Friedrich Ebert Foundation
Office Bulgaria
Analyses

Yordan Dimitrov

Youth Unemployment in Bulgaria

■ The problem of youth unemployment rates should be scrutinised together with inactive young people. Both issues make the situation on the Bulgarian labour market even more dramatic than it seems at first sight. In fact, the real problem is young people who are not in employment, education or training and those who are long-term unemployed.

■ Early school leavers and the comparatively lower quality of education in Bulgaria are some of the main reasons why many young people do not have an adequate education, qualifications or skills. However, both problems are well known and measures are being taken to improve the situation.

■ Social status amplifies the risk of being unemployed in Bulgaria. If one's parents are unemployed, inactive, with low education, illiterate, without skills and qualifications, live in poverty or belong to a disadvantaged group their children are likely to have the same characteristics.

■ Bulgaria has rich set of active labour market instruments, which allow it to deploy the most appropriate tools for combating youth unemployment and inactivity.

■ It is not active labour market policy overall but the details of particular programmes that should be examined. Some programmes that are unattractive or have inadequate management because of procedural obstacles and restrictions lead to poor results.

October 2012

FRIEDRICH EBERT STIFTUNG

CONTENTS

1. Introduction

Young people have always been considered a group at the margin of the Bulgarian labour market. They did not manage to escape from this unenviable position even during the 11 consecutive years of economic growth, mainly due to structural constraints, such as insufficient qualifications, skills, experience and social capital. Predictably, young people have suffered a disproportionately severe blow from the recession, leading to exceptionally high levels of unemployment and inactivity and low rates of labour market participation and employment. The economic crisis has added powerful cyclical factors to the structural ones.

The present paper explores the latest developments in the youth situation on the Bulgarian labour market. It focuses on topics such as youth unemployment, employment, inactivity, labour market participation, role of education, demography and economic growth. Young people are analysed in terms of their gender, sex, age, duration of joblessness, social status and the like. The main causes of being unemployed at a young age are also identified and commented on. Additional attention is paid to the main traits of young people in employment. Finally, youth employment policies are presented and their effect on young people is analysed. The paper concludes with some policy recommendations on how to make youth labour market participation easier and more effective.

If not explicitly stated, this paper is based on National Statistical Institute Labour Force Survey (NSI LFS) data. The main target groups are youngsters aged 15–24 and 25–29. Sometimes, only one of these groups is presented, where no specific differences have been identified.

2. Youth Unemployment: Overall Developments

Youth unemployment increased in 2012 for the fourth consecutive year. In the first quarter of 2012 the youth unemployment rate for those aged 15–24 reached its highest level since the third quarter of 2008, when the economic crisis began, exceeding 30 per cent for the first time since the first quarter of 2003. At present, about 74,800 young people aged 15–24 are unemployed. If we expand our observations to youngsters up to 29 years of age, we add another 44,200 unemployed and the youth unemployment rate 25–29 reaches the record level of 14.8 per cent for the past eight years.

Youth unemployment continues to rise, although economic development has reversed the negative tendency towards weak growth in 2011. While at the beginning of the economic crisis, in 2008, there was a stark reversal of most positive labour market achievements, now there are no signs of improvement, especially for young people. Moreover, there is a tendency for faster growth of youth unemployment in comparison to unemployment overall. The latter could mean that youth unemployment is determined not only by the business cycle but also by powerful structural factors such as experience and skills. This thesis is defended also by the fact that even in the growth years youth unemployment remained two to three times higher than adult unemployment and the activity and employment rates in the youth labour market were too low compared to most EU27 countries.

Generally, young people are in an unfavourable situation compared to adults with regard to employment prospects. This was the case during the growth years and it has continued during the crisis period. The ratio between the youth unemployment rate and the adult unemployment rate has remained stable over the

past 10 years, keeping its values in the range of 2.33 (2003) and 2.71 (2009). This indicates that young people are approximately 2.5 times more likely to be unemployed compared to adults in Bulgaria. Moreover, the younger one is, the worse one's situation on the labour market. We calculate a similar ratio between the youth unemployment rate for 15–24s and the youth unemployment rate for 25–29s. The figures illustrate that young people below 25 are almost twice as likely to be unemployed compared to those aged between 25 and 29.

Fig. 2.1. YUE Rate (15-24) vs Unemployment Rate

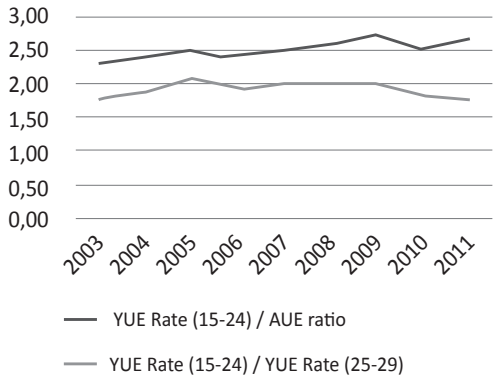
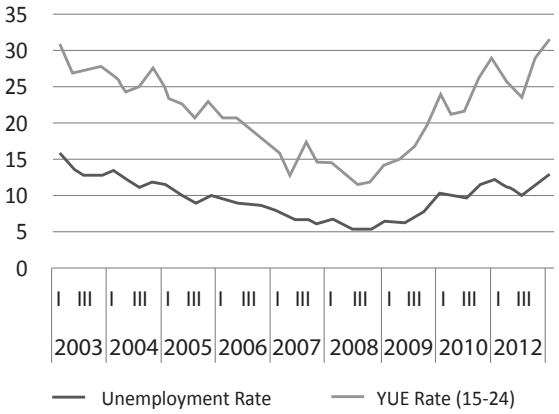


Fig. 2.2. YUE Rate (15-24) vs AUE Rate (25+) ratio and YUE Rate (25-29)



Source: NSI LFS, author's calculations.

Figure 2.3 illustrates the relationship between youth labour market participation and the youth unemployment rate. It is easy to see that for the age group 15–24, the correlation between them is negative, at –0.6438, which is very close to most other EU countries (Dietrich 2012). This means that a rise in youth unemployment goes along with a decrease in the youth labour market participation rate, and vice versa. In contrast, the same correlation coefficient for the age group 25–29 is positive, at –0.3498. One of the most logical explanations is that most youngsters aged 15–24 have much more opportunities to go back to school or simply to be inactive because their parents still take care of them. These prospects slowly melt away as one grows up. Unprecedentedly high rates of inactive young people in Bulgaria provide evidence of discouraged youth (see Section 8 for more details). In addition, the net enrolment rate for young people aged 19–23 has increased from 36.4 per cent for school year 2007/2008 to 42.6 per cent for 2011/2012. We have similar figures for the age group 15–18 where the rise is 2.9 percentage points.

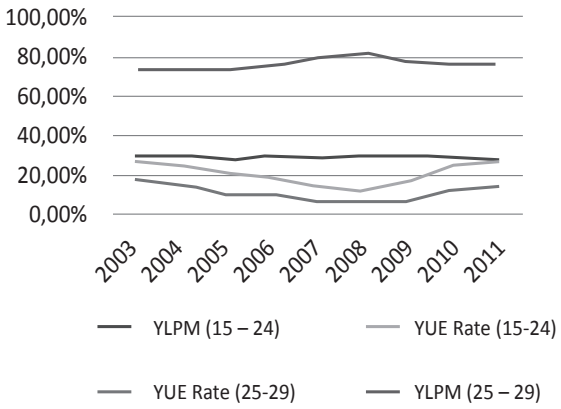
Another possible reason for decreasing youth labour market participation, although it is much lower than the EU average, is the comparatively good social safety nets in Bulgaria, which cover not only young people themselves but their families as well. According to the World Bank report of March 2009 »Bulgaria: Social Assistance Programs: Cost, Targeting Accuracy and Poverty Impact«, poverty has been reduced by 39 percentage points among beneficiaries due to the combined effect of social protection programmes. Consequently, if no social transfers were available, the poverty headcount rate among beneficiaries would have been 53 per cent, instead of the observed 14–15 percent. Another example in this direction is the fact that the four major social assistance programmes cover almost one-third of all households in Bulgaria. Two of these programmes, the so-called pro-poor

programmes (Guaranteed Minimum Income and heating allowances), achieve first-rate targeting performances.

