

# Chapter Seven

## ►► HOUSEHOLDS, WORK AND FLEXIBILITY Country Contextual Reports

### **BULGARIA**

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## INTRODUCTION

At the end of the 1980s and in the beginning of the 1990s Bulgarian society underwent a deep crisis, affecting the very social order itself. The state socialist model of a centrally planned economy exhausted its potential, which resulted in a stagnation and then in a sharp decline of economic and demographic development. The economic output dropped by a half, employment was reduced by a third, income inequalities grew while poverty diseases started to reappear, the population began to decrease as a combined effect of the negative natural growth and outward migration. The excessive changes needed rapid and radical policy measures to stop the tendencies toward social disintegration. However, the belated and disconcerted efforts of the state did not constitute an effective counterbalance to the shattering of the traditional social institutions. The endeavour to break down the authoritarian state machine and the system of one-party domination over society led to ruptures in the social fabric. The macro tendencies of the profound social change were met with the micro solutions of a social policy in search of its new goals, resources, mechanisms, or put shortly, in search of a new identity.

In this context flexibilisation of labour is a new trend brought about by the overwhelming process of globalisation. In Bulgaria it finds specific forms under the pressure of economic restructuring, demographic and social development, as well as policy efforts towards European integration, encouragement of private businesses and cuts in government social expenses. Until now flexible labour

has developed more in the informal rather than in the formal labour market, more in household strategies than in state policy. As a result of the disconcerted efforts for reform in the formal economy and the large share of informal economy, flexibility takes place in an unregulated way.

In this report we start with an analysis of the demographic and employment trends to set the broad frame in which to study the patterns of flexible labour. We then turn our attention to the labour market policies, which come as a response to these developments and proceed with a review of the social policy programmes that influence the relationship between family and work towards a greater flexibility. The social trends, which are analysed in this report, are presented on the basis of data from official statistics, mostly from publications of the National Statistical Institute and the National Labour Office. Different official sources use different definitions of social indicators and different methods for data collection. In the text we have pointed at the concrete data sets used, as well as commented upon possible reasons behind the most drastic disagreements. In the analysis of the policy trends we examined changes in legislation regulating employment, taxation, and family relations. The 1990s in Bulgaria have been the decade of legal creativeness, starting with the adoption of the new Constitution, then passing numerous new laws and introducing major shifts in others. For a better understanding of this fervent legal activity, interviews were conducted with central and local government officials, trade

union activists, and representatives of the Bulgarian Business Chamber, women's organisations and other non-governmental organisations. Refer-

ences are made to policy analyses in the media and scientific journals.

## 1. BACKGROUND TRENDS

The rapid contraction of the country's population and the reduction of employment are two of the

macro tendencies that form the background of work flexibilisation in post-communist Bulgaria.

### 1.1. Demographic developments

In Bulgaria the rapid population decline started in 1990. The growth that has been achieved for 30 years since the 1960s has been totally lost in less than 10 years. The peak of the negative population growth was in 1997 when it reached -7 per thousand. Since then the reduction has not been so steep but the rate of natural population growth has remained negative. Bulgaria is among the former Soviet Block countries where the shrinking of the population has been most pronounced in the 1990s.

The ageing of the population is the other trend, which Bulgaria shares with the post-communist countries, as well as with Europe as a whole. In the country the share of the population below employment age is declining while that of the population in retirement age is growing. The ageing of the population is mostly due to a decrease of the population in the youngest ages. The growth in the share of the third generation would have been more pronounced were it not for the increase in death rate in this group and the decline in life expectancy. At present the share of the population aged 0-14 almost equals the share of those aged 65 and over – 16 per cent. The average age of the population is growing – from 32.4 years in 1960, to 37.5 in 1990, 39.4 years in 1998 and 39.6 years in 1999. The ageing of the population is unevenly distributed in the country's territory. The average age in villages is considerably higher than in urban areas – 43.8 to 37.3 years. Over a third of the rural population is beyond retirement age.

A major factor for the above trend is the declining birth rate in Bulgaria. The average number

of live-born children per woman has dropped from 2.07 in 1965, to 1.81 in 1990 and 1.09 in 1997. In 1997 the number of babies born was the lowest in the written demographic history of the country, as well as the lowest in Europe for the same year (NSI, 2000a:11). It can be attributed to the postponement of marriage and especially of the birth of the first child. It is too early to define the slight increase in 1998 and 1999 as a change in the tendency of decline in the birth rate, as the NSI (2000b:12) points out that it is more probably a compensatory effect of the postponed births for the whole decade of the 1990s rather than a shift in the desired pattern. An argument for this claim is that while the average age of giving birth is 24.6 years, the latest increase has been realised by older mothers – in the age group of 27-31.

Unlike most European countries, the mother's average age for giving birth is quite low in Bulgaria. It was 32 in the beginning of the twentieth century and remained high till 1920. Since then it started to decline and in the 1970s it stabilised at around 24.4. In 1996 the mother's age for first birth was 24.1 – a significantly low figure in comparison even with other Balkan countries such as Greece and Turkey where it is 27.7 and 27.0. This early age of giving birth for the first time is matched with a short fertile period – 35 is the upper age limit up to which in practice Bulgarian women have all their children (Keremidchieva, 1998:46).

Bulgaria is among the leading European countries in the share of births outside wedlock. The growth has been very steep in the 1990s – al-

most threefold, from 12.4 per cent in 1990 to 35 per cent in 1999. According NSI (2000b:13) this trend is a result of the spread of new family patterns and particularly cohabitation, as there is a decline of the share of single mothers below 20 years of age – from 24.9 per cent in 1990 to 18.7 per cent in 1999.

The worsening health status of Bulgarian population is another significant social trend in the 1990s, to which many indicators testify. One of them is the rise of the so-called poverty diseases, such as tuberculosis which grew from 102.8 cases per 100 000 persons in 1990 to 181.6 in 1998. Diseases of the blood system and cancer also mark an increase in the period of transformation. The most widely spread chronic disease is high blood pressure – hypertonia. The growth of the death rate in the country has continued throughout the 1990s, placing Bulgaria among the first in Europe – only the Russian Federation and Ukraine have a higher rate. The crude death rate in Bulgaria in 1999 was 13.6 per 1000 of the population. The most common reasons for death are diseases of the blood system, cancer, traumas and respiratory diseases. The first type of disease shows a tendency towards a slight decrease in the last two years but the incidence of cancer is still rising. While in the developed world the diseases of the blood system are declining, in the region of Eastern Europe, and particularly in Romania, Hungary, Russia and Ukraine the tendency is still upward. The infant mortality rate has also risen in the 1990s reaching 17.5 in 1997 (in 1999 it is 14.4). However, the most pronounced has been the increase in the death rate in middle age. In 1999 the death rate among men was 15 and among women it was 12 while the difference between the two genders has been constantly growing.

To understand the multiplicity of family forms and household strategies in Bulgaria it is necessary to consider the falling rates of marriage and divorce. The number of marriages in the country has been constantly declining in the 1990s due to the postponement of the event in time, the increase in the average age for first marriage and

the growth in cohabitation. For the first two years of reforms the marriage rate dropped from 6.7 per thousand to 5.4 per thousand. In 1997 it was already 4.3. Yet, early marriages are still typical for the country – in the beginning of the 1990s the average marriage age for women was about 21 and for men – just below 25. Since then the trend is for steep rise. In 1997 the average age for men was 26.7 and for women – 23.4 which makes a rise of about 2 years for both genders.

There is a growth in the share of unmarried persons aged in their thirties among the population – from 6.2 per cent for men and 5.1 per cent for women in the 60s to 13.7 for men and 5.4 per cent for women. Compared to other European countries, in particular the Scandinavian countries, but also other East Central European ones, the marriage rate in Bulgaria is still very high (Spasovska, 2000:219). One of the reasons is the communist social policy, which granted more rights to the family than to the individual – housing, summer holidays, allowances. The control of the Party and the state, together with the numerous mass organisations, purposefully encouraged negative public attitude toward unmarried or divorced people and to their children.

The trend in the divorce rate is the only demographic process, which does not register changes in a negative direction. The coefficient even dropped from 1.3 per thousand of the population in 1990 to 1.13 in 1997. This may be a manifestation of a tendency to strengthen the family in the difficult economic situation, recognition of the financial impossibility for survival on one's own. A more probable factor is the effect of the general decline in the number of marriages. The rising price of divorce cases may also have an effect, so that many couples live separately without registering the divorce. A specific demographic development in the 1990s is the decline of the share of new families formed after the divorce. Second marriages of men declined from 12.8 per cent in 1980 to 10.8 per cent in 1995, and of women – from 12.4 per cent to 10.1 per cent. (Keremidchieva, 1998:55).

Among the countries under study Bulgaria has the lowest birth rate, the highest death rate and the lowest natural population increase. Only on the indicator 'infant mortality rate' does Bulgaria fare better than Romania. In comparison with the Western countries, the infant mortality rates in Bulgaria (17.5) and Romania (22.0) are several times higher. Czech Republic has reached the level of the advanced countries in preserving babies' lives.

The demographic changes in Bulgaria and particularly those in marriage patterns have affected the size and structure of households. The general trend – from the mid- XXth century to now – has been a decline in the household size. In 1992 when the last national census whose data are publicly available was carried out, the average number of members in one household was 2.8. This makes almost a twofold drop from the number in the beginning of the communist regime in the late 1940s. Both in urban and rural households but particularly in rural households the number and size of households have dropped significantly. For the whole period of the second half of the twentieth century the absolute number and relative share of single and two-member households has been rising. In 1992 over a half (56.4 per cent) of single member households were formed by persons aged 60 and more. The share of young people up to 19 years of age was only 3.9 per cent (a drop from 31 per cent in 1965).

The most common form of household in Bulgaria is the two-member household – almost a third of all households belong to this category. Most people in the country live in four- member households among which the dominant form is the typical nuclear family. Large households are very rare – those with five or more members comprise only 10 per cent of the households. Typically these are households with many children. In 1992 just over a third of the households in Bulgaria had children below the age of 16 and among them those with one child were the leading category. The tendency is a result of the combined influence from the decline in the birth rate and the ageing of

the population, as well as from the changes in the life style of household members. For the same period the share of young households (where the head of the household is up to 29) has been declining and it was 9.2 per cent in 1992.

The ethnic and religious structures of households are also of interest for household surveys. In the 1992 census about ten per cent of the population declared themselves as belonging to an ethnic group different from the Bulgarian majority. Turkish and Roma households have a greater average size than Bulgarian households. The average number of members in the household is 4.4 for Romanies and 3.7 for Turks. While these numbers are higher than the corresponding figures for the population majority, ethnic minority households are not so numerous as public perceptions make them. The religious structure of the population is as follows: 88.8 per cent are Christian Orthodox, 10.1 per cent – Muslim, and 1.1 per cent – other.

A major socio-economic trend of the transition period is the general decline in household incomes despite the expectations about the great opportunities in dismantling the centrally planned economy and liberating market forces. After the first shock from the collapse of COMECON trade and the liberation of prices, toward the middle of the decade economic output started to stabilise and marked a slight increase. Nevertheless household incomes continued to drop. The downward tendency is a result of the state withdrawal from subsidising basic goods and services and the consequent rise in their prices. To this should be added the monopolistic position of some companies in the underdeveloped market economy, speculation, corruption and lack of legal control. The growth of the consumer price index illustrates two peaks of inflation – the first one in 1991 and the second in 1996-1997. With the introduction of the Monetary Board in 1997 the inflation was placed under control. This stabilisation however has not put an end to the mass impoverishment of households.

The trend toward impoverishment has affected most households but to differing extents. The most severely affected were those with small children. The most under-privileged are families with three children and more. Their income per capita is with 41 per cent less than the average income. The income per capita of the households with 3 children and more is with 57 per cent less than that of households without children, that is in a ratio 1:2 while the difference between the income of the two types of households was 40 per cent in 1992. All families with children have become poorer during the years of reforms, but the impoverishment of those with 3 children is the greatest. The type of residence of the households also makes a difference but the pattern is not linear and simple. Rural households are found more often than urban households both among the poorest and the richest decile groups. Rural households have two thirds of their income in cash while the cash income of urban households comprise almost nine tenths of the total.

By the beginning of the 21<sup>st</sup> century most households in Bulgaria own the flats and houses in which they live. The lack of change in this field is very prominent among all other macro tendencies of the social transformation. However, behind this remarkable stability in the housing conditions, there is a worsening of the status of most flats and houses, which remain not only without improvements but also without much needed repairs. Housing units are usually small in dimension – about 17 square meters per household member. Statistical evidence shows a slight improvement in housing conditions as far as the area

per capita is concerned. It is due however more to the declining number of the population in general and the declining size of the household rather than to new housing construction or flats being made available to the average household. Most of the newly built homes have been elite housing in city suburbs and have not affected the general housing situation in the country.

The communist period was one of high internal migration of the population, urbanising the previously rural country. Migration movements were very high in 1956-1975 with a direction from the village to the town. After this the migration slowed down and was mainly town to town. In 1989 the ratio urban: rural population was 67.1 to 32.9 (NSI, 2000e:16). For the whole period of the 1990s this share has not changed considerably and in 1999 it was 68:32. The intensity of internal migration declined from 2.3 per cent in 1995 to 2.2 per cent in 1999 (NSI 2000f: 17). The positive migration balance is in favour of the villages – 8 000 people more have moved to the villages than to the towns. However, it is older people who go to live in villages and young people who go to the cities. This tendency cannot be interpreted as a proof of the expectation that in the 1990s with the restoration of the private ownership of the land the movement would be reversed in the direction of the village. There is no official data on outward migration. The National Statistical Institute provides figures only on migration inside the country. Various estimates however consider emigration outside the country a factor with a significant influence over the demographic reproduction in the country.

## 1.2. Employment trends

The transition period in Bulgaria has been a period of decrease in the number of economically active population. In 2000 the coefficient of economic activity was 49 per cent and was higher for men (54.3 per cent) and lower for women (44.1 per cent) (NLO, 2000). The number of economically active population declined by 7.7 per cent in comparison with the previous year – 1999, while the

economically inactive population grew with 1.3 per cent. The latter trend is due not only to demographic processes such as ageing, but also to the rise of unemployment. A strong indicator for the strenuous situation in the labour market in 2000 is the rise of ‘discouraged workers’ – by 30 per cent from the previous year.

The decline in the share of economically active persons among the population as a whole is linked to but does not follow strictly the reduction in economic output in Bulgaria in the 1990s. The index of employment has been constantly declining despite the fluctuation of the index of the gross domestic product. Comparative data about the economies of the countries in transition show that they follow different patterns in their economic development. Bulgaria and Romania have had the greatest drops in GDP in the second half of the 1990s, the Czech Republic slowed down its growth in the same period and registered a drop while Hungary demonstrated steady growth. Poland reached the level of the starting year of the transition in 1993, Slovenia in 1996. Hungary, the Czech Republic and Slovakia have also done so by 2000. In 1999 in Bulgaria GDP was still 22.4 per cent lower than in 1990. In GDP per capita Bulgaria is on the lowest position among Central and East European countries. Slovenia and the Czech Republic are closest to the EC countries with about 60 per cent of the EC level of GDP per capita. This indicator for Bulgaria is 57 per cent of the candidate countries and 23 per cent of the EC countries (NSI, 2000b: 96).

The reduction of employment in Bulgaria in the 1990s is among the highest in the region. The employed in the country's economy in 1999 are one quarter less than in 1990. Besides the contraction of economic output, it is linked to the inflexibility of the labour market. One reason for the low employment rate in Bulgaria is the slow development of the private sector and its dominant pattern – small businesses. In 1998 in the private sector almost a half (47 per cent) of the firms did not have employees. Companies with more than 50 employees constituted only 4.7 per cent of all registered ones (NSI, 2000b: 91). Nevertheless, the share of employment in the private sector is constantly rising in the years of reforms. While in 1990 it was only 5.9 per cent, it surpassed the 50 per cent barrier in 1997, and in 2000 it was 70 per cent. This trend was fed by the processes of privatisation of state enterprises and creation of new

small and medium size businesses, particularly in the sphere of services. Another trend, which gave impetus to the growth of employment in the private sector, is the liquidation of the state controlled agricultural co-operatives. By the end of 1999 96.4 per cent of the land was restored to private ownership (NSI, 2000b: 152). The agrarian reform in Bulgaria took about 8 years. The greatest reduction in employment has been caused by the decrease in the number of employed in the state sector. The rise in the private sector does not compensate for the reduction in the state sector. In 2000 alone, the number of employees in the state sector dropped by 18.88 per cent, while the corresponding number in the private sector grew by only 3.01 per cent.

