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## POST-CRISIS CHANGES IN EMPLOYMENT AND EDUCATIONAL STRUCTURE OF THE LABOR FORCE IN BULGARIA

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### Abstract

*The report explores the main impact of the crisis on the Bulgarian labor market whereby the key points are focused on the relation between changes in employment and educational structure of the labor force in Bulgaria, which took place under the influence of the crisis, and the trends of their variation in the post-crisis period. By means of the methods and instruments of the theoretical and descriptive analysis it is proved that crisis development affects to a specific extent the groups involved in different levels of education. Special role for this is attributed to the existing industrial structure and business organization in the country. Certain arguments lead to the conclusion and expectation of a relatively slow recovery of the Bulgarian economy in view of the noticeable trends in the educational structure of employment in the period following the drop in 2009. By applying the means of comparative analysis, we can point out certain similarities and differences with the trends being developed in other European countries in terms of the post-crisis employment of various educational groups of the labor force.*

**Keywords:** economic crisis, labor market, employment, educational structure of the laborforce

**JEL Classification:** O40, J01, J21, J23, J64

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## Introduction

The global financial crisis of 2008-2009 gradually transformed into an economic, and therefore a global crisis of unemployment developed. It is felt notably strong in Europe, irrespective of the specificities and differences in the extent and depth of the crisis spreading impulses in different countries of the European Union. Co-expression of the crisis consequences and difficulties in the financial, economic and social sphere complicated the process of taking appropriate decisions for the main focus of government measures to overcome the crisis, and unquestionably slowed the stable way out of it.

## Crisis parameters of employment and unemployment in the EU and CEE

In most European countries a serious decline in employment and growth in unemployment occurred as a consequence of the crisis. It started at a later stage - in comparison with the decline in production, but extended partially in recent years as well. Despite the efforts and incipient mild symptoms of interruption of the economic downturn and return to growth, the negative trends have not as yet been overcome, nor have pre-crisis levels of employment and unemployment been reached. With a few exceptions, the unemployment rate remains on a growth path in 2013 as well (for example in the EU as a whole, in Bulgaria, Slovakiya, Slovenia), as a reflection of a stronger contraction of production and not fully restored economic activity (see. Table. 1). For the last report year (2013) in most Central and Eastern Europe countries unemployment is more than twice as high as compared to the period before the recent crisis (2008). In Bulgaria, the relative rate of unemployment reached almost 13%, and this indicator for our country is beaten only by Slovakia - where it is at the highest level of 14.2% in 2013 among the ten surveyed Central and Eastern Europe countries.

**Table 1. Unemployment in EU and 10 CEE Countries (%)**

year	EU	Bulgaria	Czech Republic	Estonia	Hungary	Latvia	Lithuania	Poland	Romania	Slovak Republic	Slovenia
2008	6,9	5,6	4,4	5,5	7,8	7,5	5,8	7,1	5,8	9,6	4,4
2009	8,9	6,8	6,7	13,7	10	17,1	13,7	8,2	6,9	12,1	5,9
2010	9,6	10,2	7,3	16,9	11,2	18,7	17,8	9,6	7,3	14,4	7,2
2011	9,6	11,3	6,7	12,5	10,9	16,2	15,3	9,6	7,4	13,5	8,2
2012	10,5	12,3	7	10,1	10,9	14,9	13,2	10,1	7	13,9	8,8
2013	10,9	12,9	6,9	8,8	10,2	11,1	11,8	10,4	7,3	14,2	10,2

Source: World Bank data

Along with the high unemployment during the crisis years and thereafter, significant reductions are observed in the employment rate of the active working population. According to the World Bank data in 2008, the employment rate reached up to 53.4% for the EU as a whole and 52% respectively for Bulgaria. Just a few years later, it dropped at 51.3% in the EU (the lowest rate in the last five years) and just at 46% in Bulgaria. Adverse effects of the crisis are reflected not only in the reduction of the standard employment – of the number of full-time workers and people with a permanent work. It should be noted that in parallel with this precarious employment, underemployment or employment on fixed contracts increased. Underemployment has increased by more than 2% for the EU in the period from 2008 to 2013, and in some countries such as Slovakia, Portugal, Austria, the Netherlands, Malta, Cyprus, Italy and others it was even higher. As a result, the disposable household income decreased. They are experiencing a shortage of funds to provide the necessary consumer goods, consumption and demand are shrinking. This has had a disincentive effect on domestic production, inhibits the overcoming of the crisis and the acceleration of growth.

