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## **Bulgarian labour mobility during the transition to a market economy**

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## **“Bulgarian labour mobility during the transition to a market economy”**

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**Summary:** The globalisation and the intensive economic and social integration incredibly activate people’s mobility. Bulgaria has been facing migration problems with the political, economical and social transformation since 1990, which completely changed the labour mobility environment. As a result, migration flows increase significantly. This fact raises new problems as well as a need for new policies.

**JEL: J21; J61; J62**

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## 1. Introduction

Labour mobility and migration in Bulgaria have different intensity depending on the studied period. As far as free movement of people was limited in the period 1944-1989, there were no significant migration processes. Several emigration flows due to ethnic-political factors happened in the period 1986-1990. With the progress of the undertaken reforms “from a plan to a market”, the economic factors began to dominate as a push factor for emigration. After the country joined EU in 2007, the social-economic factors have become the main factors predetermining the intentions of the people to change their place of residence.

## 2. Overview of the Bulgarian labour market

### 2.1 The macroeconomic environment

Quite contradictive economic and social processes occurred in Bulgaria in the period 1990-2006. Starting the transition with radical changes of the economic environment, e.g. liberalization of prices and trade; privatisation of large state enterprises and liquidation of existing cooperatives in agricultural sector, after 1994 the speed of the reform slowed down significantly. As a consequence a constructive process did not follow the economic destruction. Thus, a new jobs creation has not followed the mass job closure due to privatisation of large state enterprises. Foreign investments by that time were incidental, the development of small and medium-sized business was in its dawn, and the land restoration in the agricultural sector has just started. The latter is still an ongoing process, which limits the capacity of the sectors to create employment. All this caused incredibly high unemployment, which affected more than half a million people and remained stable at this level to 2003. Unemployment rate in the period 1995-2000 was over 13%, and employment decrease continued, going down by 300 thousand people for the period. This unfavourable economic development forced people to look for employment alternatives outside the country and stimulated the emigration. According to some information sources, in the period 1993-2000 the emigration numbered 221 thousand people or about 22 thousand people average per year.

In the late 1996 the country experienced a crisis in the bank system and hyperinflation. The latter liquidated the savings of the population and contributed to the further impoverishment of the population. In the mid 1997 the country introduced a Currency Board regime. The effects of the financial restraints were positive and the economy was stabilized. After 1998 the GDP growth upturned. Employment growth followed the GDP growth with a lag of two-three years. However, the great collapse of all incomes (wages, pensions, benefits, etc.), as well as the exhausted households and state financial resources, influenced the social development. The polarization of the society has increased.

**Table 1. Main economic indicators in Bulgaria in 1995-2006 (growth rate in %)**

Years	GDP	Inflation	Real wage	Employment	Unemployment*	Direct foreign investment (million euro)**	Trade balance deficit (export-import) % of GDP
1995	2.9	-	-	1.0	11.4	-	-0.2
1996	-10.1	121.5	-18.7	-0.2	11.1	137.3	-1.7
1997	-6.9	1058.9	-17.2	-3.8	14.0	570.2	5.5
1998	4.0	18.7	23.4	-0.1	12.2	605.1	-2.9
1999	2.3	2.6	6.9	-2.9	13.8	866.0	-7.7
2000	5.4	10.3	1.0	-3.5	18.2	1103.3	-5.5

2001	4.1	7.4	-0.2	-0.4	17.5	903.4	-7.5
2002	4.9	5.8	1.6	0.4	17.3	980.0	-6.6
2003	4.5	2.3	3.4	6.3	14.3	1850.5	-10.8
2004	5.6	6.1	0.9	1.9	12.7	2735.9	-11.5
2005	6.2	5.0	5.4	1.5	11.4	3103.3	-16.2
2006	6.0	7.3	2.1	3.9	9.6	4364.0	-19.0

Source: Statistical Yearbook for the respective years.

\*Registered unemployment

\*\*www.bnb.bg

The improved macroeconomic environment after 1998 was more favourable for social and labour market development. The upward economic growth after 2000 (by average 5%) contributed to an increase of employment by nearly 3% average per year (after 2002). The economic growth and the more job opportunities absorbed unemployment, which was reduced twice to 9.6% in 2006. Moreover, nowadays the country faces labour shortage in many branches and skills and is looking for importing labour.

