2 Trends and challenges in the Bulgarian labour market

Kristine Langenbucher and Marius Lüske

This chapter describes recent economic and labour market developments in Bulgaria. It shows that Bulgaria's labour market was in a good condition before the outbreak of the COVID-19 pandemic, with low levels of unemployment and increasing employment rates. The COVID-19 pandemic had an immediate and strong negative impact on large parts of the Bulgarian labour market and, while many sectors have (almost) recovered by now, the long-run effects of the crisis are not fully known yet. In addition, Bulgaria is confronted with a number of structural challenges weighing on employment prospects, such as a quickly shrinking and ageing population, marked regional differences and a high poverty risk among some parts of the population. Despite the strong improvement in the Bulgarian labour market over the last decade, more than 1 million working-age adults are inactive, many of whom belong to vulnerable population groups.

2.1. Introduction

This chapter takes stock of recent economic and labour market developments in Bulgaria. It draws on a number of data sources to analyse trends and challenges in the Bulgarian labour market, including the challenges posed by the outbreak of the COVID-19 pandemic, and briefly sketches the profile of inactive people in Bulgaria, building the ground for a more in-depth analysis of inactivity in Chapter 3 of this report. The present chapter shows that the Bulgarian labour market has made major improvements since the Global Financial Crisis (GFC), but that not all population groups have benefitted equally. In 2020, the trend towards higher employment and activity rates was interrupted, at least temporarily, due to the outbreak of the COVID-19 crisis.

Bulgaria is confronted with a number of structural challenges weighing on its labour market, including a quickly dwindling working-age population, highly unequal employment outcomes across different population groups, regional disparities and a significant poverty risk in large parts of society. Although labour market participation has been on the rise over the last decade, close to 1.2 million individuals in working-age are inactive. Inactivity is present among all parts of society, but it is particularly common among the low-educated, people living in rural areas and women living in large households.

2.2. Bulgaria's labour market was on good track until the COVID-19 pandemic hit

This section provides an overview over the main developments in the Bulgarian labour market over the last years. It gives a short summary of Bulgaria's broader economic context, describes the development of the labour market since the end of the Global Financial Crisis and depicts early labour market effects of the COVID-19 crisis.

2.1.1. The Bulgarian economy has been catching up

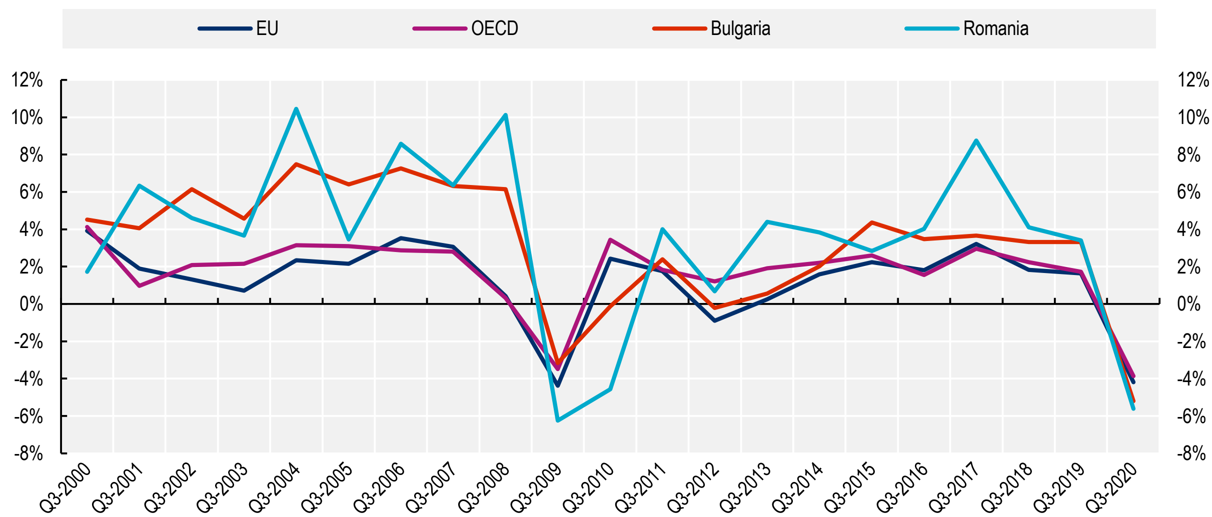
The economic context in which the Bulgarian labour market has evolved over the last 20 years has been characterised by four main episodes: strong economic growth prior to the GFC, a marked economic downturn after 2008, a sustained recovery starting in 2013, and a severe impact of the COVID-19 crisis in 2020 (Figure 2.1). Although Bulgaria has been catching up with other EU countries in terms of economic output over the last two decades, the country still has the lowest per capita GDP in real terms in the European Union (Eurostat, 2021[1]).

In the years leading to Bulgaria's accession to the European Union in 2007, GDP growth was very robust (Figure 2.1). Starting from a low level of economic output, the Bulgarian economy grew at an average annual rate of almost 6% between 2000 and 2007, far above the EU and OECD averages of 2.4% and 2.7%, respectively. During this period, Bulgaria was able to achieve significant economic progress. However, the good economic performance came to a sudden end when the GFC hit the world economy starting in 2007. Although Bulgaria was hit less hard than neighbouring Romania and many other European and OECD countries, Bulgaria's GDP shrunk by 3.4% in 2009, and economic growth remained feeble for several years.

Only from 2013 onwards, Bulgaria's economy started to grow more vigorously, reaching an average growth rate of 3.3% between 2014 and 2019, against 2.0% in in the European Union and 2.2% in the OECD. Over these years, Bulgaria continued to catch up with other EU countries in terms of economic output, albeit at a slower pace than before the GFC. In early 2020, the outbreak of the COVID-19 crisis led to another hurdle in Bulgaria's growth process, triggering a contraction of the country's economy amid travel restrictions, interruptions of international trade and social distancing measures (OECD, 2021[2]). In Q3 2020, the Bulgarian economy had shrunk by 5.2% compared to one year earlier, which is a stronger decrease than in the EU and the OECD on average, at -4.2% and -3.9%, respectively.