In general, the slowdown of the growth in the EU as a whole and in individual countries in recent years has had an inhibiting effect on unemployment and employment. This is partly due to the still deteriorating global economic environment, but the acceleration of growth is hindered also by specific domestic factors. We can systematize of those the continuing fragmentation of financial markets, the need to reduce the accumulated during the crisis relatively high corporate debt, government debt and household debt, the increased lack of confidence and the uncertain economic outlook. Low productivity, weak and insufficient internal and external investments associated with decreased flows of foreign direct investment during the crisis years, as well as the high structural unemployment appear as limiting factors for potential growth and trends in the EU and in the separate countries.<sup>2</sup> Therefore the need to decisively stimulate investment, which fell by 15% compared to the highest value in 2007 in the EU stands. In Bulgaria, the decline is even greater and prolonged – as result of that the gross fixed capital formation is estimated in 2013 (at constant prices of the previous year) at only about 79% of its value in 2008, which is the highest.<sup>3</sup>

Due to induced or aggravated by the crisis complex and interrelated economic and social issues, objectives set in the Strategy „Europe 2020“<sup>4</sup> in terms of employment will remain unattainable in the near future for the entire EU

2 These factors are generalized in the Annual Growth Survey 2015 of the European Commission.  
See: [http://ec.europa.eu/europe2020/pdf/2015/ags2015\\_bg.pdf](http://ec.europa.eu/europe2020/pdf/2015/ags2015_bg.pdf)

3 According to data of Bulgarian National Statistic Institute.

See: <http://www.nsi.bg/bg/content/2212/бвп-%3F-азходи-за-крайно-потребление-национално-ниво>

4 For more information about the Strategy „Europe 2020“

See: [http://ec.europa.eu/europe2020/index\\_bg.htm](http://ec.europa.eu/europe2020/index_bg.htm)

and for most European countries. Although all member states committed to the objectives of the Strategy, they have taken into account their national circumstances and transformed the overall objectives of the EU to their national, by reflecting them in the framework of the approved national reform programs, most of them remain too high and difficult to be realized in the conditions of enduring crisis. The Strategy is overall set to achieve employment rate of 75% of people aged between 20 and 64 years, but data show that in the years after the crisis (2009 to 2013), employment in the EU remains permanently on levels well below 70%.

## **Employment and unemployment in Bulgaria during and beyond the crisis**

### ***General situation and conditions***

The economic crisis in Bulgaria found an expression in a serious decline in production, however, it was isolated - in 2009. GDP decreased by 5%, and in the coming years slow growth at rate of about 1-2% per year was achieved. The crisis mainly affected agriculture and forestry, industry (mining and manufacturing) and construction. The decline in these sectors has had a specific depth and did not occur simultaneously. In agriculture and forestry production decreased in 2009 as well, with the deepest sectoral decline in that year (-9.1%), and showed a year on year increase only in 2013. The decline in in 2009 was also steep (-7.6%), but the industry is recovering faster with an increase posted even back in 2011 (with 9.1%). Construction is one of the most affected sectors by the crisis, as it has been declining continuously for several years (which lasted until 2013), as in 2010 its production decreased by over 18%. Bulgarian financial industry reacted to the crisis belatedly, the decline in which occurred back in 2012 and continued for two years.<sup>5</sup>

The widely presented sectoral distribution of the symptoms of the crisis in Bulgaria is one of the factors of the substantial and sustained growth in unemployment and decline in employment in the country. In some sectors of the Bulgarian economy (such as metallurgy, chemical industry, coal industry, machine building, construction, in the financial and consulting services), in certain regions and settlements, there is a noticeable reduction in employment. According to tested insurmountable difficulties, a number of economic sectors and regions generated thousands of unemployed in the labour market. They could not find a new job soon if a sustained and significant acceleration of growth is not achieved, and without the necessary re-qualification.

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<sup>5</sup> The cited data are from the National Statistic Institute of Bulgaria.