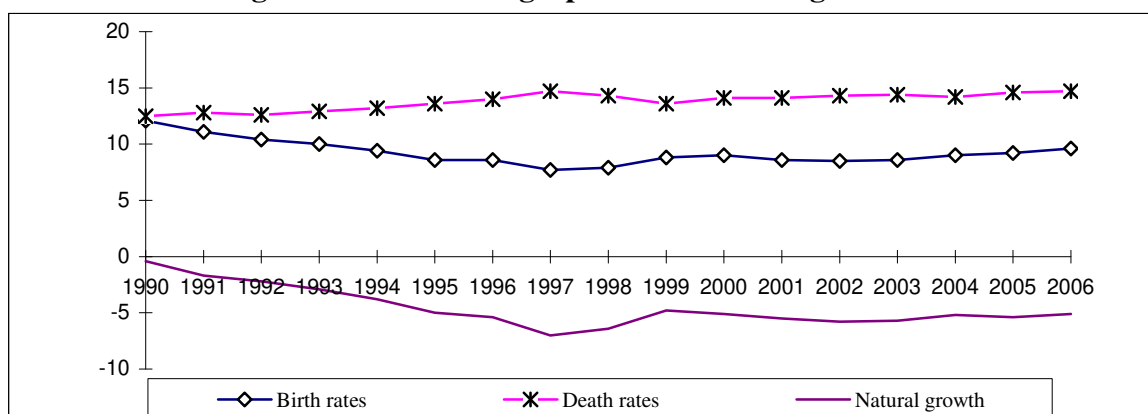
Macroeconomic stability created favourable climate for foreign investments and their volume increased about 4 times after 2000. The newly opened jobs contributed to the employment increase, as well as to the introduction of new management practices. Another positive aspect was that the stability of the economic development made it more predictable, so as employers could have more strategic views on the business development and respective needs of labour. The pointed positive economic features contributed to some extent to changes in the pattern of labour mobility – the emigration decreased and stabilized at about 14-20 thousand people per year, while the number of immigrants has increased from 18 000 in 2001 to 55 600 in 2006.

## 2.2. Demographic trends

Alongside the macroeconomic context, there is also another important factor, which has influenced negatively the social and labour market development during the studied period – the demographic factor.

The demographic trends point out a stable long downturn tendency and clearly outline the decreasing inflows in the labour market and aging of the Bulgaria population (fig.1).

**Figure 1. Some demographic trends in Bulgaria**



Source: Statistical Reference Book for respective years, NSI, Sofia.

The aging of the population in Bulgaria, as in many European countries, presupposes changes in the labour force structure in mid and long run, as well as changes in the pattern of consumption and public services. The policy-makers should not neglect this

fact, since the adjustment to the new demographic conditions needs time and relevant preparatory economic and social reforms. Several steps were undertaken in Bulgaria after 2005 as a reaction to the negative impacts of the demographic development on the social and economic one: public debates on the issue, social and economic analysis and preparation of National Strategy for Demographic Development (2006-2020)<sup>1</sup>, supplemented with relevant operational documents, e.g. annual action plans.

According to some studies, the negative demographic trends should be even more serious, taking in consideration the dimensions of external emigration and its structure.<sup>2</sup> Data point out that for the period 1989-2001 the balance of external migration flows was negative by 670 000 people. The outlined profile of potential emigrants identified that nearly half of them were young, well-educated people. Additionally, the long-term negative effects of emigration will be accelerated by the fact that through emigration Bulgaria is consuming an “export” of women in fertile age, which leads to lower level of birth rate in the future.<sup>3</sup>

**Figure 2. Population trends by age groups in Bulgaria (1985-2020)**

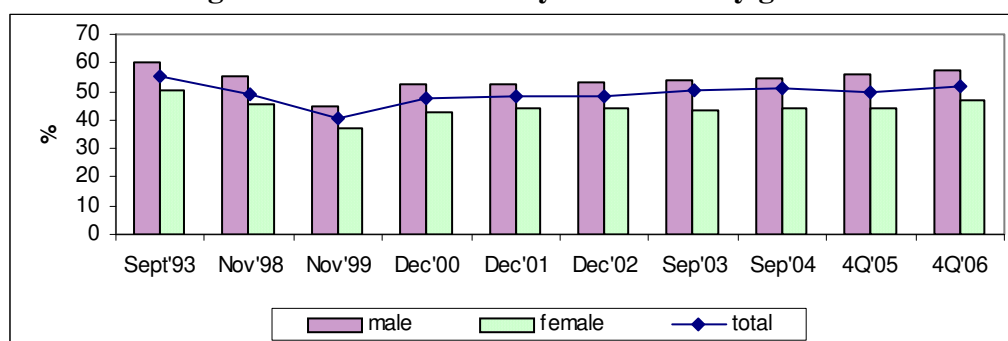


Source: National Demographic Strategy of the Republic of Bulgaria 2006-2020.

### Labour market parameters

**Activity rate:** The improved economic environment and introduced policies stimulated labour force participation. The level of economic activity of both men and women in the studied period has increased, reaching 51.8% in 2006 (57.4% for men and 46.8% for women), although still below the level of 1993.

**Figure 3. Economic activity – total and by gender**



Source: LFS for respective years, NSI.

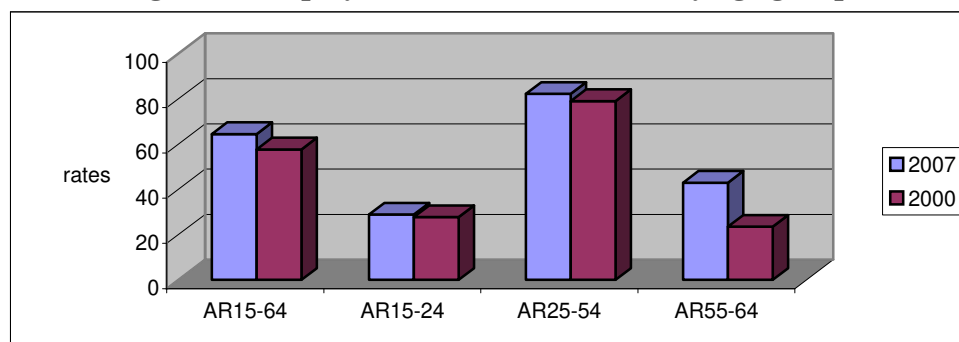
<sup>1</sup> National Demographic Strategy of the Republic of Bulgaria 2006-2020, <http://www.mlsp.government.bg/bg/docs/demography/Dem>

<sup>2</sup> Demographic Development of Republic of Bulgaria, Bulgarian Academy of Science, National Statistical Institute, UN Population Fund, Sofia, 2005, p. 113-117.

