



Република България  
ИКОНОМИЧЕСКИ  
И СОЦИАЛЕН СЪВЕТ

# **OPINION**

**of**

**THE ECONOMIC AND SOCIAL COUNCIL**

**on**

**CURRENT PROBLEMS AND POLICIES  
ON THE LABOUR MARKET**

**(Own-initiative opinion)**

Pursuant to Article 15(3) of the Law for the Economic and Social Council the Presidents Board made a decision to elaborate an own-initiative opinion on

## **CURRENT PROBLEMS AND POLICIES ON THE LABOUR MARKET.**

For the elaboration of the draft opinion an **Interim Commission** was established; here follow the members of the commission: Chairman - Plamen Dimitrov; members: Vladimir Boyadzhiev, Vasil Velev, Associate Professor Yordan Bliznakov, Professor Katya Vladimirova, Associate Professor Georgi Evgeniev.

At a meeting held on 27 March 2010 the Interim Commission adopted the draft opinion and submitted it with the Council President to be discussed and adopted by the plenary session.

At a meeting held on 29 March 2010 the plenary session adopted this opinion.

By this opinion the ESC's seeks to systematise and possibly to supplement and develop the main findings and proposals, which the ESC has adopted so far, regarding the problems and policies on labour market.

Thus the Economic and Social Council (ESC) plays its traditionally constructive role in the civil dialogue and the consultations with the executive and legislature on the economic and social policy of this country.

By the adopted opinion the ESC supports also the intention as expressed in a Decision of the Council of Ministers of 10 March 2010 to work in closer cooperation with the ESC during the elaboration of the position of the Republic of Bulgaria on the future EU-2020 Strategy.

# 1. LABOUR MARKET POLICIES

## MAIN CONCLUSIONS AND FINDINGS

- 1.1. Lasting and structural problems exist on the labour market in Bulgaria.
- 1.2. As a result of the ineffective restructuring of employment, a considerable share of the labour force of this country has turned to economic sectors, where the labour productivity is quite low.
- 1.3. In the planned policies on the labour market the focus is on the promotion of employment in the aspect of quantity, without attaching due attention to its quality aspect.
- 1.4. There exist considerable professional and qualification nonconformities. By now Bulgaria has lost some competitive advantages in the vocational training of the labour force in the field of the new industries and new technologies. Nonconformities emerge not only at professional level, but also at qualification level, i.e. with respect to the mutual relation between the required and acquired professional competence.
- 1.5. The educational, professional and qualification nonconformities and contradictions are an important problem, which should not be identified as employment of poor quality, but as a defect and a problem of the regulations - strategic and operational ones - as well as of the performance of the structures, which act on the labour markets and perform the intermediary activity between demand and supply of labour. System for prediction and defining the need of staff is missing.
- 1.6. To-date the regional differences are drastic both in respect to the employment and unemployment rates and the remuneration rate and average incomes per capita.
- 1.7. In spite of the observed effects and the large-scale investment both in terms of public resources and the pre-accession instruments and structural funds, no significant progress has been made in settling the problem with the long-term unemployed (unemployed for over an year), who are actually in a situation of social exclusion. Their number is still within the range of about a half of the registered unemployed. Additional aggravating factor is the markedly ethnic characteristics of this social group.
- 1.8. The present orientation of employment to the high age groups leads to slighter reduction of poverty in the households with children and adolescents. This is a quite a startling fact having in mind the problem with child poverty and the need of disconnecting the chain of its reproduction and extension.
- 1.9. The disabled are one of the risk groups on the labour market, for which the demand by employers is very weak, although the registered disabled unemployed have a better educational and professional structure as compared to the rest unemployed.
- 1.10. A possible reason for the poor demand of the disabled unemployed is the overall bad situation regarding the working conditions and the limited possibilities (or the impossibility) to adapt them to the particular requirements of a disability even in case of an employers' financial support and willingness. Ultimately, due to the limited access to the environment and other reasons, considerable labour potential of high quality remains unused, even in periods of reported high-skilled labour force shortage. The possibilities provided by the information and communication technologies have not been sufficiently used yet to organise telecommuting jobs.
- 1.11. The pay policy is dominated by the labour market situation. The relation "wage - labour productivity" has been disrupted in practice. The economic and financial results are not

taken into consideration for the remuneration of labour. An important reason for that is the poor coverage of the collective labour agreements, in particular in the private sector.