The main impacts of the crisis on the labour market are expressed not only in increased unemployment and reduced employment, but also in a strong stagnation in the creation of new jobs, an increase in cases of violations of labour and social legislation, increase in discriminatory practices and social isolation of some social groups. The negative effects of the crisis on the labor market are compounded by additional factors. Of those we can summarize the return of more Bulgarian emigrants from countries where they worked until recently and which are also affected by the crisis, the shortage of qualified specialists for specific occupations, the high share of long-term unemployed, especially unemployed with low education, youth and representatives of some ethnic groups (Vladimirova, Atanasova, Tomev 2010).

Specific meaning can be attached to the existing company organization in the country. Almost 99.8% of the functioning non-financial companies in the country refer to the group of small and medium-sized enterprises (SMEs), which as a rule are among the most affected by the crisis. The majority of these companies operate in the field of trade and services and have limited staff (under 10 people). Therefore contraction of consumer demand due to the crisis affects primarily the scale of activity of those companies who are forced to reduce costs mainly by dismissing workers. During the crisis in Bulgaria in 2009 and after that a substantial part of SMEs ceased operations temporarily or went bankrupt, leaving their owners without work and income. Although parallel to that a process of registration of new companies was going on, it failed to neutralize the negative trends and the number of active firms reduced, and as a result, the number of unemployed grew.

Data on unemployment in Bulgaria since 2008 shows that it continues to grow, albeit at a decreasing rate, and remains higher than the average rate for EU. Within the six-year period (before and after the crisis) unemployment has increased more than 2 times - from 5.6% in 2008 it reached 12.9% in 2013. After 2010, in EU countries have seen a slight reduction in unemployment, and this has led to economic analysts predicting a gradual neutralization of this effect of the crisis. But the coming years refute such optimistic forecast, as unemployment across the EU and in Bulgaria continues to grow. This can be considered as one of the signs for persistent outbreaks of smoldering crisis and unresolved tension, instability in production results in a number of sectors and activities.

### ***Employment and unemployment by age and level of education of employees***

The non-discontinued trend of increasing unemployment does not affect equally the different groups of the population. Features and differences are

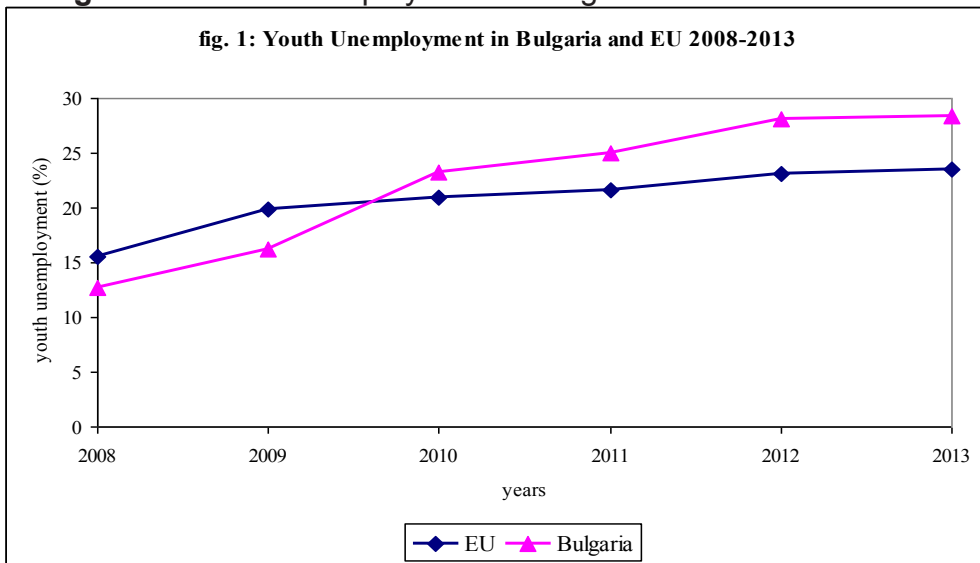
established specially for groups of employed persons, subdivided on the basis of their age and degree of their education. One of the affected groups is that of young people aged between 18 and 24, whose rate of unemployment is practically almost twice as high as that of older employees (see. Table 2 and Figure 1).

**Table 2.** Youth Unemployment in Bulgaria and EU in 2008-2013 (percentages)

Youth Unemployment		
years	EU	Bulgaria
2008	15,6	12,7
2009	19,9	16,2
2010	21	23,2
2011	21,6	25
2012	23,1	28,1
2013	23,5	28,4

Source: Eurostat.