Figure 2.1. Bulgaria has grown faster than other European countries, but was deeply affected by the Global Financial Crisis and the COVID-19 pandemic

GDP growth compared to the same quarter in the previous year, seasonally adjusted



Note: GDP growth is calculated using the expenditure approach, fixed PPPs and seasonal adjustments.
Source: OECD Quarterly national accounts database, https://stats.oecd.org/Index.aspx?DataSetCode=QNA.

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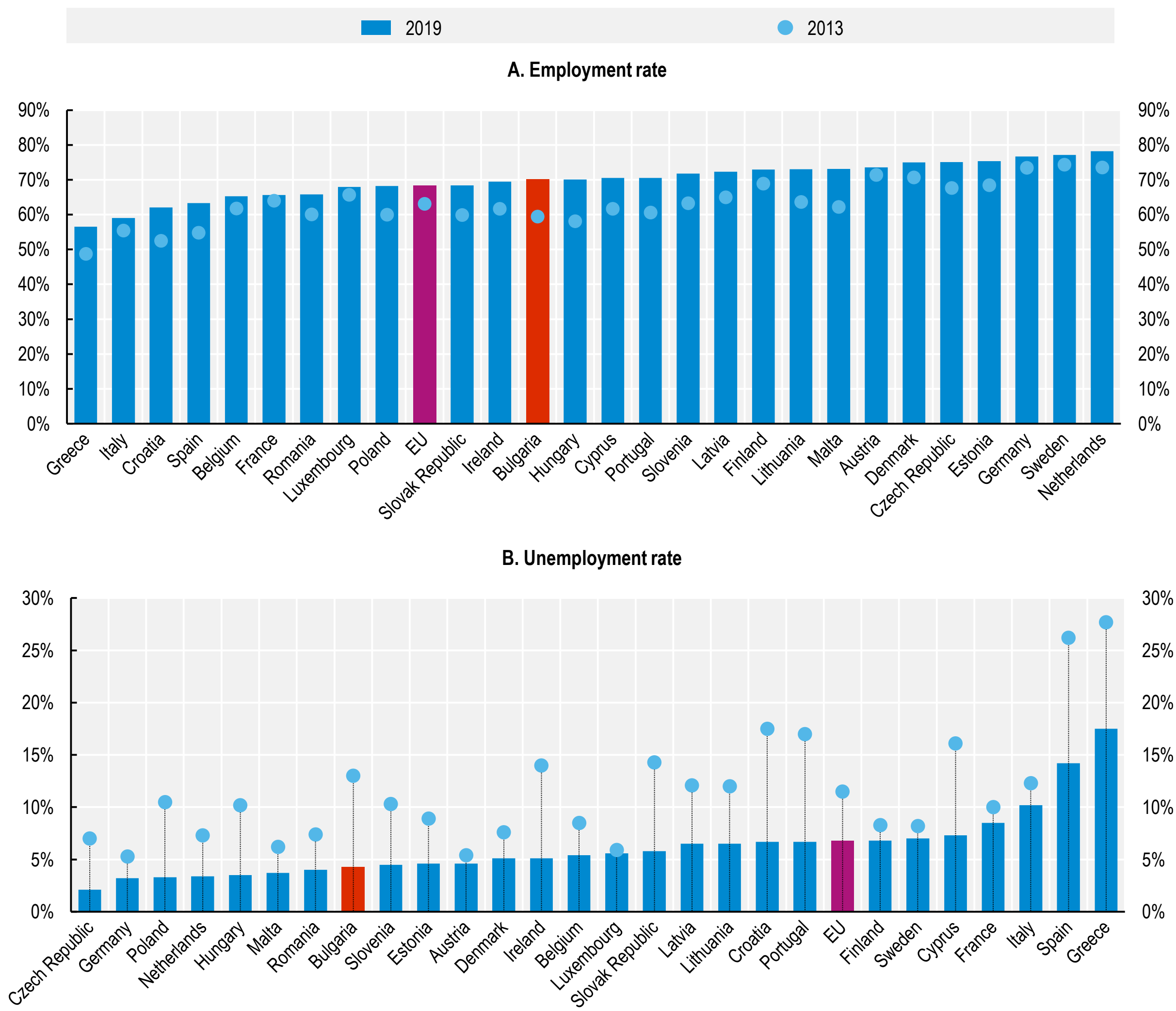
2.1.2. The Bulgarian labour market improved markedly after the Global Financial Crisis

The labour market situation in Bulgaria improved markedly between the end of the GFC and the outbreak of the COVID-19 pandemic in early 2020. Employment rates among 15-64 year-olds grew from 59.5% in 2013 to 70.1% in 2019 (Figure 2.2, Panel A). In 2017, for the first time since its accession to the European Union, Bulgaria's employment rate exceeded the EU average,[1] at 66.9% against 66.7%. In 2019, Bulgaria ranked 16th in terms of employment rates in the EU, up from 23rd just five years earlier.

The strong labour market improvements in the years preceding the COVID-19 pandemic led to a notable decrease in unemployment. While unemployment peaked at 13% of the working-age population in 2013 in the aftermath of the GFC, rates kept falling rapidly thereafter. In 2019, unemployment stood at just 4.3% in Bulgaria,[2] i.e. at only one-third of its 2013 level, against 6.8% in the EU (Figure 2.2, Panel B). Only seven EU countries reported lower unemployment rates than Bulgaria in 2019 and, in relative terms, the unemployment reduction between 2013 and 2019 had been stronger than in any other EU country except the Czech Republic and Poland.

Figure 2.2. While employment was on the rise, unemployment rates fell by two-thirds between 2013 and 2019

Employment and unemployment rates among 15-64 year-olds, 2013 and 2019



Note: The European Union (EU) is a weighted average of the 27 countries shown.
Source: Eurostat, European Union Labour Force Survey.

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The good labour market outcomes after the GFC were accompanied by quickly rising wage levels. In 2019, the average annual nominal gross wage in Bulgaria stood at BGN 15 209, about EUR 7 750, up from BGN 10 535 (the equivalent of EUR 5 403) in 2015 (National Statistical Institute, 2021[3]). Especially in Sofia, where wages are more than a third above the national average, the wage gap with other countries has narrowed.