1.12. The grey economy still constitutes a high relative share, which leads to severe economic and social impacts as distortions in the market, social dumping, social security and fiscal deficits as well as increased social risks for a considerable group of people. Furthermore the grey economy distorts the basic macroeconomic correlations and forms an unreal picture of the incomes.

## **PROPOSALS AND RECOMMENDATIONS**

1.1. A shift is needed - from measures to combat crisis towards the elaboration of a national programme aimed at economic recovery and restructuring of the national economy. It is of the utmost importance, using the mechanisms of the social dialogue, to mobilise the entire management and intellectual capacity of those governing and those in opposition, of the businesses and trade unions as well as of the civil sector for fairer distribution of the economic and social impacts of the crisis. The main requirements and aspects of action should be as follows:

1.1.1. Focus of the governmental policies and measures on the following: the real sector, people and their households as well as the key public systems - the social security, health care and education - in order to preclude their destabilisation. The support to businesses and employment should foster the restructuring of both the enterprises and the national economy.

1.1.2. There should be attained synergy and coherence of the measures and instruments applied in the three main aspects of action to follow: **economic policy** - for support to and restructuring of businesses, for maintaining and subsequent increase in productive employment; **social policy** - attainment of social protection, promotion of active behaviour and support to people to adapt to the changing labour market situation; **institutional policy** - amendment and streamlining of the regulations with a view to balancing the employer's freedom and the social security (flexicurity) as an approach applicable for a fairer distribution of the crisis burden, too.

1.2. Adaptation of the national pathway for flexicurity is needed. To this end a change in the approach is necessary - the unilateral, according to the employer and by his decision, implementation of the flexicurity system should be replaced by the negotiated flexibility, mostly applying the mechanisms of collective bargaining.

1.2.1. The stress should be laid upon the maintenance of the existing employment through the application of various organisational and financial mechanisms as certain schemes for reorganisation of labour and working time supported with public financial resources and resources from the European Social Fund.

1.2.2. Each affected by the crisis should get social protection in the following aspects: first - income; second - one's chances for employment, including through labour mobility, too; third - one's chances for adapting to the of labour market restructuring processes, including through training and retraining.

1.3. In the pay policy the effects of the dual role of the remunerations should be taken into consideration. The employers should not stick to a policy of wage freezing and/or restraint as an unconditional anti-crisis measure. It is of the utmost importance the wages to follow the dynamics of the labour productivity. To this end the following is needed:

- 1.3.1. Improving the collective bargaining of wages through the application of some dynamic mechanisms of social cooperation, organisation of the collective bargaining and improving the contents of the relevant agreements.
- 1.3.2. Establishing an adequate minimum social income, an initiative of the European Anti Poverty Network (EAPN), which enjoys vast support in an actively run European campaign.
- 1.3.3. The regulation, which arranges the claims of employees in the event of bankruptcy of the relevant enterprises, should be consistent with the European Directive addressing important issues of the employment rights and levels of compensation.

1.4. In accordance with the guidelines for restructuring of the economy and establishing productive employment, the ESC propose that a national programme be elaborated and adopted; this programme should be along the lines of the New Skills for New Jobs initiative launched by the European Commission. It is necessary to provide financial support for training aimed at maintaining the jobs of high quality and high productivity in the traditional economic sectors as well as at promoting employment in the high-tech sectors, low-carbon economy and green jobs. This will strengthen the possibility for economic growth, development of higher value-added production and activities. It is necessary to integrate the effective use of the energy resources and the other natural resources in the economic growth.

1.4.1. A stress should be laid upon the provision of financial support to the training of young people of age up to 29 years in order to avoid young people's joining the groups of the long-term unemployed. In that context four basic proposals have been drafted:

1.4.1.1. Development of a mechanism for providing an apprenticeship position for each one having left the educational system and having been unemployed for 3 or more months.