Youth labour in Bulgaria has remained underutilized even in the years of sound growth. The labour market participation rate (15–24) in 2007 went up to 30 per cent compared to the average of 40 per cent in other EU countries. At the end of 2011 it fell back again to a little over 27 per cent. Youth employment rates are even worse, at 20.1 per cent, which is almost half the EU average.

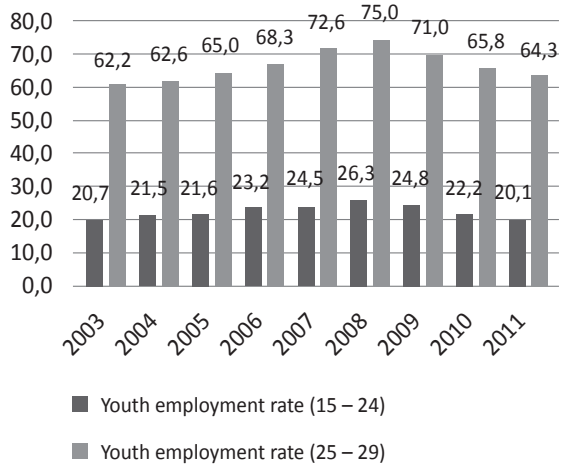
There are two major sets of reasons for such low employment rates. The first concerns the causes of youth unemployment (insufficient number of job places, particularly in times of crisis, lack of skills and experience) and the second concerns absence from the labour force, mainly due to participation in education or simply discouragement from participating in the labour market. In fact, 50 per cent of young people (15–29) remain outside the workforce and they do not want to work at all. The main reason for approximately three-fourths of the inactive not wanting to work is that they participate in some form of education and training. Only 5 per cent (2009) of young people in Bulgaria study and work at the same time (in Netherlands this share is almost 70 per cent).[1]

Fig. 2.3. Youth labor market participation and youth unemployment rates



Source: NSI LFS.

Fig. 2.4. Youth employment rates



[1] Eurostat data.

3. Risk of Unemployment and Patterns Of Transition

In this section we analyse some of the most crucial factors predetermining whether a young person will experience unemployment or inactivity in Bulgaria.

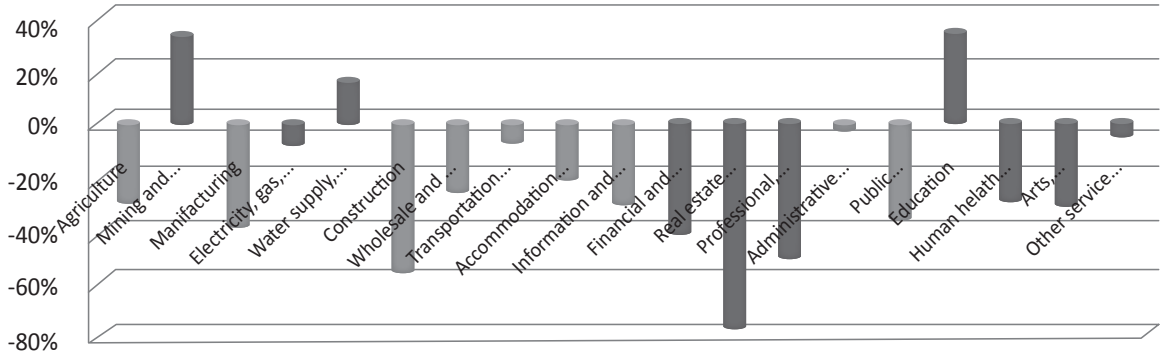
The most powerful factor is the lack of adequate education, qualification and skills. This topic is discussed in detail in Section 5. Here, we only mention some key facts. The highest unemployment rate in 2011 among young people (15–24) was in the group with primary and lower education, at 65.3 per cent. Those with lower secondary education registered the second highest unemployment rate, at 44.6 per cent, and the highest inactivity rate, at 53.57 per cent. To summarise, the lower a person's level of education, the greater their likelihood of unemployment and inactivity.

Drop-outs are another important category of youth unemployment. The average number of students dropping-out of school annually in the past 10 years is about 26,000. Almost 85 per cent are cases where children wanted to or their parents made them leave school. Thus more than one-third of the average youth unemployment in the past 10 years, around 60,000, is very likely to be caused by drop-outs.

Labour market mismatches are also closely related to education and training. Although the economy suffers considerable levels of unemployment, there are vacancies which are not filled. Even though unemployment is at a historic high, the number of vacancies of about 16–17,000 (NSI LFS) has been stable over the past three years, regardless of growth or recession. This means that there are jobs for which appropriate employees cannot be found in terms of qualifications, skills, education, availability and so on. On the other hand, one could argue that job vacancies are few compared to the number of unemployed people, which makes unemployment more cyclic than structural. However, proponents of the labour market mismatch theory might object on the basis of the number of vacancies in 2008, when approximately 24,000 jobs were not filled and no matches were available.

It is worth exploring whether employment in specific economic sectors is more risky for young people in the present crisis. Understandably, the cyclical sectors worst affected by the economic crisis would generate unemployment, including among young people. In Section 4 we show that the construction sector has made redundant a significant number of men, which is one of the explanations for the pace of male unemployment, including young people. Looking at Figure 3.1 (statistically significant data), a few sectors come to the fore. Agriculture, manufacturing, construction and wholesale and retail trade; repair of motor vehicles and motorcycles has experienced the biggest change in employment among young people (15–24). If a young employee is working in one of these sectors and a crisis looms, the latter could threaten their job security. In fact, these three sectors account for almost 70 per cent (57,000) of the youth employment reduction. The absolute fall in employment in these three sectors is commensurate with the absolute rise in the number of unemployed and inactive young people (15–24) for the same period, which is a little above 54,000.

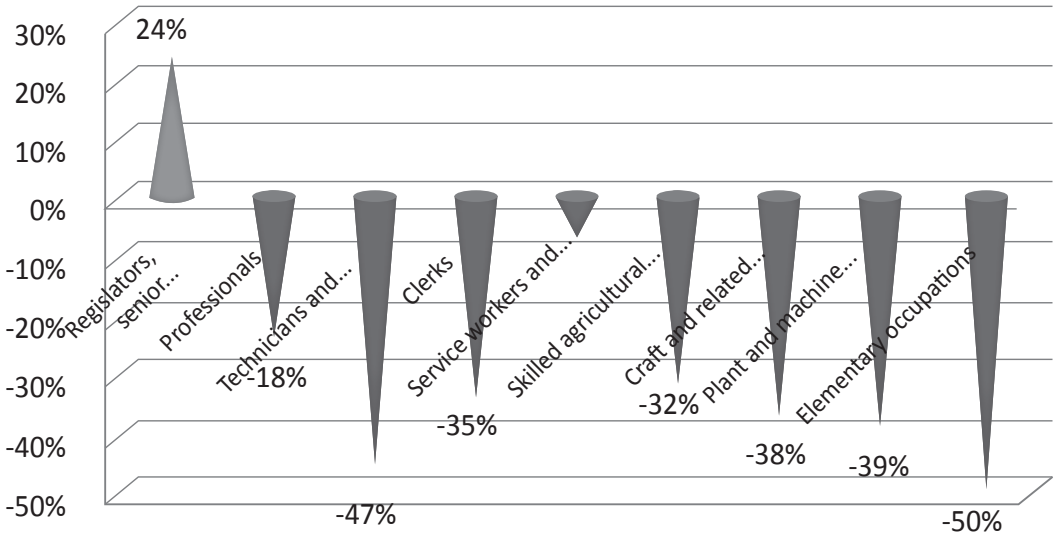
Fig. 3.1. Percentage change of employed youths by economic sectors 2008 vs. 2011



Source: NSI LFS

The category of occupation one enters and the relevant likelihood of being unemployed is also worth scrutinising. NSI LFS data show that during the 2008–2011 crisis, the most affected subgroup of young people (15–24 years of age) in terms of absolute and relative employment was the one in elementary occupations, which do not require specific qualifications. The statistics shows that employers often institute redundancies where qualifications are not required. This makes such jobs comparatively insecure. Having said that, due to the size and scope of the current economic crisis, other occupations with much higher demands in terms of knowledge and experience – such as technicians – are also under pressure.