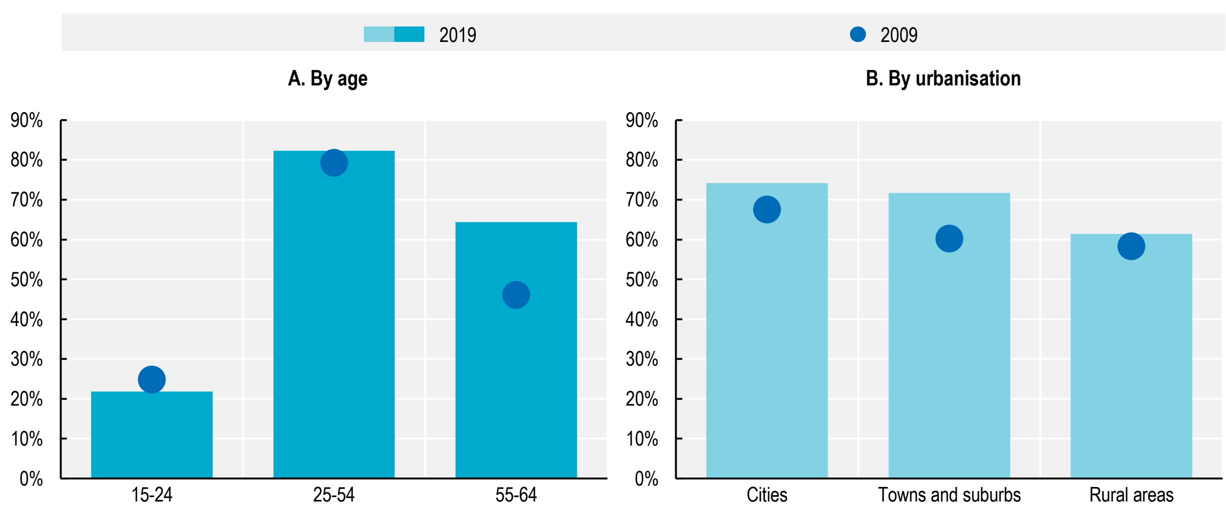
The jobs that were newly created after the GFC offered opportunities for jobseekers with diverse profiles. The number of people employed in the "Information and Communication" sector and of people working in "professional, scientific and technical activities", many of which need tertiary education for their jobs, rose by one-third between 2013 and 2019. At the same time, jobs for workers in the construction sector, for whom higher educational is rarely a requirement, also grew by one-fifth. Only few sectors did not – or barely – benefit from the improving employment conditions after the GFC, such as "Public administration and defence" (-1.6% between 2013 and 2019) and "Wholesale and retail trade" (+2.7%).

However, employment increases did not concern all population groups equally. Employment among older people grew much more markedly than among younger age groups, in part reflecting rising retirement ages. For example, between 2014 and 2019, the employment rate among 55-64 year-olds grew from 50% to 64.4%, while it grew less among 25-54 years-olds, from 74.5% to 82.3% (Figure 2.3, Panel A). Among the youngest groups of the working-age population (15-24 years), employment levels remained almost unchanged, moving only from 20.7% in 2014 to 21.8% in 2019, in part due to higher participation in post-secondary education.

Employment gains have been (almost) entirely captured by cities and towns/suburbs over the last 10 years, while gains have been much more limited in rural areas. Between 2009 and 2019, the employment rate of 15-64 year-olds increased by 6.7 percentage points in cities, 11.5 percentage points in towns/rural areas, against only 3.1 percentage points in rural areas (Figure 2.3, Panel B). What is more, there were strong demographic movements from the countryside towards cities and towns, exacerbating the divergence between rural and urban areas. While the number of employed persons increased strongly in cities (+9.9%) and towns/suburbs (+15%) between 2013 and 2019, it decreased in rural areas (-0.25%).

Figure 2.3. Bulgarian employment rates have grown most among older workers and in urban areas

Employment rates in 2009 and 2019 by age and urbanisation



Source: Eurostat, European Union Labour Force Survey.

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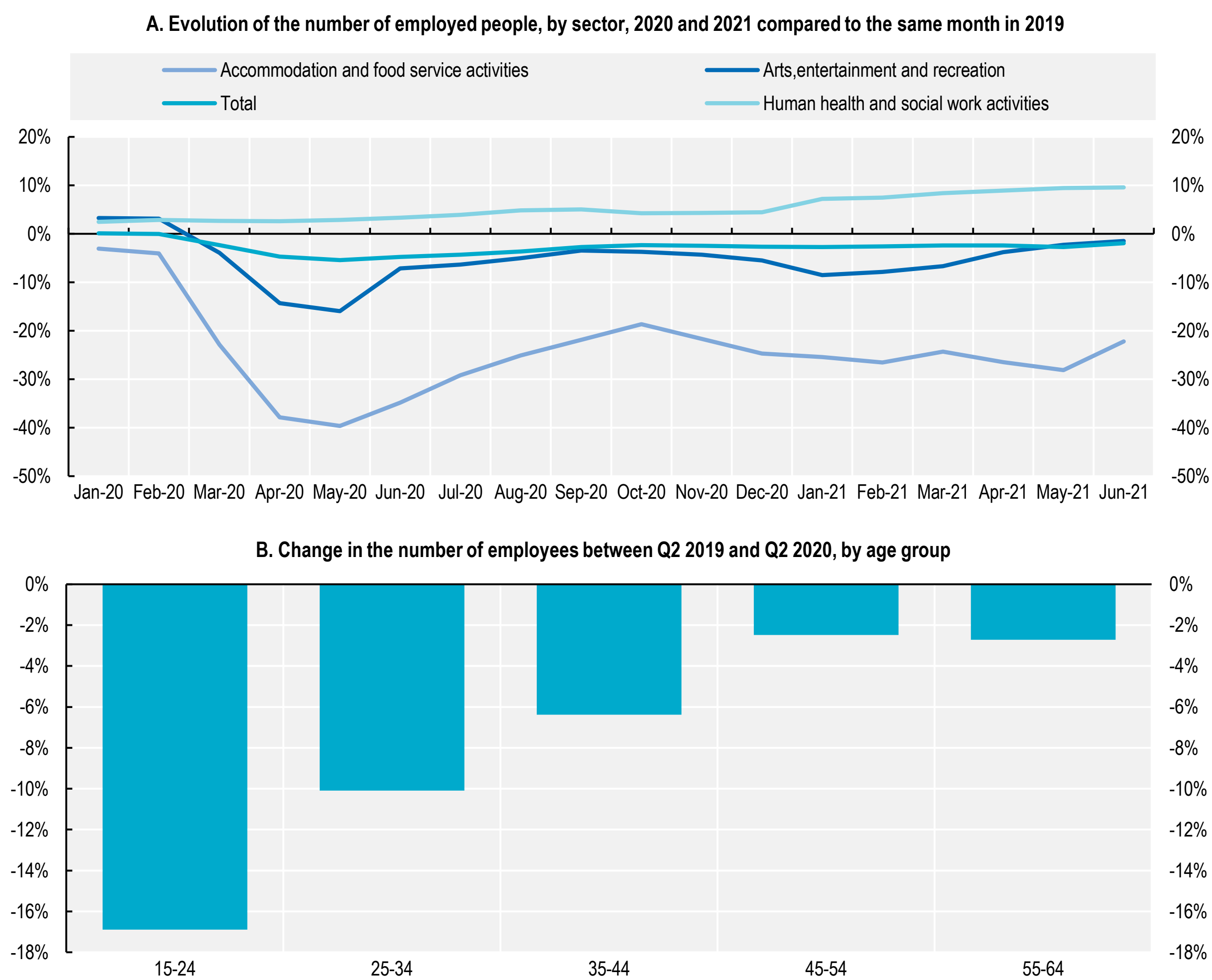
2.1.3. The effects of COVID-19 hit the Bulgarian labour market, but long-term effects remain uncertain