**Figure 1.** Youth Unemployment in Bulgaria and EU 2008 - 2013



Source: Data from Table 2.

The data shows clearly that youth unemployment is higher than the average for all age groups, and has deepened under the influence of the crisis. In the period before the outbreak and spread of crisis effects, the level of youth unemployment in Bulgaria was lower than the total for EU, and it was so

for three consecutive years (2007-2009).<sup>6</sup> However, with the development of the crisis and thereafter, youth unemployment in Bulgaria has increased significantly – it has become more than twice as high. As a result, in 2013 it amounted to 28.4%, while the EU's increase was lower and it reached 23.5%.

Impact on youth unemployment and employment have both characteristics of the national labor market, and some other problems specific for the applied approaches and employer behavior during the crisis. At the first symptoms of the crisis, many companies showed tendencies and took measures to reduce the costs, and began to lay off workers. In this they preferred to release at first the most recently hired employees and those without work experience (mostly young people). The situation of unemployed young people is exacerbated by the fact that, due to their young age they are often without additional training and/or specialization, making it for them difficult to find new jobs and impeding their subsequent inclusion in the labor market. There are also many other specific causes for youth unemployment in the country - as are insufficiently flexible working hours, increasing emigration in this age group, the trend of high turnover of the labor force, employment in activities of the informal (grey) economy and others (Unemployment among the young People in Bulgaria 2015).

In a study of the Center for European Economic Research on youth unemployment (Berlingieri, Bonin, Sprietsma 2013) it is defined primarily as a structural problem, and also other factors for the formation and deepening of it are summarized. The high percentage of young people who have interrupted their education, the shortcomings of the national educational systems that do not comply with the requirements of the labor market, many conflicts between employers' organizations and trade unions, the negative effects of the financial and economic crisis are highlighted as reasons behind the phenomenon. This study emphasizes the need and provides a common action plan against youth unemployment in Europe, which should be structured and focused on five main areas:

1. Development of new jobs for young people with graduate education;
2. Improving the qualification training;
3. Definition of active policy instruments for the labor market;
4. Providing greater mobility within the EU;
5. Involving all relevant stakeholders (Berlingieri, Bonin, Sprietsma 2013).

To achieve tangible effects joint efforts, coordinated measures and actions in these five areas are necessary. They can contribute to a certain reduction in

<sup>6</sup> For 2007, 2008 and 2009 the Eurostat data show that the youth unemployment in Bulgaria is respectively 12.1%, 15.7% and 16.2%. For the same years the average levels for EU are higher – they are 15.6%, 16.6% and 19.9%.

unemployment among young people, and bring it down to levels that are more similar to the overall unemployment rate for the respective countries (including Bulgaria) and the EU as a whole.

Against a general increase in unemployment in our country it should be noted that the pace of its growth is differentiated for the groups of employees with different levels of education. Least affected by the negative effects on the labor market are employed with higher levels of education (higher education). According to Eurostat data, the growth of unemployment in the EU amounted for these workers to only 2.6%, while for the employed with lower education is almost 8%. More eloquent and unequivocal are the data for Bulgaria. Unemployment among graduates for the period 2008 - 2013 increased by 3.9%, while for those with the lowest level of education, it has increased by nearly 15% or has grown nearly double.

Many differences are found in terms of the employment rate of people with different levels of education. According to the National Statistical Institute of Bulgaria in 2013, the employment rate among people with higher education was 68.8% (which is higher than the national average rate), while for those with secondary education it was 54.4%, and for those with primary education it was only 19.3% (see. Table 3). When comparing this indicator for Bulgaria and the EU certain similarity in the relative share of employees with higher levels of education (secondary and higher education) is found, while in our country there are significantly less employed with primary education (see. Fig. 2). It gives the impression that during the crisis fluctuations in the rate of employment of specialists with higher education are weaker – they vary within a few percentage points (between 73.8% for 2008 and 68.8% for 2011 and 2013). At the same time larger variations in employment rates of people with lower - primary and elementary education are observed. Hence the two main conclusions can be outlined. On the one hand, more vulnerable to crisis turmoil are groups of people with low education and without qualification, who filled more often ranks of the unemployed. On the other hand, people with higher education and better vocational training can have more secure jobs and a stable income. In this respect the need for efforts to stimulate the acquisition of higher education and increase the share of university graduates stands out once again. This could play the role of prerequisite not only to generate more employment and income, but also for a limited increase in unemployment in the event of future crises in the economy.