Fig. 3.2. Percentage change of employed youths by category of ocupation, 2008 vs. 2011



Small numbers problem, Source: NSI LFS

The economic cycle is the main suspect with regard to the rapid growth of youth unemployment in Bulgaria (see Section 10 for more details). Based on economic growth and the development of youth unemployment, including the NEET rate, we calculated correlation coefficients that show comparatively strong negative relationships. Correlation ap-

plies to both youth unemployment (approximately –0.86) and NEETs (–0.88), covering the age group 15–24 years of age. The relationship between growth and unemployment among young people aged 25–29 is still negative (–0.02), although weaker compared to that of those aged 15–24. This is probably due to the generally fragile recovery in the past two years and because the rise in the youth unemployment rate (25–29) has outstripped the change in the youth unemployment rate (15–24). As discussed in Section 5, one possible reason for this situation is the fact that young people above 25 have fewer opportunities to have recourse to the education system.

On the other hand, we cannot be certain about specific differences with regard to youth unemployment in Bulgaria to the extent that the correlations do not vary particularly from correlations in the adult labour market, which are also slightly negative. The connection between growth and unemployment in the age group 25+ is –0.62, which again confirms the overall tendency. Another argument in this context is that youth unemployment during the years of economic expansion was still the highest compared to other ages and was identified as Bulgaria's main problem in its efforts to achieve higher employment levels. Thus, although there is an undisputed link between growth and youth unemployment or inactivity, the bigger issue is not their structural determinants but their cyclical ones.

Other, so far little discussed determinants of youth unemployment are progressively entering the focus of researchers. They are closely related to the so-called generational unemployment analysed in Section 7. These are unemployed youngsters coming from families with unemployed parents. Based on a Mediana survey (2012), it seems that social status amplifies the risk of being unemployed. If one's parents are unemployed, inactive, with low education, illiterate, without skills or qualifications, live in poverty or belong to certain ethnic groups – for example, Roma – it is very likely that one will have similar characteristics. The causes in this case are not to be found in the business cycle but strong structural factors. These people are unemployed due to a failure to drag a generation out of a vicious circle.

4. Youth Unemployment by Gender

Female unemployment has surpassed male unemployment since the crisis spread to Bulgaria in 2008. In a way, this is a return to patterns prevailing before 2006. In fact, only in 2006 and 2007, at the peak of economic growth, was the youth unemployment rate (15–24 years of age) among females higher than the male rate. On the other hand, it is worth noting that over the past 10 years the so-called gender gap has been comparatively negligible: about 2 per cent on average. The existence of such a small difference is due to institutional factors, such as more liberal community values, culture and norms. This gender pattern is similar in most EU countries.

Returning to the dominance of male unemployment during the ongoing crisis, one possible explanation of this gender gap is changing employment in the construction sector. Construction and manufacturing are the two sectors with the biggest employment decreases in absolute terms in Bulgaria during the current crisis. But while the job losses in manufacturing have been borne almost equally by men and women, in the construction sector male redundancies dominate, at nearly 90 per cent.

The gender gap is a little bigger with regard to labour force participation and employment rates. For instance, male labour market participation (20–24) is 58.4 per cent, while female participation is only 43.3 per cent. This gender gap is driven by the higher rates of women

who are not in employment, education or training. Women make up 83 per cent of those who do not want to work for personal reasons, such as raising children or doing unpaid family work. Indeed, the subgroup of Bulgarian women not in employment, education or training is among the largest in the EU, according to the report by the European Foundation for the Improvement of Living and Working Conditions »Young people and NEETs in Europe« (2012).

5. Youth Unemployment and Level of Education

Education is probably the most important factor determining whether one will be employed or not. In Table 5.1 one can easily see that being a young person with a higher or specialised upper secondary education means that one is more likely to be employed. Young people with only a primary or lower education are marginalised on the labour market: 65.3 per cent of them are unemployed and only 4.4 per cent are employed.

Another important issue is that a specialised upper secondary education provides many more opportunities on the labour market compared to a general secondary education. The data confirm the common supposition that the closer one's education is to the real economy, the higher the demand for one's skills on the labour market.

Table 5.1 Population aged 15–24 by education and labour force status, Bulgaria, 2011 (%)

Level of education	Persons not in labour force	YLMP	Youth employment rate	Youth unemployment rate
Higher education	1.02	73.0	58.8	19.5*
Secondary	37.96	44.1	33.7	23.6
Upper secondary specialized	11.55	58.9	45.7	22.5
Upper secondary general	26.41	33.7	25.3	24.9
Lower secondary	53.57	6.7	3.7	44.6
Primary or lower	7.46	12.6	4.4*	65.3

*Note: * Small numbers problem. Source: NSI LFS 2011.*

An important question in this study is whether a good education is enough to secure employment. The data in Figures 5.1 and 5.2 show some interesting developments with regard to the risk of being unemployed, based on level of education. The economic crisis has negatively affected the group of unemployed young people with upper secondary education (ISCED 3–4), where we have an increase of 23.4 per cent (15–24 years of age) in the proportion of unemployed between 2008 and 2011. As expected, we have stable levels of unemployed young people with higher education (ISCED 5–6).[2] The situation of the unemployed with primary and lower education (ISCED 0–2) also exhibits a slight increase (15-24), resulting in a slight fall in the proportion of unem-

[2] Small number problems.

ployed young people with that level of education. This might indicate that both highly educated and uneducated young people are somewhat protected in times of crisis compared to those with only a secondary education, which is the biggest sub-group.

Fig. 5.1. Youth unemployment rate (15-24) by education

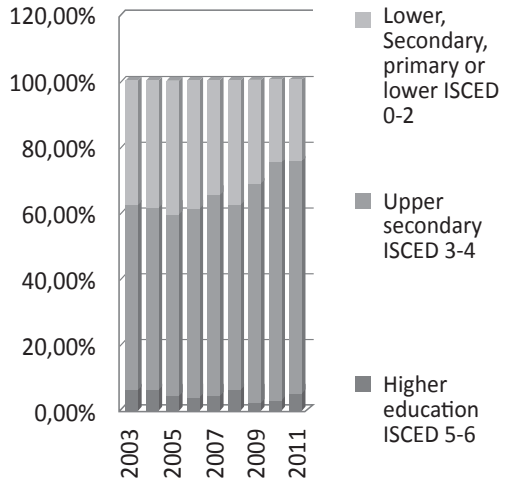
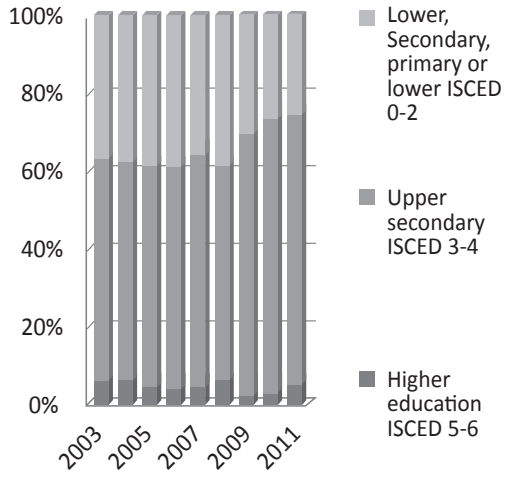


Fig. 5.2. Youth unemployment rate (15-29) by education



Source: NSI LFS.

On the other hand, in times of crisis there may well be unanticipated developments. Although a good education has increased employability and activity and ensures higher rates of employment and labour market activity during the past four years, some more protected subgroups were affected relatively more negatively in some respects. Table 5.2 shows that people with a secondary vocational education recorded the highest increase in terms of unemployment. Those with a higher education or a secondary vocational education have experienced the fastest growth among persons who are not in the labour force. Young people with a higher education have become unemployed at a faster rate than those with a lower secondary, primary or lower education. Thus, in turbulent times, comparatively safe subgroups are also subject to dramatic changes. The main determinants of such negative changes are structural rather than cyclical.

