

**THEMATIC NETWORK PROJECT IN THE AREA OF LANGUAGES III (TNP3)  
SOCRATES-ERASMUS PROGRAMME  
(2003-2006)**

**Sub-project Two**

**LANGUAGES FOR ENHANCED OPPORTUNITIES ON THE EUROPEAN LABOUR MARKET**

**National Report: Bulgaria**

**INTRODUCTION**

The Report aims at giving a very general picture of the trends in the Bulgarian economic situation, the labour market and foreign language skills and competences as a factor which largely increases the opportunities for employability.

The positive assessment of Bulgaria's economy in the last quarter of 2003 is based on GDP's growth and on the good development of certain economic sectors. The quarterly results confirmed the positive trends for macro indicators such as inflation and unemployment level on an annual basis. In this quarter tourism, capital market and banking system data register improvement as well. On the whole the sector policy in the energy, environment and agriculture sectors can be given a positive assessment, whereas no serious developments were registered in the transport and in the high technologies and communications sector. Despite the steps towards improving the enterprise policy and the entrepreneurial environment, the Estat index of business climate in Bulgaria registered a negligible quarterly decline.

**Domestic debt** amounts to BGN 2 241.1 m. Compared to the end of the third quarter of the year total domestic debt registers an increase of BGN 22.9 m. A negligible increase in the **number of unemployed Bulgarians** was registered in the last quarter of 2003. Such increase is conditioned by the end of the seasonal employment period. A general **economic growth** of 4.3 per cent has been projected for the fourth quarter of 2003. The industrial sector is expected to have the highest share in GDP production growth, whereas investments will be a major growth factor for GDP consumption.

In January 2004 the integrated value of the **Estat Index** of business climate registered a modest decrease, mainly as a result of the decline in the Investment Attitude component and the slightly lower managers' assessments of the quality of their internal resources. Despite the decline, the value of the Estat index remains positive within the neutral section of the scale. The economic environment for business development is still characterized as "neither favourable, nor unfavourable". The positive trend of improved business climate, observed since the beginning of 2003, is rather feebly marked. The opinion of the business about some business environment indicators registers improvement – most important among these is the higher confidence in the banking system. This fact is becoming a stable trend. The attitude towards the start up of new business, the administrative barriers and somewhat towards the government administration registers a positive change. Signs of a positive change in the business' attitude towards the tax policy are also observed as a result of the amendments in the field approved at the end of 2003. According to the latest survey, the basic problems of the Bulgarian companies are associated with the practical implementation of regulations, the absence of sufficiently active policy on the promotion of entrepreneurship and the use of high technologies in the business. Concerns about the absence of sufficient transparency in the competitions for public procurement awarding and implementation are also registered. The insufficient belief of entrepreneurs in the benefits of the harmonization of Bulgarian with European legislation also generates concern. In the fourth quarter of 2003 **the entrepreneurial environment** registered an upward trend.

Table 1

## Main Economic Indicators for Bulgaria

Indicator	Measure	1998	1999	2000	2001	2002	Q3 2003
<b>Real sector</b>							
GDP	growth, %	4.0	2.3	5.4	4.0	4.8	4.3
GVA, agriculture	growth, %	1.2	5.5	-10.3	0.3	5.1	- 2.7
GVA, industrial sector	growth, %	7.9	-6.3	10.6	4.1	3.5	8.4
GVA, services	growth, %	0.6	5.3	6.7	4.7	5.1	4.2
GVA, private sector	growth, %	5.6	7.7	14.3	6.6	7.6	6.1
GVA, public sector	growth, %	-2.1	-8.0	-11.4	-2.3	-2.7	- 2.9
Final consumption	growth, %	4.0	8.8	5.7	4.4	2.5	4.3
Individual consumption	growth, %	2.6	9.3	4.9	4.6	3.9	4.3
Collective consumption	growth, %	23.4	4.1	13.3	2.9	6.2	5.1
Investment (GFCF)	growth, %	35.2	20.8	15.4	23.3	9.3	16.0
Exports (G&S)	growth, %	-4.7	-5.0	16.6	10.0	1.2	4.0
Imports (G&S)	growth, %	12.1	9.3	18.6	14.8	4.7	13.0
GDP	million BGN	22 421	23 790	26 753	29 707	32 324	
GDP	cp, million USD	12 735	12 946	12 597	13 557	15 563	5 517
GDP per capita	cp, USD	1 542	1 577	1 542	1 705	1 970	701
Real GDP per capita (PPP)	vi, EU-15=100, %	28.06	28.16	25.53	24.65	24.75	24.70
GVA, private sector	% GDP	55.8	57.1	61.6	63.4	64.2	69.0
Inflation (CPI)	m, (Dec py)=100	1.0	6.2	11.4	4.8	3.8	3.8
Unemployment, registered	eoy, %	12.2	16.0	17.9	17.3	N/A	12.86 (X 2003)
<b>Fiscal sector</b>							
CSB, deficit/surplus	million BGN	224	-225	-269	-255	-218	
<b>Financial sector</b>							
							<b>X 2003</b>
Foreign exchange reserves	million BGN	5 119	6 272	7 273	7 943	N/A	N/A
Foreign exchange reserves / M0	%	211.1	230.2	240.8	197.0	199.6	228.7
Foreign exchange reserves / M1	%	181.2	209.1	200.2	170.3	161.4	172.3
Foreign exchange reserves / M3 BGN component	%	127.8	140.0	140.6	119.8	101.1	107.4
Foreign assets / M3	%	126.3	128.9	125.0	109.5	90.8	85.2
<b>External sector</b>							
							<b>IX 2003</b>
Current account	million USD	-61	-652	-704	-842	-679	-12.2
Trade balance, FOB	cp, million USD	-381	-1 081	-1 176	-1 581	-1 595	-148.4
Exports, FOB	cp, million USD	4 194	4 006	4 825	5 113	5 692	651.7
Imports, CIF	cp, million USD	4 574	5 087	6 000	6 693	7 287	800.1
Direct investment in Bulgaria	million USD	537	819	1 002	813	873.7	864
Current account	%/GDP, a	-0.5	-5.0	-5.6	-6.2	-4.4	N/A
Trade balance, FOB	%/GDP, a	-3.0	-8.3	-9.3	-11.7	-10.3	N/A
Exports, FOB	%/GDP, a	34.1	32.6	40.4	37.6	36.7	N/A
Imports, CIF	%/GDP, a	37.2	41.4	50.3	49.3	47.0	N/A
Direct investment in Bulgaria	%/GDP, a	4.4	6.6	8.4	6.0	3.0	N/A
Gross External Debt	%/GDP, a	85.5	84.2	88.9	78.3	70.5	N/A
Exchange rate	eoy, BGN/USD	1.67510	1.94687	2.10191	2.21926	1.88496	1.6178