Cuts in employment have affected all socio-economic groups in the country but in varying degrees. The reduction in women's employment was more radical in the first years of reform, in the second half of the 1990s it slowed down but is still higher than men's. At present age seems to make a bigger difference. The decline in employment is much stronger in the younger age groups while in the older groups (over 55) there is even some growth, which is particularly high in the group over 65. The rise in the age group 55-64 is closely linked to the rise in the upper age limit for retirement. The drastic rise in the age group of 65 and over is due mostly to self-employment. Employment is declining in all qualification groups. In 2000 the share of those with higher (MA and PhD) and college (BA) education in the total employment in the country is 15.9 per cent and 7 per cent accordingly. The international comparison shows that in Bulgaria a high share of the labour force has a low educational level – close to a third have completed primary or lower secondary education. Yet, the country has a very high share of the workforce with university degrees – 15 per cent, lower only than Hungary and the Netherlands.

The high share of university graduates among the population in Bulgaria is due to the reforms in the higher education (Kovacheva,

1998). The system was liberalised by the new laws on higher education, adopted in 1990 and in 1995, allowing private colleges and universities to recruit students as well as expanding student numbers in state universities and opening more branches in cities and towns. The number of universities grew from 30 in 1989 to 41 in 1995. For the same period the number of students almost doubled. The infrastructure of the new colleges and university branches was very low, as was the quality of the education received. In 1999 the government abolished the right of state universities to charge fees and introduced small fees for all, simultaneously reducing the number of students at state universities. This resulted in a rise of the numbers of those studying at private universities and particularly in the small colleges that sprang up all over the country. In 2001 their number was 47. A process of accreditation of educational institutions and specialities was initiated which up to now has not given results. Only one university was closed with a decision of the parliament but many illegitimate structures continue to recruit students. Thus young people are guaranteed neither the quality nor the legitimacy of the educational degree they get to the end of their studies.

Another major trend in Bulgaria is the change in employment status of the workforce. Due to the development of the private sector two new groups appeared – private employers and employees in private companies. The group of the self-employed expanded from a less than 1 per cent in 1985 to over 10 per cent in the 1990s. There are significant differences according to gender – women dominate in the group of unpaid family members and of those employed in state enterprises. Men have a higher share among the employers and the self-employed. According to age there is also considerable differentiation. Young people are over-represented among the group of unpaid family members and of the employed in private companies. The older age groups are over-represented among the employed in state companies and the self-employed. There are significant differences according to the type of area – rural or

urban. The share of the self-employed in villages is more than three times higher than that in the towns, as is the share of the unpaid family members. In urban areas the share of those employed in state enterprises is considerably higher than the corresponding share in the rural areas.

There have been considerable shifts in the structure of employment according to economic sectors. They cannot be defined unanimously as a transition to a post-modern economy. While industrial employment declined substantially, agricultural employment grew despite the overwhelming fall in agricultural production. In 2000, most of the employed in Bulgaria are in the sector of services (See Figure 3). During the year 2000, employment decreased in all sectors but with a different speed: in industry with 10 per cent, in services with 3.3 per cent and in agriculture with 1.2 per cent. Within industry the share of employed is the highest in construction, metal works and machines and in food products. The greatest decline has been in the production of transport means and in the coal and mining industry. The share of services has been growing steadily in the 1990s being most marked in business services, communications and non-profit activities. The greatest has been the decrease in cultural activities. Within the service sector the greatest is the share of those employed in car trade and repairs, education and transport.

The labour market in Bulgaria developed as highly segmented. Another trend is the development of a segmented labour market. It is characterised with the formation of groups with different level of remuneration, job stability, working conditions, career opportunities. Labour research in the country (Beleva et al, 1996) has discerned processes of fragmentation and discrimination among the various groups in the labour market, which place them in unequal conditions for competition. The underprivileged in the labour market are the long-term unemployed, disabled persons, young people. Most of the vacancies in the official labour market are taken by people who move from one institution to another while the

opportunities for the unemployed or the new entrants are extremely limited (Genov, 1997:47).

The deformation of the official labour market is strengthened by the growth of non-institutionalised employment in the 'second economy'. While there are no official data from the National Statistical Institute or the National Labour Office about employment in the grey economy, experts (Doykin, 2001) estimate that about 30-35 per cent of the employed are working totally or partially in illegal conditions. The unofficial labour market is also segmented. The privileged pole of highly paid employment is reserved for people with high qualifications from the public sector, who work additionally without formal contracts performing professional services. The other pole is that of low-qualified, low-paid labour offering seasonal and casual jobs. Long-term unemployed, students, pensioners, ethnic minorities are concentrated in this segment (Genov, 1997:48).

Undeniably, uncontrollable mass unemployment has been among the highest social costs of the transition to a market economy. The accurate comprehension of the phenomenon has been tempered by the varying definitions of unemployment applied by the National Labour Office, and by the National Statistical Institute. The latest report of the National Labour Office sets the unemployment rate for the year 2000 at 18.1 per cent. The registered unemployed grew with 31.6 per cent from 1999 to 2000. The increase in the level of unemployment is not so dramatic, according to the National Statistical Institute. Results from the latest Labour Force Survey show that unemployment rate has dropped with 0.7 per cent and is 16.4 per cent. It is for the first time that the LFS measures a lower unemployment rate than the one given by the National Labour Office. Before that LFS figures were usually higher as the LFS definition is based on respondents' self-evaluation while the National Labour Office has a longer list of criteria to define and register a person as unemployed.

In comparison with other transition countries, the unemployment rate in Bulgaria in 2000 is

the third highest after that of Macedonia (33 per cent) and Slovakia (19.1 per cent) while the rates in Hungary (6.6 per cent), Slovenia (7.1 per cent), and the Czech Republic (8.8 per cent) are the lowest in the region (EUROSTAT, 2001:60-61). With the planned ten-percent cuts of the employees in state administration and educational institutions for the autumn of 2001, the unemployment rate will further rise in Bulgaria.

The regional inequalities in labour markets in Bulgaria are not displayed along one simple axis – North-South or East-West. The structure is much more complex following the natural geographic conditions, the inherited socio-demographic and economic structure and the new influences coming from the transition. In general, the unemployment rate rises from the lowest level in the capital Sofia, through medium levels in urban areas to the highest level in rural areas.

The ratio unemployed women to unemployed men in 2000 was 52.7:47.3 which was slightly lower than in 1999. The highest was the share of unemployed women in the older age groups – 50-54 and 45-49, the lowest in the younger age group – below 19. The latter figure was due not so much to the better labour market prospects for young women as to the fact that activity rate in this groups was very low, as most members were still in education. Among unemployed men the highest share was that of the younger age groups – 20-24 and 25-29. The absolute number of the young unemployed (below 25 years of age) rose in 2000 although their share among all the unemployed slightly dropped. In the age structure of unemployment in Bulgaria two groups appear clearly de-privileged: youth below 24 and those aged over 50. The growth of unemployment among the latter group, particularly those over 55, is influenced by the changes in legislation. The number of unemployed over 55 grew with 85.7 per cent in 2000 because of the new law raising the age limit for retirement.

The National labour office studies the structure of the unemployed according to three types of occupations: specialists with professional edu-

cation, specialists with vocational education and workers with no speciality. The biggest group – 70.9 per cent are those with no speciality. More than 80 per cent of this group do not receive unemployment benefits. Women and those aged over 50 dominate this group. The absolute numbers in all three groups grew in 2000 and the greatest was the rise in the numbers of those with professional education (43.2 per cent). The specialists with engineering and technical qualifications and particularly women were among those most disadvantaged in the labour market in 2000. The unemployed with vocational education also grew in numbers – to over a third (34.2 per cent). In this group men were more often found than women. In all groups of unemployed formed on the basis of education there was a rise in 2000, the greatest rise being in the group with higher education, followed by those with professional education, then with vocational education, than with general secondary education and than with basic or less. Young people had the highest share among the unemployed with university education and the lowest among those with secondary general education.

The registered unemployed with disabilities constituted 1.2 per cent of all unemployed in 2000. Their number grew by 46.6 per cent in comparison with 1999. Only 5 per cent of them held a university degree while close to 60 per cent had basic or lower education. The rise in unemployment in this group was due to the deterioration of the financial situation of the specialised enterprises and co-operatives that had been organised in the years of the socialist regime, as well as the closure of many such companies. While in 1999 there were 11000 openings in specialised enterprises, in 2000 there were only 834. Many disabled people were made redundant from other non-specialised companies where people with normal working abilities were employed on places included in the specialised quotas for disabled people. The number of co-operatives, offering work to blind and to deaf people, was constantly declining. In 1999 there were 101 such co-operatives, in 2000 they

were only 98. People with disabilities also practice work at home but there is no official statistics available for this kind of flexible work. The National Labour Office (2001:37) cited the negative stereotypes of the population against this group and the lack of specially adapted working places as the major reasons for the high unemployment among this group.

The National Labour Office does not collect data on the ethnicity of the unemployed. However, ethnic inequalities are registered in the 1992 census and sociological surveys. Data from surveys suggest that unemployment rate is almost twice higher among Turks and three times higher among Romany than the rate among the majority population. The reasons should be sought among the regional disproportions in the Bulgarian economy. Bulgarian Turks and Bulgarian Muslims live in mountainous regions where the industrial enterprises created by the communist regime and supported by it collapsed in the first years of reforms. The crisis in tobacco production hit those two groups very hard. Another reason is their education level, which is considerably lower than that of the population as a whole. This is even more valid for the Romani population. Poverty explains more about this low level of education than cultural specifics. Ineffective policy and discriminative attitudes of employers and state officials also play a role. Since 1989 the most educated and qualified among Bulgarian Turks have been emigrating in Turkey. The infrastructure in the settlements with concentrated ethnic minority population is also poorly developed which limits their work mobility.

Despite the fact that unemployment has come as a new phenomenon in the 1990s, the incidence of long-term unemployment is very high. More than a third of the unemployed are in this situation for more than one year. Among this group the dominant types are workers with no speciality, basic or lower education, over 50 years of age. Women are also a group that is over-represented among the long-term unemployed. The share of young people is not very high among

this group although it is not negligible. Among the young unemployed (below 24) the share of

those with a registration period of more than a year is 12.5 per cent.

### 1.3. Trends toward Flexibilisation of Work

The official labour market in Bulgaria remains very inflexible as far as working time is concerned. In December 2000 only 5.5 per cent of the workforce in the country work less than the standard working time, while over 80 per cent of the work force are employed for the standard 40-49 hours weekly. More women than men work less than the usual hours (7 per cent to 4 per cent). The reverse is the ratio men/women among those working more than the normal hours of work (7:3). Time flexibility is greater in the private sector. It consists mostly of working over time (9 per cent) rather than of working less time (6 per cent). Only 6.5 per cent of public sector workers work atypical hours and most of them are below the norm. Contrary to our expectations, throughout the 1990s the flexibility in time in Bulgaria has not grown. The share of those working less than the standard 40 hours a week fluctuates around 6 per cent while the share of those working over the norm is about 13 per cent.

The indicator 'employment status' in the Labour Force Survey gives us information about flexibility in terms of conditions. The categories 'self-employed' and 'unpaid family workers' are two types of flexible workers, whose overall share in the workforce in the country is 10.06 per cent, that is every tenth legally employed person. Men are over-represented among the employers, the self-employed and the employees working in the private sector. On their part, women dominate among the categories of unpaid family workers and employees in state enterprises. Women tend to concentrate in the more secure and inflexible state sector. The self-employed in the transition countries are a very diverse group: some of them have a yearly turnover of thousands of US dollars and substantial profits, others hardly make ends meet. In terms of time flexibility they also demonstrate diverse practices: working less than 20 hours a week, as well as working over 60 hours a

week. The unpaid family workers are a more homogeneous category, underprivileged in their conditions of work and financial rewards.

Age also makes a difference in the groups with different employment status. Older age groups are over-represented among the categories of employers, the self-employed and the employees in public enterprises. Young people are clearly over-represented among the employees in the private sector. The shares of the employees in the state sector grow with age, reaching a peak in the 45-54-age group and drop sharply in the oldest group – 65 and over. The unpaid family workers come from the two youngest and two oldest age groups. The two flexible groups of workers show different patterns. The self-employed come from the older age groups while the unpaid family workers are from both the youngest (15-34) and the oldest (55 and over) age groups. The patterns of age influence are different for the two genders. While there are close to 5 per cent men over 64 years of age among the employers, there are no women from this age group in this status group. While women in general are under-represented among the employees in the private sector, women from the two youngest categories have higher shares than men. When men have the status of unpaid family workers, they are most often from the two youngest age groups. For women the pattern is significantly different. The highest shares of female unpaid workers are those from the two oldest age groups – 65 and over and 55-64.

Education is another factor influencing the flexibility in terms of conditions. In general, the higher the completed education, the greater the chances to get a secure job in the state sector or find oneself among the employers. Employees with college, university or advanced education concentrate in the public sector. The groups with the lower educational levels are over represented

among the unpaid family workers and the self-employed. Within the group of employees in the private sector, the biggest is the share of those with upper secondary education, the shares of employees with lower secondary and primary are somewhat smaller while those with higher education are considerably underrepresented. The two flexible groups: the self-employed and the unpaid family workers tend to have lower educational levels: primary or lower and lower secondary. Gender does not change the pattern of influence of workers' educational level.

Types of settlement also structure the opportunities for the type of work arrangements people enter in. Both employers and employees tend to live in urban areas while the rural dwellers are over-represented among the self-employed and the unpaid family workers. It seems that flexibility in Bulgarian context is greater in the rural areas of the country. The older age groups have higher shares among the self-employed in the rural areas than those in urban areas. The shares of the younger age groups among the unpaid family workers are higher in the rural areas than in the urban areas. In all status groups the educational level of the urban dwellers is higher than that in the rural areas. Over time, this type of flexibility – in conditions of employment – has increased slightly, due to the rise of the share of the self-employed from 8 per cent to over 9 per cent. The workforce in the category unpaid family workers has changed in numbers, the peak being in 1997 when they reached almost 2 per cent. In 2000 they account for only 1 per cent of the employed. It is notable that the groups of employees demonstrate stable trends – those in private companies of steady rise, and those in state companies also steady decline. The share of employers has almost doubled from 1995 to 2000.

While the LFS in Bulgaria does not provide data about fixed-term contracts, it uses such categories as 'labour contract', 'civil contract', 'other contract' and 'without a contract'. Flexible conditions might be expected in all those types of contract, even in labour contract, which might be

temporary, seasonal and so on. Atypical are the conditions arranged with the 'civil' and 'other' types of contract. Flexibility in terms of the legal conditions is the highest among those working with no contract at all. Altogether 13.4 per cent of the workforce in Bulgaria hold atypical contracts. This share is a third higher than the number of the self-employed and more than twice as high as the number of part-timers.

Men are more likely to work without contract as well as in other atypical forms of contracts more often than women. The private sector is the generator of this type of working arrangements. It is interesting to note that there is practically no difference between men and women in the types of contract in the public sector. Jobs without contracts or with other types of contracts are almost non-existent in the public sector. The private sector offers more jobs without contract to men than to women and more jobs with a labour contract to women than to men. Besides gender, other factors that make a significant difference among the types of contracts people hold are age, educational level, rural/urban area, and economic sector. With age the chance of getting a labour contract rises up to the age group of 45-54 and then drops, particularly in the oldest age group. The opposite is the pattern of working under civil, 'other' and no contract – the incidence is high in the youngest groups, it declines with age and then rises again in the groups of 55-64 and over 65. Within the oldest age group half a working under labour contract, less than a third – under civil contract and a fifth without a contract. When working in the private sector, the oldest workers do so most often without contracts, followed by a civil contract and finally with a labour contract. The public sector recruits the oldest workers for jobs under civil contract ten times more often than the other age groups. In terms of legal types of contract, the two youngest and the two oldest age groups are the most flexible workers.

The chances to get a labour contract rise with the increase in the educational level. The opposite is true for the other three types of legal arrange-

ments. While only five percent of the workforce works without a contract, a quarter of the group with the lowest education works without contract. It turns out that the highly educated are the least flexible workers. The more flexible workers from this point of view are the less educated groups. Agriculture is the sector offering the most flexible forms of working conditions in terms of legal

types of contract, which recruit a quarter of all the employees in agriculture. The most common form of 'flexible contracts' is working without contract. In industry and services the most common form of 'flexible contracts' is the civil contract which, together with 'other contract' and 'without a contract', make up for slightly more than 10 percent of the workforce in those sectors.