1.4.1.2. The municipalities should offer training and/or jobs to young people of age up to 29 years, who have been unemployed for 3 or more months.

1.4.1.3. Development of relevant programmes and measures for training of mentors, which will have a long-term role in the process of the young people's inclusion in the labour market.

1.4.1.4. Development of specialised programmes and measures for training of older workers, for which short-time working arrangement should be set with a view to their preparation to become mentors of young people.

1.4.2. Improvement of the quality and effectiveness of the on-the-job training through the following action:

1.4.2.1. Financial support to promote the on-the job-training for the short-time and fixed-term contract workers.

1.4.2.2. Establishing individual accounts for training and sectoral funds for training on the basis of shared participation (financing) and preferential tax legislation for the employers and employed.

1.4.2.3. Implementation of a voucher system for training based on the principle „the money for training shall follow the trainee”.

1.4.2.4. Development and approval of a specialised mechanism for personal support and advice to people on making decisions on where, when and what to learn.

1.4.2.5. Disseminating information in cooperation with the Ministry of Education, Youth and Science and the Human Resources Development Centre concerning the certification of knowledge and skills in the context of the Lifelong Learning Programme.

1.5. The key instrument for maintaining employment - the short-time working schemes - should be streamlined through their combining with training activities and measures to support incomes.

1.5.1. A stress should be laid upon providing access of the small- and medium-sized enterprises and the short-time and fixed-term contract workers to relevant financial support for short-time work.

1.5.2. There should be established a mechanism for selection of perspective enterprises entitled to financial support for short-time work and the risk of ungrounded protection of unviable enterprises should be minimised.

1.6. The policies on labour market aimed at the unequal groups' representatives should be extended. A differentiated approach to these groups and tailored policies are necessary in order to attain social cohesion and eliminate the preconditions for social exclusion.

1.6.1. Ensuring employment for the long-term unemployed and persons who are in a disadvantaged position through the following action: combining the period of unemployment, including also partial unemployment, with training in the course of which a person shall receive a bursary as well as using the mechanisms of social entrepreneurship for establishing social enterprises, where jobs shall be offered to people who are in a disadvantaged position (disabled persons and others), including also people for which several characteristics of a disadvantaged position are accumulated.

1.6.2. Increasing the effectiveness of the implemented schemes of subsidised employment through the following action: extending the responsibilities and powers of the regional employment commissions on defining the activities carried out under the subsidised employment programmes and the target groups to be included in these programmes; using the possibilities to combine the subsidised employment schemes with relevant measures for basic knowledge and skills building.

1.6.3. Developing and funding programmes for timely integration of the returning labour emigrants who return.

1.7. There should be established conditions for increasing the mobility and improving the fulfilment of the high-skilled staff through the following action:

1.7.1. Promoting the geographical and occupational mobility of the labour force to regions of lower unemployment rates and vacant jobs available in order to increase employment. In this context it is recommended to combine the unemployment benefits with incentives for mobility of people.

- 1.7.2. Establishing information banks of skilled workers on a sectoral and regional principle, which will allow flexible joint use of these workers within the frames of several enterprises depending on the dynamics of their needs of labour force.
- 1.7.3. Greater consideration of the arrangements for new jobs for the unemployed high-skilled specialists. To this end a specialised system should be developed to serve their labour incomes and specialised vocational training or retraining for those at high qualification levels should be introduced.
- 1.8. Increasing the institutional capacity for implementation of active policies on the labour market through the following action:
  - 1.8.1. Undertaking special measures for modernising and enhancing the capacity of the Employment Agency and its structural units in response to the recent developments on the labour market.
  - 1.8.2. Immediate establishment of a Unified National System for Demand and Supply of Labour Force, which shall be connected with the internationalised European system for information and intermediary services on the open European labour markets.
  - 1.8.3. Establishing alternative systems for monitoring of the labour markets; the former shall timely and adequately reflect the situational and structural developments on labour market.
  - 1.8.4. Providing possibilities for effective absorption of the European funds.