Source: BNB, NSI, Ministry of Finance, Eurostat, Employment Agency

**Legend:**

CSB = Consolidated State Budget; cp = current prices; eoy = end of year; GDP = Gross Domestic Product; a = annual; GVA = Gross Value Added; PPP = Purchasing Power Parity; vi, EU-15=100 = Volume index, EU-15=100; m, (Dec py) =100 = monthly, over December of the previous year; G&S = goods and services; GFCF = gross fixed capital formation

An important event in the fourth quarter was the Strategy for Employment in Bulgaria, 2004-2010 approved by the Council of Ministers. It is a document based on the objectives of the European Strategy for Employment – full employment, labour quality and productivity, and a labour market guaranteeing a high degree of inclusion.

## A brief overview of the national labour market

According to a Labour Force Survey data Bulgaria's 2002 unemployment level is lower compared to the previous year, but unemployment remains too high compared to the average unemployment level in the European Union. According to Eurostat data, in January 2003 EU unemployed accounted for 7.9 per cent of the Union's population, with Luxembourg (2.7 per cent), Holland (3.1 per cent) and Austria (4.1 per cent) registering the lowest unemployment levels. Austria's low unemployment rate as well its geographic proximity to CEE countries - candidates for EU membership make the country a major destination of potential migration processes in future EU Member States. The so-called "brain-drain" from Bulgaria to developed EU Member States is particularly intensive in recent years. The fact that investments in human capital made in Bulgaria have no return generates concern. Nearly two thirds of migrants are in the (10-39) age interval. According to the Census taken as of 1<sup>st</sup> March 2001, the population in the (20-39) age interval is expected to form the basic portion of future emigrants to the EU. Desire to migrate is also most frequent in the 20-29 age group (37 per cent).

Bulgarian young people constitute a significant share of the underprivileged people on the labour market. The problems they have in finding a job result in the first place from absence of working experience, of financial resources; insufficient information, consulting and orientation of young people to entrepreneurship; as well as from the absence of effective lending system for young and promising entrepreneurs. These are the basic lines along which the Government should take efforts with a view to stop the "brain-drain" and to motivate young people to look for jobs on the Bulgarian labour market.

The restructuring of Bulgarian economy after 1989, with a view to create efficiently functioning market economy able to cope with the competitive pressure of market forces in the Single Market of the European Union and get successfully integrated in the global economy, outlined a couple of negative trends in the labour market in recent years. These are manifested first of all in the heavy unemployment, the rather low standard of living, the large share of the shadow economy amounting to 25-30 per cent of GDP according to expert estimates, the increasingly higher deficit in the Pensions Fund which does not allow to reduce the social security and tax burden and to increase pensions, as well as the social isolation in a still unfavourable economic environment.

There are a couple of **negative factors**, which have an impact on the labour market flexibility. These include:

- Heavy unemployment among people of older age as a result of the demographic aging population process and the higher retirement age required to get pension rights;
- Mass layoffs as a result of structural and privatization processes in the economy and of social security, education and healthcare reforms;
- Loss of skills and working habits as a result of labour force reorientation from the industrial to the agriculture sector in search of an escape strategy;
- Low education and qualification level of the unemployed, which requires considerable financial resources to meet the needs and requirements of employers;
- Large share of permanent unemployed who have lost their working habits, which impedes their adaptation to the work force demand on the labour market;
- The low income levels of the population and the rather low standard of living make university students and pensioners actively look for jobs and employed person look for a second job;
- Implementation of new technologies in production which also results in lower number of the employed and unbalanced labour market;
- Large share of disabled people in Bulgaria in recent years, which requires special incentive measures for employment of underprivileged people and their successful integration in the labour market.

**Demographic trends** in Bulgaria have an unfavourable impact on the labour market performance. The aging of the population and the negative natural increase have a negative impact on the proportion of working-age population to the number of the pensioners.