## 2. LABOUR MARKET POLICY

The labour market in post-communist Bulgaria developed through the transformation of the centrally planned and state controlled system for 'reproduction of the workforce'. During socialism the balancing of labour demand and labour supply was realised through the centralised preparation, allocation and usage of the workforce. Throughout the 1990s Bulgarian governments have been introducing elements of liberalisation of labour relations. There has been a marked effort to establish the classical model of a balancing mechanism of the market forces and minimum interference of labour market institutions. The new pro-liberal policy was backed by the support of the employers' organisations formed via the restructuring of the former Commercial and Industrial Chambers, that existed before and during the communist regime, and via the foundation of new organisations.

A counterbalance to this tendency was the activity of the trade unions in the country, both the reformed former 'profsouzi' and the newly established associations. Quite often the workers themselves took the defence of their interests into their hands, forming spontaneous strike committees outside the registered trade unions.

Till 2001 Bulgaria has not yet developed a National Action Plan, similar to that of EU member states and of some of the accession countries. The labour market policy in the country is currently based on several documents, among them the governmental programme (2001-2005), the strategy for development of human resources 2000-2006, the recommendations of the international organisations linked to the monetary board, the European Union employment strategy 1998-2001 and the conditions for accession to the EU.

### 2.1. Employment policy

The often-disconcerted efforts of the social partners in Bulgaria have resulted in an inconsistent employment policy, which is unable to create sustainable employment in the country. Contradictory decisions are to be found in all major spheres of employment policy:

- policies in the sphere of recruitment, dismissal and use of workers
- regulation of working time
- policies toward ensuring safe and healthy working conditions
- policies combating unemployment.

The reforms in this sphere had to face the collapse of the system for full employment, which had been maintained during the communist regime by a strict and total state control of the labour supply. The full employment was achieved shortly after the Second World War by industrialisation and enlargement of the public sector. Industrial relations were regulated in such a way that the behaviour of the employer was fully determined by the central planning system while the Labour Law defended the rights of the workers against dismissal. Staying at one enterprise for one's whole working career was strongly encour-

aged. Employers did not have the freedom to reduce the volume of used labour. Rather, they were financially interested to increase it even without need coming from the volume of production, and also, to ensure themselves against future needs. Shortages of labour were prevalent in many industries.

Under post-communism there was a liberalisation in the regulation of the recruitment and dismissal of workers. The Labour Code from 1986 is still in force, but there were several significant changes within it adopted by the new post-communist parliaments in 1990, 1992, 1996, 1999, and 2001. The new government (formed in June 2001) is considering the creation of a new Labour Code. A lot of the post-communist changes were terminological – dropping out terms overtly coming from the communist ideology such as ‘primary workers’ collectives’, ‘socialist ownership of the means of production’, ‘socialist attitude toward work’, ‘socialist mode of life’ and so on. More significant was the abandonment of paragraphs two and three of the 1986 Code – the right and the obligation to work. While the obligation to work was simply dropped, the citizen’s right to work was transformed into state’s guarantees for ‘the freedom and protection of work’.

Currently, the Labour Code regulates the use of specific categories of workers: youth, pregnant women and the disabled. The minimum age to start work is 16. Those aged 15 can work in circuses, movies and other not dangerous jobs not more than 4 hours a day. Young people aged 16-18 years can work for 7 hours a day, without night shifts, and have longer yearly holidays. Pregnant women and those breastfeeding their children should be moved into easier jobs. The law does not allow night shifts and extra work for pregnant women and mothers of children below 6 years of age and those with disabled children. Pregnant women and those with children below 3 years of age cannot be sent on business trips in another settlement. Mothers of children up to the age of 6 also have the right to work at home if the job allows such an arrangement. There are no data

available as to the real use of this opportunity but experts judge it was and is very limited.

Another specific category of workers defended by the employment policy is people with disabilities. The Law for the Protection, Rehabilitation and Social Integration of Disabled Persons (December 1995) removed some discrimination measures towards this group, for example toward their income. Under the previous law there was a reduction of their pension if the disabled person worked and his/her salary was higher than two minimum wages. New financial sanctions were introduced towards employers and public officials who refused to employ a disabled person, etc. However, formerly there were state contracts for the co-operatives of disabled persons that ensured their smooth functioning and these were lost in the course of reforms. In 1995 tax reductions were introduced for self-employed disabled persons and specialised firms (where disabled persons are over a half of all employed). There is no widely accepted mechanism for categorisation of disabled persons. In 1992 the census defined 233,709 persons as disabled, while the social security agency counted 359,655 persons with disabilities, and the Union of Disabled Persons established much higher number – 750,000 – on the basis of a survey (Stoyanova, 1996:178). Besides the registered there are disabled persons who do not register because of a fear of discrimination, because of age limit (below 16), or who do not consider themselves as disabled. At present people who had registered can receive a disablement pension and a social pension. The first requires some work experience. Besides employment difficulties, the disabled persons in Bulgaria face very few opportunities for rehabilitation. There is a lack of adapted vehicles in the public transport, adapted entrances in the blocks of flats and public buildings, and no signalling equipment.

The regulation of working time is another aspect of the employment policy. Its major focus has been the limitation of the maximum length of the working time. Historically, the tendency has

been to the reduction of working time. Thus the 'normal' working time was:

- in 1917 – 11 hours a day
- till 1957 – 48 hour a week
- In 1958 – 46 hours a week
- In 1973 – 42.30 hour a week, five working days
- since the beginning of 1993 – 40 hours a week.

At present, the daily and weekly length of work is settled via the collective bargaining agreements in the collective labour contracts that can reduce the working hours. The Labour Code treats working time dividing it to several categories:

- *normal* (8 hours daily or 40 hours a week),
- *reduced* (only in harmful conditions and for persons younger than 18). In 1994 there was a government decree for reduced working time for those working in dangerous conditions which set the length of such work at 6 or 7 hours daily.
- *not full* (when there is not enough work load but not less than half the normal time and not longer than 3 months in one year),
- *flexible* (with changing borders),
- *non-standard* (to stay longer when necessary and this is compensated with longer holidays),
- *extra-time* (which cannot be more than 150 hours a year, not more than 30 hours a month),
- *part-time* which is less than the normal and reduced and is negotiated via the individual labour contract between the employer and the employee.

Part-time work in the sense that the labour contract sets the working week for 10, 18 or 32 hours for example does not exist in Bulgaria. The Law treats the 'not full' time as a temporary decision forced by economic reasons (decrease in output) and against the interest of the employee and not as a form of desired flexibility on his/her part. This type of working time is allowed only under

limited conditions – when there is not enough work load but cannot be for less than half the normal time, cannot last longer than 3 months in one year and can be introduced only after negotiations with workers' representatives.

The Constitution of the country declares that working in safe and healthy conditions is a basic citizens' right. In the first years of the economic crisis the companies cut the expenses for maintaining the security of their workers. Most hard hit were the sectors of electricity production, mining, petrol refining and chemical industry. Unemployment also pushes workers to accept jobs in dangerous conditions while the employers lack incentives (and often resources) to introduce new technologies and improve the situation. Labour control establishes frequent cases of not following the state standards and norms both on the part of the employers and the employees. This is particularly true for the new small private companies. In 1995 a government order required specialised departments to be founded in each company to organise and co-ordinate the maintenance and improvement the safety of work conditions. In 1997 another decree made it imperative for companies with a personnel of over 2000 to create agencies for labour medicine for health control and prophylactics. In 1998 a new fund was created within the framework of the Ministry of Labour and Social Care named 'Working conditions' with which to finance projects that could lower risks of work accidents, occupational illnesses, training and propaganda.

The problems in the employment policy in this sphere are mostly due to the lack of efficient control over the functioning of enterprises, and there is only limited control over the safety standards of imported and home produced goods and technologies. Also, the regulations are not adequate to the new economic structures, and to the new types of production. The control is realised by different state agencies under the auspices of the Ministry of Labour and Social Care, Ministry of Internal Affairs, The Committee of Standardisation and Meteorology between which there is no

good co-ordination of activities. There are inconsistencies between Bulgarian norms and standards and those set up by the EC, ILO and the World Health Organisation.

Unemployment in the 1990s was a new phenomenon in a society where the communist regime had secured full employment for four decades. The reforms in social policy had to quickly find adequate responses in order to cushion the population against steeply rising levels of unemployment. Unemployment policies in Bulgaria were developed by frequent changes in the legislation (See Table 44). The legislation that formed the basis of the unemployment policy in the 1990s has developed in the direction of reducing the amounts of benefits and the periods in which they could be claimed and toward raising the requirements for eligibility. Until 1997 three types of unemployed received support: first, those dismissed from state and private companies and who had made social security payments against the risk of unemployment for a certain period, the second group were those who had not made insurance payments, but had the right to receive social support, that is young specialists after graduation or coming back from military service, and the third group were the long term unemployed who met the requirements for poverty support. However, the second group lost rights to benefits with the coming into force of the Law for Protection against Unemployment and for Encouraging Employment in 1997.

At present the benefits are given for a limited period of time from 4 to 12 months, they fluctuate between 140 per cent and 90 per cent of the minimum salary, the long term unemployed receive benefits only if their incomes are below the poverty line and they actively seek jobs. There is an opportunity for the unemployed to receive 50 per cent of their benefits if they start work for a salary that is less than the minimum. The insurance payment for the unemployment fund is 4.5 per cent of the salary. It is divided in the following way: 3.2 per cent is paid by the employer and 0.8 per cent is paid by the employee. Paying benefits

is usually defined as a 'passive' policy – to differentiate it from the 'active' measures aiming at encouraging employment growth and the employability of the workforce.

The active employment policy comprises of two groups of measures. The first group is directed toward the unemployed to encourage their active job seeking, self-employment or re-qualification. The second group of measures is directed toward the employers by encouraging them to employ new people or restrict the number of dismissals. There are also general measures and measures directed toward specific groups. The active measures directed toward the unemployed include receiving all their benefits at once in order to start a business, free of charge training courses, and temporary employment. There are also schemes directed toward the illiterate workers, disabled, long-term unemployed, and motivational courses for the discouraged unemployed. The measures targeting employers are subsidised employment, and lower interest rates for business loans when they increase production and take on unemployed persons. The proportion active/passive measures has been changed several times in the 1990s. Nevertheless, passive measures have dominated the budget of the National Labour Office. The share of active measures has been rising gradually from 12 per cent in 1992 to over 30 per cent in 1996 and then declined to reach 17 per cent in 2000.

Not only the amount and proportions of passive and active measures changed over time. There were significant shifts in the structure of active measures in the 1990s. The general trend has been toward increasing the expenses of programmes and measures targeting specific groups among the unemployed: disabled persons, youth, and so on. What has declined considerably is the money spent on training and retraining. If we follow the changes in the programmes for training of the unemployed, we could see large fluctuations over the years. Another tendency is the decline of the share of those who have started work through the Labour Office. It declined from 42.4 per cent in

1991 (Beleva et al, 1996:119) to 26.2 per cent in 1996, then there was a slight growth in the next years.

The new focus in 2000 was the regional approach in developing active measures and programmes. The regional programmes came as a result of the requirements of the accession process. From the Regional Initiatives Fund 109 projects were financed in 2000 which was double the number in 1999. There was also a strong emphasis on the programmes toward the target groups, those that were seen as the hardest hit by unemployment: youth, long-term unemployed, single mothers.

The effect of the unemployment policy is not easy to estimate but it does not seem to be very high or at least increasing over the years. Only a third of those leaving the registers of the Labour

Offices have been successful in their job search. Close to two thirds have dropped out without the Labour Office knowing their reasons, most probably on account of having exhausted their benefit eligibility and/or having lost hope that the Offices will help them. In 2000 33 persons were placed in jobs per every hundred unemployed while in 1999 this number was 41. From all the jobs taken in 2000, only 0.05 per cent are for the target groups: youth, disabled, long-term unemployed. From the programme for encouraging employment, most placings were for the programme for temporary employment (47.3 per cent), then the programme for winter employment (31.9 per cent), regional programmes (9.9 per cent) and associations for employment (9.1 per cent). In 2000 there were 64 unemployed to 1 opening, while in 1999 the ratio was 36:1.

## 2.2. Policies promoting flexibility

Many of the legislative changes and policy programmes in the 1990s were related to the flexibilisation of work in terms of time and conditions. In particular, the conditions regulating the process of recruitment and dismissal of the workforce were subject to modifications several times. The new legal acts affected flexibility of work, but in no uniform way. Table 48 in the Appendix shows that most of the changes were directed toward more flexible labour relations, giving greater rights to employers to dismiss workers and to a lesser degree to employees to leave their job or start additional work. Much less are the steps toward increasing flexibility in terms of working time and there are no changes toward flexible arrangements for the working place. The changes in the Labour Law in 1992 and in 2001 gave more freedom to the employers to reduce the working time or offer part-time jobs.

Many of the measures against unemployment are also directed toward encouraging work flexibility:

- *Specialised services for self-employment* – the unemployed who wish to start their own

business after approval of a business plan may receive all monthly benefits as a lump sum. The same is valid if they employ an unemployed family member. In 2000 this scheme recruited 20 per cent less participants than the previous year. Among them there were men more often than women, while young people were involved very rarely – only 16 persons for the whole of 2000.

- *National programme 'flexible labour'* started in October 2000 and has a two year planned duration. The programme provides part-time employment (4 hours) for persons who have received benefits for two months or less. For every opening the employer has to employ two persons for more than 8 months. For this period the employer receives sums equal to the min salary and all social security taxes for every employed person.
- *Associations for employment* – the NLO pays the minimum salary for every employed in such associations dealing with socially useful work. There are 29 such associations active from the previous year and 11 new were founded in 2000, 5430 persons work under

this programme. There are more men than women, and are very rarely youth among the participants in this programme.

- *Encouraging employers to employ unemployed persons for part-time work.* If the employers take persons for at least three months, they receive 50 per cent of the minimum salary and all security taxes. In 2000 4268 persons were involved for the whole year which is a growth by a third from the previous year. Three fourths of the participants in this scheme are women.
- *International exchange.* In 2000 Germany received 807 persons for 12 months in catering and restaurants, 837 persons for seasonal work and 221 persons in summer work for students. Another exchange programme with Switzerland employed 67 persons.

There were measures encouraging workforce mobility offered to those who start working for at least six months in another dwelling place which is more than a 100 kilometres away to get up to 3 monthly payments to cover the travel expenses for themselves and their families. Also, those who have found a job at a smaller distance could receive 50 per cent compensation for their daily transport for the period of the work contract but

not longer than 12 months. Only 112 persons used financial support from Labour Offices to meet an employer in another dwelling place, only 1 persons – to move the whole family to another settlement and 837 – to have half of their travel expenses covered. The reason is the low financial support.

The programme for flexible employment can be a notorious example for the mismatch between goals and results. Under this ambitious name only a tiny proportion of the country's thousands of unemployed were eligible for a minute support. The numbers recruited for this measure were even fewer. For the whole period of the first year since its start, 677 persons were employed. Besides, the formulation of the programme and its requirements created many debatable situations, so a commission was set up for deciding the disputes, in which there were representatives from the Ministry of Labour and Social Care, NLO, Bulgarian Business Chamber and Bulgarian Trade and Industrial Chamber. An expert from the National Labour Office said in his interview with a member of our team: 'The programme for flexibility is flexible for the Ministry. There is no money in it, only a lot of noise'.

### 2.3. Wage and Tax Policies

The transition from a centrally planned to a market economy in Bulgaria is also a transition from an administrative-direct model and equalising schemes for distribution of incomes to a model of collective bargaining of wages. In the course of reforms three basic mechanisms for formation of wages were established:

- decentralised collective bargaining in the state sector,
- normative distribution of wages in the budget sphere and
- free individual bargaining in the private sphere.

The decentralised collective bargaining was introduced in 1991 by a governmental decree. In the state sector it involves all the employed, independently of their trade union membership. The interests of the state, employers and workers are co-ordinated by a tripartite system, which acts on three levels: national, sector and company. The sector (branch) level of collective bargaining is not well-developed (Beleva et al, 1996). On the national level the main issues decided are the basic parameters of work remuneration: minimum wage, additional payments, mechanisms for compensation against inflation. Individual bargaining is the dominant mechanism in the private sector (Daskalov, 2001). In the first half of the 1990s there

was a wide spread fear that the salaries in the private sector would rise disproportionately high. It turned out to be ungrounded – in 2000 the salary in the state sector was 10 per cent higher than the average in the private sector. The restrictive policy in the state sector has influenced the private sector, as well, which results in a large general lag between wages and prices. The restrictive state policy is realised through direct control in the budget sphere and indirect control in other spheres. The basic control mechanism is based on higher taxes for wage expenses when they rise above a certain limit.