Table 5.2 Relative change in unemployment among those aged 15–24, by education and labour force status (%)

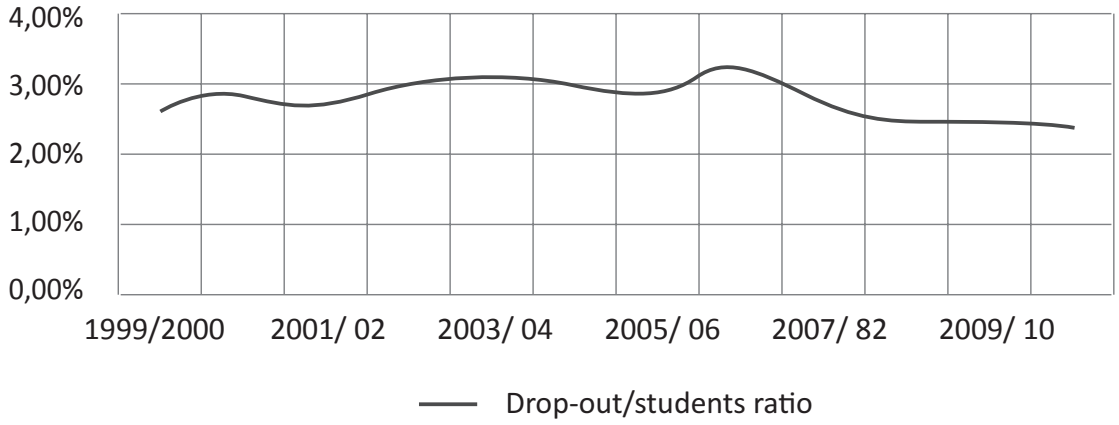
Level of education	Not in labour force	YLMP	Youth employment rate	Youth unemployment rate
Higher education	36.68	-9.99	-19.56	96.97*
Secondary	23.05	-14.20	-27.53	145.83
Upper secondary specialized	18.81	-9.52	-22.15	129.59
Upper secondary general	25.00	-17.40	-31.62	167.74

Level of education	Not in labour force	YLMP	Youth employment rate	Youth unemployment rate
Lower secondary	-10.58	-17.28	-38.33	76.28
Primary or lower	-12.29	-32.98	-63.64*	83.43

*Note: * Small numbers problem. Source: NSI LFS 2008–2011 and author's calculations.*

The major category of unemployed or inactive young people is school dropouts. Although there has been some tendency over recent years for the number of school dropouts to decrease, it is still significant. The peak with regard to the number of school dropouts was 2007/2008, at the zenith of economic growth. Many children or their families decided that it was better to work than to study. This thesis is supported by the fact that, for the past 10 years, in all three categories of dropouts (I–IV, V–VIII and IX–XII), almost 50 per cent of students dropped out due to family reasons. The latter leads to reproduction between generations of many detrimental characteristics, such as poverty, low level of education, inactivity, unemployment and, again, poverty.

Figure. 5.3. Drop-outs/students ratio



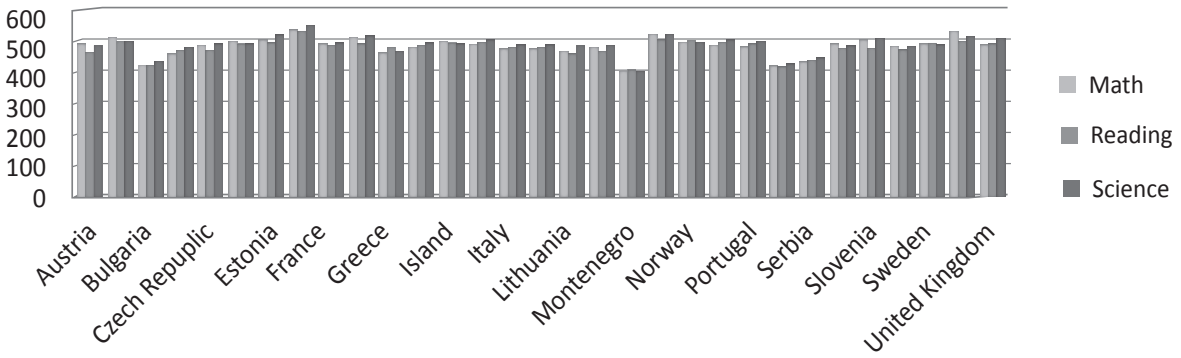
Source: NSI.

Another crucial determinant is the low quality of education and training. Over the past 10 years, Bulgaria has invariably ranked bottom in the EU with regard to quality of life of secondary education. There is much evidence that Bulgarian young people enter the labour market unprepared and lacking the requirements of a knowledge economy.

According to the PISA results in 2009, Bulgaria shared last place with Romania in the EU27 on all performance indicators. Almost 41 per cent of Bulgarian young people have the lowest score of 1 or lower for reading proficiency, which means that they have serious difficulties in evaluating, understanding, using and reflecting on written texts in order to achieve goals, develop knowledge and performance, and participate in society. The situation is similar with regard to maths proficiency. Almost 50 per cent of students in Bulgaria

received a score of 1 or lower, which shows that they do not possess an individual capacity to identify and understand the role that mathematics plays in the world, make well-founded judgments and use and engage with mathematics in ways that meet the needs of life as a constructive, concerned and reflective citizen. The results in science proficiency do not differ much, although the proportion of those with a score of 1 or lower is 38.5 per cent – a little lower than their Romanian peers. Scientific literacy is an important proxy for an individual's capacity to use scientific knowledge, identify questions and draw evidence-based conclusions in order to understand and make decisions about the natural world and the changes made to it through human activity.

Fig. 5.4. PISA 2009 mean results by countries



Source: OECD PISA 2009 results

6. Youth Unemployment with regard to Duration

Unsurprisingly, Bulgaria is among the countries experiencing a major surge in the proportion of long-term unemployed youths. In 2009, a year and a half after the downturn commenced, the number of long-term unemployed (>12 months) started to rise dramatically. At the end of 2011, about 50 per cent of unemployed young people had been out of work for more than 12 months.

There are likely to be significant consequences as a result of having more and more long-term unemployed young people in Bulgaria. First, this will exacerbate the same structural weaknesses due to which young people are unemployed. Being without a job for a long time downgrades one's work experience, depreciates skills and qualifications, makes one poorer and socially inactive. The longer period of unemployment, the fewer one's opportunities to get a new job, as gaps appear in one's working history. Furthermore, if a long-term unemployed young person finally does find work, there is a huge probability that they will be paid less, have worse working conditions, accept a job beneath their skills or enter the gray labour market. Thirdly, long-term unemployment is the natural prelude to inactivity or future emigration. According to Agency Mediana data collected in February 2012, almost 60 per cent of the young unemployed people interviewed stated that they planned to emigrate in the near future. All these consequences may drive long-term unemployed young people into a perpetual cycle of unemployment and damage their life-time economic and social prospects.

Fig. 6.1. Youth unemployment rate (15-24) by duration of unemployment

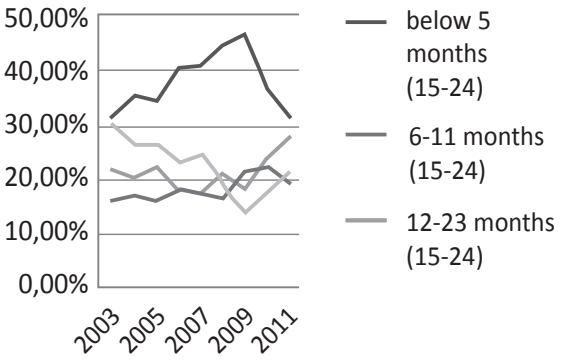
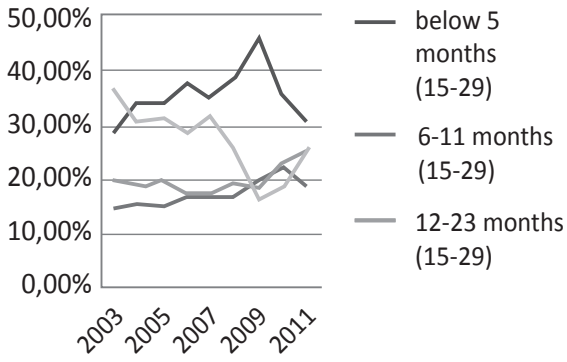


Fig. 6.2. Youth unemployment rate (15-29) by duration of unemployment



Source: NSI LFS.

7. "Generational" Youth Unemployment

"Generational unemployment" describes a situation in which young people are unemployed, their parents are unemployed and even some of their children – particularly in the case of Roma families – are or will be unemployed.

According to a survey conducted by Agency Mediana in February 2012, about 3 per cent of the total youth population (15–29) belongs to this group, about 40,000 young people or about 12 per cent of total unemployment reported in the same survey. However, the methodology of this is quite different from the NSI LFS or Employment Agency administrative data, and we will therefore not rely on the absolute figures but will use them to describe some qualitative characteristics of this type of unemployment.