According to December 2002 statistical data, Bulgaria's **economically active population** is 48.4 per cent of the population at 15+ age. The country's **manpower reserve** amounts to 509.3 thousand people at the age between 15 and 64 years, who do not actively look for jobs. A conclusion follows that

Bulgarian labour supply is not optimised, which is a result of both low payment rates, which discourage national labour force supply, and labour force education and qualification which do not fully meet employers' requirements. Structural and privatisation processes result in **labour force reorientation from the public to the private sector**. In 2001 the employed in the private sector accounted for 60.3 per cent of total employment and only a year later their share increased to 62.6 per cent. The share of the employed in the public sector dropped down from 39.5 per cent in 2001 to 37.2 per cent in 2002. **Small and medium-sized enterprises are the basic national employment source**. They account for around 99 per cent of total enterprises in the country (enterprises having 250+ employees are included) and their share in total employment is 50.7 per cent. The Bulgarian Government appreciates their significant role in solving the unemployment problem, but the trend of failing to implement a well-directed policy to encourage small and medium-sized businesses and to promote employment continues. Measures adopted to reduce administrative barriers and to facilitate the access to loans are certainly important for the sector, but there is also a need to improve the coordination of the different government institutions directly concerned with the implemented policy for promotion of the SME sector, which would improve the efficiency of their actions. According to the labour force survey conducted by the National Statistics Institute (NSI) in December 2002, the service sector accounts for more than half of the employed (58.6 per cent), industry – for 32.8 per cent, and agriculture - for 8.5 per cent only.

A very important unemployment problem is **the large number of the long-term unemployed (for one or more years)** in the country, who account for 65.8 per cent of the total number of unemployed (December 2002 Labour Force Survey). These people have lost their working habits and need special measures to improve their qualification and to get retrained in accordance with current employers' labour force demand. The fact that the share of long-term unemployed in the total number of unemployed increases every year raises concerns. In 1999 long-term unemployed accounted for 52.5 per cent of the total number of unemployed, in 2000 – for 58.6 per cent, in 2001 – for 63.2 per cent, and in 2002 - for 65.8 per cent.

**The high youth unemployment rate** in the country is another embarrassing fact in the field of unemployment. In 2002, 15.8% of all unemployed were young people aged between 15 and 24. Although ever since 1997 the youth unemployment is continuously falling, its rate in the country is still very high. The reason for this unfavourable fact lies in the lack of practical experience of the youth, which requires an adequate state interference for encouragement of the entrepreneurs to provide internships for the youth.

**The education level of the unemployed** in Bulgaria allows assessing the conformity level of the education provided in the country, which determines the labour supply, and the requirements and needs of employers, which determine labour demand. According to the Labour Force Survey, in December 2002 11.9 per cent of the unemployed have higher education, 53.3 per cent have secondary education, and 34.8 have primary and lower level of education. The education structure of the unemployed reveals a need of further investments in human capital to enable the unemployed to meet labour market needs and make the labour market and effectively operating one. A continuous growth of the share of unemployed with higher education has been viewed since 1997 (1997 – 8.4 per cent, 1998 – 8.5 per cent, 1999 – 8.0 per cent, 2000 – 8.9 per cent, 2001 – 11.2 per cent, 2002 – 11.9 per cent) and secondary education (1997 – 50.7 per cent, 1998 – 50.7 per cent, 1999 – 52.5 per cent, 2000 – 53.1 per cent, 2001 – 54.6 per cent, 2002 – 53.3 per cent) in the total number of unemployed and decrease of the share of unemployed with primary and lower education level (1997 – 40.9 per cent, 1998 – 40.8 per cent, 1999 – 39.5 per cent, 2000 – 38.0 per cent, 2001 – 34.3 per cent, 2002 – 34.8 per cent). The conclusion is that in Bulgaria educated talented people cannot get full realisation on the labour market. This unfavourable trend is a result of both the low payment levels countrywide which ensure low standard of living and inability to get return of investments in human capital, as well as of the economic restructuring after 1989 which requires labour force retraining for successful realisation in the service sector which in 2001 accounted for 46 per cent of the total number of employed in Bulgaria.

## **Policies in the Field of the Labour Market**

The guidelines of the European Employment Strategy and the EU directives concerning equal treatment, labour force vocational training and other employment-related issues are fundamental documents of Bulgaria's employment policy in a short- and mid-term perspective. The basic objective of labour market policy is to ensure effective labour market, which will guarantee higher employment level for the active population. The collateral objectives of Bulgaria's **employment policy** set forth in the **New Social Policy Strategy** adopted by the Government in 2002 include:

- New individual approach to every unemployed person;
- Improving employability;
- Promoting entrepreneurship;
- Creating employment for underprivileged people;
- Training and retraining.

## **Challenges of EU Accession Regarding Labour Market Flexibility**

**On 20<sup>th</sup> February 2003 EC published a report on the situation of the labour market in EU candidate countries**, which revealed the great difference in the unemployment levels of the countries and the need of urgent measures to increase employment, mostly in the service sector, to improve the qualification level and to avoid reliance on agriculture and traditional industries. The objective of EC's report is to serve as guidelines for working out the national development plans of EU candidate countries, the employment and human resources policy, including a plan to utilize the European Social Fund. **According to the European Commission, there are four basic strategic priorities in the labour market area, to which EU candidate countries should pay special attention.** These include:

- Increasing labour supply and engaging a significant number of the active population in the labour market, as a precondition for economic and social development;
- Improving the employment level, which along with higher labour productivity is a key factor for strong economic growth, real equalization of income levels and achieving European employment targets set forth in the Lisbon and Stockholm strategies;
- Labour market operation should be dependent on economic restructuring and the labour market should enable people to manage economic reforms and transform their industries from obsolete into modernised ones;
- Improving the level of qualification and skills as a counterbalance of the aging labour force and future challenges resulting from the need to increase productivity within a competitive and enlarged single market.

In the area of **employment** EU candidate countries should develop labour market policies, which would enable them to guarantee effective balance of labour force demand and supply at their domestic markets. Their new labour market policies, complying with the European Employment Strategy, must develop fast enough to allow full participation of the corresponding country in the Single European Market. Last but not least, candidate countries must develop special policies and measures targeting unskilled active population to enable the latter to get successful realisation at the labour markets of developed countries.