In early 2020, the COVID-19 pandemic severely hit the Bulgarian labour market, along with all other OECD economies. The number of infections in Bulgaria remained limited in spring and summer 2020, but the sanitary measures and international travel restrictions that were introduced both in Bulgaria and abroad had strong and immediate knock-on effects on the Bulgarian economy and its labour market (OECD, 2021[2]). In May 2020, only a few weeks after the state of emergency had been declared in Bulgaria, the number of people holding an employment contract had shrunk by 5.4% compared to one year earlier (Figure 2.4, Panel A). The drop in employment hit sectors involving physical presence and frequent human interactions much more strongly than other sectors. In May 2020, the number of people employed in "Accommodation and food services" was 39.6% lower than in May 2019, and 16% lower in "Arts, entertainment and recreation". Other economic sectors, such as 'Health-related services", remained (almost) unaffected.

Young people were hit hardest (Figure 2.4, Panel B). The number of employees aged 15-24 plummeted by 17% between the second quarter of 2019 and the second quarter of 2020, suggesting that the job opportunities for young people with no or little prior work experience were particularly compromised. Overall, the immediate negative effect on employment was strong among people under 45, while it was much more limited for people aged 45 and over, which could be partly linked to employment protection legislation (OECD, 2020[4]).

Figure 2.4. Employment in some sectors collapsed due to COVID-19, hitting young Bulgarians hardest



Source: National Statistical Institute Bulgaria, https://www.nsi.bg/en.

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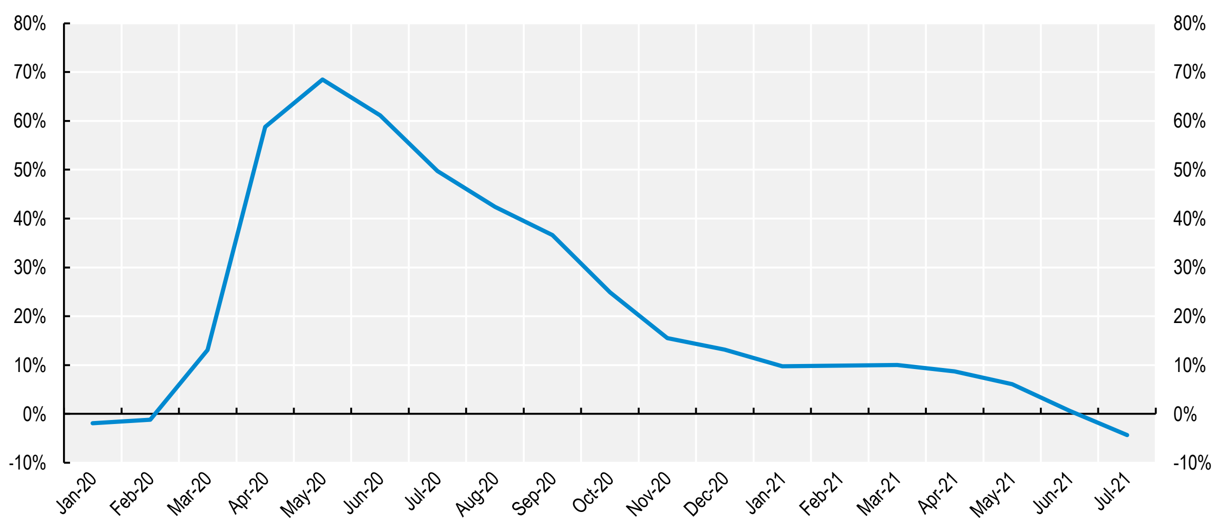
After the strong drop in employment between March and May 2020, employment levels stabilised and started to recover slowly towards summer 2020. This stabilisation was favoured by quick policy action, in particular the introduction of the 60/40 wage subsidy, in line with job retention schemes in other European and OECD countries (OECD, 2020[4]). The subsidy covers 60% of the wages of workers in particularly affected sectors who would have been laid off otherwise.

The slow employment improvements that started in summer 2020 remain fragile, however, especially in severely affected sectors. While the number of persons employed in "Accommodation and food services" improved substantially between May 2020 (-39.6% year-over-year) and October 2020 (-18.6% year-over-year), the number of employees in these sectors started to drop again in November 2020 amid a further COVID-19 wave, which hit Bulgaria very strongly. Although more recent waves of the COVID-19 pandemic, including the wave that peaked in March 2021, tended to have somewhat smaller effects on the labour market, the evolution of employment patterns in strongly affected sectors is likely to remain volatile over the next months, until the sanitary situation fully stabilises.

The sudden and sharp drop in employment in spring 2020 lead to a pronounced influx of jobseekers registering with the Employment Office (Figure 2.5). In May 2020, the number of registered jobseekers peaked at close to 300 000, corresponding to an increase of almost 70% year-over-year. After this initial shock, the number of jobseekers decreased gradually, slowly converging to the number of registered jobseekers one year earlier. In November 2020, the number of registered jobseekers was still about 15% higher than in November 2019 and the 2019 levels were only reached in summer 2021.