The survey data show that 13 per cent of the interviewed unemployed young people live in families of unemployed; 86 per cent of unemployed young people report that their closest circle of friends, relatives and neighbours are unemployed as well. This suggests that social origin matters. A similar conclusion is presented in the World Bank report The Job Crisis: Household and Government Responses to the Great Recession in Eastern Europe and Central Asia (2011). Some of the findings indicate that in Bulgaria well-to-do households are more likely to succeed in finding additional work than poor households.

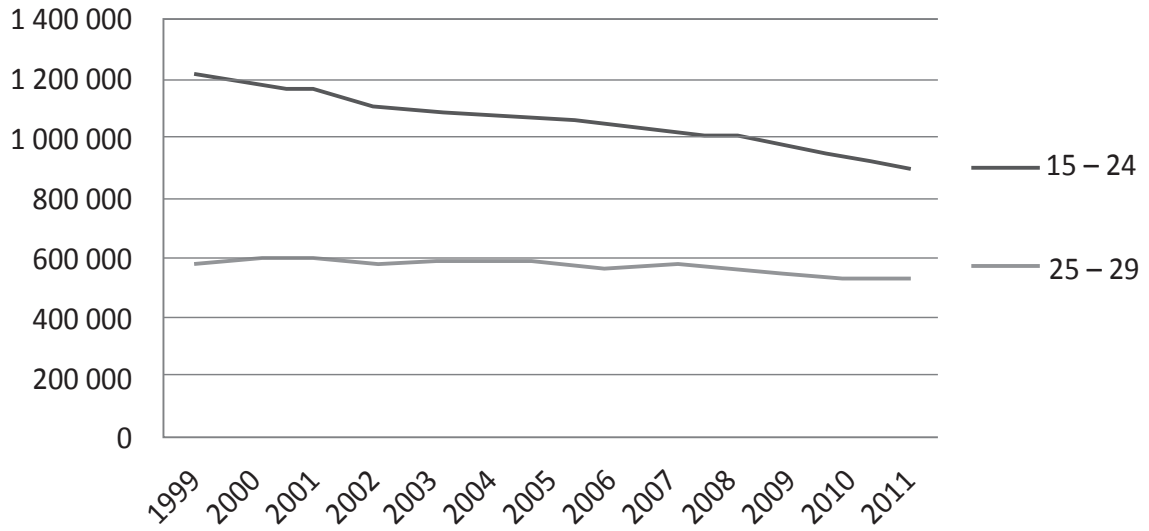
All unemployed young people have a meagre standard of living in the two cited sources. According to Agency Medina data, 80 per cent of them live in villages or small towns, about 64 per cent experience extreme poverty, including lack of food and heating. More than 80 per cent do not believe that they will ever find a job. This picture is supported by the World Bank Report (2011). For example, 35–36 per cent of the crisis-affected households (including at least one unemployed family member) in the poorest quintile have stopped buying regular medication and have reduced food consumption. At the same time, it worth pointing out that generally education has not been affected and households continue to support their students.

8. The Role of Demography

Bulgaria has been undergoing a comparatively strong decrease in its youth population aged 15–24 and a slight decline in the age group 25–29. Up to the beginning of the last recession, Bulgaria had experienced both a decline in the youth population and a shrinkage of youth unemployment rates. The latter is logical, since the pressure on this labour market segment has abated.

The economic crisis has changed this relationship and since 2008 we have witnessed a continuing decline of the youth population and, at the same time, rising youth unemployment rates. One explanation could be sought in the fact that the loss of jobs during the downturn years is faster than the population drop.

Fig. 8.1. Youth population 15-29



Source: NSI

9. Not in Employment, Education or Training (NEET)

Characteristic of the Bulgarian youth labour market is the huge absolute and relative number of youngsters who are not in employment, education or training. The country is somewhere in the middle in terms of youth unemployment rates compared to other EU countries. Unfortunately, this rank could be somehow misleading, because, at the same time, Bulgaria has the highest NEET rate in the EU27. Young Bulgarians are not only unemployed but also inactive. It turns out that the big issue that Bulgaria needs to tackle is not youth joblessness but youth inactivity. Both issues should be addressed simultaneously. There are several important reasons why we should pay particular attention to the NEET issue:

– Youth unemployment does not capture the whole picture. NEETs are the other side of the coin.

– The majority of NEET youths have a similar profile to long-term unemployed youths (including »generational« ones) and they are therefore threatened by the same risks and to the same extent. In addition, NEET youths are not a heterogeneous group and they should be analysed and treated according to their specific characteristics and the reasons why they are in this situation. The report by the European Foundation for the Improvement of Living and Working Conditions on young people and NEETs in Europe (2012) summarises some of

the main causes of being a NEET. A young person is exposed to a relatively higher risk if they have some kind of disability, a low educational level, live in remote areas, have a low income, have unemployed or low educated or divorced parents. All this sounds familiar.

Fig. 9.1. Young people neither in employment, educationor training

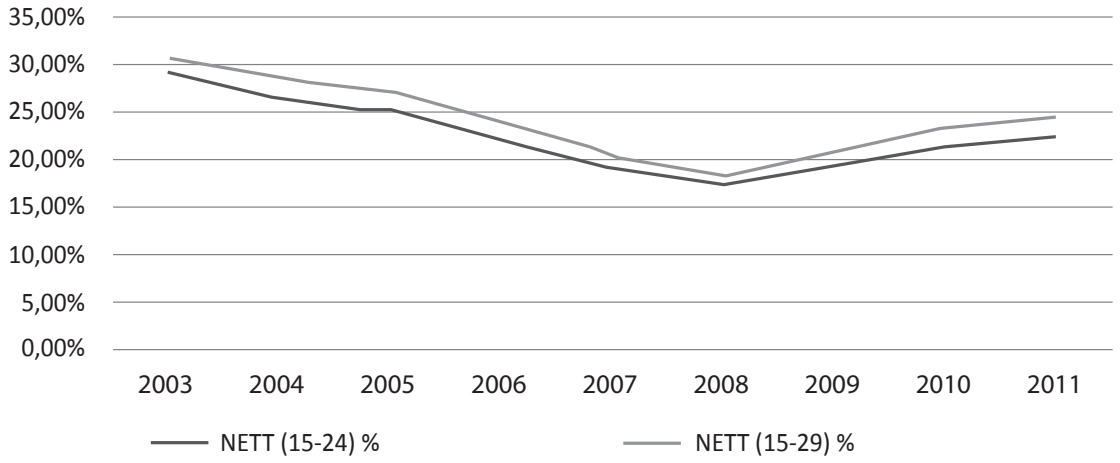


Fig. 9.2. Young people (15-29) who want to work but are not in the labour force due to inactivity

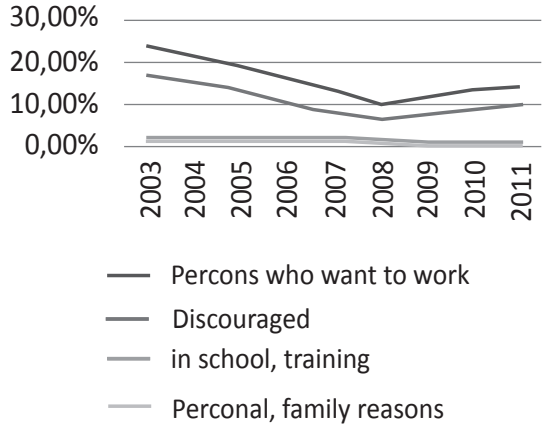
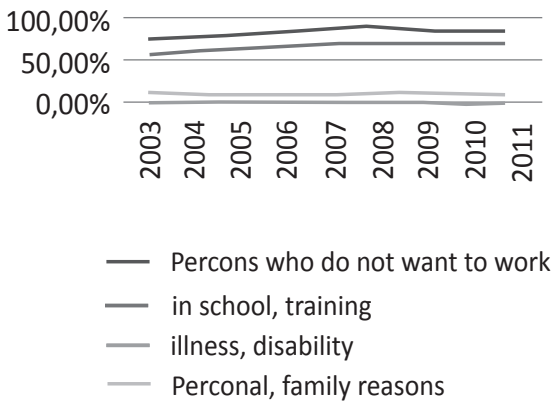


Fig. 9.3. Young people (15-29) who do not want to work and are not in the labour force due to inactivity



Source: NSI LFS.