The wage dynamics is very weakly correlated with the dynamics of work productivity, which is a result from the monopolistic position of some companies in the market and depends on the level of trade union membership. Thus in 1992 the wages rose with 15 per cent despite the decline in productivity while in 1994 the wages dropped significantly despite the ten-percent rise in productivity. The wage dynamics correlate weakly with the dynamics of the GDP, as well, and has a declining share in the GDP. The biggest drops in the average wage were in 1991 and 1997 when inflation had its peaks. While the decline in GDP continued after 1991 till 1993, the wages more than doubled for the same two-year period.

What is typical for the wage policy in Bulgaria is still the high degree of state interference. Factors which delay the liberalisation of labour relations in the sphere of wages are economic decline, high levels of unemployment, sharp fluctuations in inflation until 1997 and the introduction of the Monetary Board after that. It was also hampered by the slow reforms in the social security system and the tax system. There are too many legislative documents limiting the freedom of employers to a flexible wage policy. In the first half of 2001 the average salary in the state sector was 118 USD and in the private sector – 96 USD, 107.3. For comparison, in 1999 the average monthly wage in the Czech republic was 366 USD, in Hungary – 326.6USD, in Romania – 127.7

USD, in Slovenia – 952.9 USD (Business Central Europe, 2001).

In Bulgaria since 4 April 2001 the minimum salary had been 85 BGL and it was raised again to 100 BGL on October 1, 2001. The delegation of the International Monetary Fund strongly criticised this move of the current government as too risky, which would raise the budget deficit because most social payments are linked to the minimum wage. Another disagreement between the International Monetary Fund and the Bulgarian government was over tax cut for business profits planned from January 1, 2002 which the government had to withdraw. During the whole transition period the tax policy in the country had the objective of widening the tax base. The sums entering the state budget income tax fluctuates between 10 and 12 per cent. In 2001 the planned share is 9.2 per cent which is the lowest for the transition period. The tax scales were also changed several times but the general tendency as been for taxes to rise. Income tax was about 14 per cent in the beginning of the period and was over 20 per cent in 2000.

The Law for Taxing of Incomes of Physical Persons in 1997 introduced a major change. From 1.01.1998 all types of individual incomes are taxed – not only those from labour contracts as before but also that from civil contracts (freelancing, sub-contracting, etc.) While this raised the contributions to the state budget, this mechanism reduced the motivation of people to work in more than one place. This also reduced the motivation of employers to employ persons on a labour contract. In this way the informal economy received an impetus while the formal flexibility of labour declined. In the second half of 2000 some tax relief was introduced for those working without a labour contract and receiving less than the minimum salary, as well as for those in vocational training who did not have to make insurance payments. The tax burden for the self-employed was reduced in 2001 and equalised to the taxes of companies, which form a hierarchical progression. The maximum tax rate in 2001 was 38 per cent

while it was 40 per cent in 2000. The reduction of the tax burden leads to an increase of the share of the salary in household incomes. Daskalov (2001) considers that the very steep rise in tax scales is not only a high social price for the population but also a limitation on business initiatives and entrepreneurship.

The reform in the system of social insurance is another major change in the field of social policy in the 1990s. During socialism the social insurance system parted with the principles of self-regulation, decentralisation according to the types of risks, financial independence and the budget for social insurance was integrated with the state budget. There were three regimes of social insurance for the three categories of labour. Most privileged from it were the low-qualified workers in heavy industry and party and state officials (the so-called nomenclature). The system of social insurance under the communist regime relied upon: full employment, total state control over income distribution and social expenses, heavy bureaucratic machine for social protection. Incomes were predominantly from wage labour. The equalisation of wages was matched with a compensation of the low salaries with subsidising of prices of basic goods and services.

In the 1990s the state started to withdraw from participation in social transfers by the creation of social funds independent from the state budget and by introduction of social payments separately from the taxes. The social programmes were reduced and all social transfers started to be defined on the basis of the fixed minimum salary, which is far from adequate to the minimum standard of living. The minimum salary does not correspond to any minimum living standard for one person, not counting any dependants. About 38.7 per cent of the employed receive a wage below the minimum (Brajkova, 2000: 227). In 1990-1992 the governments took measures to develop the so-called Bismarckian model (fund financing on the basis of individual insurance payments). In 1996 the National Insurance Institute was created, separating insurance funds was separated from

the state budget. At first, the payments were highly unequally divided between the employer and the insured. The participation of the insured was very small but gradually rose in the 1990s.

A Code for Obligatory Social Insurance is in force in Bulgaria since 1 January 2000. According to it, the total payments for social security, which the employers have to make, are 41.3 per cent of the wage for every employed person in the first category of labour and 36.3 per cent for the second category, and 26.3 per cent for third category. The high tax and security burden of the employers raises the labour costs. The total social insurance payments which the employed are obliged to make are 6.4 per cent (5.8 per cent for pension insurance, and 0.6 per cent for general illness and motherhood). Special insurance schemes are introduced for some non-standard categories of employees. Those employed for less than 5 days or 40 hours a month and receiving up to the minimum salary do not pay for social insurance themselves while their employer is obliged to pay 0.7 per cent which goes to the fund 'Work accidents and professional diseases'. Those who work without a labour contract and receive the minimum wage or over pay 5.8 per cent for pension insurance and their employer adds 23.2 per cent.

To escape from the high burden of taxation, employers recruit workers without any formal contracts or declare paying the minimum salary and the corresponding insurance, while paying the workers additionally in cash. The self-employed have to pay 32 per cent insurance upon 2 to 10 minimum salaries according to their own choice. The general practice is that they prefer to pay the minimum social insurance (on the basis of two minimum salaries). There is a similar scheme for farmers who choose to pay insurance on the basis from 1 to 10 minimum salaries. In 2001 the insurance payments of the employers were reduced and this was a stimulation of the formal economy. Some kinds of income were freed from taxes such as the sums for official and uniform clothes, the sums received during a sick leave, the payments for social, health, and pension security.

A major field of reforms in the system of social insurance is the pension reform. Since 1991 the pension system used loans from the unemployment fund, and state subsidies. In the period 1990-1992 a retirement scheme was introduced giving pension rights to persons who had not reached the required age. Generous regimes were introduced for the classification of workers, allowing thousands of persons to get pension rights. However, with inflation the real pensions turned out to be very low and this threw many pensioners back into the labour market. The legislation was changed several times banning or allowing those receiving pensions to work and receive both payments. When the same insurance regime was introduced for the labour and civil contracts, many of the latter moved into the black market.

Until the end of 1999 the Law on Pensions regulated the pension rights but from 1 January 2000 in force is the Code for Obligatory Social Insurance. It introduces a new reform, leading to a gradual increase in the age for retirement from 55 for women and 60 for men with several years. The change will result in the rise of the share of population in employment age and decline in the share of those beyond retirement age. This however will strengthen the process of ageing of the workforce in view of the still declining number of young cohorts entering the workforce. The Code inserts a modification in the pension insurance system, creating three pension schemes. The basic system of pension insurance remained but access to the more liberal systems of retirement was tightened. An addition for the widowed was introduced and the upper limit of the pensions was withdrawn. The share of the insured was raised and the one of the employer was reduced. All professional incomes (free lancing, for example) are now taxed for pension insurance. The second scheme is the additional pension insurance. It is obligatory for some categories of employees predominantly in the public sector, born after 1 January 1960. The third one is the voluntary pension insurance scheme. In 2000 the State Agency for Insurance Control licensed nine pension insurance funds

where employees could be insured according to the second and third scheme.

Perhaps the most radical reform was that in health insurance and the health care system with the creation of a health insurance fund and the almost total liquidation of state health care. An independent health insurance fund was created. The insurance payments comprise 6 per cent of the wage, with 4.8 per cent to be paid by the employer and 1.2 per cent to be paid by the employee. The children are covered by their parents' insurance. The state provides for the health insurance of the state officials, pensioners, military and unemployed. The self-employed pay 6 per cent for health insurance and persons working without a labour contract have the same obligation. The new system for health protection increases the role of family ties as a source of security. While there are private and public hospitals, most of the services, medicines and materials in state hospitals are paid by the patients. Brajkova (2000:220) considers that the health reform is realised under the strong pressure of the doctors' association and the law primarily defends their interests. The Law about the Doctors' and Dentists' Syndicates gave a monopolistic position of only one professional organisation as the only way for the medical personnel to participate in the health care system and creates a potential for maintaining the extremely high prices of medical services.

In conclusion, a major problem in the insurance policy is not that the payments are very high proportionally but that they come on a very low-income base. The extremely low price of labour in Bulgaria and the very low share of incomes from work might be seen as a strategy for preserving employment. However, low incomes mean low insurance payments that in turn mean low pensions and a constant deficit in the health insurance system. Besides, this low wage creates incentives for fraud. The incidence of paying insurance on the minimum salary is widespread while in reality the employee receives additional payment on which no insurance is paid. Alexandrova (2001) estimates that 46 per cent is the real difference

between the real payment which the employee gets and the official one upon which insurance payments are made. She argues that the system of social insurance is one of the main barriers to the

development of Bulgarian business and one of the main factors for the existence of the grey economy.

## 2.5. The Influence of European Directives

The social policy of Bulgarian governments under post communism is realised under the contradictory influences coming from the international financial institutions such as the World Bank and the International Monetary Fund, the European Institutions such as the European Commission and the Council of Europe, and the example from the successes or failures of the other Central and Eastern European countries. Since 1997 this policy is carried out under the conditions of a monetary board and a highly restrictive financial policy. The strong dependence on foreign loans limits political choices and pushes policies toward the American model of a limited residual welfare state. Quite the opposite is the influence of the process of European integration with its focus on social rights and social cohesion.

The rapprochement of Bulgarian labour legislation with that of the EC is obligatory under the articles 69 and 70 of the European Accession Agreement. The country has ratified the conventions of the International Labour Organisation. In September 1998 the government of Republic Bulgaria signed the European Social Chart (ESC) which marked the beginning of the process of accession and the adoption of European social standards. It was ratified in March 2000. The ESC has been ratified by Slovenia and Romania, as well. A basic document for the employment policy in the country is the European Employment Strategy.

Bulgaria's strategy for accession to the EU is based on the White Book for the Preparation of the Associated Countries of Central and Eastern Europe for Integration in the Internal Labour Market of the European Union. The White Book has an Annex, which makes a full overview of twenty-three areas of the active secondary legislation of the EU concerning the internal market. Paragraph Four addresses four basic areas, the

first of them being the equal opportunities for men and women. Under communism equal treatment of men and women was an important tool in social policy and Bulgaria has well-developed legislation in this field. The principle of equal treatment is written down in the Constitution of Republic Bulgaria and all legal acts concerning employment. The transition to a market economy had negative effects on women's employment position and their opportunities to defend their rights. These directives introduce the concept of indirect discrimination and positive action in favour of women. A national council for equal opportunities is under formation.

The second area is co-ordination of social security schemes and includes the several basic principles, such as equal treatment for migrant workers and the majority citizens and retaining of acquired rights and accumulation of insurance periods. The third area – safe and healthy conditions – is based on Directive 89/391/EEC, which sets the minimum demands toward working conditions. It includes the obligation that administrative requirements should not hinder the creation of small and medium enterprises. Here the problems for Bulgaria are not so much in the necessary legislative changes as in the control over the implementation of the legislation already adopted. The fourth area – labour legislation and working conditions – includes Directive 75/129/EEC concerning the rights to information and consultations with workers' representatives, Directive 94/33/EC forbidding the work of persons aged up to 15 and regulates employment conditions of those aged 15-18 and others.

The Constitution of the Republic Bulgaria (article 5, paragraph 4) gives dominance to the international law when ratified by the country. The country has adopted several new laws such

as the Law for protection against unemployment and for encouraging employment, December 1997, the Law for healthy and safe working conditions, 1999, the Code for the obligatory social insurance, 2000. The latest changes in the Labour Law allow the Bulgarian legislation to meet the requirements of the sector Labour Law, especially Directives 93/104/EC about some aspects of the organisation of working time, Directive 91/533/EC about the employers' obligation to inform employees about the conditions of the labour contract and Directive 94/33/EC about the protection of young people at work.

A major requirement of the EU is the development of the social partnership. It is based on the principle of tripartite representativeness, and this is imbedded in the Labour Code, the Law for Protection against Unemployment and for Encouraging Employment, and the Law on Healthy and Safe Working Conditions. The social partners (employees, employers and the state) are involved in the preparation and development of the legal acts in the social sphere and in the development and realisation of regional programmes for employment. With the changes in the Labour Code a National Council for tripartite co-operation and social dialogue was created at the national level, as well as sector, branch and community councils for tripartite co-operation came into being at the lower level. The general assembly of the employees elects workers' representatives to defend their interests in labour and insurance relations in the enterprise. With the changes of the Labour code the functions of the assembly were better defined, and it was clarified that the general assembly excludes the employer. The changes in the Labour Code also set up the criteria for the 'representa-

tiveness' of the syndicates of workers and employers' organisations. Before that political decision had greater influence than legal requirements. The need of recognising the representativeness of the workers' and employers' organisations comes from their greater rights in the social dialogue.

The collective labour contract was already defined in the Labour Code but its instructions were very economical which allowed different interpretations. The changes adopted in March 2001 determine that the collective labour contract cannot include clauses, which are less favourable for the employees than those in the law and that at the level of the enterprise, the branch and the sector there can be only one collective labour contract. Also, employees who are not members of the syndicate can join the signed collective labour contract after a written declaration and the collective labour contract is valid for a period not longer than two years and in case of a change of the employer, the already signed collective labour contract is in force till a new one is signed but not longer than one year after the change.

Experts (Doykin, 2001) consider that the social dialogue in the country is developed to a certain extent only at the national level and between the big employers and big syndicates. But at the level of the enterprise and particularly in small companies social dialogue is not an established practice. In particular, employees are in a weaker position to negotiate their salary and their rights to be insured. Due to the high unemployment and lack of real trade union support, employees accept any work conditions, offered by the employer which in turn leads to the growth of the grey economy and the erosion of the human capital.

### 3. FAMILY POLICY

#### 3.1. Family Policy

Family policy during communism was strongly pro-natalist, encouraging the birth rate and family stability but ignoring individual rights (Keremid-

chieva, 1998:50; Fileva, 1998:22). Yet, unlike other countries, Bulgarian family policy did not commit women to the home. On the contrary, the subsi-

dies and services allowed women to stay in the workforce. The two-year paid leave for raising a child, which was introduced in 1985, was followed by one more year of unpaid leave. During the whole three-year period of parental leave the mother's position in the state owned companies was preserved while the time spent at home was considered working experience and contributed to the mother's pension. For those who wanted to return to their jobs earlier, there was the extensive network of child crèches and kindergartens. Where the child up to the age of two was taken care of in the home while the mother was working, the state paid additions to the mother's salary. This practice was possible with the tradition of intergenerational support in Bulgaria, grandmothers replacing mothers in childcare. Perhaps Bulgaria is the only country where the parental leave could and still can be taken by the mother and father *or* by one of their own parents, that is the third generation.

This type of family policy was praised as encouraging the triple role of women – a mother-wife, worker and 'active' citizen (Kjuranov, 1987). While it was not very successful in reversing the decline in the birth rate into a growth, the decline was slower – contrary to the steep fall under post-communism. But what this policy was truly successful in doing was to push women into employment. In 1985 the level of economic activity of women in Bulgaria was 49.5 per cent. The ratio employed men and women changed from 58:42 in 1956 to 52:48 in 1985. The Labour Code protected mothers with children up to the age of 3 from dismissals – it could be made legal only with the written agreement of the Labour Inspection. This right was lost in the recent changes in the Labour Code (March 2001).

In the 1990s an effort was made to break with the communist model of a mainly demographic policy and develop a system for family support. The latter is seen as based on a pro-liberal approach in contrast to the paternalistic approach of social protection for individuals and social groups (Fileva, 1998:23; Noncheva, 1994:56). At present,

family policy is seen as a wider field than demographic policy, a multisided process of support for the family as an institution (Yachkova, 1997). New institutions have been created, both state and nongovernmental which offer new types of services: psychological, legal, and business advice. In 2001 seven state and more than ten nongovernmental organisations directly deal with problems of families and children. For example, support for the needy families are paid via the National Insurance Institute, the Labour Offices and the Agencies for Social Care, which allows the duplication of some services and an inefficient division of labour. Different institutions provide support for children: the Ministry of Health for children up to the age of three, the Ministry of Internal Affairs for deviant children, the Ministry of Labour and Social Care for disabled children and orphans, and the Ministry of Education for some categories of disabled children.