## **2. DEMOGRAPHIC AND MIGRATORY PROCESSES**

### **MAIN CONCLUSIONS AND FINDINGS**

2.1. In the early 90s of the last century the population of Bulgaria shifted from delayed growth to intensive reduction. There exists a deep crisis in birth-rate, which has shown a downward trend ever since the early 70s of the last century. The drop in birth-rate combined with the direct impact of socio-economic processes constituting burden for the population, the commercialisation and the hindered access to health services under the conditions of worsened health care parameters as well as the emigration of mainly young people led to apparent insufficiency in number of the younger generations in comparison to the older ones as well as to disturbance of the natural balance in the number and proportions of the different generations. Due to the drop in birth-rate the young age groups decrease in number and even partial replacement of generations is not possible. All mentioned above led to irreversible reduction of the possibilities for normal reproduction of the population, including also the labour force.

- 2.1.1. The birth-rate problem has also a number of particularly sensitive dimensions, among which the most worrying one is its ethnisation in the long-term excluded groups of population, which cannot provide the adolescents upbringing of high quality.
- 2.1.2. It is also quite alarming that the intensified economic emigration is associated with export of birth-rate, erudition and qualification, which have been paid by the whole population of this country.

2.1.3. Matrimony, divorces, lack of family planning, birth given out of wedlock, etc. contribute to the considerable stability of the negative trends already established.

2.1.4. The demographic shrinkage is a direct risk for the state integrity. Actually vast areas of this state have been depopulated and unique natural resources for production have been abandoned. The population density has drastically decreased.

2.2. The above mentioned trends of birth- and death-rate show that Bulgaria is in a critical demographic situation and will mark negative natural growth in population in the next few decades.

2.2.1. The trends of death-rate and life expectancy in Bulgaria are also quite worrying. The situation regarding the infant death-rate is disastrous - three or four times higher than the respective rates in the European Union.

2.2.2. The high death-rates exert influence on the average life expectancy, too. The life expectancy for men and women in Bulgaria is by 7 or 8 years lower than that in the EU-15. The high social death-rate among the men aged 50 and 60 has to be highlighted in particular. Mortality is increasingly turning from a natural process into a social one, which covers generations of ever younger age.

2.3. The labour force decreases both in absolute number and as a share of the whole population of this country. In case of continuing emigration of young generations the age of the economically active population will increase, the share of the elderly among the employed will increase and the labour force will become more conservative and more passive as well as less inclined to adopt and master any new technologies.

2.3.1. There exists a danger of delay in the economic growth, of stagnation and shrinkage of the markets caused by the shortage of labour force of high quality, which is capable of mastering and implementing the modern knowledge and technologies.

2.3.2. There are considerable deficits in the pension system and in other social systems based on the solidarity between generations.

2.3.3. The population ageing process, without any compensation by increase in birth-rate, leads to a continuous demographic pressure on all economic and social systems, to accelerated decrease in the nationally determining population as well as to changes in the ethnic and political balance in our country.

2.3.4. There has been established a considerable share of illiterate, and what is more, they are concentrated in particular social groups. All mentioned above will exert long-term negative influence in the next decades.

2.4. There are no state institutions authorised to analyse, develop and implement the relevant integrated policies for settling the demographic problems. There has existed omission and social insensitivity of the State in the period of transition so far.

2.5. The migration under certain conditions can and should be used as an instrument for development. There exist possibilities to use the intellectual and financial capacity of the migrants for socio-cultural transfers and transfer of knowledge and technologies.

2.5.1. Bulgaria has faced substantial difficulties due to the lack of restraining policies and regulations in respect to migration.

2.5.2. The immigration for providing foreign labour force on the labour market is an expensive and generating problems process with a great time delay.

2.6. The population in Bulgaria is one of the most rapidly decreasing in number populations in the world. A key factor of the demographic crisis, which our country suffers, is the emigration during the last decades. Most of the emigrants are young people, which jeopardises the future of the Bulgarian nation and its reproduction.

2.6.1. In addition to the exhaustion of the demographic potential, the emigration comprising mostly young, high-skilled and educated people caused labour force shortage in some of the regions and sectors of the economy and it worsened its labour potential.

2.6.2. The emigration is an ongoing process. Although less in number, it is particularly precarious, because most emigrants are young people and that affects the structure of the national economy.