<sup>3</sup> National Demographic Strategy of the Republic of Bulgaria 2006-2020, p. 11.

**Employment rate:** The better employment opportunities resulted in a significant increase in employment rate by 6.8 percentage points in 2000-2007.

**Figure 4: Employment trend – total and by age groups**



Source: LFS for respective years, NSI.

As outlined in figure 4, the trends of increase differed between the age groups, being the highest among the age group 55-64 and lower for the youths (15-24). These trends reflect undertaken policy measures for stimulating employers to hire people in pre-retirement age 55-64, while for the youngest age group the efforts are for increasing their quality by stimulating their education. The upward labour demand eliminated the lack of employment opportunities as a factor for emigration. Moreover, today there is a shortage of labour supply.

**Unemployment:**

The most impressive feature of the labour market is the shrinkage of unemployment by over 10 percentage points from 16.4% in 2000 (536 700 people) to 6.1% (215 300 people) in the third quarter of 2007. However, among unemployed people the level of long-term unemployed people is still high (63% of total unemployment), as well as that of youth unemployed people (20%). Nevertheless, unemployment should not be considered today a push emigration factor, as it was during the period 1990-2000.

**Wage level:** One factor, which continues to be of high importance regarding emigration, is the price of labour. Labour in Bulgaria continues to be paid at a relatively low level compared with EU level, although since 2000 the income policy has been consistent and focused on gradual increase of labour incomes. Some of these policies include regular increase of minimum payments, increase of social insurance thresholds, further development of social protection policy by improvements of pension system and social assistance. The better economic environment reflected also the rate of real wages growth. The significant erosion of real incomes, and wages in particular, was one the main negative feature of the transition.

Although wage level in Bulgaria continues to be one of the lowest in the EU, during the last five years there was a stable upward tendency. This increase could be considered a result of the quite consistent income policy of the governments in force since 2000. At a micro level, the growth in real wages reflected the changes of employers' attitude due to the understanding that wage level is an important tool to keep the workforce. This understanding was strongly provoked by the processes of liberalization of labour migration (e.g. waiving visa regimes) and especially after the accession of the country to EU.

**Illegal employment:** Increasing wages in many cases are not accompanied by relevant social insurance. There are many forms, in which illegal employment appeared, but the most popular are envelop money employment, no contract employment, social insurance paid at minimum level or not paid at all, etc.<sup>4</sup> Thus the lack of decent work conditions should be considered a push emigration factor.

### 3. Institutional setting for labour migration

#### 3.1. Regulations of migration

The legal frame regulating the migration includes a number of documents, namely:

- *Bulgarian Citizenship Act* stipulates the conditions and procedure of acquisition, loss and reinstatement of Bulgarian citizenship.
- *Civil Registration Act* stipulates the conditions and rules for civil registration of physical persons living in the Republic of Bulgaria. Civil registration of the physical persons in the Republic of Bulgaria is based on the data in their civil status acts and the data in other acts specified by the law.
- *Employment Promotion Act* governs the public sphere along with employment promotion and professional provision, as well as the mediation and provision of information on employment of Bulgarian citizens in foreign countries, and employment of Bulgarian and foreign citizens in the Republic of Bulgaria.
- *Regulation of the procedure for providing mediation services to foreign employers* stipulated the procedure for providing mediation services by the Employment Agency to foreign employers in case of employment of Bulgarian citizens, the content of the mediator and labour contract, as well as the contracting procedure.
- *Mutual Employment Agreements* with other countries<sup>5</sup>, etc.

#### 3.2. Labour market institutions

The institutional and legal background of migration policy develops alongside the creation of new institutional and legal frame of the state and the economy.

The institutional frame includes **ministries** (Ministry of Internal Affairs, Ministry of Labour and Social Policy), **agencies** (Employment Agency, State Agency for the Refugees), **committees** (A Committee for Bulgarian, leaving abroad), as well as other institutions.

Since May 2007, there is an **Inter-Institutional Working Group**, dealing with migration problems and headed by the Deputy Prime Minister of the country. The social partners are included through the National Tripartite Council and the working groups within it. The non-government organizations are also involved in the whole net of institutions by participating in projects and programmes and in the public discussions on the topic.

In cooperation with the Ministry of Labour and Social Policy, **International Organization for Migration (IOM) Bulgaria** seeks to establish mechanisms to regulate labour migration and to guarantee the rights of Bulgarian migrants abroad.

