Connecting People with Jobs

Reaching Out and Activating Inactive and Unemployed Persons in Bulgaria

OECD

Connecting People with Jobs

Reaching Out and Activating Inactive and Unemployed Persons in Bulgaria

OECD
BETTER POLICIES FOR BETTER LIVES

The project Reforming the Existing and Designing of New Measures for Activating Inactive Persons and their Inclusion in the Labour Market in Bulgaria was co-funded by the European Union via the Structural Reform Support Programme (REFORM/IM2020/004). This publication was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

Please cite this publication as:
OECD (2022), *Reaching Out and Activating Inactive and Unemployed Persons in Bulgaria*, Connecting People with Jobs, OECD Publishing, Paris, https://doi.org/10.1787/7b91154a-en.

ISBN 978-92-64-43180-5 (print)
ISBN 978-92-64-32002-4 (pdf)

Connecting People with Jobs
ISSN 2616-4132 (print)
ISSN 2616-4140 (online)

Photo credits: Cover © Green Color/Shutterstock.com; Cover Illustration: Christophe Brilhault.

Corrigenda to publications may be found on line at: www.oecd.org/about/publishing/corrigenda.htm.

Foreword

Giving people better opportunities to participate in the labour market is a key policy objective in all OECD and EU countries. More and better employment increases disposable income, strengthens economic growth and improves well-being. Well-tailored labour market and social protection policies are a key factor in promoting the creation of high quality jobs and increasing activity rates. Such policies need to address pressing structural challenges, such as rapid population ageing and evolving skill needs, including those needed for the green transition. They should also foster social inclusion and mobilise all of society.

The COVID-19 pandemic has increased the need for policies to support employment and inclusive labour markets. Even before the crisis, employment rates differed markedly across population groups. High unemployment, weak labour market attachment of some population groups and unstable or poor-quality employment reflect a range of barriers to working or moving up the jobs ladder. The economic repercussions of the pandemic risk entrenching these barriers further. It will be a major challenge for policy makers in the coming years to lift these labour market obstacles, support labour relocation and make labour market participation accessible for all.

Therefore, the OECD Employment, Labour and Social Affairs Committee is carrying out a set of reviews of labour market and social protection policies to encourage greater labour market participation and better employment among all population groups with a special focus on the most disadvantaged who face the greatest barriers to finding quality jobs. This includes a series of country studies, Connecting People with Jobs, which provide an assessment of how well active labour market policies (ALMPs) help all groups to move into productive and rewarding jobs and a number of policy recommendations that could improve the situation.

This report on Bulgaria is the eighth country study published in this series, this time undertaken in the framework of a broader technical support project that the European Commission and the OECD are providing to Bulgaria between 2020-22, funded by the European Union's Directorate-General for Structural Reform Support (DG REFORM). In particular, this review provides a detailed analysis of Bulgaria's out-of-work population and identifies groups of people who would benefit from measures and services provided by Bulgaria's Public Employment Service. In addition, the report assesses Bulgaria's labour market policies to reach out to inactive people and help them integrate in the labour market, and offers recommendations for improvement.

The present publication presents time series which extend beyond the date of the United Kingdom's withdrawal from the European Union on 1 February 2020. In order to maintain consistency over time, the "European Union" aggregate presented here excludes the United Kingdom for the entire time series.

Acknowledgements

This report was prepared by Kristine Langenbucher, Marius Lüske and Judd Ormsby, in the OECD's Directorate for Employment Labour and Social Affairs under the supervision of Theodora Xenogiani (team leader). The section on Active Labour Market Programmes in Chapter 5 was prepared by Nicola Düll (Economix Research) and the literature review of barriers Roma face to labour market participation in Chapter 2 was prepared by Todor Todorov (University of National and World Economy), both acting as intellectual service providers to the OECD. Statistical assistance was provided by Dana Blumin and editorial assistance by Lucy Hulett.

The report was produced as part of the project Reforming the Existing and Designing of New Measures for Activating Inactive Persons and their Inclusion in the Labour Market in Bulgaria. This project is being carried out with funding by the European Union via the Technical Support Instrument (TSI) and in co-operation with the European Commission's Directorate-General for Structural Reform Support (under framework delegation agreement REFORM/IM2020/004). The co-operation with Maria Petrova, Anna Delibasheva and Teodora Bahchevanova from Bulgaria's National Employment Agency (NEA) and with Elisa Gómez Alemán and Simone Marino from the European Commission's Directorate-General for Structural Reform Support has been instrumental for the project and the report.

Large parts of the report are based on information and assessments received from stakeholders in Bulgaria that the OECD team and the European Commission met during virtual fact-finding missions in November 2020 and March and April 2021. These included representatives from the NEA, the Ministry of Labour and Social Affairs, the Social Assistance Agency (SAA), the General Labour Inspectorate Executive Agency, the National Agency for Vocational Education and Training, the National Statistical Institute, the Ministry of Education and Science, the Ministry of Regional Development and Public Works, the Ministry of Finance, the Ministry of Youth and Sports, the Confederation of the Independent Syndicates in Bulgaria, the Bulgarian Industrial Capital Association, the Bulgarian Red Cross, the Confederation of Labour "Podkrepa", the Bulgarian Industrial Association, the Confederation of Employers and Industrialists in Bulgaria, and representatives from private employment agencies in Bulgaria. The report also benefited from fact-finding missions and focus groups conducted by Todor Todorov with a variety of stakeholders in November 2020 and February 2021 (stakeholders included representatives from the SAA, district and municipality offices from the Montana region and the towns of Lom and Valchedram, regional and local labour offices of the NEA in the Montana region, as well as youth activators, youth mediators, Roma mediators, caseworkers, and employers across various places in Bulgaria).