## **Three Factors of Upheaval**

Among the many complex changes taking place in European society, three major trends, three 'factors of upheaval', are particularly manifest. These are the internationalisation of trade, the dawning of the information society and the relentless march of science and technology.

- The impact of the information society: the main effects of this is to transform the nature of work and the organisation of production. Routine and repetitive tasks which used to be the daily lot of most

workers are tending to disappear as more autonomous, more varied activities take their place. The result is a different sort of relationship with the company. The role of the human factor is increasing but the worker is also more vulnerable to changes in the pattern of work organisation because he has become a mere individual within a complex network. Everyone therefore has to adapt not only to new technical tools but also to changes in working conditions.

- The impact of internationalisation radically affects the situation as regards job creation. After initially affecting only commercial, technological and financial trade, internationalisation is now bringing down the borders between the labour markets, thus making a global employment market closer than is generally thought. The European Commission, in its White Paper "Growth, competitiveness and employment", took a clear option to open on to the world, while stressing the importance of preserving the European social model. This means raising the level of qualifications in general if the social rift is not to widen still further and spread the feeling of insecurity among our citizens.
- The impact of the scientific and technical world: the growth in scientific knowledge, its application to production methods, the increasingly sophisticated products which thus emerge, give rise to a paradox. Despite its generally beneficial effect, scientific and technical progress engenders a feeling of unease and even irrational misgivings in society. Many European countries have endeavoured to allay these misgivings by promoting scientific and technical culture from a very early stage at school, by defining ethical rules, particularly in the areas of biotechnology and information technology.

The answers: broad-based knowledge and employability

What solutions can education and training provide in eliminating the pernicious effects these three sources of upheaval are expected to bring? While not purporting to provide exhaustive answers, the White Paper proposes two.

a) Reintroducing the merits of a broad base of knowledge. The first of these involves reintroducing the merits of a broad base of knowledge. In a society in which the individual will be called upon to understand complex situations which fluctuate unpredictably, in which he will also be inundated with a vast quantity of varied information, there is a risk of a rift appearing between those who are able to interpret, those who can only use, and those who can do neither. In other words, between those who know and those who do not know. Building up a broad base of knowledge i.e. the wherewithal to grasp the meaning of things, to understand and to create, is the essential function of school. This is also the first factor in adjusting to the economic and employment situation.

Also increasingly evident is the strong re-emergence of a broad base of knowledge in vocational training establishments, in programmes for the retraining of low-qualified or very specialised workers, as the key to acquiring new technical skills.

b) Building up employability. How can education and training enable the countries of Europe to create a number of lasting jobs comparable to that which the new technologies have caused to disappear?

The traditional route generally pursued by the individual is the quest for a paper qualification. The result is a general tendency throughout Europe to prolong studies, accompanied by considerable social pressure to broaden access to higher education. While the paper qualification is still the most effective passport to employment, it nevertheless has perverse effects in that it devaluates the vocational channels (which are considered as second-best options), over qualifies young people in relation to the jobs open to them as they enter the world of work, and, lastly, conveys an image of the paper qualification as the near-absolute reference point in terms of skills, making it possible to filter out the elite at the top and, more generally, to classify the worker in his job. This intensifies the lack of flexibility of the labour market and causes substantial wastage by locking out talent which does not correspond to standard profiles.

Although it does not call into question this traditional route as such, this White Paper advocates that a more open, more flexible approach be adopted alongside it. This approach would in particular encourage the mobility of workers - employees, teachers, researchers - and students. It is today striking to observe how much easier it is for goods, capital and services to move around Europe than it is for people and knowledge!

Establishing this mobility depends on genuine recognition of knowledge within the European Union, not only recognition of paper qualifications, but also recognition of the different components of which they are comprised. For instance, a student having completed six months of studies in another European country should automatically be entitled to the recognition of this period by his university of origin, without having to re-sit the corresponding examinations. The fact is that this is not possible at present unless the two establishments concerned have reached a partnership agreement. Genuine mobility also presupposes the removal of administrative and legal obstacles (arising out of right of residence or social protection scheme applicable) and fiscal obstacles (taxation of study grants).

Another key point is that access to training should be developed throughout life. While the need for such access is recognised by everybody, public authorities and the business sector alike, there has been little progress in this area. This is all the more inadequate as changes in the pattern of work organisation, particularly those generated by the information technologies, make training in these new tools more urgent.

The information society does not only change the way the company works. It also offers fresh horizons for education and training. But we have to be properly equipped to fully exploit this potential. Unfortunately, the fragmentation of the European market in the educational multimedia sector and the - as yet - inadequate quality of the teaching products on offer, along with the low level of computer equipment available in the classroom (1 for 30 pupils in Europe compared with 1 for 10 pupils in the USA), means that these tools are very slow to appear in our schools.

Mobility, lifelong learning, the use of new technological instruments...This greater flexibility in acquiring knowledge elicits the question of new ways of validating skills acquired irrespective of whether or not they were acquired via a paper qualification. This approach has already been used - the TEFL test, which makes it possible to evaluate knowledge of English, for example.

So why not 'personal skills cards' which would provide a record of what the holder knows in terms of fundamental (languages, informatics, economics, etc.) or technical or vocational (accounting, finance, etc.) knowledge? A young person having no paper qualification could thus apply for a job on the basis of his card which attests to his ability in terms of written skills, language proficiency, word processing. This scheme would allow an immediate assessment of people's qualifications throughout their lives, in contrast to diplomas which lose their value as years go by, at an ever increasing pace.