2.6.3. The loss due to emigration in the aspect of human capital is incomparably higher than that in the aspect of labour force.

2.6.4. The emigration, although not so large-scale one as in the 90s of the last century, still poses a high risk and threats in demographic and economic aspects. It has acquired structural character, it strongly affects certain sectors and professions on the labour market and it exhausts the rest of the demographic and labour potential of the small populated areas and municipalities.

2.7. The external and internal migration led to the depopulation of most of the small settlements and municipalities.

2.7.1. The migration motion to the large urban centres and tourist complexes led to the depopulation of whole regions of this country. The quality of the labour force in these regions has been strongly worsened as the youngest and educated people have left; this drives back the potential investors and makes it impossible to use the indigenous resources.

2.7.2. The motion of population and labour force from the periphery of the regions to the urban centres overloads their technical and social infrastructure, increases crime and causes social alienation. Thus the worsened quality of life in these centres brings consequent external migration.

## **PROPOSALS AND RECOMMENDATIONS**

2.1. Having in mind the grave demographic and economic situation, the academic circles and the organised civil society should participate in the development and implementation of the demographic policy. It is necessary to elaborate and adopt a National Strategy on the Development of the Population and its Reproduction of High Quality for a period extending to the year 2050 at the least.

2.2. The policy for establishing favourable migratory environment and restraining the emigration of young people as well as for their good education and fulfilment in this country should build on present-day principles and measures to follow:

2.2.1. Preferential loans for students and young families.

2.2.2. Tax advantages for the employers who hire young specialists immediately after their graduation.

2.2.3. Identifying and registering the couples in an informal marriage, who have not contracted a lawful marriage.

- 2.2.4. Establishing systems of incentives for economic development and occupation in the regions of this country, which are at risk of demographic collapse.
  - 2.2.5. Implementing the European forms of family income taxation.
  - 2.2.6. Developing system for monitoring of the emigration and the reasons for it.
  - 2.2.7. Implementing radically new policy to the Bulgarians in the communities outside the national borders through relieved regimes for repatriation in their motherland.
- 2.3. There should be established a responsible body, which shall coordinate and integrate the functions of all institutions involved in a particular migratory policy activity.
- 2.4. In respect to the conservation of the Bulgarian labour emigrants' identity and of the Bulgarian Diaspora the following has to be done:
- 2.4.1. Performance of monitoring of the Bulgarian Diaspora.
  - 2.4.2. Establishing register of the Bulgarian units for education abroad.
  - 2.4.3. Recognition of school status for those meeting the relevant conditions.
  - 2.4.4. Providing funds for education of the Bulgarian emigrants' children and of teachers, belonging to and hired to work for the Diaspora, in Bulgarian language, history and culture.
  - 2.4.5. Arranging Internet courses in Bulgarian language, history and culture tailored to the peculiarities of the different Bulgarian emigrants' communities.
  - 2.4.6. Developing measures for granting dual citizenship to those Bulgarian emigrants having received foreign citizenship and willing to acquire Bulgarian citizenship, in particular for the second and following generations of emigrants.
  - 2.4.7. Simplification of the administrative services for issuing and maintaining the identity documents of the Bulgarian emigrants, some of which have a limited access for a number of objective reasons.
- 2.5. Establishing registers of the highly educated and high-skilled emigrants, of the emigrants who are scientific workers and talents as well as of the students abroad. Establishing conditions for use of their intellectual and professional capacity by the motherland through virtual and circular migration.
- 2.6. Ensuring transparency, which shall guarantee the control on granting a Green Card to the emigrants of Bulgarian origin.
- 2.7. Establishing incentives for the employers who pay transport allowances; thus the long-term migration will be constrained.
- 2.8. Developing a new investment policy aimed at the peripheral parts of the regions, the small municipalities and populated areas, which shall balance the anticipated effect of the Regional Development Operational Programme implementation.