While in the 1980s social support was directed towards individuals at risk, since the beginning of the 1990s it started targeting families at risk. Besides the 'old' families at risk such as single parent families and families with many children, new ones are added to the list: young families with low incomes, students' and soldiers' families, families with an unemployed head or with a disabled parent or child. Very often social risks combine in one family. Stoyanova (1996:128) estimates that 70 per cent of children in Bulgaria live in poverty. Fileva (1997: 24) argues that 63 per cent of pensioners' families also live under the poverty line. Families that live in areas with a high ecological danger or those unable to afford housing also face specific risks. The sudden drop of most of pensioners' families into the category of families at risk is due to the tendency of a steep decline in their income. In the 1990s while pensions have been growing in absolute numbers, they have declined considerably in real terms. For the second half of the 1990s the ratio average pension to average salary was 32 per cent. In 1999 the average length of the period for receiving a pension was 17.9 years, that is 15.2 years for men and

21.1 years for women. The differentiation among the pensions is declining. The ratio between the social pension and the average pension declined from 79 per cent in 1995 to 64.0 per cent in 1999.

In 1992 a government decree (No. 130/1992) created a mechanism for providing social support by introducing the 'basic minimum income', adjusted with a system of coefficients for various types of families. Also, the system was universalised in the sense that it included in the system for income maintenance persons not insured and non working people. In 1997 a new Regulation for Social Support was adopted, which accelerated the de-centralisation of the system by strengthening the municipal centres for social care. Due to the very low sum of the 'basic minimum income' and the adopted mechanisms for eligibility for support, the support goes mainly to single-member households, in particular single elderly persons. Many families in risk remain outside the system. The system for social support still lacks a well-developed local infrastructure that will create opportunities for access to all families in need.

Following the strategy to harmonise its legislation with that of the European Union, the parliament adopted the Law for Social Support in 1998, which established three main forms of social support: allowances, social services and placing of persons in need in specialised institutions of various kinds, funded by the state. The 1998 Law defined several types of benefits: in cash or kind, monthly, one-off, and targeted benefits. The size of the regular monthly benefits is calculated by multiplying the minimum income with a coefficient dependent on the type of family or the personal situation of the beneficiary. The target benefits are for heating, house rent and other immediate needs. One-off benefits are for medical care abroad, for mothers with many children and for disabled persons.

Social services are offered by the state and local councils, by private business companies or non-profit organisations. They are provided in the person's home or outside of it. Home services are offered to people aged over 65 or the disabled.

Special benefits are given to those over 75, single persons and people with incomes less than the social pension. These include bringing food in the home, health checks, cleaning, heating, financial, legal and administrative services. There should be at least 30 candidates to have such a form of service provided. Day centres are created for groups of old people or disabled children. They provide breakfast and lunch, entertainment, rehabilitation. Centres for social rehabilitation and the integration of disabled persons provide psychotherapy, health gymnastics and other specialised services. Services, provided outside the home, comprise of homes for disabled children or persons, social educational centres, homes for old people, homes for temporary housing and orphanages. The state charges a tax for those services according to the Law for Local Taxes. Those who have no personal income or savings are eligible to receive those social services free of charge. The existing homes are most often equipped with old and insufficient equipment. Many homes from the communist times were closed for such reasons.

Another aspect of family policy – the support for women's combining work and care – is undeveloped in Bulgaria. During communism besides the pregnancy and birth leave, women never really used other legally allowed alleviations such as a reduced working day, split working time, home working, etc. The situation did not change in the 1990s – there were no real efforts to make changes in the working time or place in order to allow a better combining of work and family responsibilities (Kirova, 1996:111). On the contrary, women lost some of the benefits of the communist family policy – for example, the third year of motherhood leave.

One form of family support that was widely advertised in the first years of reforms was the encouragement of family business. In 1991 the state created a fund 'Small enterprises' offering preferential credit, financial support at the business start and others. However, this was not realised as the banks refused to operate this fund without state guarantees. In 1997 a state agency

for SMEs was created. Foreign organisations also applied some schemes in support of small and medium size businesses but without significant results. One reason for this is that a very high share – 90 per cent – of all companies in the country are small with up to 5 employees. The family businesses face barriers from the high prices of goods and services. High interest rates and low access to loans force many to use only their own savings or money from relatives and friends. However, the uncontrolled inflation up to 1997 drastically eroded the savings of many people. Bank loans have been used by only 3 per cent of those starting business in Bulgaria (Kirova, 1996:85) The high tax burden acts as a push toward trade where it is easier to hide profits. Small and medium size businesses in the country are mostly in trade and very rarely in industry or other services. Many of the family businesses do not register officially not only to avoid taxes but also due to the complicated methods of accounting. Other problems confronting family businesses are the high crime rate and corruption in the country.

In Bulgaria's family policy the significance of tax alleviation mechanisms is under-valued despite the crisis. There is an individual taxing of personal incomes without taking into account the family situation of the taxpayers, and their parenting responsibilities. The system uses only the standard forms such as no taxing of social support and social insurance payments. Also, there are special preferences for disabled persons. The family situation as a factor in the taxation system was discussed in 1992, then again in 1997 but it was not accepted as a factor in calculating the tax amounts. No sums for education, wedding or housing are considered as necessary expenses. There is no tax relief for buying a house, furnishing it, repairing it or the like.

The social protection for mothers and children is perhaps the only well-developed sphere of family policy in Bulgaria. Despite the fact that the post-communist reform in Bulgaria inherited one of the most developed systems for birth and pa-

ternity leaves, the economic crisis pressed parents to stay on their jobs and it was mostly unemployed mothers that profited from the long parental leave. In 1994 15 per cent of the mothers did not use even the whole two-year paid leave for child rearing (Stoyanova, 1996:135). The flexibility offered did not correspond to the real needs or values of the parents and it was overwhelmingly mothers and to a less extent grandmothers that gave up their jobs temporarily while taking care for the child. Fathers were very rarely involved in the full-time care for the children. One disadvantage of the family policy in Bulgaria is that the first leave for pregnancy and child care is quite long – till the 4th month of the child and it can be taken only by the mother. Only after that the father can also take a leave. This means a later involvement in the childcare, unlike the policy in Sweden and Norway for example where the father can get involved much earlier. Also, the two-year parental leave can be taken only till the child is two and cannot be postponed and split in time.

There are additional forms of leave to help working parents. Mothers with two children aged up to 18 have the right to an additional two days of holidays each year and four days if they have three or more children. This leave can be taken by the father instead. Mothers also have the right to work in the home for the same or another employer until the child is 6 years old. For taking care of a sick child the mother or the father can take up to 60 days of paid leave per year. The payment is 100 per cent of the salary till the child is up to three years old. After that the parents of a sick child receive 70 per cent or 90 per cent of the salary depending on the working experience of the parent. The new law for protection, rehabilitation and social integration of people with disabilities adopted in 1996 provides better conditions for the retirement of parents who have taken care of a disabled child.

The post-communist economic realities create numerous difficulties for working parents. There are often problems with paying insurance for pregnancy in small private companies. Em-

ployers in private companies do not allow fathers or grandparents to take the leave for child rearing by exerting informal pressure and threatening dismissal. Yachkova (1997:25) cites data from a survey 'Youth about Family and Marriage' according to which over three quarters of young women aged 21-30 years have worked without a labour contract for different periods of time which makes this group particularly vulnerable to receive no protection in risks of pregnancy and motherhood.

Child allowances were the only universal programme financed from the general tax system that survived till 2002. During the communist regime the child allowances rose with each consecutive child. Today they are a fixed sum and are paid till the 16<sup>th</sup> year of the child or till its 18<sup>th</sup> year, if the child is still at school. Besides the monthly child allowances, the parents also receive one payment upon the birth of the child: it is one minimum salary for the first child, two minimum salaries for the second, 2.5 minimum salaries for the third, and one salary for the fourth and consequent children. Child allowances have a rather symbolic value. In 2001 the monthly sum was 8.54 BGL – that is less than the cost of a pair of children's shoes. There was a governmental decision to raise the benefits to 15 BGL and make them linked to parents' income but the social partners did not accept it and the situation was not changed. The child benefits paid till the 18 year of the child do not distinguish among the different

ages. The restrictive character of the social policy during the transition resulted in a downward spiral of the shares of these allowances within the state budget, despite the decline of the absolute size of state expenditures.

During the communist regime the set of crèches and kindergartens was well developed, although the quality of services was not very high. After 1989 the number of places in crèches and kindergartens has declined but not so drastically as in other countries in the region. At present kindergartens are subsidised by the state (Ministry of Education), the local budget (the local council) and own income via renting, pedagogical services, companies, sponsorship. However, parents' contribution is growing. Till 1993 the fee charged to parents covered 10 per cent of the expenses for one child. Then a higher fee was introduced, which was charged independently of family income, covering most of the expenses. In 1995 reduced fees were introduced for some categories of parents, particularly for single parents. In 1997 the fee was made more flexible, as per cent of the minimum wage, and dependant on the type of services, type of settlement, the number of the children in the family, etc. Keremidchieva (1998: 97) argues that the incidence of taking care of the children by grandparents has been constantly growing in the 1990s. While kindergartens are still a preferred option for raising and educating children by mothers, grandmothers' care is the cheaper and often the only available option.

### 3.2. Housing support

Housing support for the family was never well developed in Bulgaria, the main reasons being the underdevelopment of the construction of private homes. During communism young families had privileges for receiving bank loans from the state – for longer periods and with lower interest rates. Additionally some part of the sum was waived when the second child came before the first had reached four years of age. However, there were insufficient flats to be bought in the cities and fami-

lies signed up in long waiting lists. In the villages families were left to manage on their own in building family houses, using the support of relatives, friends and neighbours for finding materials and some of the construction tasks, in much the same way as rural families did in Hungary (Sik, 1988).

Traditionally parents provided the greatest support for housing not only for their young and single children but also when they got married and the young family often lived with one of the

couples of parents, even after the birth of the first child. It was parents again who provided the bulk of the sum for buying a flat for the young couple. A popular channel for solving the housing problem was through the enterprise which also built and distributed flats among employees. Officially highly skilled workers and young families and unofficially persons with leading positions in the Party and administrative hierarchies of the enterprise had privileged access to this type of housing. Most of those flats were bought by the occupants as their private ownership. The enterprises, especially the larger industrial ones, also kept flats to lend to married employees and boarding houses with rooms for single workers. Rents were very low and accessible even to those on a minimum salary. The bigger problem was the access to housing, not its cost.

With the liberalisation of the economy a slow development of the housing market started in Bulgaria but all state programmes for young families were given up and there is no support for the families to pay the high rents in the market, unregulated by the state. There was a sudden shift from the monopolistic state construction to a totally free market. After 1990 the system for preferential credits for housing stopped working and it was not replaced by another state scheme. Over 600 000 persons had made housing savings in the state banks before 1989. With the regime change there was a modest attempt to help them against the inflation by transferring years of waiting into points but this eased the situation of a tiny proportion of those waiting for their own housing. The law for regulation of the housing question of people with many years of savings for housing was adopted in 1991 and changed in 1992 but the housing problems of the majority have not been solved ten years after the issuing of this law.

In 1997 the households who rented local councils flats were allowed to buy them on preferential prices. Otherwise, there was no price control in the housing market but also no tax alleviation for buying a house. The banks offered very high interest rates for housing credit. Dimova

(1997:67) estimates that in 1996 a one-bedroom flat in Sofia cost 14 mln BGL which was equal to 481 minimum monthly salaries. A person on such a salary would need 40 years to buy such a flat.

The demand for housing was growing, as the private business used a large share of the existing housing for offices. The state not only cut its housing programmes at a time when the large enterprises were also abandoning the social programmes for housing support due to economic difficulties, and the change of ownership, but also there was no state control over speculation in the housing market. Additional problems in this field are the physical ageing of the existing housing stock, families' lack of means for repair and modernisation, no preferential credits for renovation. While according to the share of private ownership Bulgaria is on one of the leading places in the world – 92.6 per cent, (48 per cent in Austria, 57 per cent in Sweden), the housing in the country is predominantly small-sized, over-crowded and in need of repair. Half of the three-member families and over three-quarters of the families with four and more members live in over-crowded housing, the norm being 14 square meters per person. The infrastructure is also poor and 9 per cent of the families live without running water and 20 per cent without indoor toilet and bathroom.

One tenth of all families rent housing, of them 6 per cent use local council housing but the rest pay unregulated rents. There is a legal norm that families living on a free rent might be supported financially by the local councils but it is not practised. Social housing is provided for families in high social risk. This, however, is underdeveloped in view of the limited financial opportunities of the local councils. Kirova (1996:74) claims that social housing has been provided to only 50 families in the country in the whole 1995. The state provides vouchers for heating to families in need but this form of support is not very efficiently executed. About 500 000 families were helped under this scheme in 1997. With the gradual liberalisation of the prices of electricity and central heating (these are still subsidised by the state but in a declining

proportion) and the continuing impoverishment of the population, more and more families become eligible for such support.

Those in need of housing support are families with many children, families with a disabled child, low-income families. Young and newly wed families also lack preferential credits for housing, furniture, childcare. In 2001 under preparation is a Law for housing-savings banks and there are still discussions whether it will cover housing repairs as well, whether it will give preferences to families at risk, etc. The new government in Bulgaria is pre-

paring a new strategy of the housing policy which to change the current situation of 95 per cent of the population unable to buy a new flat (Radmilova, 2001). This policy will encourage the crediting of a particular group of families – those who would not use social housing but are unable to go in the market as equal participants. A typical example is that of a young family with more than one child who are in the beginning of their work career and low incomes. New types of institutions, not the typical trade banks, will give the housing loans and part of the interest rate will be covered by a public fund.

## CONCLUSION

The macro tendencies of the post-communist social transformation have strongly affected the living conditions of Bulgarian people. They were flung abruptly from the social security of the centrally planned economy with the guaranteed provision of basic goods and services for all into the sea of risks and uncertainties of the market. Only a small share of the population has managed to develop and apply successful strategies for upward mobility while survival is the target for the majority. The downward spiral of the negative population growth, mass impoverishment, employment decline, worsening of the health status and high emigration require an adequate system for social protection while the new post-communist governments have only managed to react with micro solutions, not sufficient for the grave public need. It is true that many legal, institutional, fiscal and functional changes were introduced in the country's social policy. Labour relations, education, health, family, childcare and retirement were all subject to a boom in legal activity in which new acts invalidated the old ones, only to be made invalid by other acts. In the fluid social structure of the post-communist society the search for effective solutions to the mounting social problems is not an easy task. Yet, a well-balanced and sustainable policy for social integration is a pending necessity for the country to survive and develop in the 21<sup>st</sup> century.

Flexible work is one of the ways forward from the current crisis. It has been strongly recommended by the European Union, which all consecutive post-communist governments have looked at for their country's accession. It has been the target of the numerous changes in the Labour Code throughout the 1990s and particularly the most recent ones in March 2001. A separate governmental programme was devoted to the encouragement of the flexibility of work in Bulgaria. The social partners discussed and adopted various measures to raise the level of flexibility in the country's labour market. Nevertheless, a tiny proportion of the population has made use of the new legal opportunities for non-standard employment. About ten per cent of the workforce have flexible working time and even fewer have flexible arrangements concerning the place of working. This is similar to the share of persons who have ventured into self-employment as one of the typical forms of flexible work. The labour market in the country remains highly inflexible despite policy measures. There is no clear prevalence of women over men in the sphere of flexible labour in the country. While there are slightly more women in part-time work, there are more men working extra time or in self-employment. Age seems a more significant factor than gender in flexibilisation, as younger and older people are

more affected than others, particularly in the informal economy.

What has proliferated under the conditions of the post-communist restructuring in Bulgaria is the informal labour market with its 'flexibility in terms of conditions'. Individuals and households have sought and found flexible strategies to combine work and care, outside the state programmes and legal frameworks. Those strategies are not highly prospective or even currently efficient. They provide people with solutions to the problem of everyday survival without allowing them to build for the future. The flexibilisation of informal work is to a large extent employer led. In the context of high and persistent unemployment and economic crisis the businesses offer flexible work contracts or recruit workforce without contracts which allow them to maximise profits avoiding state regulation. Employees themselves accept this type of flexibility, particularly in additional jobs but also extra work with the main employer, in search of additional sources of income, due to mass impoverishment and low wages. They accept low protection in exchange for paying less taxes and social insurance. Concerns for higher quality or longer time for leisure or family play a much smaller role than economic considerations.

The state is also a force in the trend toward flexibilisation, exerting contradictory influences over the official labour market, and unable to control the grey economy. On the one side, it is urged by employers' organisations to diminish protection against redundancies and make labour more flexible. On the other side, it is pressured by the demands of trade unions to reduce the incidence of fixed-term contracts and protect various groups of employees against dismissals. Following its own strategy of European integration, the state introduces legal changes and develops pro-

grammes towards a greater flexibility of work in the official labour market. In general, flexibilisation of formal work in the context of post-communist Bulgaria might be defined as state led, shaped by policy concerns for the country's accession to the European Union.