Tables 2 & 3

**ECONOMIC INTERNATIONALISATION AND INTEGRATION**

**FOREIGN DIRECT INVESTMENT IN BULGARIA BY COUNTRIES AND BY YEARS IN MILLIONS OF USD**

No	Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Jan-Oct 2003	Total by Country
1	GREECE	0.2	5.1	3.0	29.8	14.6	16.1	3.3	14.9	241.1	240.2	225.6	206.2	1000.0
2	GERMANY	0.1	56.6	111.0	16.2	53.1	31.4	55.7	101.0	72.3	67.4	73.8	38.0	676.6
3	ITALY	0.0	0.2	5.2	2.3	1.2	0.4	2.1	23.0	339.7	146.5	23.1	63.4	607.0
4	BELGIUM	0.0	0.1	0.3	10.0	0.8	264.0	31.2	66.2	39.8	60.8	18.1	20.9	512.2
5	AUSTRIA	13.0	1.0	14.7	1.4	12.1	12.5	46.9	23.4	88.8	93.6	152.3	47.9	507.6
6	NETHERLANDS	0.1	0.5	37.9	0.9	46.3	10.8	41.3	28.0	17.4	80.3	-1.4	135.1	397.2
7	HUNGARY	12.3	0.1	0.0	0.0	0.1	0.0	0.7	1.7	2.0	1.0	8.6	366.5	393.1
8	SWITZERLAND	0.4	6.7	0.2	7.9	23.1	31.4	6.6	13.1	15.0	33.5	28.0	193.4	359.2
9	USA	0.0	10.5	16.2	16.1	20.7	46.6	38.6	49.8	37.1	44.5	41.9	23.5	345.5
10	CYPRUS	0.3	1.2	0.4	1.4	7.5	20.6	109.0	109.0	-11.3	17.8	24.7	36.0	316.7
11	UK	6.2	5.6	2.4	13.7	7.3	15.8	58.9	48.0	22.6	20.1	4.3	72.9	277.8
12	RUSSIA	0.3	1.4	2.3	15.1	14.4	2.0	14.8	104.0	50.8	-4.4	4.4	3.8	208.9
13	FRANCE	0.0	0.2	4.2	5.0	6.5	0.8	3.4	62.7	28.9	15.1	6.8	3.9	137.5
14	TURKEY	0.0	9.8	1.3	13.7	7.3	9.9	23.8	39.4	19.5	-9.7	13.8	6.1	134.8
15	SPAIN	0.0	0.1	0.0	0.0	0.0	49.6	56.8	3.2	0.7	5.1	-0.3	0.3	115.5
16	CZECH REP.	0.0	0.0	0.1	2.3	2.3	4.7	0.6	0.1	0.0	2.6	64.5	-0.8	76.4
17	SWEDEN	0.0	0.0	0.0	0.0	1.4	2.4	0.9	1.6	0.3	5.7	28.5	7.8	48.6
18	DENMARK	0.0	0.0	1.1	0.0	0.0	1.1	1.6	0.3	1.3	-0.5	4.1	26.8	35.8
19	IRELAND	0.0	0.0	0.0	17.4	0.2	5.2	1.0	3.7	1.0	-5.8	-2.1	2.3	22.8
20	ISRAEL	0.0	0.0	0.9	0.0	1.5	0.0	0.0	13.8	1.9	0.1	3.1	1.4	22.6
21	LIECHTENSTEIN	0.0	1.1	0.1	0.0	0.0	2.5	0.8	1.3	3.0	6.8	4.2	-1.4	18.4
22	MALTA	0.0	0.0	0.0	0.1	0.1	0.1	8.9	0.0	0.5	2.7	1.0	-0.2	13.2
23	JAPAN	0.0	0.0	0.1	0.5	0.6	1.9	1.9	0.0	1.3	3.1	0.0	1.9	11.3
24	KOREA	0.0	0.0	0.3	0.2	22.3	22.9	1.8	2.8	6.6	-9.2	-4.1	0.2	6.9
.....														
	<b>Total</b>	<b>34.4</b>	<b>102.4</b>	<b>210.9</b>	<b>162.6</b>	<b>256.4</b>	<b>636.2</b>	<b>620.0</b>	<b>818.8</b>	<b>1001.5</b>	<b>812.9</b>	<b>873.7</b>	<b>1272.6</b>	<b>6802.4</b>

**Foreign direct investment inflows by year**

YEAR	VOLUME IN USD million		
	Privatisation	Other	Total by year
1992		34.4	34.4
1993	22.0	80.4	102.4
1994	134.2	76.7	210.9
1995	26.0	136.6	162.6
1996	76.4	180.0	256.4
1997	421.4	214.8	636.2
1998	155.8	464.2	620.0
1999	226.7	592.1	818.8
2000	366.0	635.5	1001.5
2001	19.2	793.7	812.9
2002	142.2	731.5	873.7
Jan.-Oct. 2003 <sup>P</sup>	363.9	908.7	1272.6
<b>Total</b>	<b>1953.8</b>	<b>4848.6</b>	<b>6802.4</b>

It is only natural that, with the growth of European integration and globalisation, the demands concerning language skills and competences of staff increase, especially with respect to the management and administration, marketing, advertising and human resource development activities.