Figure 2.5. The number of registered Bulgarian jobseekers escalated in spring 2020, then started to fall again

Change in the number of registered jobseekers between 2019 and 2020/2021, by month



Note: Change in the number of jobseekers by month in 2020/2021 compared to the same month in 2019.
Source: Bulgarian Employment Agency.

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During and after the peak of registrations in April/May 2020, the profile of newly registered jobseekers and jobseekers finding employment was unusual compared to other periods. In April 2020, less than 17% of newly registered job seekers were aged 55 or older, against almost 23% in December 2019, highlighting the smaller (immediate) labour market effects among older people. Among jobseekers whose registration ended because they found employment, the share was particularly low for people with reduced work ability, Roma and long-term unemployed. For instance, in June 2020, the share of people with reduced work ability among all registered jobseekers who found employment had halved compared to June 2019, and similar patterns could be observed for long-term unemployed and registered jobseekers belonging to the Roma community. These developments suggest that the labour market repercussions of the COVID-19 crisis likely reinforced, at least temporarily, the difficulties vulnerable groups are facing.

2.3. Despite positive trends, Bulgaria's labour market faces structural challenges

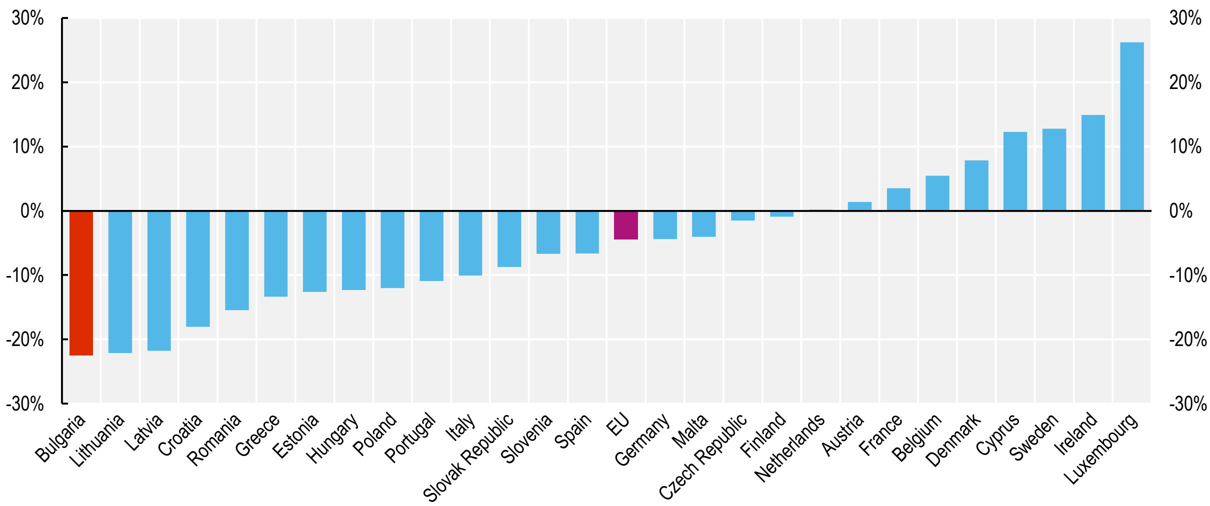
Despite the headwinds triggered by the COVID-19 crisis, the labour market improvements Bulgaria has made since the end of the GFC are substantial. Nevertheless, Bulgaria is confronted with a number of structural challenges weighing on its medium and long run outlook and risking to impinge on the country's economic prospects in general. A quickly decreasing and ageing population, a high degree of inequality in terms of labour market outcomes and a substantive poverty risk among large parts of society are among the biggest challenges.

Bulgaria is the fastest shrinking country in the world (United Nations, 2019[5]). Over the last decade, Bulgaria has lost more than 6% of its population and the country is set to shrink further, with a projected population loss of almost one-quarter by 2050, against an expected decrease of 4% on average in the European Union (Figure 2.6). The falling trend in Bulgaria started in the 1980s and a turning point is not in sight. What is more, the expected decrease in the population over the next three decades will stem exclusively from a lower number of children under 15 (-26%) and a shrinking working-age population (-30%), whereas the number of the 65+ is expected to grow (+3%). While there were 34 people aged 65 and older for every 100 people of working age (15-64) in 2020, this number is projected to rise to 50 by 2050. The population loss, in combination with rapid population ageing, will have major economic consequences, including on labour supply and the financial sustainability of the social security system.

Population dynamics are not uniform across the country. While Yugozapaden, the region around the Bulgaria capital Sofia, recorded only a slight decrease of about 1% in its population between 2009 and 2019, the drop was much stronger in other regions. Severozapaden, Bulgaria's poorest region, has lost about 16% of its inhabitants, and more than one-fifth of its working-age population over the last 10 years. These stark differences across regions are largely due to the fact that many people, in particular young and prime-aged people, have moved from remote rural areas to cities and towns. As a result, large parts of the country are shrinking and ageing much faster than the country as a whole, and the economic and social consequences of the demographic change are amplified in these regions.

Figure 2.6. Bulgaria is projected to lose one-quarter of its population by 2050

Expected evolution of the population size between 2020 and 2050, by European country



Note: The European Union (EU) is a weighted average of the 27 countries shown.
Source: United Nations World Population Prospects 2019.

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A further structural challenge Bulgaria faces is a high degree of inequality in its labour market. Employment rates and wage levels differ markedly across educational groups, people living in different regions of the country and between men and women.