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<sup>4</sup> Stefanov, R. Hidden Employment Index, Round table “The gray economy in Bulgaria – trends and challenges”, May 2008, <http://www.csd.bg/bg/fileSrc.php?id>.

<sup>5</sup> The Czech Republic, France, Germany, Spain, Luxemburg, Portugal and Switzerland.



IOM Bulgaria supports the establishment of strategies for diminishing irregular labour migration and trafficking of people, as well as for the comprehensive reintegration of returning Bulgarian labour migrants. IOM Bulgaria's labour migration policies are based on the assumption that regulated migration may serve as an effective response to the migration challenges resulting from traditional labour imbalances and from new trends emerging in consequence of the increasingly globalising world.

IOM Bulgaria supports the selection of qualified labour migrants seeking employment in the Czech Republic <sup>6</sup> through providing information and guidance for meeting the selection criteria and through clarifying the conditions for stay and work in the country.

Through the established network of Information Consultancy Migration Centres<sup>7</sup> IOM offers up-to-date information on the regimes regulating the freedom of movement, rules and regulations and opportunities for regular labour migration and the risks of irregular migration to potential migrants and vulnerable groups.

#### **4. Patterns of labour mobility in (to) Bulgaria**

##### **Relevant data source and limitations**

Data sources on emigration from and immigration in Bulgaria are quite limited. One of the main sources is the **census**, conducted periodically in the country. The National Statistical Institute published data on migration based on the collected census information. Two censuses have been conducted after 1989 – in 1992 and in 2001. The last census contains relatively richest information in the studied field compared to the preceding censuses.

The Agency for Refugees provides information about the immigrants in Bulgaria.

The monitoring of the International Organization for Migration (IOM) for 1992, 2001 and 2003 was also a source of information for the period of the monitoring.

Some surveys of the UN Population Fund are also a source of information, since they are dedicated to the opportunities for adoption of the refugees in the Bulgarian social-economic environment.

Certain scientific studies and sociological surveys should be mentioned as a source of information. In many cases the information they present comes from non-reprehensive sociological observations on certain problems of migration movements and thus it is used mostly as complementary information.<sup>8</sup>

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<sup>6</sup> <http://www.imigrace.mpsv.cz/?lang=bg&article=home>

<sup>7</sup> [www.iom.bg](http://www.iom.bg)

<sup>8</sup> Beleva, I., M. Kotzeva. Bulgaria – Country Study of International Skilled Migration, 2001, ILO, background paper; Vladimirov, Katzariski, Baszhakov, Todorov. Bulgaria after 1997: Current Situation and Development Tendencies, Sofia, 2001; The migration – the European Integration and the Brain Drain from Bulgaria, 1996, Centre for Study of the Democracy, Sofia; Minchev, V. Bulgarian Emigration at the Beginning of the 21th Century: Estimations and Profiles. – Economic Thought, 2004, N 5, Sofia; Kalchev, Totev. Emigration Processes and the Social-Economic Development in Bulgaria. – Migration Studies, Estratto, Roma, 2000.

The balance of payment provides information about the transactions entering the country but does not separate the remittances.

### **Stocks and flows of New Member States (NMS) migrants before and after EU enlargement**

Bulgaria joined EU in 2007, and that is why we are able to present more information on stocks and flows before the membership in EU, since there are no available data for the years 2007-2008.

### **Characteristics of NMS migrants**

Bulgarian emigrants after 1989 numbered between 500 000 and 700 000 people according to some information sources.<sup>9</sup> Most of these people, who are emigrants in Europe, keep their Bulgarian citizenship. The distribution of Bulgarian emigrants within Europe is as follows: in UK – 80 000 people; in Spain – 120 000 people; in Germany – 50 000 people; in Greece – about 120 000 people; in Austria – 30 000 people; in the Czech Republic – 10 000 people; in Italy – 50 000 people; in France – 15 000 people; in Portugal – 12 000 people. The Bulgarians, who keep their Bulgarian citizenship in USA, numbered about 200 000 people, in Canada – 45 000 people, Approximately 15 000 – 20 000 people are Bulgarian emigrants in Australia and in South Africa, etc.

### **Emigrants number of people and destinations**

A 2007 survey<sup>10</sup> points out that the number of potential emigrants (migrants intending to re-settle, and short-term (for less than a year)) is 12.1% compared with 14.8% in 2001 (population census survey). The National Migration and integration strategy outlines that long-term emigration intention in 2006 has decreased by about 50% in comparison with 2001. The present number of people (16-60 years old) who intend to stay abroad for a period of up to 5 years is about 35 000 people.

The preferred destinations are Spain and Germany, next comes USA, Greece, UK, Canada, France, Italy, etc.

### **The profile of Bulgarian potential emigrant**

**Gender:** The 2007 survey data<sup>11</sup> point out that from a gender point of view the potential *male emigrants are more*, compared with female migration. This is especially valid for the long-term labour migrants, where 60% of the total emigrants are men. Concerning the emigrants who intended to re-settle and the short-term emigrants, the gender proportion is more balanced. The survey outlines that *women dominate among the people willing to continue their education abroad* (69.2% of all people willing to study abroad).