### Population and labour force

Bulgaria's population has been continuously declining since 1989, with a fall of 8% between 1989 and 2000. According to Census data<sup>1</sup>, total population went down by a further 2.2% down to 7.97 million in 2001. The working age population (aged 15-64) has been declining by nearly 350,000 (or 6%) since 1989 and stood at 5.56 million in 2000. The number of children under 15 decreased by 561,000 (or 30%). The demographic decline is forecasted to last over the next decade with an estimated further fall of 7.6% for the total population, of 5% for the working age population while the number of children under 15 would decrease by more than half by 2012. The demographic decline is largely accounted for by the negative natural growth rate but in the early 1990s Bulgaria also experienced migration outflows towards bordering countries, in particular Turkey<sup>2</sup>. Migrations outflows amounted to 650,000 people from 1989 until the mid-1990s, decreasing from 215,000 in 1989 to 54,000 in 1995. In addition, there were important internal migrations (during the 1990s, the North-Central and North-East regions were the most affected by migratory outflows towards other regions). Two regions, the South-West - which includes the capital city and its area - and the South-Central concentrate 52% of the working age population. According to the 2001 Census, 70% of the total population is in urban areas.

### Labour Migration Policy

Major factors having effect on labour migration and requiring special government attention with a view to promote or restrict potential migration from Bulgaria to the EU include:

#### Demographic processes

Bulgarian demographic processes involving increasingly lower birth rate and aging population have unfavourable effect on the active people/pensioners ratio, which results in an inefficient social security system discouraging young people from participation as it continues to function of the cost-coverage principle and encourages labour emigration. There is a need of measures to encourage births, lower the social security burden for the employed population and create incentives for realization of young people on the national labour market.

#### Income gap

Higher payment rates in EU Member States are the primary factor encouraging labour migration from Bulgaria to the EU. In Bulgaria hourly pay is the lowest rate compared to the 15 EU Member States and the 10 new members. Average earnings per hour in candidate countries are five times lower compared to the average EU level of EUR 22.70. The above data reveal that real income growth in the years up to Bulgaria's accession to EU must be set forth as a fundamental objective of national economic and social policy, with a view to prevent large-scale migration flows from Bulgaria to the EU.

Table 4

### EMPLOYMENT OF THE COMPANIES, BY SCALE AND SECTORS ('000 and %):

Sector	Micro-companies		Small companies		Medium companies		Companies with number of employees b/n 101 and 250		Large companies	
	Number	% of employment	Number	% of employment	Number	% of employment	Number	% of employment	Number	% of employment
Agriculture and forestry, hunting and fishery	5,061	0.78	1,751	2.50	300	1.28	173	2.30	0	0

Extraction industry	77	0.01	33	0.05	15	0.06	20	0.21	28	2.48
Processing industry	19,698	2.93	3,240	4.59	867	3.88	717	7.00	469	21.03
Production/ distribution of el.power, gas and water	56	0.01	22	0.02	11	0.05	48	3.44	0	0
Construction	6,548	1.02	1,150	1.56	247	1.07	173	1.56	50	1.37
Trade, repair of automobiles and household appliances	103,212	10.99	3,313	4.04	293	1.24	114	1.00	20	0.95
Hotels, hostels and catering	19,345	2.01	436	0.50	61	0.26	35	0.33	17	0.55
Transportation, communications and tourism	15,289	1.47	498	0.64	126	0.57	83	0.78	46	7.87
Transactions with real estate, renting-off activity	17,951	1.99	832	1.05	127	0.55	69	0.64	26	1.03
Education	1,355	0.13	47	0.05	5	0.02	4	0.11	0	0
Health protection and veterinary services	1,198	0.10	35	0.03	5	0.02	0	0	0	0
Other services and NGOs activity	3,993	0.40	267	0.36	41	0.17	48	0.47	6	0.21
Total	193,783	21.93	11,624	15.46	2,098	9.21	1,484	17.90	662	35.52

### Qualification of the labour force and demand for services

Recognition of diplomas and qualifications is an important factor for the decision to migrate taken by educated Bulgarians. Mutual recognition of diplomas and qualifications is one of the four major areas of the free movement of people in EU Member States. After adoption of the European legislation in this area and following Bulgaria's future accession to the EU young Bulgarians with university education may get highly interested in looking for jobs on the labour markets of current EU Member States. Everything will depend on the social and economic situation in the country, which constitutes real challenge for Bulgarian rulers if they want to have return on government investments in the education of these young people.

Ethnic and political problems in a country encourage emigration rather than temporary labour migration. This factor may have effect mainly on ethnic groups like Bulgaria's Roma population which is underprivileged on the labour market, uneducated and unqualified and generally engages in illegal activities in the country and abroad. Implemented measures to integrate the Roma people are insufficient. There is a need to develop special programmes to improve their education level, to

provide vocational training in accordance with current labour market demand, and increase their awareness of EU programmes targeting social isolation in CEE countries.

### **Cultural and linguistic barriers**

Socio-psychological and cultural factors have important role in the decision to work abroad, particularly where such decision is taken for a longer period of time. In principle the need to study a foreign language is a serious barrier for most people. This is particularly valid for older Bulgarians who have lost their jobs as a result of the restructuring and privatization of Bulgarian economy. Their limited financial resources, socio-psychological attitudes and lower mobility take them out of the group of potential emigrants after Bulgaria's accession to the EU. The situation is quite different for young Bulgarians. They have relatively good language training and are ready to move and find jobs in countries offering higher standard of living compared to Bulgaria.