- Employment rates among highly educated people are among the highest in the EU while rates among the low educated are well below the EU average. In 2019, 88.5% of 15-64 year-olds with tertiary education were in employment in Bulgaria, against 84.7% in the EU. Conversely, only 38.4% of people with lower secondary education or less had a job in Bulgaria in 2019, while they were 45.1% in the EU. The COVID-19 crisis risks exacerbating this discrepancy even further. In Q2 2020, employment was down by 3% among highly educated people compared to one year earlier, against 5% among people with medium education and 13% among people with low education.
- Regional labour market differences are very pronounced. In 2019, the employment rate among 15-64 year-olds in Bulgaria's six planning regions ranged from below 60% (59.7% in Severozapaden) to over 75% (75.6% in Yugozapaden). According to the administrative statistics of the NEA, the unemployment rate by district for 2020 is lower than the national average (5.6%) in nine districts: Sofia-city (1.8%), Gabrovo (3.4%), Varna (3.5%), Stara Zagora (4.2%), Burgas and Plovdiv (4.3% each), Pernik (4.4%), Dobrich (5.0%), Veliko Tarnovo (5.3%). In the Ruse district, the level coincides with the national average (5.6%), while in the remaining 18 districts, it exceeds the national average, with a maximum of 13.5% in the Vidin district (NEA, 2020[6]). Beyond employment rates, wage levels differ strongly across regions. In Sofia, the wage level lies 40% over the national average, while in Blagoevgrad, in Bulgaria's South-west, the average wage is less than half of that in Sofia.
- There are differences between the employment rate among men (74.1%) and women (66%). Employment rates have grown both for men and women over the last 10 years, but the gender gap in employment has widened since the end of the GFC, suggesting that men benefited more from

the recovery than women. In addition, the average wage of men (BGN 16 845) is about one-quarter higher than that of women (BGN 13 528).

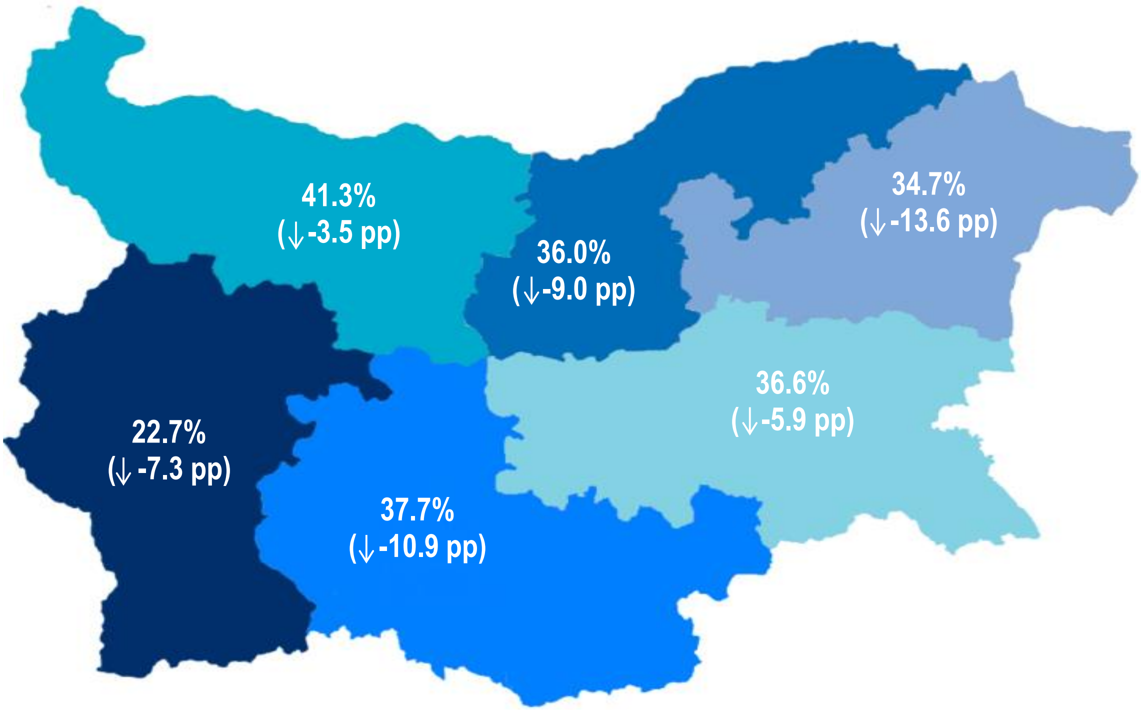
These marked differences, coupled with further employment gaps, e.g. between rural and urban areas and ethnic groups (see Chapter 3), point to a need for more inclusivity in the Bulgarian labour market. Improving access to jobs among the population groups that are far from the labour market is key to boosting employment outcomes in the years to come and to attenuating the labour shortage the country will face due to its shrinking working-age population.

According to employer surveys, 71% of employers faced difficulties to fill vacancies in 2021, up from 68% in 2018 and 50% in 2015 (ManpowerGroup, 2021[7]). Prior to the COVID-19 pandemic, labour shortages concentrated on occupations requiring a medium or high level of skills, while there was no shortage of workers for jobs requiring a low skill level (OECD, 2021[2]). Especially in the communication and information sector, companies were faced with difficulties to recruit qualified candidates, whereas in many manual occupations (e.g. construction and agriculture), there was an oversupply of workers (OECD, 2021[2]). Although the COVID-19 pandemic may have altered labour demand and labour supply in some sectors and its long-term consequences on the labour market are still unclear, labour market shortages are likely to persist and further intensify, in particular in quickly growing sectors.

A third major structural challenge Bulgaria is facing is the high risk of poverty people face in the country. One-third (32.5%) of the Bulgarian population was at risk of poverty or social exclusion[3] in 2019. Although this level corresponds to a decrease of 8.5 percentage points compared to 2015, Bulgaria remains the country with the highest share of people at risk of poverty and social exclusion in the European Union, comparing to an EU average of 21% in 2019. In line with employment outcomes, poverty risks are very unequally spread across the country (Figure 2.7.). While 22.7% of people in the region around Sofia (Yugozapaden) were at risk of poverty or social inclusion in 2019, the share was almost twice as high in Bulgaria's North-West (Severozapaden), reaching 41.3%. Severozapaden is also the region in which the share has decreased least over the last years, at only 3.5 percentage points between 2015 and 2019, whereas other regions have seen their poverty risks diminish much more strongly. In Bulgaria's North-East (Severoiztochen), the share of people at risk of poverty and social inclusion fell by 13.6 percentage points, from 48.3% in 2015 to 34.7% in 2019.