Yet, both in labour market regulation and in family policy the retreat from the social policies of the previous regime have not been replaced in any systematic way with alternative policies and reforms are piecemeal, contradicting each other and inadequate. The state is withdrawing from assistance for the family, reducing its involvement in child care, cutting the length of the parental leave or totally taking back the housing support for young families. In a situation of very low household incomes, not the market but the informal sector comes forth to fill in the gap. This results in the growth of the role of the immediate family for providing care for children and the sick. On the rise is not only the home provision of services but also of goods - food, clothing, and house repairs to compensate for the inaccessibility of market prices. Thus, household members are pushed toward informal flexible work once again.

The tremendous economic and population changes in Bulgaria in the 1990s have not been matched with effective policy solutions. State reactions have been minimal, partial and inconsistent. Households have been more capable of finding flexible combinations of formal and informal employment, paid work and care, faced with the unfavourable economic and political conditions. This new energy and restored self-reliance might be a good basis for the creation of a renewed welfare system, adequate to the country's cultural traditions, current social situation and political aspirations for European membership.

## ANNEX

Table 1. Population according to Age, per cent

	Under employment age	In employment age	Over employment age
1990	21.6	55.5	22.9
1995	19.1	56.6	24.3
1996	18.6	56.9	24.5
1997	18.1	57.3	24.6
1998	17.6	57.7	24.7
1999	17.2	58.1	24.7
2000	16.8	58.3	24.9

Sources: NSI, 2000b; NSI, 2001.

Table 2. Evolution of Crude Birth Rate and Natural Population Increase in Bulgaria in the 1990s, per cent

	Crude birth rate	Total fertility rate	Natural population growth
1990	12.1	1.84	-0.4
1995	8.6	1.23	-5.0
1996	8.6	1.24	-5.4
1997	7.7	1.09	-7.0
1998	7.9	1.11	-6.4
1999	8.8	1.23	-4.8
2000	9.0	1.27	-5.1

Source: NSI, 2000b:12; NSI, 2001:

Table 3. Changes in Birth and Abortion Patterns

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Average age of mother:									
at child birth	23.6	23.6	24.0	23.9	24.1	24.3	24.4	24.6	24.9
at 1 <sup>st</sup> child birth	21.8	21.9	22.1	22.2	22.4	22.7	22.9	23.0	24.1
Illegitimate births, %	18.5	22.2	24.5	25.7	28.2	30.1	31.5	35.1	
Abortion rate, %	64.7	52.4	47.5	47.2	48.1	43.1	39.3	35.8	
Abortions/births ratio	148.0	126.4	122.1	134.1	128.6	136.0	121.2	99.4	

Source: NSI, 2000b:71; NSI, 2000e:50

**Table 4. Tendencies in the Death Rate of the Population**

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Crude death rate – ‰	12.6	12.9	13.2	13.6	14.0	14.7	14.3	13.6	14.1
Average life expectancy at birth– years:	70.9	71.2	70.8	70.6	70.6	70.5		71.0	
Male	67.6	67.7	67.3	67.1	67.1	67.1		67.6	
Female	74.4	75.0	74.8	74.9	74.6	74.3		74.6	
Infant mortality rate (per 1000 live births)	15.9	15.5	16.3	14.8	15.6	17.5	14.4	14.6	

Source: NSI, 2000c:48

**Table 5. Trends in Marriage and Divorce**

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Crude marriage rate, %	5.2	4.7	4.5	4.4	4.3	4.2	4.3	4.3	4.3
Average age at marriage:									
Male	26.2	26.7	27.3	27.6	28.0	28.3	28.3	28.8	
Female	22.9	23.3	24.0	24.1	24.6	24.9	24.9	25.3	
Average age at 1st marriage:									
Male	24.4	24.6	25.6	26.0	26.3	26.5	26.6	27.1	28.1
Female	21.3	21.4	22.5	22.6	23.1	23.4	23.5	23.8	24.8
Crude divorce rate, %	1.1	0.9	0.9	1.3	1.2	1.1	1.3	1.2	
Marriages / divorces ratio	4.7	5.5	4.7	3.5	3.6	3.7	3.4	3.6	

Source: NSI, 2000c: 49.

**Table 6. Demographic Trends in Some European Countries**

	Crude Birth Rates in 1998	Crude Death Rates in 1998	Infant Mortality Rates in 1997	Natural Increase in 1998
UK	12.1	10.6	5.9	1.5
Netherlands	12.7	8.8	5.2	3.9
Sweden	10.0	10.5	3.6	-0.5
Bulgaria	7.9	14.3	17.5	-6.4
Romania	10.5	12.0	22.0	-1.5
Slovenia	9.3	9.6	-	-0.6
Hungary	9.6	13.9	10.0	-4.3
Czech Rep.	8.8	10.6	5.9	-2.0

Source: NSI, 2000c:556-9, citing data from UN Monthly Bulletin of Statistics, October 2000.

**Table 7. Dynamics of the Number and Size of Households in Bulgaria (Data from the national censuses)**

Households	1946	1956	1965	1975	1985	1992
Total number (in thousand)	1750.7	2237.9	2542.5	2755.0	3030.3	2964.6
Average number of members per household	3.9	3.4	3.2	3.1	3.0	2.8
Number of urban households	585.5	907.0	1290.5	1654.4	1996.4	1989.2
Average number of members per urban household	3.0	2.8	2.9	3.0	2.9	2.8
Number of rural households	1165.1	1330.5	1251.9	1100.6	1033.9	975.4
Average number of members per rural household	4.4	3.8	3.5	3.3	3.1	2.8

Source: NSI, 2000e.

**Table 8. Household Size in 1999**

Members	One	Two	Three	Four	Five	Six and over	Total
Households	20.0	29.4	19.8	20.2	6.3	4.3	100.0
Persons	7.2	21.1	21.3	29.1	11.4	9.9	100.0

Source: NSI, 1999:54.

**Table 9. Dynamics of Household Structure according to the Number of Children below 16 years, per cent (Data from the national censuses)**

	1975	1985	1992
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Without children	55.2	59.2	64.2
One child	22.8	19.4	18.1
Two children	17.9	18.1	15.1
Three children	2.9	2.5	2.0
Four and more	1.2	0.8	0.6

Source: NSI, 2000e.

**Table 10. Dynamics of Household Structure according to the Age of the Head of the Household, per cent (Data from the national censuses)**

Age of household head	1975	1985	1992
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Up to 19	4.0	1.6	0.9
20-29	11.5	10.3	8.3
30-59	58.1	58.3	55.5
60 and more	26.4	29.8	35.3

Source: NSI, 2000e.

**Table 11. Households in Bulgaria according to the Ethnicity of the Head of Household, per cent (Data from the 1992 census)**

Bulgarian	89.2
Turkish	7.3
Roma	2.3
Other	1.2

Source: NSI, 2000e.

**Table 12. Household Dynamics according to the Number of Household Members by Economic Activity**

Persons in households	1992	1993	1994	1995	1996	1997	1998	1999
<b>Total</b>	<b>2.96</b>	<b>2.93</b>	<b>2.95</b>	<b>2.96</b>	<b>2.95</b>	<b>2.83</b>	<b>2.76</b>	<b>2.78</b>
Economically active	1.23	1.24	1.31	1.32	1.33	1.24	1.24	1.28
– Employed	1.10	1.03	1.05	1.03	1.05	0.95	0.94	0.94
– Unemployed	0.13	0.21	0.26	0.29	0.28	0.29	0.30	0.34
Economically inactive	1.73	1.69	1.64	1.64	1.62	1.59	1.52	1.50
– receiving income	0.95	0.92	0.89	0.88	0.87	0.89	0.90	0.88
– without income	0.78	0.77	0.75	0.76	0.75	0.70	0.62	0.62

Source: NSI, 1999:18.

**Table 13. Decline in Real Household Income (Index numbers of the real changes of the total household income per capita, 1995=100)**

1995	1996	1997	1998	1999
100.0	68.9	59.9	80.3	82.1

Source: NSI, 2000c: 4-5.

**Table 14. Consumer Price Index Numbers (December to preceding year December)**

1991	1992	1993	1994	1995	1996	1997	1998	1999
573.7	179.5	163.9	221.9	132.7	411.6	647.7	101.6	107.0

Source: NSI, 2000c: 6-7.

**Table 15. Annual Income per Capita in Households with and without Children, per cent**

	Total	One child	Two children	3 and more children	No children
1992	100	98	87	72	112
1993	100	96	85	57	115
1994	100	94	82	55	117
1995	100	92	85	52	120
1996	100	94	84	59	116

Source: Stoyanova, 1996: 137.

**Table 16. Households by Residence and Annual Income per Capita in 1999, per cent**

BGN	Up to 600	600 to 840	840 to 1080	1080 to 1320	1320 to 1560	1560 to 1800	1800 to 2040	2040 to 2280	2280 to 2520	2520 and over
Total	7.5	12.5	16.1	14.9	12.0	8.7	7.3	5.0	3.6	12.4
In towns	6.6	12.7	16.9	15.2	12.5	8.8	7.5	5.2	3.5	11.1
In villages	9.4	12.2	14.3	14.2	11.2	8.5	6.8	4.6	3.8	15.0

Source: NSI, 2000c:104.

**Table 17. Dynamics in the Structure of the Gross Household Income by Sources**

	1992	1993	1994	1995	1996	1997	1998	1999
Wages and salaries	44.3	42.9	38.2	38.0	39.5	37.9	40.1	41.9
Other earnings	2.1	2.5	2.8	3.0	3.6	3.0	3.2	5.3
Entrepreneurship	2.2	2.4	3.1	2.9	4.6	3.6	4.3	4.4
Property income	0.2	0.6	0.6	0.6	0.9	0.3	0.8	0.8
Unemployment benefits	0.6	0.8	0.6	0.4	0.4	0.5	0.5	1.0
Pensions	16.0	17.2	15.5	14.4	16.4	15.9	17.3	17.7
Family allowances	2.5	2.0	1.5	1.4	1.3	1.2	1.0	0.9
Other social benefits	1.4	1.5	1.2	1.0	0.9	1.1	1.0	1.1
Household plot	21.2	20.2	25.9	27.6	22.6	24.9	20.7	17.7
Property sale	1.1	0.7	0.8	0.9	0.6	0.5	0.3	0.3
Miscellaneous	8.4	9.2	9.8	9.8	9.2	11.1	10.8	8.9

Source: NSI, 1999:12,21; NSI, 2000c:100.

**Table 18. Structure of Household Consumer Expenditures, per cent**

	1992	1993	1994	1995	1996	1997	1998	1999
Food and non-alcoholic beverages	53.6	52.3	54.1	55.2	56.6	63.3	56.6	51.5
Alcohol beverages, tobacco	5.1	5.3	5.3	4.9	4.6	3.8	4.0	4.8
Clothes and footwear	9.6	9.2	8.4	8.8	7.2	6.5	6.9	6.1
Housing, water, electricity, gas and other fuels	8.2	8.8	8.3	8.4	10.7	10.2	12.1	13.9
Furnishing and house maintenance	5.8	5.7	5.6	5.2	4.1	3.1	3.8	3.8
Health	1.1	1.6	2.0	2.2	2.2	2.3	2.8	3.4
Transport	8.4	8.3	8.2	7.4	7.5	5.1	6.1	6.7
Communications	1.0	1.1	1.1	0.9	1.0	1.2	1.6	2.4
Recreation, culture and education	4.1	4.2	3.5	3.6	2.8	2.0	3.0	3.9
Miscellaneous goods and services	3.1	3.5	3.5	3.4	3.3	2.5	3.1	3.5

Source: NSI, 1999:25.

**Table 19. Housing Ownership in Bulgaria (per cent)**

	1995	1996	1997	1998
Type of housing ownership:				
Private	92.62	92.56	92.52	92.50
State	3.87	3.91	3.93	3.94
Other	3.51	3.54	3.55	3.56
Housing without				
Central heating	83	83	83	83
Running water	17	17	16	16
Tubes/canals	19	19	19	19

Source: NSI 2000e: 40.

**Table 20. Trends in Housing Area**

	1990	1995	1996	1997	1988
Housing area per capita in sq.m.	18.1*	16.93	17.07	17.23	17.37
Average number of persons per home	2.65	2.45	2.43	2.41	2.39
Number of homes per 1000 persons	377	408	411	415	418

Note: \* In 1999 the kitchen area was included in the housing area.

Source: NSI 2000e: 40.

**Table 21. Outward Migration in Bulgaria (in thousands)**

Periods	Emigrants
1947-1951	195
1952-1968	4
1969-1978	115
1979-1988	2
1989-1994	481

Source: NSI, 2000e.

**Table 22. Dynamics of GDP and Employment in the 1990s**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Nominal GDP (\$BN)	19.2	7.5	8.6	10.8	9.7	13.1	9.9	10.1	12.2	12.4	12.1
GDP per capita (\$)	4487	4114	4098	4195	5010	5390	4990	4790	4980	5210	5610
GDP (change, %)	-9.1	-11.7	-7.3	-1.5	1.8	2.9	-10.1	-7.0	3.5	2.4	5.8
Employment (1990=100)	100.0	87.0	79.9	79.6	79.1	80.1	80.2	77.1	77.0	75.4	71.6

Source: Business Central Europe, October 2001, www.econ.bg; NSI, 2000c:5.

**Table 23. Rates of Change in GDP in Several Transition Countries**

	1995	1996	1997	1998	1999
Bulgaria	2.9	-10.1	-7.0	3.5	2.4
Czech Rep.	6.4	3.9	10.6	4.0	-1.4
Hungary	1.5	1.3	4.6	5.1	4.3
Romania	7.1	3.9	-6.1	-5.4	-3.2
Slovenia	4.1	3.5	4.6	4.0	3.7
Candidate countries	5.7	3.6	3.2	2.5	2.2
EC countries	2.4	1.6	2.5	2.7	2.3
OECD countries	2.4	3.3	3.6	2.5	2.9
World economy	5.9	5.8	5.4	2.7	3.8

Source: NSI, 2000b: 82, cited European Economy, Supplement A, Economic Trends, No.1/2 – April 2000.

**Table 24. Employment Indicators in Several European Countries (1998)**

	Activity rate	Unemployment rate
Austria	58.0	4.5
UK		6.3
Netherlands	72.9	4.1
Sweden		8.3
Bulgaria	50.4	12.2
Hungary	51.7	9.1
Czech Rep.	61.3	7.5
Romania	63.6	
Slovenia	60.0	

Source: NSI, 2000c:565, based on ILO, Yearbook of Labour Statistics, 1999.

**Table 25. Employment Dynamics**

Year	Employed		Employed in the state sector		Employed in the private sector	
	Number	Index	Number	%	Number	%
1989	4 365 034	-	4 126 477	94.5	238 557	5.5
1990	4 096 848	93.9	3 855 257	94.1	241 591	5.9
1991	3 564 037	87.0	3 204 241	89.9	359 796	10.1
1992	3 273 661	91.9	2 693 694	82.3	579 967	17.7
1993	3 221 838	98.4	2 302 503	71.7	912 149	28.3
1994	3 241 601	100.6	2 066 222	64.0	1 167 105	36.0
1995	3 282 183	101.3	1 949 404	59.4	1 332 779	40.6
1996	3 285 877	100.1	1 728 375	52.6	1 557 502	47.4
1997	3 157 435	96.1	1 412 094	44.7	1 745 341	55.3
1998	3 152 554	99.8	1 230 370	39.0	1 922 184	61.0
1999	3 087 830	97.9	1 085 162	35.1	2 002 668	64.9
2000	2 934 351	95.3	830 341	30.0	2 063 010	70.0

Source: NSI, 1995: 87; NSI, 2000c: 85.

**Table 26. Socio-economic structure of employment**

	2000 (thousands)	1999 (thousands)	change 2000/1999 (%)
Employed, total	2 814.7	2 897.1	-2.8
<b>According to gender</b>			
Men	1 499.4	1 542.7	-2.8
Women	1 315.3	1 354.4	-2.9
<b>According to age:</b>			
15-24	226.1	248.1	-8.9
25-34	679.0	690.0	-1.6
35-44	852.8	897.0	-4.9
45-54	833.1	848.2	-1.8
55-64	195.4	191.8	1.9
65 and over	28.3	22.0	28.5
<b>According to educational level:</b>			
Higher	446.6	484.9	-7.9
College	195.7	170.2	15.0
Secondary professional	639.9	675.4	-5.3
Secondary general	949.3	950.9	-0.2
Basic and lower	583.2	615.7	-5.3

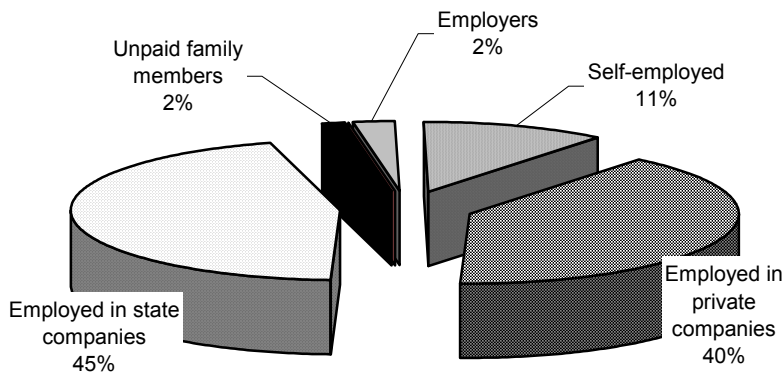
Source: NLO, 2001.