The impact of the recession presented in Figures 9.2 and 9.3 highlights four issues that need to be addressed:

(i) Since 2008, the number of inactive youngsters who want to work has been increasing. This tendency could be explained by the reduction of disposable income in many households more of whose members seek work as a coping strategy (World Bank, 2011).

(ii) The proportion of discouraged young people is steadily rising, which is closely related to the extension of periods without a job.

(iii) The discouraged young people who want to work gradually swell the ranks of those who are not active and do not want to work.

(iv) There is a gradual increase in the number of those who take shelter from the economic recession in the education system and who, at least, do not belong to the NEET group.

10. The Role of Economic Cycles/GDP Growth

The role of the business cycle was already hinted at in Section 3. Here we present more evidence of the negative correlations between GDP growth and the youth unemployment rate. In Table 10.1, various correlation coefficients are presented in order to leave no doubt about the reverse correlation between growth and youth unemployment or inactivity.

Table 10.1 Correlation between GDP growth and unemployment indices

Correlation coefficients	
Corr GDP growth index/Youth unemployment rate of change index (15–24)	–0.86
Corr GDP growth index/NEET Rate of change index (15–24)	–0.88
Corr GDP growth index/NEET Rate of change index (15–29)	–0.86
Corr GDP growth index/AUE Rate of change index (25+)	–0.62
Corr GDP growth index/YUE Rate of change index (25–29)	–0.02

The negative correlations calculated are determined mainly by the period of 11 years of consecutive growth and the respective reduction of unemployment rates. The reverse relationship was confirmed in the first years of the recession, when it was followed by a sharp increase in unemployment rates. What has happened in the past two years, however? Despite an economic upturn, youth unemployment and inactivity rates continue to climb.

There are several explanations. Growth is still very weak and unstable. There will be a certain lag in inducing stronger employment creation and even then only if growth is steady. If the pre-crisis structure of the economy remains the same, there might be problems with pushing employment back to its level before the recession. This is because some of the main engines of the last growth period, such as construction, real estate and supporting industries, are unlikely to recover to the same levels.

In addition, there are two important constraints that will hamper the recovery of youth employment in the short term, when growth begins again. The first obstacle will be the extended pool of inactive young people. When many of these young people decide to go back into the labour market they will inevitably intensify the pressure on it. The second important hindrance will be the large number of long-term unemployed. Long-term unemployment, including the generational kind, intensifies the structural determinants of youth unemployment, which worsens the short- and medium-term prospects of young people for reintegration in the labour market.

11. Some Characteristics of Youth Employment

To capture the whole picture of youth participation in the labour market and to explain some of the specifics of unemployment itself, in this section we present some important characteristics of those young people who are in employment.

Unsurprisingly, most young people (15–29) are employed in the private sector, significantly exceeding the four other alternatives: self-employment, being employers, employment in the public sector and unpaid household work. The three lesser alternatives are more steady but at lower absolute levels.

A specific trait of the Bulgarian labour market overall, including the youth labour market, is the low level of part-time employment. The latter is very suitable for students, for example, enabling them to work and study at the same time. Youth (19–24) part-time employment is at about 4 per cent (Eurostat data) in Bulgaria, with no signs of steady growth. In 2010, this share was about 5.5 per cent but this was temporary and probably due to some anti-crisis government programmes to safeguard existing jobs through part-time employment. By contrast, in the Netherlands this figure is 75 per cent and in Slovenia, another new member state, the proportion is about 40 per cent. In fact, this is an underutilised reserve for youth employment in times of crisis or growth.

Another interesting research question is whether young people who are still at work have some specific advantages that help them keep their job. Based on the Mediana Survey (2012), we can identify some of the main characteristics of those who are still at work. As expected, the majority of them come from middle class families, have parents with secondary or higher education and a certain amount of social capital. The employed youths themselves have at least an adequate education and qualifications. However, some of these youths are also threatened by job loss or have already been made redundant. While at the beginning of the crisis employers were dismissing workers with lower education, qualifications and skills, now we find more and more cases of better educated and qualified people being made redundant.

12. The Role of Labour Law

In 2009, there were changes in the unemployment benefit regulations, introducing a new schedule of payments. During the first half of the benefit period, an unemployed person receives 30 per cent of the relevant amount every month and in the second half the remaining 70 per cent. This is aimed at bringing about shorter periods of registration with Labour Offices. Although long-term unemployment has hit record levels, no evidence is yet available on the net impact of this legislative measure.

A change with presumably the opposite effect was the abolition of the »12-month rule« for receipt of the subsistence minimum by able-bodied recipients, effective from 1 January 2011. When this was introduced two years ago, the main motive was to encourage the inactive or long-term unemployed to find jobs. This was during the years of economic growth. In times of crisis the social protection arguments prevailed over merely economic rationality.

There have also been changes in the legislation on atypical work, including fixed-term and part-time employment, temporary work agencies, teleworking and so on. All this has made the Bulgarian labour market more flexible and has enlarged the scope of employment opportunities. But it has also led to a higher degree of insecurity. The key question is whether the labour market and its regulations manage to ensure a balance between flexibility and security.

While some of the latest employment warnings concern the increasing number of young people trapped in non-standard and/or unstable employment (ILO 2012), the situation in Bulgaria is completely different. As already mentioned, Bulgaria has the lowest level of part-time employment (average of 4.4 per cent) in the EU27. The level of temporary jobs is similar. The average proportion of young people working on fixed-term contracts has been about 10 per cent during the past 10 years. In 2011 there was even a drop of 200 basis points, which means that only 8 per cent of young people aged 15–24 made use of this opportunity. These low levels could fall even lower if direct government programmes to stimulate part-time employment are not launched. The upshot is that young Bulgarians, like their older colleagues, are not yet attracted by such atypical jobs. The latter remains one of the main underutilised reserves for labour market inclusion and employment expansion.

Laws concerning education are indirectly related to youth unemployment. Some of the most important recently adopted measures include: the introduction of obligatory preschool education, delegated budgets and external student performance evaluation. These measures are aimed at reducing the number of early school leavers and improving the quality of education and student achievement. These problems are exceptionally important for limiting youth unemployment and inactivity.

13. Youth Policies and Anti-crisis Measures

Young people have always been considered a disadvantaged group on the labour market and they have therefore received particular attention in terms of policies, programmes, measures and spending. Since the beginning of 2011, young people have been targeted as a specific priority of ALMP after the first signs of galloping youth unemployment were detected.

At present, there are several strategic documents to guide youth employment policies through these turbulent times: the National Initiative »Work for Young People in Bulgaria« 2012–2013, the Youth Strategy 2010–2020 and the National Youth Programme 2011–2015.

The National Initiative »Work for Young People in Bulgaria« summarises the main pillars of youth employment and activation policies:

– Activation measures, including information, registration in Labour Offices (LOs) and consultations.

– Measures towards increasing the competiveness of young people on the labour market, comprising mediation services and motivation, literacy training and primary classes for those who need them in order to be included in further vocational training, professional qualifications and competencies training (including the recently launched voucher system).

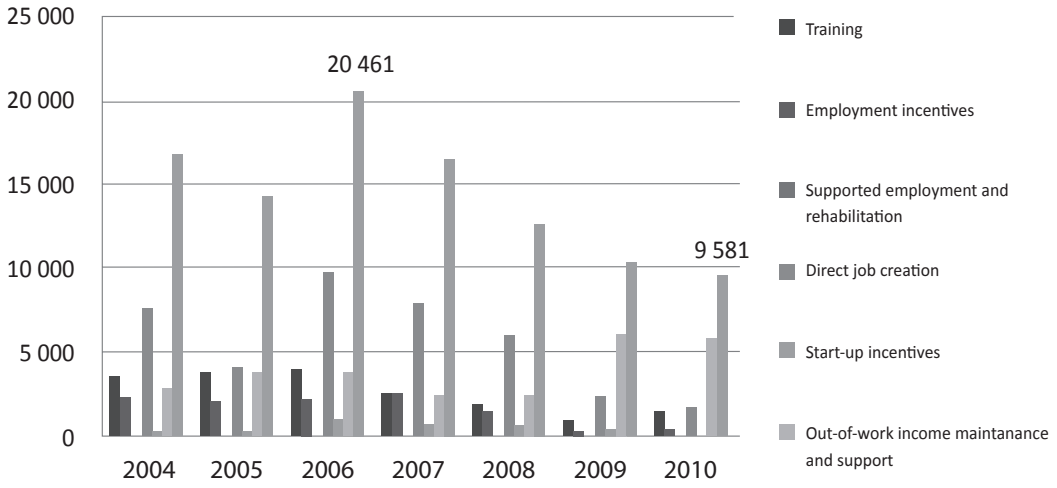
– Support during the transition period between education and work, including measures such as ensuring the first job by means of a national agreement between the social partners called »First Job«, the provision of internships, on-the-job-training, subsidised employment, apprenticeships, entrepreneurship empowerment, opportunities for in-house or remote work, career orientation and development and the organisation of youth labour exchanges.