Figure 2.7. One-third of the Bulgarian population is at risk of poverty or social exclusion

Percentage of the population at risk of poverty or social exclusion in 2019, and percentage point change since 2015



Note: The risk of poverty and social exclusion decreased in all regions between 2015 and 2019. "Risk of poverty or social exclusion" refers to people who are at risk of poverty (after social transfers), who face sever material deprivation or who live in households with a very low work intensity. Change between 2015 and 2019 in percentage points is reported in brackets.
Source: Eurostat, database on people at risk of poverty and social exclusion by NUTS regions.

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The high risk of poverty in Bulgaria is due to a combination of low employment rates and low wage levels among some parts of society and limited social benefits. Despite the labour market improvements that have been achieved over the last decade, there are still almost 1.2 million inactive people of working-age, i.e. they do not work and do not actively look for employment (see Section 2.4). In addition, even among people who work, salaries are at times too low to make a decent living. The average wage among people working in accommodation and food service activities, for example, was only about BGN 9 000 in 2019 (about EUR 4 600), which is close to 40% below the average wage. There is a minimum wage in Bulgaria, amounting to 44% of the average wage, which is (in relative terms) in line with the EU average in countries where a minimum wage exists. However, the level is not high enough to prevent all in-work poverty.

In addition to low employment rates and low wage levels in some population groups, the social benefits for the most vulnerable groups are low in Bulgaria, contributing to the high level of poverty risks (see Chapter 4). While unemployment insurance amounts at full rates are relatively generous compared to other countries, many jobless people receive only reduced rates or no unemployment benefits at all. For those who have exhausted or are not eligible for unemployment insurance, the non-means tested benefit alternative is Social assistance (SA). However, SA is not generous enough to lift people out of poverty (BGN 75 per month for a single person in 2019, about EUR 38) and only reaches a fraction of the poor, as take-up is low.

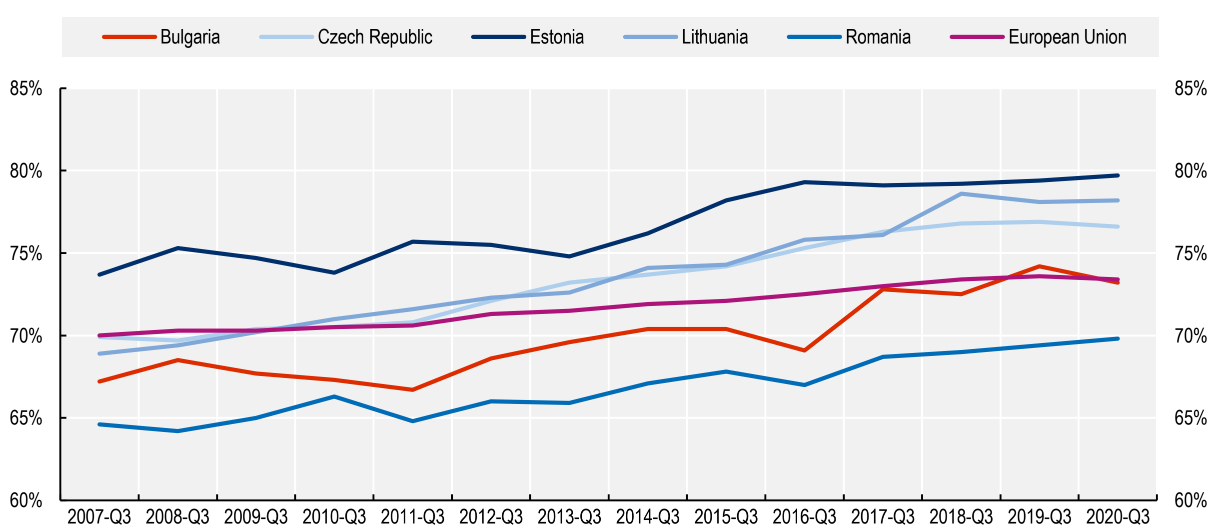
Informality is a further structural challenge confronting the Bulgarian labour market. The informal economy is large, accounting for close to one-third of GDP, which is about twice as much as on average in the OECD (OECD, 2021[2]). In total, informal employment is estimated to account for about 16% of total employment (ILO, 2018[8]). Especially partly undeclared work, i.e. working on a regular employment contract with undeclared envelop payments, is common, whereas fully undeclared work (i.e. no employment contract at all) is less widespread (Williams and Yang, 2017[9]) (European Commission, 2020[10]). Since 2010, the Bulgarian Industrial Capital Association has calculated an annual composite index called "Light Economy", which estimates the extent of informal employment in Bulgaria. While the composite index points to major improvements since 2010, it nevertheless highlights that informality remains frequent in Bulgaria (BICA, 2021[11]). In light of these estimates, some parts of the inactive and unemployed are likely to engage in some kind of informal employment.

2.4. There are still more than 1 million inactive working-age adults

Bulgaria's labour market has made significant progress since the GFC (see Section 2.2). This is also reflected by the fact that labour market participation has been on the rise over the last years. In Q3 2020, 73.2% of 15-64 year-olds were in the labour force (Figure 2.8). Despite a small drop from Q3 2019 (74.2%), due to the COVID-19 crisis, this corresponds to a 6 percentage point increase compared to Q3 2007 (67.2%). At its current rate, Bulgaria's labour force participation corresponds almost exactly to the EU average (73.4%) and improvements in the activity rate have been stronger than in neighbouring Romania. Nevertheless, despite these favourable trends, the numbers imply that almost 1.2 million Bulgarians aged 15-64 are inactive and that there is scope for further improvements.

Figure 2.8. Bulgaria's labour force participation has caught up with that of the EU

Labour force participation rate among 15-64 year-olds



Note: The European Union is a weighted average of the 27 member countries.
Source: Eurostat, European Union Labour Force Survey.

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While inactivity is present in all branches of society and there is not one single typical profile of inactive people in Bulgaria, it is far from being equally distributed across the Bulgarian population. Major gaps in terms of labour force participation exist in terms of educational attainment, gender, place of residence and household composition.