**Table 27. Population 25 to 65 years of Age by Level of Educational Attainment in 1998**

Countries	All	Primary and Lower Secondary	Upper Secondary	Tertiary Tpe B	Tertiary Type A and Advanced
		ISCED 0,1,2	ISCED 3,4	ISCED 5B	ISCED 5A/6
Austria	100	26.7	62.7	4.5	6.2
UK	100	19.2	57.3	8.2	15.4
Netherlands	100	35.7	40.1	.	24.2
Sweden	100	23.9	48.1	15.4	12.6
<b>Bulgaria</b>	<b>100</b>	<b>32.4</b>	<b>49.5</b>	<b>5.1</b>	<b>13.0</b>
Hungary	100	36.7	50.1	.	13.2
Czech Rep.	100	14.7	74.9	.	10.4

Source: NSI, 2000c:620, based on: Education at a glance. OECD indicators, OECD 2000.

Figure 1. Employment Status in 2000



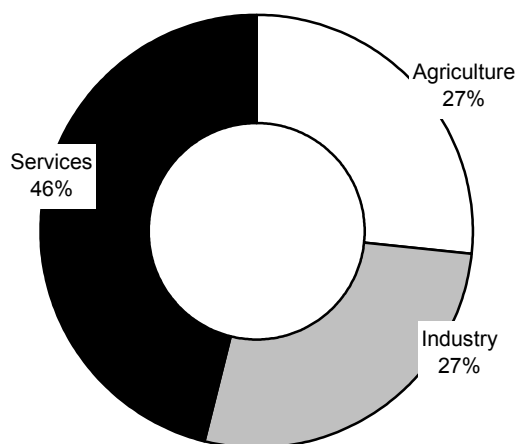
Source: NLO, 2001.

Table 28. Employment Status According to Type of Area in 2000, per cent

Status groups	Urban	Rural
Employers	2.7	1.4
Self-employed	7.0	24.0
Employed in private companies	39.8	34.1
Employed in state companies	49.3	36.3
Unpaid family members	0.7	3.7
No answer	0.5	0.5

Source: NLO, 2001

Figure 2. Structure of Employment according to Economic Sector

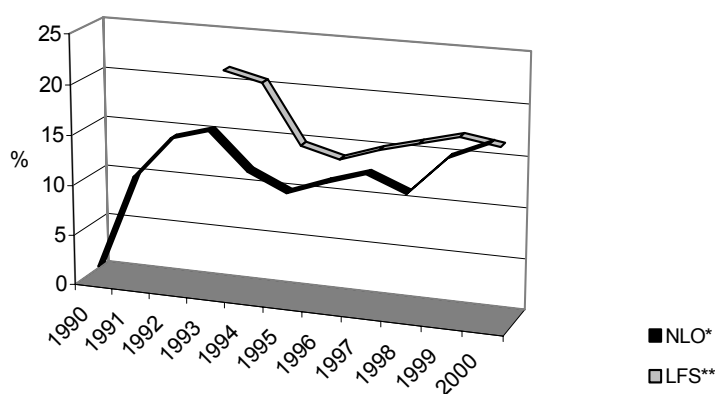


Source: NLO, 2001

**Table 29. Employees under Labour Contract in the Public Sector of Economy by Class**

Legislators, senior officials and managers	5.8
Professionals	18.7
Technicians and associated professionals	21.2
Clerks	8.4
Service workers and shop and market sales workers	6.1
Skilled agricultural and fishing workers	0.9
Craft and related trade workers	14.6
Plant and machine operators and assemblers	12.4
Elementary occupations	11.9
<b>Total</b>	<b>100.0</b>

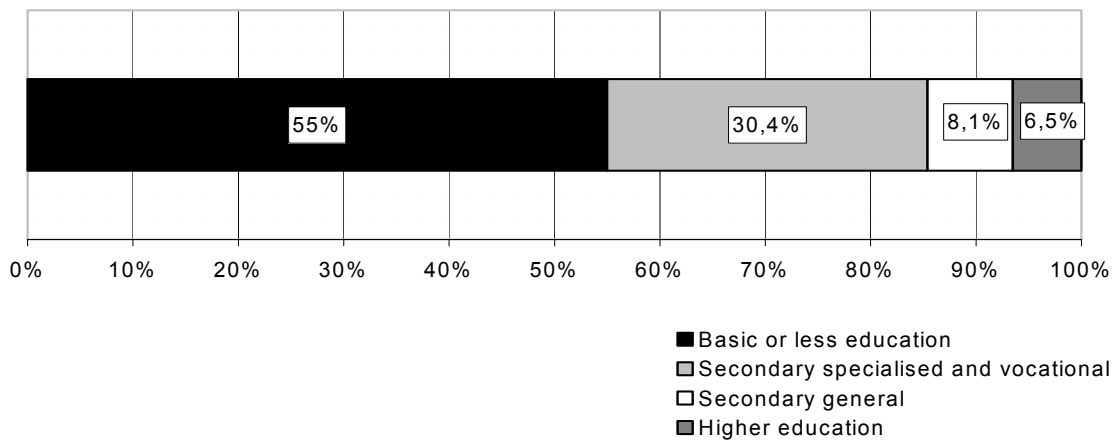
Source: NSI, 2000c:88.

**Figure 3. Unemployment Trends in Bulgaria in the 1990's**

Note: \* According to the registered unemployed persons in the employment offices as of 31.12.  
 \*\* According to Labour Force Survey, the last for the year.

Source: NSI, 2000c: 5; NSI, 2000d:21; NLO, 2001:26.

Figure 4. Educational Structure of the Unemployed in 2000



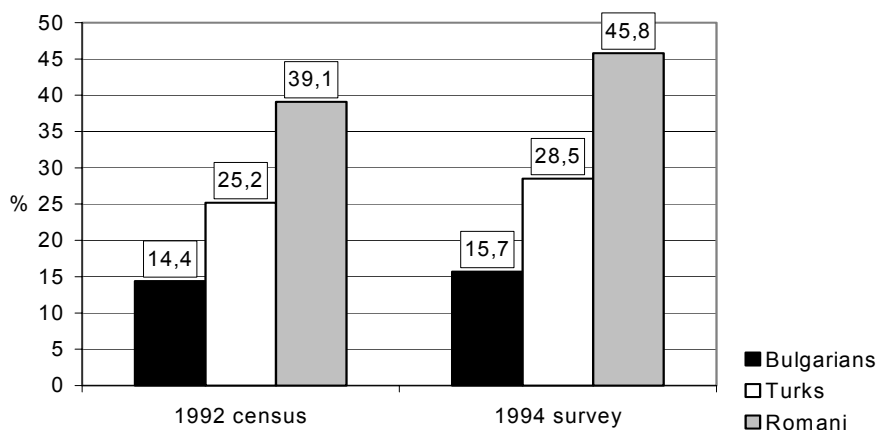
Source: NSI, 2001.

Table 30. Dynamics of Workplace Injuries

	1994	1995	1996	1997	1998	1999
Number of injuries (thousands)	17.1	17.0	14.8	11.2	10.3	7.8
Losses of working days caused by injuries (thousands)	449	444	408	305	294	232
Frequency coefficient (per thousand)	12.0	12.5	11.2	9.1	8.5	7.2
Weight coefficient (average losses of working days per injury)	27	27	28	28	30	31

Source: NSI, 2000c.

Figure 5. Structure of Unemployment according to Ethnicity

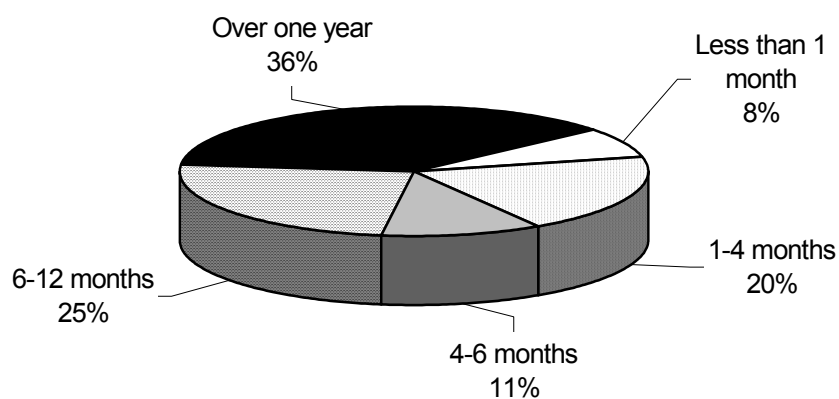


Source: UNDP, 1997: 66.

**Table 31. Educational Structure of the Workforce from Different Ethnic Communities, per cent**

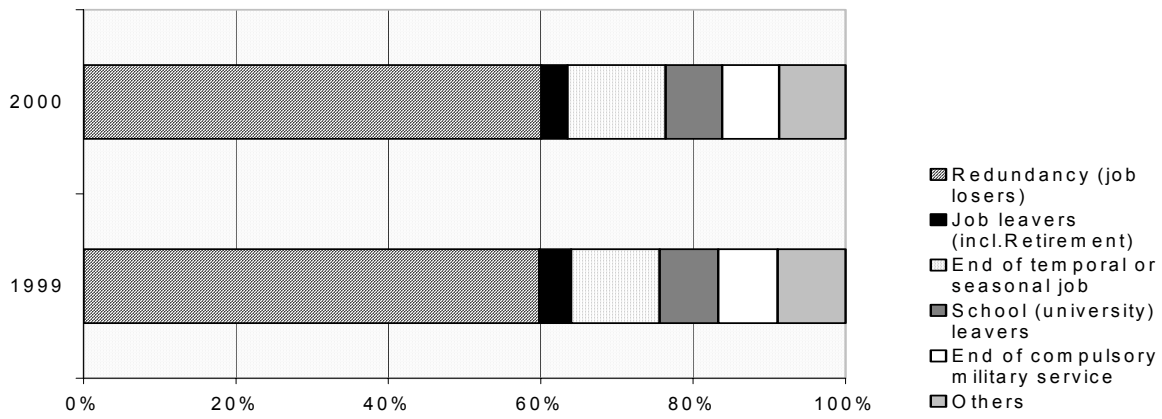
Level	Bulgarians	Turks	Romani
Higher and semi-higher	20.2	2.0	0.9
Secondary	54.0	24.6	7.8
Basic	22.6	55.0	46.2
Elementary	3.0	16.0	36.7
Illiterate	0.2	2.3	8.5

Source: UNDP, 1997: 62.

**Figure 6. Structure of Unemployed according to the Length of Registration**

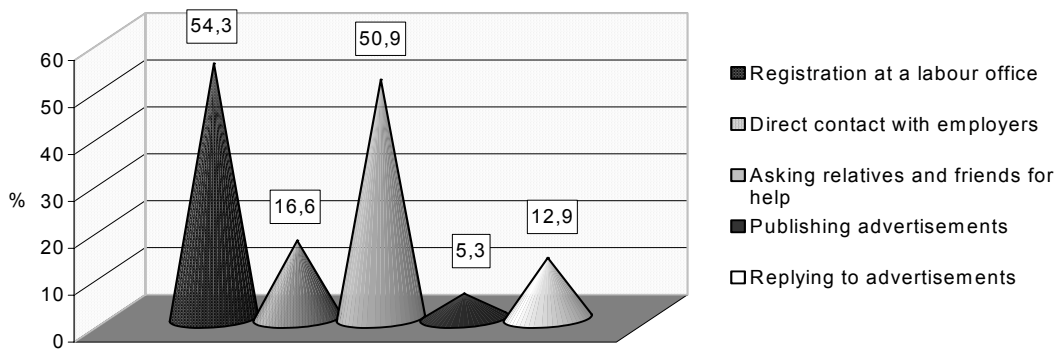
Source: NSI, 2001.

Figure 7. Reasons of Unemployment



Source: NSI, 2000c: 96; NSI, 2001:62

Figure 8. Job Search Behaviour in 2000



Source: NSI, 2001:62

**Table 32. Employed by Usual Weekly Hours of Work and Sex (per cent)**

Usual weekly hours	Total	Male	Female
1-9	0.0	0.0	0.0
10-19	0.3	0.4	0.2
20-29	1.1	0.7	1.5
30-39	4.1	3.1	5.2
40-49	81.3	79.5	83.3
50-59	3.3	4.2	2.2
60 and over	2.0	2.6	1.2
Unknown	8.0	9.4	6.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: NSI, Employment and unemployment, Vol. 4, 2000, p. 85.

**Table 33. Employed by Usual Weekly Hours of Work and Economic Sectors (per cent)**

	Total	In public sector	In private sector
1-9	0.0	0.0	0.0
10-19	0.3	0.1	0.5
20-29	1.1	1.1	1.1
30-39	4.1	4.1	4.1
40-49	81.3	88.1	75.3
50-59	3.3	0.6	5.6
60 and over	2.0	0.6	3.2
Unknown	8.0	5.5	10.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: NSI, Employment and unemployment, Vol. 4, 2000, p. 85.

**Table 34. Trends in Flexibility in Time (per cent)**

Usual weekly hours	1993	1994	1995	1996	1997	1998	1999	2000
1-9	-	0.1	0.1	0.1	0.1	0.1	0	0
10-19	-	0.6	0.3	0.6	0.2	0.5	0.3	0.3
20-29	-	2.3	1.5	1.6	1.1	1.4	1.5	1.1
30-39	-	5.4	4.7	4.8	5.2	4.7	4.3	4.1
40-49	-	80.8	82.6	77.8	81.7	80.7	80.8	81.3
50-59	-	3.9	5.1	4.4	3.6	3.5	3.2	3.3
60 and over	-	3.3	3.6	3.5	2.4	2.4	2.0	2.0
Unknown	-	3.7	5.0	7.3	5.6	6.8	7.8	8.0

Source: NSI, Employment and Unemployment, last volume for each year.

**Table 35. Employed by Sex, Age and Status in Employment (per cent)**

	Employers	Self-Employed	Employees in private enterprises	Employees in public enterprises	Unpaid family workers	Unknown
Total	2.5	9.5	39.8	46.7	1.1	0.5
15-24	0.7	7.5	65.2	23.5	2.8	0.3
25-34	1.8	8.2	47.8	40.5	1.3	0.4
35-44	3.2	9.4	36.6	49.3	0.9	0.6
45-54	2.7	9.1	32.2	54.9	0.6	0.5
55-64	2.9	15.6	28.9	51.0	1.2	0.4
65 and over	3.8	46.3	23.7	21.9	2.5	1.7
Men	3.5	11.8	40.3	43.1	0.7	0.6
15-24	1.1	8.9	61.8	24.9	2.8	0.4
25-34	2.0	10.3	47.3	38.6	1.2	0.5
35-44	4.9	11.9	37.7	44.4	0.4	0.7
45-54	4.1	11.6	33.8	49.8	0.2	0.5
55-64	3.4	15.9	31.0	48.9	0.5	0.4
65 and over	4.7	47.1	21.7	23.5	0.9	2.1
Women	1.3	6.8	39.1	50.7	1.6	0.4
15-24	0.2	5.8	69.0	22.0	2.8	0.2
25-34	1.5	5.5	48.5	42.8	1.5	0.2
35-44	1.5	6.9	35.6	54.0	1.5	0.5
45-54	1.3	6.7	30.6	59.9	1.1	0.5
55-64	1.7	14.8	23.4	56.4	3.2	0.5
65 and over	-	43.5	31.7	15.7	9.1	-

Source: NSI, Employment and unemployment, Vol. 4, 2000, p. 60.

**Table 36. Employed by Sex and Status in Employment (per cent)**

	Employers	Self-Employed	Employees in private enterprises	Employees in public enterprises	Unpaid family workers	Unknown	Total
<b>Total</b>	<b>2.5</b>	<b>9.5</b>	<b>39.8</b>	<b>46.7</b>	<b>1.1</b>	<b>0.5</b>	<b>100.0</b>
Men	3.5	11.8	40.3	43.1	0.7	0.6	100.0
Women	1.3	6.8	39.1	50.7	1.6	0.4	100.0

Source: NSI, Employment and unemployment, Vol. 4, 2000, p. 33.

