principle, this programme is of a palliative nature and hence only has an effect in the short run.

➤ **“On the Road” Scheme** provides the opportunity for people on a labour contract to receive resources for covering their transport expenditures whenever their working place is outside the settlement where they are registered by permanent address.

➤ **“I Can” Scheme** benefits 27 000 people on labour contracts via their inclusion in courses designed to improve their professional qualification or key competencies. The main instrument for realization of the scheme is the newly implemented **vouchers system for professional qualification and key competence education**. This system is implemented in 2010 with the aim to ease the access of employed and unemployed people to education and training. The vouchers provide access to education for obtaining from 1<sup>st</sup> to 3<sup>rd</sup> qualification levels or profession, as well as key competences, contributing to increasing employability and professional mobility. The education is provided by 800 licensed training and education firms. In 2010 over 32 000 people, both employed and unemployed, have participated in different forms of education and training.

Over 30 500 employed people participate in education for obtaining professional qualification and key competences within the scheme “I Can”. The number of those who finish education is 11 512, of them 5134 have obtained professional qualification and 6378 – key competences.

638 people, whose employment is transferred from full-time to part-time, are included in education under the scheme “Adaptability”. More than half (345 people) complete their education.

The number of unemployed people included in education in 2010 is 1587. Those who have completed education successfully enter employment for a period of 9 months under

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<sup>9</sup> The compensations are paid in compliance with Ordinance No 44 of the Council of Ministers.

a scheme “Development”. Under this scheme over 8500 jobs are registered with the labour offices and are available for unemployed people.

The programme is financed by the fund of the Operative Programme “Human Resources Development” and the state budget.

➤ **“Development” Scheme** envisions resources in the amount of 150 million BGN to be used for training of minimum 40 000 people, who have lost their jobs after November 2008 as a consequence of the changed economic situation. The scheme also provides financial stimuli to employers as a means to ensure the hiring of at least 32 000 of the trained unemployed workers for a period of no less than 9 months.

#### *B) Measures at the national level in order to ensure fiscal consolidation*

As mentioned above, three packages of anti-crisis measures have been implemented in the period 2008-2010. Ensuring fiscal consolidation is an implicit part of each of them. Bulgaria is one of the few countries in EU with relatively low budget deficit (3.9% of the GDP in 2009). The country has entered the crisis with a considerable financial reserve of almost 8000 million BGN in 2008 and 7672 million BGN in 2009. The provided policy of fiscal consolidation, as envisaged in the last two anti-crisis packages, is based on two principles: increasing the revenues of the state budget by improving the tax collection and reducing the expenditure of the state budget by limiting the expenditures in the public sector.

In more details some of the measures in this field, which have been included in the second and third anti-crisis plan (July 2009 – April 2010) are as follows: reduction of expenditures in the state budget area by 15% in 2009 and in 2010 each; reduction of the number of ministers by two and of the administrative expenditures by 15% through reorganization of the administrations of the Ministry of Finance, National Revenue Agency, Agency “Customs”, limitation of the non-interest expenditures of the Republican budget in 2009 to amount of about 1.15 billions BGN (1.7% of the GDP), etc.

One of the measures implemented at national level to ensure fiscal consolidation and closely related to the labour market is the *reduction of the staff in the administrative sector, in public administration in particular*. This measure is undertaken in two consecutive years – 2009 and 2010, and the reduction of the staff aims to optimize the staff in accordance with the financial resources of the administration. In 2010 the number of employed people in the public administration is 106 150, including 61 528 in the state administration only. In comparison, the number of public administration in 2001 is 88 071, and the one of state administration – 42 987. These data outline that the state administration has expanded in the years in comparison with the total number of employees in the public administration. The undertaken anti-crisis measures include an annual reduction of 10% of the public administration. In 2009 the dismissed staff numbers 2500 people.

#### *C) A discussion of whether these policies have been gender mainstreamed, e.g.*

The gender aspect is completely missing as an approach in the anti-crisis analysis and undertaken measures. There is no public discussion on the topic. This is because gender aspect is not recognized as a significant problem for the labour market and social development. The risk of this ”gender-blind” approach is at least twofold: on one hand, the existing gender gaps in economic activity, employment and unemployment would deepen, and on the other hand, the policy makers are not prepared to react adequately and timely to the problem.

#### *D) Detailed gender assessment of selected recovery measures*

As mentioned above, the gender approach has not been in the focus of the anti-crisis activities of the government. As a result of the fact that the undertaken measures are not gender oriented, most of the undertaken measures can be assessed as gender neutral. However, depending on the people covered by the measure, some gender indirect effects can be outlined. For instance, the scheme “**I Can**” is not gender oriented but can be assessed as relevant for maintaining gender equality, since it creates equal opportunities for both genders to participate in professional training or education. On the contrary, the undertaken staff reduction in the public sector can affect indirectly female employment, since the public employment staff in the ministries and agencies is predominated by women.