### **3. EDUCATION AND VOCATIONAL TRAINING**

#### **MAIN CONCLUSIONS AND FINDINGS**

3.1. The social, economic and values crisis accompanying the public re-orientation of Bulgaria influenced the deterioration of the education quality and the weakening public and financial support to education. Education has not been recognised real national priority, the financing of education is insufficient; the legislative and other regulatory changes are delayed

or without any connection among them; no public mechanisms for control over education have been established.

3.2. By now Bulgaria has lost some competitive advantages in the vocational training of the labour force in the field of the new industries and new technologies. In this context the nonconformities have two aspects. On the one hand, the professional competence acquired through the educational system is not up to the requirements of businesses. On the other hand, due to the slow and arduous technological modernisation of the economic activities, businesses offer jobs below the professional capacity of the labour force.

3.3. The vocational education and training system (VET) does not correspond to the present-day requirements and the following disadvantages and deficits are observed therein:

3.3.1. There is no operating mechanism for validation of the knowledge and skills (competence) acquired. This is the reason for the arrangement of training courses on topics having already been followed in a non-formal way or within the frames of another training; thus the training is financed twice.

3.3.2. A main characteristics of the VET is the poor material and technical basis, which is not up to the requirements of the educational process as well as the insufficient dissemination of the information and communication technologies in the vocational schools.

3.3.3. The curricula in the vocational education are oriented to professional-qualification structures, which are inappropriate in terms of the real conditions on the labour market, to professions, which no longer exist, or to professions, whose existence contradicts the knowledge-based economy.

3.3.4. The practical training system has been neglected, thus the connection of the vocational schools with the enterprises has been lost, which makes it impossible to carry out the practical training in real working environment.

3.3.5. The network of vocational training centres in Bulgaria is unsatisfactory and there are substantial gaps in the organisation and quality of the training. Most companies do not participate in the VET and do not invest in human resources. The career guidance and consulting system is underdeveloped.

3.3.6. The public institutions' contribution to the VET up-dating is unsatisfactory - the numerous regulations are isolated from each other; there is no vision for the development of the VET as a whole; there are no even Rules on the Implementation of the Act on Vocational and Educational Training; there are no reliable mechanisms for evaluation of the effectiveness of the different programmes.

3.4. The knowledge and skills acquired through the higher education system are of unsatisfactory quality.

3.4.1. There is no appropriate system for evaluation of the quality of the product created by the higher schools also because the educational market situation is of such a nature that it does not put pressure on the higher schools to attain educational standards of high quality.

3.4.2. The higher education contribution to the VET development is quite insufficient, while the share of the VET-focused curricula in the study tracks of the higher education schools is insignificant. Along with that the higher schools ignore offering any educational services for the elderly.

3.4.3. The higher schools do not make a sufficient contribution to the development of the Bulgarian science.

3.5. An important problem is the lack of system research and prediction of the present and future needs on the labour market. There is no a unified and operating system for evaluation of the education quality at the vocational schools and vocational secondary schools, either.

3.6. The lifelong learning principle is not so popular with the Bulgarian citizens. Along with that the State does not make sufficient efforts to promote lifelong learning, there is no system for evaluation and recognition of self-tuition. There have not been established the necessary conditions for equality of all forms of lifelong learning - formal and non-formal education and training as well as informal learning.

## **PROPOSALS AND RECOMMENDATIONS**

3.1. The policies on education and vocational training should be implemented in compliance with the EU-2020 Strategy and there should be defined the strategic guidelines for development at all educational levels, while the funds from the state budget allocated for education shall be increased.

3.2. The national strategy in the field of vocational education and training should be implemented on the basis of medium-term national action plans elaborated by the Ministry of Education, Youth and Science, where the specific responsibilities of the public institutions and social partners shall be indicated.

3.3. The policy on secondary education development should be further improved through the following action:

3.3.1. Establishing national fund for investment in the education and training of the young. These funds should be used for training under personal accounts charged to the state budget.

3.3.2. Development of a plan on diminishing the number of the early school leavers and integration of those having already left;

3.3.3. Renewing and up-dating the educational contents and development of entrepreneurial skills with a focus on setting up own business.

3.3.4. Establishing regulatory conditions for practical training in real working environment in cooperation with the employers.

3.4. Improvement and development of VET through the following action:

3.4.1. Modernisation of the material and technical basis for the VET, including in respect to the access to the information and communication technologies and to Internet.