**Education:** The educational level of the potential emigrants includes the following educational categories: primary or lower, secondary general, secondary vocational,

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<sup>9</sup> National Migration and Integration Strategy of Republic of Bulgaria, May 2008, Draft, p. 8.

<sup>10</sup> Family Patterns and Migration, National Representative Survey, 2007, MLSP, UNFPA, CCS, ASA, Sofia.

<sup>11</sup> Family Patterns and Migration, National Representative Survey, 2007

higher education, incl. doctoral degrees. According to survey data, the potential long-term labour emigration has the *highest intensity among the people with primary and lower education*. The intensity of emigration among people with secondary vocational education is also high as far as long-term emigrants are concerned. However, their share among short-term emigrants is especially high – every 10<sup>th</sup> person with secondary education declared that he/she would seek for opportunities for short-term employment abroad. Among the potential long-term labour emigrants the share of those with primary or lower education (27.7%) and of those with secondary vocational education (27.7%) dominates. Within the structure of short-term labour emigrants the share of people with secondary vocational education (34.1%) prevails.

### Skills and occupations:

The following table presents the most specific skill and occupational features of different groups of potential emigrants.

**Table 2: Migration intention by occupations and skills**

Occupations	Total	Not likely to emigrate	Somewhat not likely	Somewhat likely	Very likely
Managerial personnel	100.0	79,6	10,8	7,5	2,2
Analytical specialists	100.0	82,1	8,3	7,1	2,4
Applied experts	100.0	72,8	14,1	9,1	4,0
Subsidiary personnel	100.0	77,2	11,4	8,9	2,5
Workers in public services, security, trade	100.0	75,1	11,1	9,3	4,4
Producers in agriculture, forest, industry, fishing	100.0	88,5	7,7	0,0	3,8
Qualified industrial workers	100.0	72,7	12,8	9,9	4,6
Operators of machines, equipment	100.0	68,9	16,4	8,2	6,6
Low-qualified workers	100.0	77,8	12,4	6,0	3,8
No particular occupation	100.0	67,0	12,4	7,2	13,4

Source: Family patterns and migration, p. 87.

Data in the table outline several interesting features, namely:

- People with no particular occupation have declared highest intention to emigrate.
- However, there are also qualified people who intend to emigrate – 6.6% of the operators of machines, equipment and transport vehicles, nearly 5% of qualified workers, 4% among the applied specialists.
- There are also about 10% of qualified industrial workers, 9% of workers in the public sector and applied specialists that are “somewhat likely” to emigrate.

According to some authors, not more than 10% of the people who state migration intentions in the current year would actually realize them. The conclusion is based on evidence from the first empirical studies of National Statistical Institute in the early 1990s, when observations were conducted at border checkpoint with several years intervals in between.<sup>12</sup>

### Other features: dependent family members, etc.

The survey points out that the intensity depends on the presence/absence of children and their number in the family: the highest number of people with intention to re-settle comes from the group with one child – 42% of the cases. The survey’s

<sup>12</sup> Jekova, V. External and Internal Migration of the population in Bulgaria. – Economic Studies, N 2, 2006, p. 193.

outcomes did not mark differences depending on the number of children among long-term labour migrants – about 37% of the respondents in the groups with no child and with one child stated intentions. The share of people without children dominated among those stating short-term emigration intention (40.5%).

### **Balance of payment as a source of information on illegal NMS migrants**

The balance of payment is a source of information as far as remittances are concerned. However, it should be underlined that from methodological point this source of information is not exact, since it contains not only the volume of remittances but also some other transfers to the country (governmental programmes, in the near past – the EU subsidies under Phare Programme, etc.).

**Table 3. Balance of payment – standard form**

Periods	2000	2001	2002	2003	2004	2005	2006	2007
(BGN million)	598.3	924.1	1039.9	1198.9	1601.6	1775.3	1382.4	1281.3

Source: <http://www.bnb.bg/bnb/home.nsf/>

Data in table 3 present the dynamic of the transfers, incl. remittances. In the period 2000-2007 the transfers doubled. Having in mind the above methodological specificity and the assumption that the state transfers did not change significantly, the comment could be focus on the issue that emigrants abroad have increased or that the amounts of money they could afford to send home have increased, or that the people belief in the banking system has increased, etc.

## **5. Effects of migration on the national labour market and economy**

First of all, it should be pointed that the number of studies on the effects of migration on the national labour market and the economy is very limited. There are some studies on these effects, however they are focussed on completely different aspect, i.e. they examine the factors, which influence peoples' inclination to emigrate. This approach is understandable since the main aim is how to stimulate people not to emigrate. Of course, such an aim has to be based on existing expertise about the negative effects of emigration. However, this exact point misses investigations and only experts' opinions about the effects (based on assumptions and not on estimates) could be cited.

### **5.1. Migration effects on LMF**

In Bulgaria, the high unemployment during a relatively long period of time was relieved through labour emigration. In other words, high unemployment and the lack of enough job opportunities stimulated emigration. Both statements are true. So, as an instrument for relieving labour market tension emigration had a positive effect on the labour market, but in a short run. In a medium and long run, negative impacts have already appeared. Together with demographic fluctuations migration has been the most important contributor to shortages in labour supply in the long run. The lack of skilled professionals and highly educated people limits the possibilities for economic development and growth.