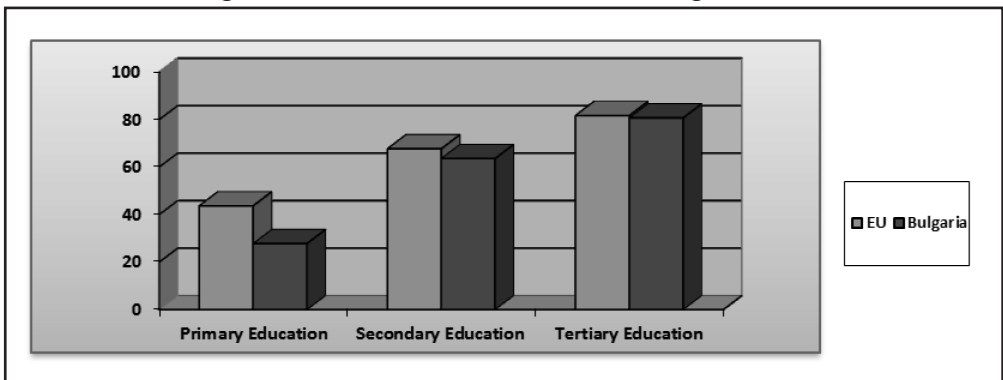


**Table 3.** Employed and employment rates by level of education

Years/indicators	Level of Education					
	General	Higher	Secondary	including with professional qualification	Primary	Elementary and less
<b>2008</b>						
Employed (thousands)	<b>3360,7</b>	856,9	2002,5	1358,6	435,5	65,7
Employment rate(%)	<b>50,8</b>	73,8	64,4	70,7	23,7	12,8
<b>2009</b>						
Employed (thousands)	<b>3253,6</b>	858,9	1924,7	1303,7	415,7	54,2
Employment rate(%)	<b>49,4</b>	72,7	61,6	67,3	23,2	11,2
<b>2010</b>						
Employed (thousands)	<b>3052,8</b>	831,2	1838,4	1226,5	346,2	37,1
Employment rate(%)	<b>46,7</b>	70,1	57,7	63,6	20,0	8,5
<b>2011</b>						
Employed (thousands)	<b>2949,6</b>	816,2	1795,2	1188,8	305,5	32,7
Employment rate(%)	<b>45,6</b>	68,8	55,7	61,9	18,4	8,1
<b>2012</b>						
Employed (thousands)	<b>2934,0</b>	837,6	1776,1	1159,2	290,1	30,2
Employment rate(%)	<b>46,6</b>	69,1	55,0	61,0	19,3	8,4
<b>2013</b>						
Employed (thousands)	<b>2934,9</b>	887,4	1741,1	1143,4	271,1	35,3
Employment rate(%)	<b>46,9</b>	68,8	54,4	60,3	19,3	9,9

Source: Data from the National Statistic Institute of Bulgaria.

**Figure 2.** Proportion of Employees with completed primary, secondary and higher education in the EU and Bulgariafor 2013



Source: Eurostat

As regards the share of employees with secondary and higher education, our country comes closer to the EU average level. Therefore, in Bulgaria, as in other EU countries, better education in itself is manifested as a factor that favors and ensures better positioning on the labor market. However, in respect of employees with primary education Bulgaria seriously lags behind the average EU levels. Different reasons, and not all of them related to the impact of the crisis, can be pointed out. Some importance can for example be ascribed to the unfinished process of renewal and reform of the education system, the increasing requirements of employers imposed by competition and new perspectives of the economy on a national and global scale. Yet the data show clearly that in times of crisis most affected are low-educated and with less experience strata of society, who are the first to suffer the negative consequences of the collapse of the labor market with the most difficult recovery. These people find the most difficult to return to the ranks of the employed and often they form a segment of of long-term unemployed.