### **Immigration of labour force**

According to Employment Agency's data, a total of 2205 work permits were issued to foreigners in Bulgaria in the period 1994-2001 (1384 new and 821 extended). The highest number of work permits for Bulgaria was issued to nationals of the USA (332), Turkey (169), Ukraine (165), Russia (152) and Greece (135). A glance at the qualification of these foreign workers reveals that the top management personnel employed by foreign investors from European countries and the USA registers the highest number. Next come consultants and engineers and technicians; foreign professors in secondary schools and universities are third in number. According to data by the bodies delivering administrative services to foreigners, as of June 2002 4 758 foreigners have got permanent stay permits on account of registration of business activity, 516 people - on the grounds of employment under labour contract, and 2397 people on the grounds of contracted civil marriage with a Bulgarian national or with a foreigner with permanent stay permit. Business activity of foreigners on the territory of the Republic of Bulgaria has positive effect on the national labour market because it generates employment, guarantees social security and health insurance contributions for the State Social Security and improves the competitiveness of Bulgarian economy through the introduction of new machines and technologies in industry.

Bulgaria should give special attention to the youth unemployment, long-term unemployment, the educational and qualification levels of the unemployed, the grey economy, the low collection of the social-security contributions to the "Pensions" fund and the so-called "brain-drain" process. The government acknowledges the important role of the small and medium-sized enterprises in the job creation process in the country but it hasn't implemented yet an encouraging tax policy towards these enterprises. There is a need for raising the awareness of the municipalities of the European Employment Initiatives. A branch labour market survey is necessary for providing statistical data regarding the effects on employment of investments in one or another economic branch so that the local labour force could pre-qualify and response on time to the labour needs of the entrepreneurs. A new long-term vision for the right qualification of the labour force is needed. The labour market and the education system in the country should be transformed with regard to the future labour needs of the national and EU member states entrepreneurs. In this respect a profound survey of the future labour needs of the business is inevitable. A regular monitoring on the results of the undertaken labour market policy (active and passive) in the country is necessary for raising the effectiveness of the labour market policy. Strengthening the administrative capacity is an important prerequisite for the successful management of the structural and cohesion funds after the EU accession of Bulgaria.

**The main factors influencing labour migration** from Bulgaria to the European Union are the labour market situation in the country, the income gap, the traditions in migration and proximity to the country of destination. The preferred destinations by Bulgarian labour migrants are the EU countries like Germany, Greece, Spain, Great Britain and Italy. For the sake of avoiding the initial pressure on the labour markets of the abovementioned countries Bulgaria should continue signing bilateral labour exchange agreements. The country has so far signed such bilateral agreements with the following EU member states: Germany, Portugal, The Czech Republic and Luxemburg. Bulgaria has so far signed

bilateral readmission agreements with all European countries except for Great Britain. According to a national survey on the potential migrants, conducted by the National Statistical Institute in 2001 about 80% of the population do not intend to leave the country in the near future which means that these people are not potential migrants to the EU labour markets.

### **Linguistic demands in the private and public sectors**

Unfortunately, in Bulgaria the business sector is not a factor playing a role in the management system of education. The state is in debt to Bulgarian education since it has not offered a clear scheme for the development of the full potentials of the young people – the major labour force. The Bulgarian education system does not yet produce the competitive “market type” persons and most entrepreneurs complain about not being able to find the most appropriate personnel to work with. What is needed is a global and long-term investment in the future of the educational system, caring for the needs and demands of all sectors of the economy. A recent article in the “Standart” daily newspaper pointed out that two thirds of the Bulgarian businesspeople are not university graduates and do not speak or use foreign languages. Consequently, they need to employ staff who have foreign language skills and they usually neither seek for very specific competences, nor carry out a language interview or written test. The standard job advertisement would say that “fluency in foreign languages is an advantage” and only in few cases “a must”. The “must” is as a rule with the big private sector international companies.

### **Validation of learning, assessment, certification**

#### Foreign Language Provision in Higher Education in Bulgaria

FL courses at universities and higher education institutes are compulsory in all faculties. Students usually continue the study of one of the foreign languages studied at secondary school. The duration of the FL course varies but the minimum is two semesters and include a short “basic programme” followed by modules for LSP in the respective vocational field. Upgrading foreign language training in higher education is currently underway with a number of European projects including trainer training, new syllabus design, LSP syllabuses, setting up of country-wide networks, computer classes through the foreign language, Internet use and others.

Foreign Language Training outside educational establishments proper is provided on a fee basis by state or private FL institutes or schools. The courses are usually targeted at participants’ immediate need to improve their foreign language competencies, or else they are aimed at certificate level for those who wish to pass internationally recognized exams.

The growing need for foreign language proficiency in businesses, enterprises, foreign companies and government or local authorities forces employers to see tailored FL courses for their staff. These are usually provided by private institutions and are run on the job or in the institute’s premises. Courses may vary from extensive to intensive training, depending on the need. In this type of training FL providers seek to achieve better results and are flexible enough to introduce technology in the instruction. They mainly work with original teaching packages and focus on developing the general or specific language competencies of their participants.

Two factors emerge from the student data which indicate that the potential for a strong integrative motivation among students is not being capitalised upon in the compulsory stages of schooling. Firstly, students are very critical of what the researchers call the 'self-oriented' content of the curriculum which puts the onus on students to talk about and share information about themselves as a necessary part of the course. Students tend to see themselves as adult users of the foreign language and find topics such as pets, school routine and pocket money to be too immature for their perceived language needs of the future. It is rare for students to make use of their foreign language skills outside of the classroom, and so their experience of 'communication for real' is at best limited.

Secondly, although students feel they work hard at learning the language(s) they are studying, they are not convinced of their ability to communicate with native speakers in those languages. This is the case

even among those students taking two languages - a great part of such students express reservations about their ability to communicate with native speakers. The conclusion is that if competent students lack confidence in their ability to communicate in the foreign language, this suggests that expectations - their own or those of others - are set too high. One of the key recommendations calls for the establishment of clear and realistic expectations of student attainment at the end of their years of compulsory modern language study - taking account of the time and resources currently invested in the teaching of modern languages at school - so that students do not have unrealistic aspirations.