The effects of emigration on labour force could be studied both from the viewpoint of their positive and negative impact. The negative impact is related to the labour force

decrease. This negative effect for Bulgaria is undisputable: the decrease of the available labour force during the period 1992-2001 is calculated to be 22 thousand people per year according to census data. However, in a short run the emigration by that time decreased the pressure of labour supply since the demand for labour was very low. But in a long run, as seen by present, the impact is quite negative, since there is a shortage of labour in the country. It was considered that emigrants should come back when the economic revived. This hypothesis is confirmed only partially, some people return back, but the majority of the Bulgarian emigrants settled abroad or intend to come back when they retire, which means that these people are completely lost for the labour market.

The immigration could balance the demand and supply of labour due to which the present government intends to use a number of instruments so as to stimulate immigration of population in working age in the country, especially people living abroad and defining their nationality as Bulgarian.

The positive effects of the migration on the labour force are related to the quality of the labour force and the incomes, people earned. The quality of the emigrants as labour force improved only in case they find a job relevant to their qualification and good conditions for work prosperity. This case could be more relevant for highly educated young emigrants. In the case of Bulgaria, the mass emigration due to lack of jobs in the country and high unemployment induced well-educated middle aged people to emigrated and in many cases to accept jobs below their qualification level. The work on low qualified positions led to deterioration of the labour force quality. The remittances, of course, are the positive moments of emigration, since a number of families (especially in the small towns and the villages, where job shortage still exists) use to survive on these incomes.

## **5.2. Migration effects on the economy**

These effects could be considered also as positive and negative. One positive aspect is pointed below.

- *Generating foreign exchange remittances, increasing the rate of savings and using them as an investment capital, although this effect can be found in medium term.* According to some recent evaluations (Vladimirov, 2000), 43% of the emigrants, who came back had invested their savings in own business and 31% of them in buying real estate.<sup>13</sup> The authors underlined that these estimates could be even too optimistic, thus supporting the view that remittances had been beneficial for emigrants' families, but had no strategic significance for the home country. The individuals who return home do not become agents of modernisation; their goal is to guarantee themselves a relatively safe well being and material situation. They gradually lose their experience and qualifications gained abroad because of the lack of conditions for their implementation in the homeland. Many examples from our own live experience maybe provided in this context.

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<sup>13</sup> Vladimirov, et.el Bulgaria after 1997: Current situation and developmental tendencies, Sofia 2000, p.98-9

According to some authors the main problem with the remittances in Bulgaria is that they avoid the banking system especially during the first 12 years of the transition.<sup>14</sup> Sharing such opinion the authors have done some recommendations related to this fact. The current account of the balance of payment in Bulgaria for the last three years points out increasing tendencies of net current transfers from 230.1 million USD in 1998 to 299.7 million in 1999 and 289.7 million in 2000 and over 1200 million in 2007.<sup>15</sup> The problem is that the net current transfers include also other transfers and it is unclear how much are actually the remittances. Anyway, even if some of the remittances avoid the banking system it is quite subjective to calculate them to a sum over 120 million USD per year. In case there is an inflow of such an amount of money per year (this is one tenth of the foreign investment in the country in 2000) the question is whether such inflows supported economic development? Bulgaria suffered declining economic development and highest unemployment among the rest Central and Eastern European countries for nearly 10 years after the transition started. However, with the stability of the economic development after 2000 it could be considered that the positive effects of the remittances have increased. Anyway, we agree with the view, that “remittances have been beneficial for emigrants’ families, but have no **strategic** significance for the home country”<sup>16</sup>.

### 5.3. Impact of the brain drain/brain waste

#### ▪ Positive and negative aspects of the “brain-drain” impact

Undoubtedly, international skilled migration has proved to have economic consequences for both the host and sending countries. Despite the existing in recent years consensus on the view that net effects have been more favourable for host countries it is still difficult to evaluate the overall effect of skilled migration on the sending countries – positive, negative or strongly negative. The peculiarities of the undertaken reforms in transition economies makes some of the effects more influential or less influential compared to the other developing countries. In general, the costs of acquiring a professional qualification are considerably high for the society due to the large element of state subsidy in Bulgarian educational system. By migrating the young university graduates or scientists remove the opportunity for the government to realize any return on investment it had made in their education and it is for this reason that the issue continues to attract public debate. Therefore one should consider the all spectrum of possible impacts of skilled migration on the country in short, medium and long term.

In particular **the positive impacts** of skilled emigration maybe attributed to:

- *The opening of Bulgarian science towards the latest scientific achievements and integrating Bulgarian scientists to the world scientific community.* The empirical studies show that a substantial part of academic staff considers the “brain-drain” as a fee that Bulgaria has to pay in the process of globalization and integration.
- *The possible return of part of skilled emigrants that will influence positively the future country development of the through the implementation of their*

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1. <sup>14</sup> August Gachter, Bulgarian Emigration and Immigration, June 2001, paper presented at an international ILO conference “The return of qualified emigrants to Bulgaria”, held in Sofia, June 2001, p.26

<sup>15</sup> Statisticheski spravochnik, 2001, National Statistical Institute, Sofia, p.90

<sup>16</sup> Vladimirov, et.el Bulgaria after 1997,....