In spite of highlighted features and relatively stable employment among people with higher level of education, the issue of jobs and positions in which they are appointed remains problematic. During the crisis the higher level of education could ensure employment because of greater competitiveness in the labor market, but it does not always meet the qualification level of the employees. The data show that only a quarter of graduates during 2007-2011 have entered employment in positions requiring higher education; while nearly half of the graduates have found and started working in positions requiring a lower level of education. They are pressed by lack of work and the need for generation of income, which is why experts tend to accept the extrinsic for their education and work. But this atypical and ineffective application of their knowledge is another delaying factor that prevents the acceleration of growth and a lasting solution to the crisis.

### ***Outlook for the Labor Market***

In view of the still not restored conditions for growth, expectations for the development of the labor market on a global, regional (EU) and national level are not optimistic. Recently published estimates of employment and unemployment by the International Labour Organisation and the European Commission show this.

According to a report by the International Labour Organisation (ILO), covering the period until 2019, the trend to maintain the level of global unemployment will persist in the coming years (World Employment and Social Outlook, trends 2015). The expectations are that it will remain stable at 5.9% until 2019, when it will decline to 5.8%. The main reason for this lack of a positive trend is the

fact that the global economy is in a period of slow growth and rising social inequality.

According to the ILO report, by 2019 more than 212 million people world wide will be without a job, which is 11 million more than the reported 201 million currently unemployed. A significant part of the unemployed (61 million, or nearly a third of unemployed people) ILO regarded as having lost their jobs after the outbreak of the global financial and economic crisis in 2008-2009.

**Table 3.** Economic and social developments in developed economies and EU, 2009–2019 (percentages)

	2009	2013	2014	2015	2016	2017	2018	2019
Laborforce participation rate	60.4	59.9	59.8	59.8	59.7	59.7	59.6	59.5
Unemployment rate (total)	8.4	8.5	7.8	7.5	7.3	7.1	6.9	6.8
Youth unemployment rate	17.4	17.7	16.7	16.3	15.8	15.5	15.2	15.0
Employment growth	-2.2	0.4	1.2	0.6	0.5	0.5	0.4	0.4
Youth employment growth	-7.5	-0.2	0.9	0.1	0.1	0.0	-0.1	-0.1
Real wage growth	1.0	0.2	0.5	1.4	1.5	1.8	1.8	1.7
Productivity growth	-1.5	0.8	0.6	1.6	1.8	1.8	1.7	1.7

Source: Eurostat

Projections by the International Labour Organisation for Europe do not differ significantly from global trends. According to the report a slightly reduction of unemployment, including youth unemployment, is expected.

High levels of unemployment in 2015, are forecast for Macedonia (28.2%), Bosnia (27.5%), Greece (24.6%), Spain (23.6%) and others. The forecast for unemployment in Bulgaria for the next five years shows a slight decrease from 11.6% in 2014 to 10.3% in 2019. The ILO experts foresee its increase by 0.2% for 2015.

According to estimates of the European Commission (EC) for the coming years unemployment in the EU is expected to remain at double-digit rates of 10.2% in 2014 and to decrease slightly to 9.8% in 2015. Forecasts of the European Commission for unemployment in Bulgaria forecast it at 11.7% in 2014 and then a fall to 10.9% in 2015. However, it should be noted that the estimates of increasing employment in the EU as a whole (as also in Bulgaria) are not very optimistic, which is expected to grow by less than one percentage point per year in 2014 and 2015 and to reach 59.2% in 2015 for the EU (Forecasts of the European Commission, Winter 2015).

## Policies to overcome the unemployment

From the outset of the crisis various measures to get under control the negative consequences, particularly those that affect the labor market, both at European and at a national level, are taken. Achieving higher economic growth and creating more and better jobs are the key priorities of the EU as laid down in a number of strategic documents of the European Commission, including the Strategy “Europe 2020”. At a pan-European level efforts are aimed primarily at:

- preservation of existing and creation of new jobs by facilitating job change, support for restructuring and rebalancing of the labor market;
- maintaining the level of income of the population and support the most affected by the crisis—young, older workers, women and people with disabilities. Integration of young people into the labor market is foreseen to be carried through more investment in training and retraining, support to tackle unemployment and reduce early school leaving;
- modernizing labor markets and improve their efficiency in order to increase the adaptability of the labor force;
- more flexible working arrangements, allowing training and retraining of the laborforce (Vladimirova, Atanasova, Tomev, 2010).