- Low-educated people are much more likely to be inactive than people with higher educational attainment. In 2019, 55.8% of 15-64 year-olds were inactive among people with lower secondary education or below, 22.8% among people with upper secondary and post-secondary non-tertiary education, and only 9.7% among people with tertiary education. The gap in labour force participation between educational groups is wider in Bulgaria than in most other EU and OECD countries. On average in the EU, the share of inactive people among low-educated people is about four times higher than among highly educated people, while the difference amounts to almost six times in Bulgaria.
- A higher share of women is inactive (31.3% in 2019) than of men (22.4%). With a labour force participation rate that is 8.9 percentage points higher among men than among women, the gender gap is slightly smaller than on average in the EU (11 percentage points).
- Inactivity is more common in rural areas than in urban areas. While 33.2% of 15-64 year-olds were inactive in rural areas in 2019, they were 25.7% in towns/suburbs and 23.5% in cities.
- Regional differences are pronounced. In 2019, inactivity among 15-64 year-olds amounted to 26.8% on average in Bulgaria. However, there was more than a 10-percentage point difference between the region with the largest share of inactivity and the region with the lowest share of inactivity. In particular, 32.9% of 15-64 year-olds were inactive in Severozapaden, 26.5% in Severen tsentralen, 28.3% in Severoiztochen, 27.7% in Yugoiztochen, 22.6% in Yugozapaden and 28.7% in Yuzhen tsentralen.
- Inactivity is unequally spread across age groups. Young people entering the labour market and older people have high rates of inactivity, whereas comparatively few people in their 30s and 40s are inactive. In 2019, 57.6% of 20-24 year-olds and 22.5% of 25-29 year-olds were inactive while numbers dropped quickly thereafter, with the share of inactive among 30-34 year-olds amounting to 15.7%. Among people in their 40s, inactivity stood at slightly above 10%, while it was much higher for people in their late 50s and early 60s, at 20% among 55-59 year-olds and 46% among 60-64 year-olds.
- Inactivity is common among people living in big households. In households with more than five household members, inactivity stood at 40.4% in 2019, against 25.5% in smaller households. On the same note, inactivity is more common in households with three or more children. Inactivity concerned 26.9% of people living in households without children, 24.8% in households with one child and 26.2% in households with two children, whereas 42% of the working-age populating living with a household with at least three children was inactive. The gap in activity depending on household composition is much more pronounced among women than among men and suggests that care responsibilities may be a significant barrier to employment.

Many inactive people in Bulgaria face strong employment barriers because they do not have any recent work experience. One-quarter (24.6%) of the inactive aged 25-64 have never worked before. This value is significantly higher than the EU average (18.3%) and it is higher than in all other EU countries except Belgium, Italy, Greece and Romania. Among the inactive in Bulgaria who have worked before, half (49.3%) have been out of employment for at least 5 years. Taken together, these numbers imply that less than 40% of Bulgaria's inactive have any work experience dating back to less than five years.

Only a small share of the inactive in Bulgaria would be willing to work. Less than one-tenth (9.4%) of the inactive are discouraged workers, i.e. they are not looking for employment, but would prefer to work. This level is lower than in most other EU and OECD countries, comparing to an EU average of 15.4%. Nevertheless, it implies that there are more than 100 000 inactive people in Bulgaria who would wish to work.

2.5. Key findings

Prior to the outbreak of the COVID-19 pandemic, Bulgaria's labour market was on a good track. Activity rates and employment levels had risen strongly between the end of the GFC and the beginning of 2020, and Bulgaria faced lower unemployment rates than most other EU countries. Some population groups benefited strongly from the labour market improvements, e.g. older workers and people living in urban areas, while others benefitted less, e.g. young people and people in the rural parts of the country.

The outbreak of the COVID-19 pandemic had a marked negative impact on employment in Bulgaria and lead to quickly dwindling employment rates in spring 2020. Young people and people working in sectors constrained by social distancing were hit hardest. While the effect on the labour market was very strong and lead to an escalating number of job seekers registering with the National Employment Agency in April and May 2020, it started to level off relatively quickly. By the end of 2020, employment levels in many sectors had started to converge back towards their pre-crisis levels. Nevertheless, employment challenges triggered by the COVID-19 pandemic persist and are unlikely to resolve before the sanitary situation fully normalises.

In addition to the effects of the COVID-19 crisis and its unknown long-term consequences on the Bulgaria labour market, the country faces structural challenges weighing on its employment and activity outlooks. Bulgaria is confronted with a very pronounced demographic change which makes it the fastest shrinking country in the world, raising a number of economic concerns, including on future labour shortages. In addition, employment differences across regions and across ethnic groups are stark and contribute to unequal labour market outcomes. Especially people living in rural areas and people belonging to ethnic minorities face low employment and high unemployment rates compared to other groups. More than 1 million people of working age are inactive in Bulgaria. Inactivity, too, concerns vulnerable groups particularly often. For example, low-educated people, people living in remote areas and women living in big households are particularly likely to be inactive.

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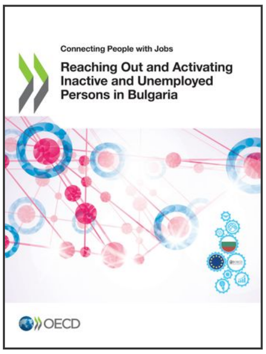
Notes

[1] EU-average refers to the 27 countries who were members of the European Union on 1 January 2021.

[2] However, more than half of the unemployed in 2019 were long-term unemployed according to Eurostat data (among registered unemployed, 25.8% were long-term unemployed in 2019 according to NEA data), suggesting that many of the unemployed were particularly vulnerable. Nevertheless, between the publication of the Recommendation on the integration of the long-term unemployed (LTU) by the Council of the European Union in February 2016 and the end of 2019, the number of registered long-term unemployed decreased from 135 050 to 44 383, i.e. by 67.13%, comparing to a decrease in the number of all registered unemployed of 40.9%. The strong(er) decrease of the number of long-term unemployed could potentially be linked to the NEA’s measures in terms of labour integration of the LTU.

[3] “Risk of poverty or social exclusion” refers to people who are at risk of poverty (after social transfers), who face sever material deprivation or who live in households with a very low work intensity.



From:

Reaching Out and Activating Inactive and Unemployed Persons in Bulgaria

Access the complete publication at:

https://doi.org/10.1787/7b91154a-en

Please cite this chapter as:

Langenbucher, Kristine and Marius Lüske (2022), “Trends and challenges in the Bulgarian labour market”, in OECD, *Reaching Out and Activating Inactive and Unemployed Persons in Bulgaria*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/1cf6f9f9-en