A lack of language skills represents a significant barrier for those considering geographical mobility. The globalisation of markets, industrial change and the unprecedented rate of technological innovation are producing rapid changes in the types of skills that are considered valuable and relevant in the labour markets. As a consequence, an increasing number of people may have to adapt to a change of job or career, involving different skills, during their working life. It is vital that people are equipped with the skills to adapt to these changes. A workforce that has high levels of skill mobility can adapt to labour market shocks more easily and respond to increasing unemployment in one sector by moving to another. Conversely, a low level of occupational mobility constrains the ability to fill job vacancies. The upskilling of the workforce must be an urgent priority. In order to increase occupational mobility and fill the identified skill gaps, the teaching of basic skills has to be coupled with the provision of lifelong learning.

Whether we like it or not - we will be a part of the European Union and therefore we have to consider the position of our workforce within. We are talking about encouraging employees to gain basic and fundamental skills, but also about employers assisting in the task. That involves all citizens, regardless of age. Consideration must be given to expanding skills training to the newer entrants to the labour market, and to third country nationals, and to the retention and reskilling where necessary of older workers whose knowledge gained during their working lives is invaluable to a country's well-being. Basic skills are vital for increasing choices for workers, but alongside these we have to consider providing and improving academic skills and vocational skills as well as recognising the skills picked up through life which can be such an asset in a workplace.

We recognise that some employers provide language training, for which they should be praised. Rather than a hit-and-miss approach, however, we feel that it should be part of the scheme for lifelong learning. We also feel very strongly that it should not be up to employees to use their own free time for such learning. Competent basic language skills would also help employers.

If there is to be true mobility and access to employment, far more consideration of that problem is needed. There are difficulties that workers face in understanding employment contracts when moving to another country and finding on arrival that the terms and conditions are not what they expected. The workers involved frequently lack both the knowledge and language skills to enforce their basic rights.

It is absolutely in this country's interest that Bulgarian young people, now and in the future, should be competent in foreign languages. It is agreed that in a globalised world characterised by international links and intercultural connections, linguistic skills and international experience are crucial for employment and career. International skills should have a major part in every young person's study curriculum.

The typical profile expected from future business leaders fully reflects the demands of the globalised world. Language graduates should be able to find a good job more easily than others. Knowledge of languages improves one's chances on the job market. Many companies abroad, and many foreign companies in Bulgaria look for employees with language skills.

Politically, a positive approach to language learning would have benefits on two different levels. Firstly, it would help to enable a country to be seen more as a whole rather than just its isolated aspects, and to break down a residual antipathy or at least ignorance and indifference. It would help to

ensure that Bulgaria does not remain apart in Europe. It stands to reason that it cannot be in the country's interests to isolate itself politically or culturally.

The Bulgarian labour market accepts any language proficiency certificates issued by higher educational institutions, university language centres, legalised training establishments, as well as language diploma supplements and recognised international certificates. The European Language Portfolio has not become popular among Bulgarian employers yet and for that reason they should be familiarised with it but it is not uncommon that they expect job applicants to compile their own individual language portfolios to accompany all the application papers. In-house language tests are typical mostly of international companies.

### **Policy recommendations regarding the labour market in Bulgaria**

- **A long-term vision for the proper qualifications of labour force is needed and adapting of the qualification and pre-qualification systems with a view to the next 20-25 years in order to increase the competitiveness of the Bulgarian labour force in the enlarged European Union;**
  - **National “Life-long learning” and “Language Proficiency” programmes should be developed;**
  - A regular survey of the future labour needs of the entrepreneurs and a better coordination between the educational system and the labour needs of the entrepreneurs are of great importance;
  - A regular monitoring of the results of different implemented active and passive labour market measures should be developed;
  - Further efforts for solving the problem with the youth and long-term unemployment should be encouraged;
  - A better coordination among the labour market policy, wage policy, social assistance policy and social dialogue will help the better functioning of the labour market in Bulgaria;
- The knowledge-based society cannot come about by proclamation. It has to emerge from an ongoing process. Some general objectives for action are:

- Encourage the acquisition of new knowledge i.e. raise the general level of knowledge, including that of **foreign languages**. Thought should be given to as to how skills not necessarily acquired via a paper qualification may be recognised.
- How can this approach be introduced? First of all by creating European networks of research centres and centres of vocational training, companies, business sectors which will make it possible to identify the areas of knowledge in greatest demand and the essential key skills. Bringing school and the business sector closer together: developing apprenticeship in Europe in all its forms.
- Proficiency in several languages has today become essential for getting a job. This is particularly true in a single European market without frontiers. It is also an asset which makes it easier to move towards others, to discover different cultures and mentalities. While being a factor of European identity and citizenship, multilingualism is at the same time a cornerstone of the knowledge-based society.
- Treat material investment and investment in training on an equal basis.

### **CONCLUSION**

If language skills are to improve in this country, everyone needs to play their part:

- Parents - must recognise the importance of foreign languages, encourage their children to take an interest and demand that schools give their children the opportunity to benefit from all that languages have to offer;
- Teachers – with all their dedicated work under sometimes difficult conditions, and encourage them to keep it up;
- Universities - should promote language departments wherever possible, even under difficult financial circumstances;

- Government, Education Authorities, Schools and Universities - must give language learning a firm place in life and enable as many students as possible to benefit from the opportunities it creates. This is also a matter of social justice, because languages facilitate social mobility and employability;
- The general public and the media - should recognise the value of language learning for future generations and support it accordingly.

There is unfortunately one great problem with foreign languages. You have to learn them. There is no escaping that.

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