At first glance, there is hardly anything missing from the palette of programmes, measures and intentions. Moreover, many of these instruments are familiar. In fact, Bulgarian ALMP is very close to good EU standards and practices in terms of availability. If something innovative comes up somewhere in the EU, it is soon adopted in Bulgaria as well. Nevertheless, the strategic objectives of

ALMP to reduce youth unemployment and to increase youth employment rates are still far from being accomplished.

According to Eurostat data, the largest number of young people (15–24) supported through ALMP was 20,461 in 2006, while in 2010 the number slid down to 9,581. This happened in the midst of the crisis. Up until 2010, direct job creation had the largest share in youth support measures, although involved participants have been steadily decreasing since 2007.

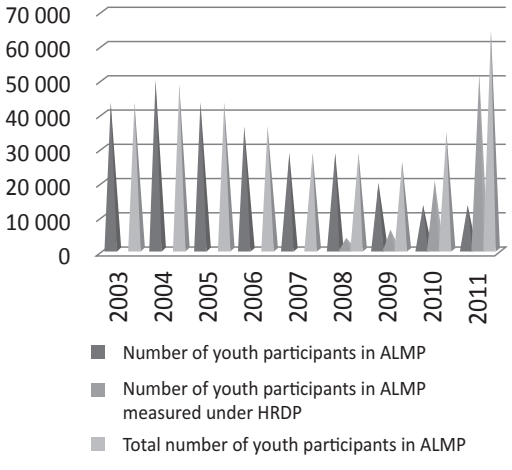
Fig. 13.1. Number of participants in the Bulgarian labour market



Source: Eurostat.

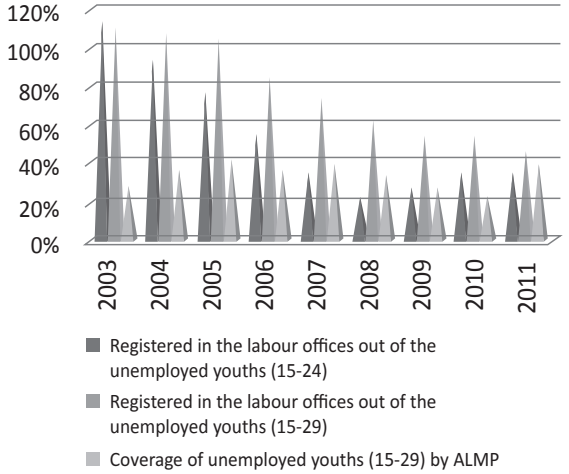
However, since the beginning of 2011, the official policy has focused on training, at the expense of job creation. This turning point was accompanied by another important change in ALMP, namely that fact that Operational Programme Human Resources Development 2007–2013 (HRDP) was given priority as a financial instrument. Figure 13.2 presents the author's calculations based on the report data provided by EA which shows the number of youths involved in ALMP, financed mainly through the annual National Employment Plan (NEP), the Employment Promotion Act (EPA) measures and HRDP.

Fig. 13.2. Youth participants (15-29) in ALMP



Source: EA, HRDP reports, author's calculations.

Fig. 13.3. Unemployed young people registered with unemployment offices



Source: NSI LFS, EA, HRDP reports, author's calculations.

During the period 2003–2007, all ALMP measures, including those for young people, were financed through the NEP. In fact, there was a declining trend in the number of young people involved, mainly because of the decreasing youth unemployment. As shown in the figures, in the past two years, the surge in ALMP youth participants has been driven by HRDP, although most of the NEP programmes and EPA measures have been kept open with reduced financing. These outstanding figures are achieved due to the implementation of about 43 programmes targeting young people. Only 5–6 programmes and measures are explicitly youth oriented, however. The rest are programmes and measures with a broader scope of target groups, including young people.

It is worth mentioning that the numbers in Figure 13.2 show that HRDP participants include both unemployed and employed youths, while those financed through NEP and EPA are focused exclusively on unemployed youths. For example, in 2008 and 2009, no unemployed young people were included in HRDP measures. In 2010 and 2011, employed and unemployed youth participants were almost equally represented in HRDP.

Based on EA and HRDP reports, we calculate the coverage of ALMP of unemployed young people as a proportion of jobless youth participants out of total youth unemployment. Figure 13.3 shows that the coverage was about 40 per cent in 2005–2007 and again in 2011. The rise in 2011 was due to the HRDP's increased absorption of funds over the previous two years. The latter is not a constant condition and there will be other years when HRDP will not have as many beneficiaries because of operational issues and procedures. Thus, transferring responsibility from the national budget to HRDP could work only if the operational programme has even levels of annual participants and spending. If not, we will witness ALMP covering target groups needs unevenly from year to year. Support will be provided when HRDP allows this, depending on its internal procedures and peculiarities, and not when target groups need it. HRDP puts forward the procedures themselves and only then the target groups' needs. The data for 2008 and 2009 support this. Those were the years when youth unemployment began its ascending trend but were at the same time characterised by a significant decrease in national budget spending and with no funds for unemployed youth coming from HRDP. The momentum was lost. In 2008 and 2009, ALMP was supposed to combat the new cyclic youth unemployment. In 2011 the focus was on long-term unemployment.

Another coverage indicator is the share of unemployed young people registered in labour offices. There has been a steady 10-year slowdown in the number of unemployed young people on labour office lists. In 2011, only 47 per cent of unemployed youth were registered. Moreover, these data are much worse if we add NEET youths. In addition, according to NSI LFS data, only about 30 per cent of unemployed youth (15–29) seek labour offices' assistance to find jobs. This means that even some of those who are registered as unemployed do not rely on the labour offices' services. However, this needs to change, firstly because Labour Office mediation services have a comparatively strong positive net impact (Kotseva and Tsvetkov 2011) and because this is the only way for youngsters to participate in the available programmes. At the beginning of 2012, the government undertook special measures to make young people visit labour offices more often.

The adequacy of ALMP is another important point of this analysis. In 2011, more than 43 youth programmes were being implemented, with about 43,000 unemployed youth participants. At the same time, there are no signs of reduced tension in the youth

segment of the labour market. There are several explanations of what is happening:

– Due to strong cyclical factors, such as insufficient vacancies and newly created jobs, all undergoing measures have so far failed to lead to new employment.

– Some ALMP are probably not so effective and have a lower net impact. Analysis across programmes shows that there is a large gap between their net impacts (WYG International 2007). If we take an arbitrary cut-off point of 25 per cent, only one of the programmes had a positive net impact, suggesting that they were successful in significantly improving the job prospects of participants over non-participants. Three other youth programmes have net impacts below 25 per cent and one even has a negative result. The best performing programme was »Jobs for unemployed people under 29« and the worst is computer training for young people (with a negative impact). At the same time, computer training is among the most popular under the voucher system of HRDP, thus contributing to the astonishing numbers of youth participants in 2010 and 2011.

– The net impact assessment done by age groups put the youth group in second lowest place (WYG International 2007). Only the programmes for disabled people have lower net impact.

– By contrast, labour office mediation services have a comparatively strong positive net impact on young people seeking jobs (Kotseva and Tsvetkov 2010).

Lastly, although it is not the purpose of this paper to analyse the effectiveness of ALMP and labour office services, we identify some of their possible constraints and weaknesses:

– In the past two years, ALMP have been financed predominantly by the HRDP, which however has a more or less periodic character and depends too much on management and spending procedures. Moreover, it was planned 5–6 years ago.

– There are too many youth programmes – more than 43 – which might dilute their effective management and achievement of their ultimate goals.

– Although there have been net impact assessments showing that some programmes are not effective, the latter are still operating.