Still to be solved are a number of problems, among which priority may be given to cases of increasing underemployment, poor advertising of new jobs, the need for aligning education with the needs of the labor market, the increase in youth unemployment, etc. EU countries are challenged to take measures to reduce the segmentation of the labor market, which can help remove the barriers to full-time employment for the unemployed and temporary hired workers, as well as to facilitate professional mobility. It is necessary to reduce the tax burden on labor, especially on low paid and younger workers. The role of investment in the modernization of education and training, including lifelong learning, is also important.

There is a tendency for a shortage of labor in the labor market and an obvious mismatch between supply and demand of professionals. The need to prepare a skilled laborforce for the growing new economic sectors is felt increasingly. In this context it is essential to pay attention to the modernization and more intensive development of vocational training and dual educational systems, encouraging companies to increase the number, locations and quality of professional internships. Overall more efforts across the EU should be aimed at reducing the burden on private business, such as reducing the administrative burden in the process of hiring young people and trainees, which can achieve a sustainable positive effect on employment.

At the national level also a number of measures to tackle the crisis in the labor market are undertaken. Bulgaria adopts each year a National Action Plan for Employment, which defines its objectives and targets and monitors and analyzes their application from previous years. This plan aims to achieve employment growth and improve the functioning of the labor market. The national plan is in line with the implementation of the Strategy „Europe 2020“ and the measures included in the National Reform Programme 2014-2020, the National Development Programme: Bulgaria 2020, the tasks of the updated Employment Strategy 2013-2020, the National Plan for implementing the European Youth Guarantee 2014-2020, the National Strategy for lifelong learning for the period 2014-2020, and others.

The main priorities of national employment policies in 2015 set out in the National Action Plan for Employment for 2015 include:

- Improving access to the labor market, especially for disadvantaged groups, through adapted to their needs activation services, information, motivation, guidance and counseling, as well as raising the level of knowledge, skills and competencies through training to increase their competitiveness in the labor market.
- Support for economic growth conducive to employment, improving the business environment, support for employment growth and use the potential of key sectors such as the green economy, the ICT sector, the health sector and the provision of social services.
- Implementation of the European Youth Guarantee.
- Improving the efficiency and quality of services, better interaction with the private employment agencies and businesses to provide temporary work.
- Development of inter-institutional interaction and social partnership.

Except through funding from the central budget the country seeks results in the labor market also through the Operational Programme “Human Resources Development“. In its new programming period it focuses on fighting unemployment among vulnerable groups in the labor market, with an accent on young people, long-term unemployed and older people. The aim is both to create employment and to improve the quality of the labor force through different trainings in accordance with business needs.

Bulgaria participates also in other European initiatives such as the “New Skills for Jobs“, OP „Science and education for smart growth 2014-2020“, the new European program on education, training, youth and sport “Erasmus+“, European guarantee youth, and others. A National Strategy for lifelong learning for the period 2014-2020 is adopted and implemented. These participations can influence and give positive results on the labor market in Bulgaria.

## Conclusion

Recorded and exacerbated problems with unemployment and low employment require the application of a system of concrete measures to reduce the segmentation of the labor market, which can help remove the barriers to full-time employment. The need to stimulate job creation and take actions to reduce the tax burden on labor is outlined more clearly. More decisive measures need to be focused mainly on low-paid and younger workers, which is highlighted in the Annual Growth Survey 2015 of the European Commission.

Amid the expected trends for high unemployment in the coming years productive investment, especially in new areas of economic activities, as well as modernization of education and training should be encouraged. This will allow to create conditions for accelerating economic growth, creating more and better jobs.

With high youth unemployment (reaching 23.1% at the end of 2013 in the EU and in the worst affected countries over 40%) it is necessary to take more resolute measures to eliminate fiscal disincentives for demand of job, for a more efficient use of tools and initiatives of the European Commission for youth employment. It is also recommended to reduce the administrative burden for hiring of young people and trainees, which can achieve a sustainable positive effect on employment.

Promotion of entrepreneurship and creation of new enterprises, in particular SMEs plays an important role in increasing employment and reducing unemployment, and in achieving rapid growth. They are key drivers of economic growth in most member states and in Bulgaria, area of application of entrepreneurial innovation and skills, promotion self-employment and starting a business, and are an important source of jobs and income.

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