*professional, organisational and managerial experience accumulated while staying abroad.* Moreover, the survey in 1996 showed that 20% of those who left the country after 1989 came back. Most recent studies on emigration intentions of youths have shown that majority of those who have been planning to leave the country will stay abroad for some period. They do not reveal a firm intention to live in the potential host countries permanently. Emigration seems to be a temporary solution and appears as response to the adverse economic conditions in the transition period in Bulgaria.

- *The increasing share of students going to study abroad that has to be appreciated positively since it is expected to enhance the human capital of the labour force and in long-run to contribute to the economic prosperity of the country.* However, the increasing evidence exists that substantial part of Bulgarians studying abroad does not return home and find jobs in the destination country. Since most of the youths go to obtain their tertiary education or to get a PH.D degree this process resulted in depleting the nation's productive capacity. The students going abroad very often have been pulled not only by the better living standards but also by the better communications, access to the new technologies and latest achievements in the fields of interest, new type of relations that seem to be of increasing importance for the young people.

**Negative impacts** of skilled emigration maybe associated with:

- *Negative impact on the labour supply in long run;* Since the beginning of the transition demographic change and skilled emigration have been the two main contributors to the changes in the size and composition of the population of working age. Bulgaria has recently experienced and is projected to continue to experience a reduction in the rate of increase in the population of working age. The main cause of this decline has been both reduction in birth rates during last 3 decades and increase, although modest, in the death rate. Quite unfavourable demographic trends combined with the net migration are expected to affect negatively labour supply in the long run. Kalchev and Totev (2000) pointed out that in 1997 Bulgaria reported the lowest natural increase (-7.0 per 1000 persons of the population); the lowest birth rate (7.7 per 1000 persons of population); the second highest death rate (14.7 per 1000 persons of population) and the lowest total fertility rate of 1.09 among the 20 main European countries.<sup>17</sup> While in mid 1960s the birth rate in Bulgaria was around 16.0 births per 1000 of the population, by mid 1990s it had fallen by almost 50% to less than 9 births per 1000 of the population. The death rate displayed modest decline compared to the birth rate and as a result the slow-down in the growth of the population of working age and the labour force have been observed. There was a reduction in the inflow of young people in the working age population and a larger outflow of older people from the same population. These developments have been accompanied by substantial changes in the demographic composition of the Labour Force. The proportion of young people decreased from 29.2% in 1992 to 20.1% in 2000. Having in mind that in the recent years the share of young people in the total emigration flow has

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<sup>17</sup> Data used in the comparison were taken from the publication "Recent demographic Development in Europe", issued by the Council of Europe, 1998

been steadily increasing a further deterioration in the age structure of the labour force maybe expected.

- *The problem of “sunk costs” and depriving the country of the opportunity for further development of some strategic and prosperous scientific fields.* It is of particular interest to obtain quantitative estimates of the investment costs spend on the people educated in the country. Unfortunately such estimates do not exist for Bulgaria. The total expenditure on the science and education, amounting to 0.4% and 4.3% of the total budget in 1999, were relatively low compared to the developed countries. At the same time the “brain-drain” affected those fields where the training of skilled professionals is the most expensive (such as medicine, biology, IT technologies). The implication is that the opportunity cost of preparing a student is higher in less developed than in the developed countries. Preparation of “scarce-skills“ specialists is bigger effort for the developing countries where the society has faced hardship of limited financial resources and widespread poverty than for the developed ones. Scarce-skilled emigration generates not only the problem of “sunk costs” but also of depriving the sending countries of the opportunity for further development of some strategic and prosperous scientific fields.
- *The detrimental influence of “brain-drain” on the network of institutions and in particular on their capacity for further development.* During the first years of transition the R&D institutions had virtually been depleted from their staff. About 60% of the total outflow in Bulgarian science consists of the employees of these institutions. R&D institutions were specialized in doing research in the most advanced areas of technological innovations. With their collapse Bulgaria has been deprived of the possibility to develop those strategic areas. The departure of the outstanding scientists has not been followed by sizable inflow of youths into research institutions. The low compensations, lack of interest in the research output, diminished prestige of the profession have been preventing young skilled specialists from joining the research and academic staff. As a result the aging of Bulgarian science has appeared to be a main a challenge for the government that need to be addressed. Tremendous decline in the total number of scientific and academic staff and changes in its composition are detailed in Table 12 and graph 4.