3.4.2. Implementation of the credit transfer and accumulation system in the VET, provision of a possibility for recognition of the outcomes of different forms of successful training carried out in any EU Member State. Providing information about the possibilities for and application of EUROPASS.

3.4.3. Optimisation of the existing licensing regime for the continuing vocational training centres.

3.4.4. Establishing a network of centres for career guidance and consulting, which shall provide reliable information about the possibilities for education and training as well as for the requirements on the labour market.

- 3.4.5. Establishing a reliable system for identification and prediction of the needs of labour force on the labour market and dovetailing the system with the admission and the educational contents for the VET.
- 3.5. The following is necessary in order to enhance the effectiveness and quality of the higher education system and to increase the contribution of the higher education schools to the development of the Bulgarian science:
  - 3.5.1. The public financing of the higher schools should be directly dovetailed with the quality of the education and with the outcomes of their accreditations;
  - 3.5.2. There should be implemented a regulated voucher system at the state higher schools according to the principle „the money shall follow the student”.
  - 3.5.3. The annual state order for admission of students to the higher schools should be additionally increased by 10-15% during the next few years in order to decrease the number of the unemployed young.
  - 3.5.4. The autonomy of the higher education schools should be extended and strengthened while guaranteeing transparency and publicity of their management.
  - 3.5.5. The State should keep its leading role in the process of provision of funds for development of science, including the University science, and along with that the State shall stimulate businesses to invest proportionally in scientific research and innovation.
- 3.6. The National Lifelong Learning Strategy should be implemented by appropriate action plans. To this end:
  - 3.6.1. There should be established a National Qualification Framework in line with the European Qualification Framework.
  - 3.6.2. There should be established and developed a national information system for supply of and demand for initial and continuing vocational training.
  - 3.6.3. There should be developed a mechanism for recognition of the qualification acquired through non-formal training, for periodic appraisal of the employed and for evaluation of the qualification available.

## **4. INCOMES**

### **MAIN CONCLUSIONS AND FINDINGS**

- 4.1. The analysis and dynamics of the population incomes and their dovetailing with the achieved economic outcomes gives grounds for the following important findings:
  - 4.1.1. Low population incomes and lagging behind the GDP growth.
  - 4.1.2. Decrease in purchasing power of incomes as compared to that by the time when the reforms were started.
  - 4.1.3. Establishing an unacceptable for the public income differentiation and fragmentation of the population.
  - 4.1.4. The employment and labour incomes do not always guarantee an exit from the poverty trap and the number of the working poor remains relatively high.

4.1.5. The low pay is a precondition for social dumping. Bulgaria is still attractive mainly for the investors who benefit from the low labour costs as a decisive factor for attaining competitiveness on the European markets.

4.2. The comparatively weak impact of the economic growth on the wage dynamics is due to the weak dovetailing of the wage with the labour productivity. The growth of the average real wage lagging behind the growth of labour productivity as registered in the year 2000 has been maintained in spite of the positive development in the last few years.

4.3. There exists a contradiction between the relative and absolute poverty in the context of a unified Europe. Bulgaria is one of the countries in Europe, where it is observed an acceptable percentage of the poor as compared to the average living standard in this country and considerable difference in the absolute poverty rate as compared to the average one for the European Union.

4.4. An essential weakness of the collective agreements, in particular in the enterprises, is the lack of direct dovetailing the wage increase with the labour productivity, the underestimation of inflation as a factor of negative impact on the wages purchasing power, the unwillingness or incompetence to negotiate a system of bonuses related to the quality and quantity of labour.

4.5. Bulgaria is the only country where the net prices (net of tax and charges) of the electric power in EUR and at purchasing power parity increase progressively in case of higher power consumption. In the prices of the electric power, thermal power and water there are calculated considerable losses mainly due to incorrect subscribers and poor maintenance.

4.6. The society has polarised - with a vast gap between very rich people of high living standard and extremely poor people, who are illiterate and in process of demoralisation and whose chances for prosperity are miserable unless a long-standing, active and consistent policy is implemented by the State regarding their education, training and socialisation.