– In 2011, »quantity« mattered at the expense of »quality«. For instance, there are a lot of people attending training and qualification courses but no guarantees of the quality of these training courses are provided. They are not even analysed. The performance results of the education system suggest that the adult training system provides even lower quality services. This means that people can be involved in training but that it will not improve their qualifications or skills. Many of these training courses are formal, not meeting real demand but driven by the training institutions.

14. Conclusions and recommendations

In this section we highlight the main messages of this paper and suggest some policy directions to combat youth labour market problems.

Main Messages

– Youth unemployment should be scrutinised together with inactive youths. The two issues together mean that the youth situation on the Bulgarian labour market is even worse than it looks. In fact, the real problem is NEETs, long-term unemployment and young people suffering from so-called »generational« unemployment.

– Early school leavers and the comparatively low quality of education in Bulgaria are some of the main reasons why young people do not have adequate education, qualifications and skills. However, both problems are well known and measures are being taken to improve the situation.

– Adult training can be poor quality. This threatens the effectiveness of all training programmes that are being undertaken under active labour market policy.

– The business cycle has a strong effect on youth unemployment. Unfortunately, the recession has been piled up on existing structural problems.

– Social status amplifies the risk of being unemployed. If one's parents are unemployed, inactive, with low education, illiterate, without skills and qualifications, live in poverty or belong to particular ethnic groups (for example, Roma) one is likely to duplicate the same characteristics.

– In times of crisis, comparatively safe subgroups, such as young people who are highly educated and with professional experience, are also subject to dramatic changes. The main determinants of such negative changes are more or less cyclical, but also structural.

– Education can shelter young people from unemployment but sooner or later they will have to return to the labour market. If the recession is prolonged, then returning youths will increase the pressure on the labour market.

– Bulgaria has a rich set of active labour market instruments, which allow it to react with the most appropriate tools to combat youth unemployment and inactivity.

– There are perhaps too many ALMP measures, which means a loss of focus and a probable increase in the administrative costs of their implementation.

– It is not active labour market policy overall but the details of each programme that should be scrutinised. Some programmes that are not attractive or are not well implemented due to procedural obstacles lead to poor results.

– Transferring the responsibility of ALMP financing from the national budget to EU operational programmes could lead to recurrent fragmentation of intervention due to rules and procedural issues.

Policy Recommendations

Many policies have been recommended by various policymakers, think tanks, researchers and others in recent years. As already mentioned, ALMP in Bulgaria is in line with best practice in the EU. Many of these interventions are being implemented successfully. For instance, school reforms have started to improve students' performance. Pre-school education has been made obligatory. Activation measures have been launched together with measures directed towards first jobs, apprenticeships, professional orientation and so on. We shall not list all these policies, programmes and measures. What we present below are various nuances of the existing interventions, focusing on details and not the strategic framework.

– Four years after the crisis began the focus of youth measures should turn to long-term unemployed and inactive youths. Currently, the short-term unemployed young belong to the last wave of redundancies and many of them have a higher education, experience and skills. Their problems are more or less cyclical ones and if the economy starts growing they will be the first to be employed.

– Specific measures for improving quality of adults training should be developed and introduced. This is important because training is one of the main pillars of ALMP. The number of trained employed and unemployed adults increased by nearly three times

in 2010 and 2011 and they will continue to increase as substantial funds in HRDP are allocated to this. There are no guarantees that such training achieves even minimum quality standards, however.

– Particular attention should be paid to the details of active labour market programmes and measures. Small details in the eligibility criteria, costs, rules and procedures could shackle the whole programme to its administrative implementation instead of trying to achieve its main objectives.

– Generally, if HRDP is to be the main financial instrument in the short and medium terms it needs to be made more flexible, with loosened procedures and rules in order to serve the target groups' needs, and not the procedures and rules themselves.

– Existing programmes should be more focused. However, a balance should be maintained between concentration and targeting of the programmes and measures.

More and better net impact, ex-ante and ex-post evaluations or labour market studies should be conducted for specific programmes or groups of programmes in order to inform policymakers and programme implementers in a timely fashion of the effects of their actions. Again, the details are important. These evaluations and studies should be professional. Otherwise, they will be executed merely formally, with no effects whatsoever.

Bibliography

Agency Mediana (2012): Youth Unemployment in Bulgaria – factors, type of unemployment, social-psychological attitudes, state policy, programmes, measures effectiveness, problems identification, available at: http://www.ilianaiotova.eu/files/h_g_DOCLAD_youth_unemployment_2012.pdf.

Bulgarian Ministry of Labour and Social Policy (2012): National Initiative "Jobs for Young People in Bulgaria; available at: www.mlsp.government.bg/bg/docs/ML_INICIATIVA_prietaMS.doc.

Dietrich, H. (2012): Youth Unemployment in Europe – Theoretical Considerations and Empirical Findings, Friedrich-Ebert-Stiftung, Berlin.

European Foundation for the Improvement of Living and Working Conditions (2012): Young people and NEETs in Europe: First Findings; available at: http://www.eurofound.europa.eu/pubdocs/2011/72/en/1/EF1172EN.pdf.

ILO (2012): Global Employment Trends for Youth 2012, available at: http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_180976.pdf.

Kotseva, M. and Tsvetkov, A (2010): Main Results from the Net Impact Evaluation of Public Employment Services, available at: http://ees-bg.uphero.com/pes/analitichen_doklad_Eng_new.pdf.

Noelke, C. (2011): The consequences of employment protection legislation for the youth labour market, available at: http://www.mzes.uni-mannheim.de/publications/wp/wp-144.pdf.

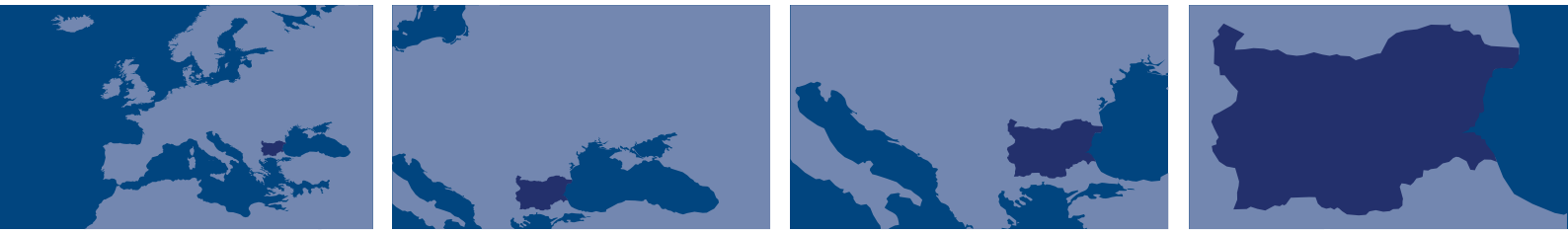
World Bank (2011): The Jobs Crisis: Household and Government Responses to the Great Recession in Eastern Europe and Central Asia, available at: http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2011/04/11/000386194_20110411025804/Rendered/PDF/608090PUB0Jobs10Box358332B01PUBLIC1.pdf.

World Bank (2009): BULGARIA: Social Assistance Programs: Cost, Targeting Accuracy and Poverty Impact, available at: http://documents.worldbank.org/curated/en/2009/09/12424939/bulgaria-social-assistance-programs-cost-coverage-targeting-poverty-impact.

WYG International (2007): Net Impact Assessment of Active Labour Market Programmes - Final Report, prepared for the Bulgarian Ministry of Labour and Social Policy.

About the author

Yordan Dimitrov is an economist and a program coordinator in Balkan Institute for Labour and Social Policy, a social think tank based in Sofia, Bulgaria. In the last 10 years he is specializing in the fields of labor market, human resources development, working conditions, safety and health at work, social impacts assessments, and social programs evaluation. Yordan Dimitrov has worked as an external consultant with various organizations such as World Bank, UNDP, Friedrich Ebert Stiftung, Bulgarian Minister of Labor and Social Policy and others. He was a visiting researcher in Georgetown University, Washington DC, USA. He is a member of the Bulgarian Macroeconomic Association.



Imprint
Friedrich Ebert Foundation
Office Bulgaria
97, Knjaz Boris I St.
1000 Sofia, Bulgaria
Responsible:
Regine Schubert, Director

Orders
e-mail: office@fes.bg
Att.: Emilia Burgaslieva

All texts are available online
www.fes.bg