**Table 12 Composition of Bulgarian Scientists by Subject**

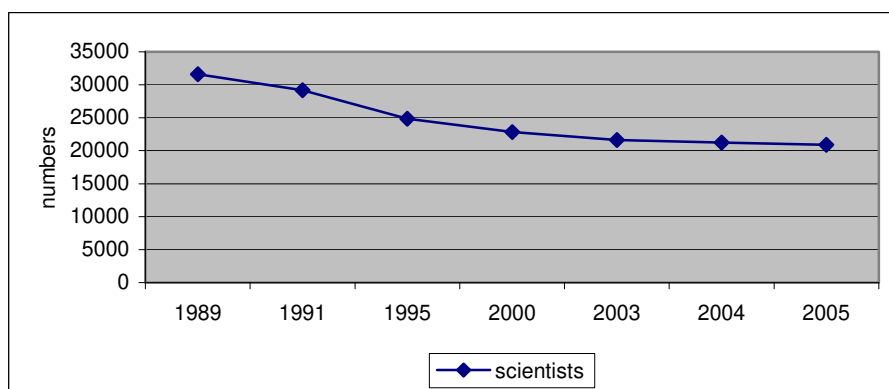
	1996	1997	1998	1999	2005
<b>Total</b>	25853	25871	25192	23906	20874
Natural science	5101	5054	5069	4868	4476
Technical science	7421	7255	6813	6001	4455
Medical science	4817	4760	4673	4417	3451
Agricultural science	1653	1767	1576	1422	1147
Human science	6861	7035	7061	7198	7345

Source: Statisticheski spravochnik,2000, National Statistical Institute, p.36, 2007,p.50

During last decade Bulgaria had increasingly become an exporter of computer programmers and other types of IT specialists to the huge international market of Information and Communication Technologies (ICT skills). In long run this trend would eventually have a negative impact on the future economic development of strategic economic branches and implementation of new technologies in the industrial restructuring.

**Graph 4 - Dynamic of Bulgarian scientists as for 31.12**





Source: Statisticheski spravochnik for the respective years, NSI, S

Finally when the impact of “brain-drain” on the home economy is considered it has to be taken into account that its adverse impact is additionally aggravated by existing “brain-waste” within the country. Under hard budget constraints the science and education have experienced a loss of human capital in the shape of skilled professionals who had been trained at considerable costs and later on switched to another field.

## 6. Conclusion

The globalisation and the intensive economic and social integration incredibly activate people’s mobility. Bulgaria has been facing migration problems with the political, economical and social transformation since 1990, which completely changed the labour mobility environment. As a result, migration flows increase significantly. This fact raises new problems as well as a need for new policies.

Migration flows in the country consist of emigrants, immigrants and refugees. Bulgaria is a net exporter of people, since the number of emigrants prevails, while that of immigrants and refugees is still negligible.

**Emigration has become a serious problem for Bulgaria due to its negative impact on population growth and the present shortage of labour that occurred with the economic revival since 2000.**

According to 2001 census the main characteristics of the potential long-term emigrants were well-educated young people, incl. women in fertile age; while low-qualified people declared intentions for short-term, seasonal labour emigration. The migration potential as a volume over the years changed insignificantly from 19.4% in 2001 to 20.2% in 2007.

There was a shift in the time horizon of the emigration model – the intention for short-term mobility in the respective year has increased from 26% in 2001 to 42.4% in 2007.<sup>18</sup> As far as destination is concerned the potential emigrants prefer Spain, Italy, USA, Turkey, Germany, etc.

The total number of **immigrants**, according to last census data, was 18 688 (2001). The statistics on permanent resident foreigners outline an increase to 55653 in 2006.

<sup>18</sup> Family patterns and migration, National Representative Survey, 2007, p.87.

There is an upward trend, which is however determined by people coming from less developed countries. There are certain groups of immigrants among them who regard immigration in Bulgaria as a stop in their emigration “journey”. This fact multiplies the problems of the policies since the effects of applied measures and programmes for economic and social integration of immigrants meet no relevant returns.

By present the government undertakes more systematic steps for developing a consistent policy in the field of migration, incl. development of strategic documents and action plans related to emigration and immigration. These steps have been provoked by widespread debates concerning demographic trends and labour shortages. The aim of the elaborated policy is to reduce and stabilise the emigration flows and to stimulate immigration as a possible decision for bettering demographic balance and increasing labour supply.

The core of the emigration policy is to prevent young people from future emigration. The particular measures and tasks for decreasing the number of emigrating young people includes measures to promote employment and reduce unemployment among young people; improving working conditions, remuneration and quality of employment, etc.<sup>19</sup>;

By expecting that present upward immigration trends in the country will continue the National Emigration and Immigration Strategy of the Republic of Bulgaria (May 2008) underlines the need for: a) intensive public debates about the socio-economic role of the immigration; (b) developing immigration policy that stimulates Bulgarians living abroad to settle in the country; (c) improving the existing legislation so as to unify the legal norms concerning immigration problems; (d) further developing the information system for immigrants and creating an administrative register of immigrants in the country; (e) spreading knowledge among the population about manners, customs, traditions and culture of immigrants by conducting information campaigns; (f) regulating the procedures for granting legal recognition of the education and professional qualification of the immigrants, etc.

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<sup>19</sup> There are also policies for ensuring equal access to quality education; relief in crediting for the purchase of housing, furnishing and improving dwelling conditions; creating conditions for overcoming poverty and social isolation among disadvantages youngsters; stimulating family formation, child rising and upbringing; easing the transition from school to employment; increasing the knowledge of youths about their labour/insurance rights and obligations; elaborating relevant policy for encouraging the return of young people, who have graduated from universities abroad as well as employers to hire such people to work.

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