

Executive summary

The Bulgarian labour market has made substantial progress over the last decade, both in terms of lower unemployment rates and higher labour market participation, and has proven to be relatively resilient to COVID-19 headwinds. However, Bulgaria faces major structural challenges weighing on its employment prospects. With the fastest shrinking population in the world, Bulgaria is expected to lose one-third of its working-age population over the next three decades, risking serious labour shortages in the years to come. In addition, the Bulgarian labour market is highly unequal, with good labour market prospects for well-educated people living in urban areas, but major employment obstacles for others. In total, there are still about 900 000 inactive and unemployed working-age adults in Bulgaria (excluding students), often facing multiple barriers in accessing the labour market, who would benefit from active labour market policies to help them become and remain employed. Against this context, this review provides a detailed analysis of Bulgaria's out-of-work population, assesses Bulgaria's policies to reach out to inactive people and help them integrate in the labour market, and offers recommendations for improvement.

Some population groups are particularly exposed to inactivity and unemployment. These groups include young people not in education, employment, or training (NEETs), ethnic minorities, people who are out-of-work due to care and family commitments, people out-of-work for illness and disability, and older working-age people who are out-of-work.

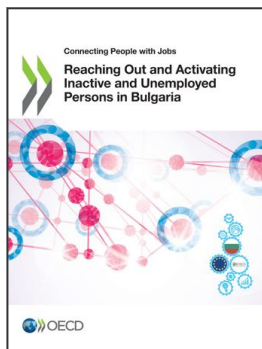
Active labour market policies (ALMPs) could play a bigger role in alleviating these barriers to employment. At 0.16% as a share of GDP, spending on active labour market programmes in Bulgaria (excluding employment services and administration) is low compared to other European Union countries (0.39%) and OECD countries (0.35%). Moreover, Bulgaria's expenditure focuses too much on direct employment creation programs, which international studies suggest are of questionable effectiveness in supporting workers into regular employment, especially if they are not combined with additional support. Even though spending on employment incentives and training measures has increased since 2015, it remains at low levels.

However, effective activation requires more than well-functioning ALMPs. Outreach activities are needed to identify the inactive and engage with them. Despite the National Employment Agency's (NEA) initiatives to reach out to inactive people, many of those in need of support are not in contact with the NEA, particularly among young people and ethnic minorities. In addition, only few of inactive and unemployed people are eligible for unemployment benefits and are, therefore, out of the radars of the NEA. Ungenerous social assistance also limits people's incentives to register with the NEA in order to become eligible for it.

A smooth customer journey should identify needs and provide appropriate support. Within the NEA, caseloads for caseworkers are high making it difficult to ensure the needs of all clients are identified and met. A wider use of digital tools could be useful to increase the efficiency and effectiveness of PES services.

Bulgaria will have to take strategic decisions on how to reinforce active labour market policies in order to boost employment rates among all population groups and address labour shortages. Key policy recommendations emerging from this review include:

- **Reinforce support to vulnerable groups** that are further from the labour market: Including young NEETs, individuals with care and family-related responsibilities, individuals with health issues, older people, and ethnic minorities (especially the Roma population).
- **Tailor ALMPs to main labour market barriers**, including skills barriers, care and family barriers, health barriers, and geographic barriers.
- **Optimise social assistance benefits to cushion poverty risks and favour outreach**: Keep NEA registration as a pre-requisite for social assistance benefits, but soften other entitlement criteria.
- **Strengthen outreach to people in need of support**: Set up automated data exchanges between the NEA and other public institutions to facilitate the identification of inactive and unemployed people. Increase co-operation practices with NGOs and other organisations that can contribute to establishing contact with inactive people that are not on the radars of the NEA.
- **Adapt the customer journey to ensure optimal support**: Ensure intensive and frequent meetings with jobseekers with the greatest distance from the labour market. Consider expanding NEA resources to ensure all clients' needs are met. Additional resources can lead to faster transitions to work as well as net fiscal savings to the government from reduced benefit expenditure and higher tax revenue. Resource expansion could be achieved internally at the NEA or through contracting out employment services and Public Private Partnerships.
- **Make the most of technology to enhance the efficiency and effectiveness of NEA support**: Develop and adopt a new statistical profiling tool, or update the existing tool, that helps counsellors assess jobseekers distance from the labour market and train counsellors to ensure that it is used widely. Adopt a “digital first” approach with job seekers who have close ties to the labour market and possess sufficient digital skills, with the aim to free up resources for the harder-to-place clients.
- **Adjust the ALMP mix** by reallocating resources away from direct job-creation and towards programmes that up- and re-skill jobseekers and provide them employment opportunities in the primary labour market. Rationalise the large number of small programmes.
- **Monitor and evaluate ALMPs regularly** and rigorously terminate or adjust inefficient ones, while upscaling efficient measures.
- **Invest in linked administrative data** to support evidence-based policy making and identify policies that provide value for money.



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