The detailed gender assessment of the implemented recovery measures needs comprehensive information about the goals, target groups and outcomes of the undertaken activities. In Bulgaria such information available for the public is limited, since it is not a matter of regular monitoring by the statistical office. The administrative data could present more details about the effects of the undertaken anti-crisis measures on gender. However, these data are not in the public area.

### **Section III. The effect of fiscal consolidation on labour market gaps**

- *The extent of fiscal consolidation since 2008 and projections into the next 5/10 years*

It is a known fact that Bulgaria is a country with a Currency Board regime. This means a fixed exchange rate of the national currency to the Euro (1 EUR = 1.95583 BGN). The existence of the Currency Board to some extent preserves the country from the crisis alongside the conservative banking policy and stable banking system. Bulgaria “enters” the crisis in relatively “good” fiscal state and manages to keep it during the severe crisis, which affects the country throughout the decline in external and internal demand, withdrawal of investors and reduced export.

The result of the fiscal consolidation is reduced budget deficit from 4.7% of GDP in 2009 to 3.9% in 2010. The Government has declared intention to join “Euro+” Pact and is undertaking activities for fixing a lower level of budget deficit of 2% and upper limit of public expenditure 40% in the Constitution of the country.

The government has implemented measures to restrain primary expenditures growth by freezing public sector wages and pensions and by cutting discretionary spending. Thus it confirms the intention to pursue an expenditure-based fiscal consolidation. The decrease in the total expenditure is 4.6%. As a share of the GDP the expenditures have decreased from 38.7 to 38%.

The decrease of the economic activity shrinks the budget revenues from 25 billion BGN in 2009 to 23.9 billion BGN in 2010. This means that the share of budget revenues to GDP has declined from 37.8% in 2009 to 34% in 2010.

The sharp decrease of the fiscal reserves during the last two years is a topic of public discussions. In mid-2008 the reserve amounts over 8 billion BGN and declines to 4.5 billion BGN in 2010. Bulgaria puts efforts to overcome the crisis using its own reserves, without new external and internal debts. The country’s consolidated gross debt is the second lowest in EU (behind Estonia) and during 2007-2010 it has declined by 1% (Figure 8 in Appendix).

The maintained price of fiscal consolidation is a severe reduction of the public expenditures, as mentioned above. In more details, the changes in the structure of government expenditures for the period 2009/2008 points out that transport and health sector have negative percentage change, -1.6 and -0.1% respectively (Figure 8 in Appendix). According to some experts, the chosen economic policy results in economic recession, since it pushes down the consumption and does not stimulate the business.

The projections, as pointed out in NRP 2011-2015, are for an increase in GDP growth over 4% average for the period up to 2015, and 3.9% average for the period up to 2020.

The labour market is expected to improve, especially during the second half of 2011. However, the recovery so far remains jobless, particularly in services.

The projections for employment growth include increase of employment rate to 69.7% for people aged 15-64 and 76% for people aged 20-64 by 2020. This means 7.1% increase in employment level or 157 000 more employed people. These projections rely on a possible increase of the economic activity by 2.2%, reaching rate of 74.2% for the period till 2020.<sup>10</sup> However, the progress of the Bulgarian labour market is recognized as “poor” according to EU assessment, “where low participation rates at both ends of the age spectrum (young and older workers) and the re-integration of the low-skilled and the young into the workforce is a major challenge”.<sup>11</sup>

According to some experts, the GDP growth will be 2.8% in 2011 and 3.3% in 2012, and unemployment will decrease to 10.1% in 2011 and 9.7% in 2012.<sup>12</sup>

More optimistic are the projections of a consulting company Ernst & Young, according to which the Bulgarian economy will have a growth of 3.2% in 2011, 4.8% in 2012, and 5.6% in 2013.<sup>13</sup>

- *The most important measures enacted to date;*

The main directions, in which the fiscal consolidation is realized in the country, have been already mentioned above. One of the measures is maintaining the existing level of taxes unchanged.

The realization of administrative reform in the Revenue Agency into Customs and National Revenue Agency is another issue. Here is included the optimization of the staff of the customs (a reduction of 900 people) and updating the staff by almost 1/3. All these reforms aim to increase the efficiency of the customs and advance revenues coming from taxes and duties. This is supposed to happen by decreasing illegal economy, smuggled cigarette and alcohol goods, as well as reducing the illegal hazard business.

Another point of the fiscal consolidation is speeding of the process of VAT return. The state appears as one of the main debtor to the business in 2008 and 2009 by accumulated delay in VAT return. For overcoming this problem, the Government reschedules its duties to the business and tried to be stricter in this aspect. As a result, in the beginning of 2010 the debt is reduced to 520 million BGN, and in March – to 300 million BGN.