**Table 37. Employed by Sex, Education and Status in Employment (per cent)**

Educational level	Employers	Self-employed	Employees in private enterprises	Employees in public enterprises	Unpaid family workers	Unknown	Total
<b>Total</b>	<b>2.5</b>	<b>9.5</b>	<b>39.8</b>	<b>46.7</b>	<b>1.1</b>	<b>0.5</b>	<b>100.0</b>
Tertiary type A and advanced	3.9	5.4	29.0	60.8	0.4	0.5	100.0
Tertiary type B	1.7	4.0	20.4	72.9	0.6	0.4	100.0
Upper secondary	2.6	8.2	45.4	42.3	1.0	0.5	100.0
Lower secondary	1.3	18.5	40.1	37.4	2.2	0.4	100.0
Primary or lower	1.3	25.6	33.0	35.6	4.1	0.4	100.0

Source: NSI, Employment and unemployment, Vol. 4, 2000, p. 70.

**Table 38. Employed by Urban/Rural Areas, Age and Status in Employment (per cent)**

	Employers	Self-Employed	Employees in private enterprises	Employees in public enterprises	Unpaid family workers	Unknown	Total
<b>Total</b>	<b>2.5</b>	<b>9.5</b>	<b>39.8</b>	<b>46.7</b>	<b>1.1</b>	<b>0.5</b>	<b>100.0</b>
<i>Urban</i>	2.8	6.4	41.0	48.5	0.8	0.5	100.0
15-24	0.8	3.9	68.0	24.5	1.8	0.4	100.0
25-34	2.0	5.8	49.8	41.1	0.9	0.4	100.0
35-44	3.5	7.4	37.1	50.6	0.7	0.6	100.0
45-54	2.9	5.6	33.1	57.4	0.5	0.5	100.0
55-64	3.6	9.0	31.0	55.5	0.5	0.4	100.0
65 and over	5.0	27.9	35.0	28.4	2.5	1.3	100.0
<i>Rural</i>	1.5	19.6	35.5	40.6	2.3	0.5	100.0
15-24	0.3	17.2	55.9	20.9	5.6	-	100.0
25-34	1.0	16.2	41.3	38.4	2.5	0.5	100.0
35-44	1.9	16.5	34.7	44.3	2.0	0.6	100.0
45-54	1.9	21.1	29.1	46.2	1.2	0.5	100.0
55-64	1.2	31.3	23.8	40.0	3.0	0.6	100.0
65 and over	2.0	74.4	6.6	12.2	2.6	2.2	100.0

Source: NSI, Employment and unemployment, Vol. 4, 2000, p. 58.

**Table 39. Tendencies in Flexibility in Conditions (according to employment status), per cent**

Status	1993	1994	1995	1996	1997	1998	1999	2000
Employers	9.8*	8.6*	1.8	1.8	2.0	2.4	2.5	2.5
Self-employed	-	-	8.0	8.7	9.7	9.4	9.2	9.5
Employees in private enterprises	11.2	16.1	17.9	20.5	24.7	30.4	35.2	39.8
Employees in public enterprises	77.4	74.3	71.0	67.3	61.3	56.2	51.5	46.7
Unpaid family workers	1.4	0.9	1.0	1.4	1.9	1.4	1.2	1.1
Unknown	0.1	0.2	0.2	0.3	0.4	0.2	0.4	0.5

Note: \* Employers and self-employed together

Source: NSI, Employment and unemployment, last volume for each year.

**Table 40. Employees by Type of Contract with Enterprise and Sex (per cent)**

	Total	Male	Female
Labour contract	86.8	85.3	88.4
Civil contract	7.2	7.5	6.9
Other contract	1.1	1.2	0.9
Without contract	4.9	6.0	3.8
<i>In private enterprises</i>			
Labour contract	74.1	72.2	76.4
Civil contract	13.8	13.8	14.0
Other contract	2.2	2.2	1.4
Without contract	11.8	11.8	8.2
<i>In public enterprises</i>			
Labour contract	97.6	97.5	97.6
Civil contract	1.6	1.6	1.5
Other contract	0.4	0.3	0.5
Without contract	0.4	0.5	0.4

Source: NSI, Employment and unemployment, Vol. 4, 2000, p. 78.

**Table 41. Employees by Type of Contract and Education (per cent)**

	Total	Tertiary type	Upper secondary	Lower secondary	Primary or lower
Labour contract	86.8	94.4	86.1	79.2	64.6
Civil contract	7.2	3.6	8.5	8.4	9.1
Other contract	1.1	0.6	0.8	2.6	2.9
Without contract	4.9	1.4	4.6	9.9	23.4

Source: NSI, Employment and unemployment, Vol. 4, 2000, p. 82.

**Table 42. Employees by Type of Contract and Age (per cent)**

	15-24	25-34	35-44	45-54	55-64	65 and over
Labour contract	75.1	84.3	88.4	90.9	86.9	51.6
Civil contract	12.5	8.2	6.9	5.3	6.5	27.8
Other contract	1.5	1.1	1.2	0.7	1.2	-
Without contract	10.9	6.4	3.5	3.1	5.4	20.6
<i>In private enterprises</i>						
Labour contract	67.6	73.1	76.1	78.1	70.1	27.4
Civil contract	16.1	13.9	14.1	12.3	13.8	35.7
Other contract	1.9	1.4	2.3	1.6	2.8	-
Without contract	14.4	11.5	7.6	8.0	13.3	36.9
<i>In public enterprises</i>						
Labour contract	95.8	97.5	97.5	98.4	96.4	77.8
Civil contract	2.4	1.6	1.6	1.1	2.5	19.2
Other contract	0.4	0.7	0.4	0.2	0.3	-
Without contract	1.3	0.3	0.5	0.3	0.9	3.0

Source: NSI, Employment and unemployment, Vol. 4, 2000, p. 80.

**Table 43. Employees by Type of Contract and Economic Sectors (per cent)**

	Agriculture, forestry and fishing	Industry	Services	Unknown
Labour contract	75.5	88.5	86.5	87.0
Civil contract	5.3	6.5	7.8	10.2
Other contract	2.0	0.9	1.1	-
Without contract	17.2	4.0	4.6	2.8
Total	100.0	100.0	100.0	100.0

Source: NSI, Employment and unemployment, Vol. 4, 2000, p. 84.

**Table 44. Development of the Legal Basis of Unemployment Policy in Bulgaria**

Legal acts	Major changes in the regulation of unemployment
December 1989 CM Decree 57	The first legal act regulating unemployment in the transition to a market economy was the decree for 're-directing and effective use of the dismissed working force'. The chosen name showed the shy recognition of unemployment. The act was highly generous as far as the conditions and the amount of benefits were concerned. Thus the first month the unemployed received 100 % of the previous salary, the 2 month – 90 %, the third – 80 %, the fourth – 70 %, the fifth – 60 % and the sixth – 50 %. A further 3 months the unemployed could receive the minimum wage. Young people becoming unemployed after completing secondary vocational school or university received benefits equal to the min wage for half a year.
October 1990 CM Decree 102	The new decree introduced the requirement that the workers should have worked under labour contract for at least 6 months in the past 12 months. It also regulated the payments of benefits for young people. Only university graduates received benefits for 6 months. Those with other forms of postgraduate education were entitled to benefits for 6 months only if they had a contract with an enterprise, the rest were eligible for only 3 months.
June 1991 CM Decree 110	This decree linked the benefits on the minimum salary thus reducing their amount. The different categories of unemployed could receive the sums from 6 to 12 months depending on age and work experience.
July 1992 CM Decree 135	Another government decree changed the formulae in which the amount of the benefits was calculated but it remained fixed to the minimum wage. The required period of previous working under labour contract was prolonged from 6 to 12 months. The new formula affected mostly young people who now received only 80 % of the minimum wage and became eligible not immediately upon graduation but after a certain period (1 or 3 months) depending on the level of their education.
October 1992 CM Decree 209	A new requirement was introduced – every month the unemployed had to fill in a declaration that they were actively searching for a job.
November 1994 CM Decree 270	This change concerns a new category of the unemployed – the long-term unemployed. Those who were out of work for more than 12 months could receive benefits to the amount of 60 % of the minimum wage for 6 months. The unemployed with dependent children started to receive additions to their benefits. Additions to the benefits stimulated those who got involved in training courses.
June 1996 CM Decree 131	This introduced a single-time benefit for those who had been dismissed from enterprises included in the governmental list for liquidation in the amount of 6 monthly wages of the person before being dismissed.
April 1997 CM Decree 153	Instead of receiving monthly benefits, those made redundant from 'liquidated' enterprises could get one-time benefit of 250 USD. All graduates from vocational schools and universities (in state paid forms) could start receiving benefits after 3 months for a period of up to three months.
August 1997 CM Decree 331	Changes the formula of calculations of the benefits. The one-time benefit is no longer set at 250USD but equals the amount of all benefits to which the unemployed is entitled.
December 1997 Law for protection against unemployment and for encouraging employment, December 1997	The Law gave the right to receive benefits to those who have worked on a labour contract for at least 9 months in the past 15 months. Those who have worked on a seasonal job under a labour contract also have the right to receive benefits if they had worked at least 6 months in the past 12 months. Yet another formula for the amount of benefits linked to the previous wage and to the minimum salary for a [period from 4 to 12 months. The declaration required now includes that the unemployed are not working, actively seek for a job and are ready to start a job or be involved in a training course.
June 1999 Additions to the 1997 Law	It gives the right to those who have not worked under labour contract but only in theatres and orchestra for at least 4 months in the past 12 months.

Source: Bulgarian legal acts; own analysis of S. Kovacheva

**Table 45. Active Measures against Unemployment**

Active measures	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
As a share of the NLO budget	7.0	12.4	17.4	20.0	27.3	30.9	27.6	31.2	25.9	17.3
As a share of GDP	0.05	0.08	0.16	0.14	0.18	0.16	0.17	0.65	1.11	0.2

Source: NLO, 2001.

**Table 46. Dynamics in the Structure of Active Measures**

	1993	1994	1995	1996	1997	1998	1999	2000
Active measures:	100	100	100	100	100	100	100	100
Services for employment mediation	66.4	65.0	56.2	48.8	42.4	47.1	42.3	54.0
Training and retraining	8.1	6.6	5.9	5.6	2.4	0.65	2.5	2.3
Measures for young people	1.5	1.1	0.3	0.4	0.5	0.18	1.1	2.4
Subsidised employment	24.0	27.3	37.6	45.2	54.7	52.0	54.0	41.1
Measures for disabled	0.01	0.02	0.02	0.02	0.02	0.03	0.05	0.15

Source: NLO, 2001.

**Table 47. Dynamics in Training Services for the Unemployed**

Unemployed who have completed training courses	1992	1993	1994	1995	1996	1997	1998	1999	2000
Change from previous year, %	100.0	46.2	-10.2	13.6	6.5	-15.3	-63.5	100.9	-22.7
Share from all registered, %	2.6	3.2	3.2	4.5	4.9	3.3	1.4	2.4	1.4

Source: NLO, 2001

**Table 48. Post-Communist Legislative Changes Concerning Flexibilisation of Work**

Encouraging Flexibilisation	Impeding Flexibilisation
Abolishment of the regulation that a second labour contract can be concluded by the employee only with the written agreement of the employer in her/his first job and that there can be only one additional job (1992).	Additional jobs can be performed only when the main working contract permits this (2001).
A new paragraph was added according to which a labour contract can be concluded for several days of the month – when it is less than 5 working days or 40 hours per month this time is not considered labour experience. This paragraph was introduced in 1992, abolished in 1999 and restored again in 2001.	The permanent labour contract cannot be transformed into a temporary one without the written agreement of the employee (2001).
Fixed-term contracts are allowed for a trial period of 3 months (1992), raised to 6 months in 2001.	Fixed-term contracts can be offered only for seasonal or temporary tasks or for newly recruited employees (2001).
Abolishment of the paragraph according to which a contract with a pensioner can be concluded only when there are no other candidates for this opening (2001).	A fixed-term contract can be renewed as fixed-term only once and for a period of no less than 1 year (2001).
Abolishment of the paragraph according to which a contract with a pensioner can be employed for no more than one year (2001).	Fixed-term trial contract can be concluded only once, after that it should be transformed into a permanent contract (2001).
Abolishment of the paragraph which enacted that a labour contract should be terminated when an opening for a young specialist had been taken by a person who did not meet the requirements (1992).	Protection against dismissals is given to numerous categories of employees (1990). This protection is not unconditional – it is valid only when a part of the enterprise is closed down or the volume of work is reduced.
Addition to the list of cases when the employee can terminate a labour contract without a period of warning – when he or she takes up a state job (2001).	Some of these were reduced in 1992 but protection was given to new categories such as persons who are single providers in the household or whose spouses are registered as unemployed, also to pregnant women, mothers of children up to the age of 3 years, disabled persons, persons in paid holidays, spouses of military officers and of disabled persons. In 1999 protection against dismissal is given to trade union leaders in the enterprise.
Addition to the list of cases when the employer can terminate a contract without a period of warning: when the volume of work is reduced (2001).	
Reduction from 30 to 15 days of the period of work pause that the employer can use as a basis for terminating the labour contract (2001).	
Added are new grounds for employers to dismiss workers – when there is a change in the requirements for the job and the worker does not meet them or for managerial jobs 'in the interest of the work' (1992).	
The employer is given the right to select employees when reducing the volume of work (1990) but with a lot of categories of employees who have special protection. In 1992 the advantages, given to workers with 3 years remaining till retirement and those with longer work experience, were abolished. In 2001 the advantages, given to workers with a worsened family, financial or health situation, were abolished.	

Source: Bulgarian legal acts; own analysis of S. Kovacheva

**Table 49. Wage Dynamics**

Growth rate of:	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Average monthly wage (\$)	157.5	55.0	87.7	116.9	91.5	113.1	79.4	76.3	106.5	107.3	na
GDP per capita (\$)	4487	4114	4098	4195	5010	5390	4990	4790	4980	5210	5610
GDP (change, %)	-9.1	-11.7	-7.3	-1.5	1.8	2.9	-10.1	-7.0	3.5	2.4	5.8
Employment (1990=100)	100.0	87.0	79.9	79.6	79.1	80.1	80.2	77.1	77.0	75.4	71.6

Source: Business Central Europe, October 2001, www.econ.bg; NSI, 2000c:5.

**Table 50. Dynamics of State Expenses for Pregnancy, Child Birth and Child Rearing as a Share of State Budget (per cent)**

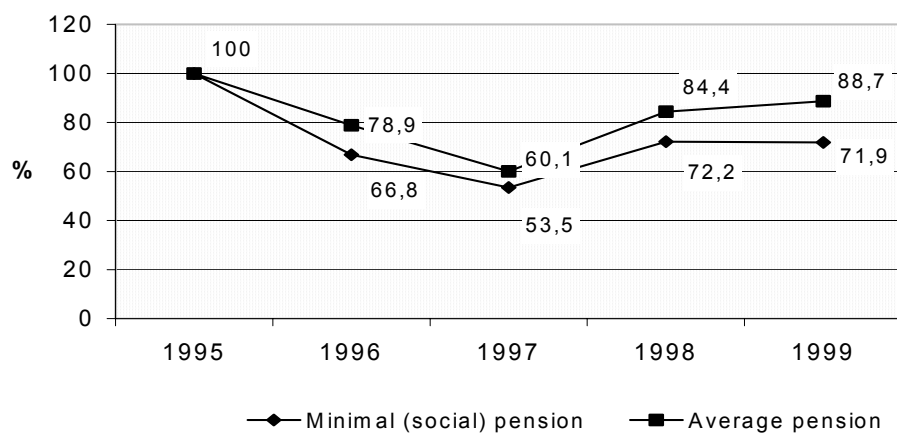
State expenses	1990	1991	1992	1993	1994	1995
Pregnancy & birth	0.4	0.4	0.4	0.3	0.3	0.3
Child support	3.9	6.2	5.1	4.0	3.3	3.6

Source: NSI 2000c :37.

**Table 51. Trends in the numbers of Child Crèches and Kindergartens**

	1995	1996	1997	1998	1999	2000
Child crèches			729	710	694	635
Children	26558	26005	21146	21857	20735	20159
Kindergartens	3762	3713	3559	3518	3434	3249
Children (thousands)	254	247	220	218	212	200

Source: NSI, 2000c:356,363; NSI, 2001:19,25.

**Figure 9. Pensions Dynamics in Real Terms**

Source: NSI 2000c :39.

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