4.7. There still remains the essential problem with the ethnisation of poverty and the growing social polarisation characterised by the fact that most families - headed by the mother - live at the edge of poverty.

## **PROPOSALS AND RECOMMENDATIONS**

4.1. It is necessary to implement an active policy on incomes, which shall lead to a progressive convergence of their rates with those of the other EU Member States in the long term and to establishing effective mechanisms for maintenance of the social balances, in particular for supporting low-income people.

4.2. Development of a mechanism for increase in minimum wage depending on the poverty line, labour productivity and the ratio of the minimum wage to the average wage for this country.

4.3. There should be appropriately negotiated and followed branch minimum standards on payment.

4.4. There should be reestablished the effective tripartite negotiation of a national regulator for minimum increase in real wages in the branches of the real sector, which shall take into consideration the inflation, economic growth and labour productivity in the preceding year and the anticipated changes in the tax and social security legislation.

4.5. It is necessary to extend the tax relief, which supports the implementation of particular national policies (on investment in health and safety at work, training and retraining of labour force, voluntary insurance, etc.)

4.6. It is necessary to develop the family income taxation and to activate the personal participation in supporting socially disadvantaged people and people with disabilities.

4.7. The social protection system should also be dovetailed with the poverty line. The guaranteed minimum income should be defined as minimum 60% of the poverty line, and the access factors should be in line with the needs of the risk groups.

4.8. The methodology for the evaluation of poverty and exclusion as well as the effectiveness of the implemented policies should be improved.

4.9. Strengthening the role and responsibility of the acting Advisory Council to the Bulgarian State Energy and Water Regulatory Commission, including also through powers for deterring draft decisions on monopolistically determined prices.

## **5. WORKING CONDITIONS**

### **MAIN CONCLUSIONS AND FINDINGS**

5.1. The working conditions in many of the Bulgarian enterprises have not changed substantially and as a whole they remain in a critical condition as per the European requirements and standards. This is also valid for the leading enterprises belonging to the structure-forming branches of economy.

5.2. In spite of the harmonisation of the Bulgarian legislation (in particular the Act on Health and Safety at Work) with the European one, the system for integrated control should be further developed.

5.3. Particularly worrying is the status of the working conditions in the small- and medium-sized enterprises. In most of them - from the field of building, light industry, services, machine engineering, electronics, electrical engineering, etc. – the working conditions need to be improved, moreover deterioration of working conditions is observed.

5.4. There has not been provided the necessary scientific backup of the activity for implementation of the Act on Health and Safety at Work.

5.5. There have not been implemented any effective tax relief and customs duty facilitations for the companies investing in health and safety at work yet.

5.6. There is no awareness of the need to urgently improve the training and retraining of the workers as a precondition for decrease in occupational traumatism and improvement of the working conditions.

5.7. The training in health and safety at work at all educational levels is insufficient and still underestimated. There have not been established mandatory requirements for education and competence of the staff operating in the field of health and safety at work. There have not been established the necessary conditions for training and retraining of the specialists in health and safety at work.

## **PROPOSALS AND RECOMMENDATIONS**

5.1. Building the capacity of the General Labour Inspectorate, the social partners and of all administrative-management structures in this country engaged in the processes for securing health and safety at work.

5.2. Establishing a uniform approach and a method for evaluation of the occupational risk.

5.3. Active monitoring end control, which shall cover all components of the modern system for health and safety at work, is necessary.

5.4. Urgent action is needed to increase the capacity of absorbing funds on projects and programmes aimed at securing health and safety at work.

5.5. The Clinic on Occupational Diseases and all the structural units in this country acting in the field of health and safety at work, including also the committees and groups on working conditions, should be consolidated in terms of structure, staff and finances.

5.6. Ensuring transparency of the policy and data on the working conditions, occupational traumatism, occupational diseases and accidents at work.

5.7. Development of a national educational policy regarding health and safety at work, which shall also include education and training of the members of the committees and groups on working conditions. There should be established mandatory requirements for education and competence and there should be elaborated master's programmes and postgraduate studies programmes for the staff acting in the field of health and safety at work.

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