The more active dialogue between government and regional and local authorities concerning the delegated municipalities’ budgets is also an aspect of the undertaken policy of fiscal

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<sup>10</sup> National Reform Programme 2011-2015.

<sup>11</sup> European Economic Forecast, Spring 2011, p. 86. [hppt:ec.europa.eu/economy\\_finance/publication](http://ec.europa.eu/economy_finance/publication).

<sup>12</sup> Unicredit Bulbank. Projection: Economic growth in Bulgaria will accelerate in 2012. [www.trud.bg](http://www.trud.bg).

<sup>13</sup> Projection 2011. [www.klassa.bg](http://www.klassa.bg).

consolidation. The better communication between central and local authorities is pointed out as an important aspect in this respect.

The next point is the better acquiring of the European structural funds (ESF). In this respect the Government appointed out special minister in charge of ESF. The result of the efforts, as reported by this minister, is that by the end of 2010 the Government has paid 1.5 billion BGN or 10% of the available financing. The goal in 2011 is to double this amount and reach 20% acquisition. The ambitions further are to be reached 35-40% in 2012. There are still niches for improvements in ESF administration of the implementation in some sectors like transport, environment and water, as recommended by EU in 2011.<sup>14</sup>

- *Any evidence about the impact of such measures on employment and unemployment for men and women*

The implemented measures do not have any visible effect on employment and unemployment for men and women, since as mentioned already above the measures have not been oriented to genders. The indirect effects, identified by the gender employment and unemployment gaps and gender pay gap, point out that the undertaken measures have deepened the mentioned gaps. The “poor functioning” of the labour market in fact reflects the poor and jobless growth. The prioritization of the fiscal consolidation and the aim to be among the countries with lowest budget deficit depresses the economic activities and the internal consumption strongly. Due to lack of jobs and low wage level, Bulgaria faces a new emigration wave, including mainly young people. This will additionally decrease its exhausted human resources. The undertaken measures for fiscal consolidation respond to the EU anti-crisis vision and recommendations. However, it is not an implicit part of entire, comprehensive and consequent policy, putting together the long-term vision for the development in the context of the demographic, economic and social development of the country.

## **Conclusion**

The economic crisis has affected the Bulgarian labour market significantly throughout the sharp production decrease, reduced investments and low consumption. As a result the country faces significant job closures and increasing unemployment.

The crisis affects in different way men and women on the labour market. In support of this statement, the report provides evidence on the fluctuation in employment gap between men and women, as well as for the changes in gender payment gap, gender occupational gap, etc. The crisis affects more strongly male employment, increases payment gap and occupational segregation, contributes to more flexible and less stable employment contracts. This study presents some of the above mentioned gender differences based on the available statistical data. It should be outlined that many aspects of the gender effects of the crisis remain understudied because the policy efforts are concentrated on macroeconomic balance and general labour equilibrium and less on labour market segments. Due to this we miss detailed statistics on what in fact has happened during the crisis concerning genders on the labour market.

However, the lower level of payment of female labour force in the country occurs as an advantage for women employment during the crisis, since employers have started the reduction of the staff by firing the more expensive male labour force.

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<sup>14</sup> Minister Tomislav Donchev speech, reported by the press. See in: [http://bnr.bg/sites/radiobulgaria/Lifestyle/Bulgaria\\_EU/Pages/25\\_01\\_eurofound.aspx](http://bnr.bg/sites/radiobulgaria/Lifestyle/Bulgaria_EU/Pages/25_01_eurofound.aspx).



The undertaken anti-crisis policies in Bulgaria are presented by three packages of measures, presented in the period 2008-2011. The focus of the policy during the referred period has been on ensuring fiscal consolidation, while the measures to stimulate the economy and to counter the effect of the crisis miss continuity and consistency. Some of the measures agreed between the social partners have been designed and some implemented. However, the effects of all of them have not been evaluated.

In this sense, the overall effects of the recession on the labour market could be defined as fragment. As far as comparative labour market position of women is concerned, it should be mentioned that the crisis deteriorates the overall demand for labour. The women's answer on this situation is registration as unemployed and a following withdrawal from the labour market, while men register as unemployed and stay registered until re-entering employment. The different reaction is due to the fact that women have more chances to enter illegal employment or to emigrate and find work abroad, while men's options are more limited both "in" and "out" of the country.

The present crisis offers the opportunities to restructure employment in a more advance shape. However, the prioritization of the fiscal equilibrium depresses the reforms for economic and social restructuring. As far as gender equality is concerned, it is outlined above that the crisis creates more employment opportunities for women only due to the fact that they are less paid.

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