This report benefitted enormously from the collection and sharing of administrative data held by the NEA. Support with interpreting the structure of this data provided by NEA (especially Ivo Ivanov) was instrumental for the completion of this work.

Comments on earlier versions of this report – through an online workshop in September 2021 and in writing – greatly benefited the report. Comments were provided by the NEA, the Ministry of Labour and Social Policy, Elisa Gómez Alemán from the European Commission's Directorate-General for Structural Reform Support, as well as by Stefano Scarpetta, Mark Keese, Matija Vodopivec, and Anne Lauringson at the OECD.

Table of contents

FIGURES

TABLES

Acronyms and abbreviations

ALMP	Active Labour Market Policies
AMS	Arbeitsmarktservice (Austrian PES)
BAS	Bulgarian Academy of Sciences
BGN	Bulgarian Lev
BIA	Bulgarian Industrial Association
CEEC	Central and Eastern European Countries
CESA	Centres for Employment and Social Assistance
COVID-19	Coronavirus Disease 2019
DG-Reform	The European Commission's Directorate-General for Structural Reform Support
DMI	Differential Minimal Income
EC	European Commission
ECEC	Early Childhood Education and Care
EEA	European Economic Area
EPA	Employment Promotion Act
ESF	European Social Fund
ESS	European Statistical System
ESS	Employment Service of Slovenia
ESSPROS	European System of integrated Social Protection Statistics
EU	European Union
EU-FRA	European Union Agency for Fundamental Rights
EU-LFS	European Union Labour Force Survey
EU-MIDIS	European Union Minorities and Discrimination Survey
EUR	Euro
EU-SILC	European Union Statistics on Income and Living Conditions
EVS	European Values Study
FLC	Family Labour Consultants
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GMI	Guaranteed Minimum Income
HRD OP	Human Resource Development Operational Programme
IAP	Individual Action Plan
ICT	Information and Communications Technology
ILO	International Labour Organization
ISCED	The International Standard Classification of Education
ISCO	International Standard Classification of Occupations
IT	Information Technology
KLIPS	Training and Apprenticeships for Vulnerable Groups
LFS	Labour Force Survey
LMP	Labour Market Programmes
LOD	Labour Office Directorate
LTU	Long-term Unemployment
MLO	Mobile Labour Offices

MLOW	Mobile Labour Office Workplaces
MLSP	Ministry of Labour and Social Policy
NEA	National Employment Agency
NEAP	National Employment Action Plan
NEET	Not in Education, Employment, or Training
NGO	Non-governmental Organisation
NRIS	National Roma Integration Strategy
NSI	Bulgarian National Statistical Institute
NSSI	National Social Security Institute
NUTS	Nomenclature of Territorial Units for Statistics
OECD	Organisation for Economic Co-operation and Development
PES	Public Employment Service
PTR	Participation Tax Rate
RegiX	Bulgaria's Inter-institutional Registry Information Exchange System
SA	Social Assistance
SAA	Social Assistance Agency
SEGA	State e-Government Agency
SILC	European Union Statistics on Income and Living Conditions
SME	Small and Medium-sized enterprises
SOCR	OECD Social Benefits Recipients Database
UI	Unemployment insurance
VDAB	Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding (PES for the Flanders region of Belgium)
VET	Vocational Education and Training
YEI	Youth Employment Initiative

Executive summary

The Bulgarian labour market has made substantial progress over the last decade, both in terms of lower unemployment rates and higher labour market participation, and has proven to be relatively resilient to COVID-19 headwinds. However, Bulgaria faces major structural challenges weighing on its employment prospects. With the fastest shrinking population in the world, Bulgaria is expected to lose one-third of its working-age population over the next three decades, risking serious labour shortages in the years to come. In addition, the Bulgarian labour market is highly unequal, with good labour market prospects for well-educated people living in urban areas, but major employment obstacles for others. In total, there are still about 900 000 inactive and unemployed working-age adults in Bulgaria (excluding students), often facing multiple barriers in accessing the labour market, who would benefit from active labour market policies to help them become and remain employed. Against this context, this review provides a detailed analysis of Bulgaria's out-of-work population, assesses Bulgaria's policies to reach out to inactive people and help them integrate in the labour market, and offers recommendations for improvement.

Some population groups are particularly exposed to inactivity and unemployment. These groups include young people not in education, employment, or training (NEETs), ethnic minorities, people who are out-of-work due to care and family commitments, people out-of-work for illness and disability, and older working-age people who are out-of-work.

Active labour market policies (ALMPs) could play a bigger role in alleviating these barriers to employment. At 0.16% as a share of GDP, spending on active labour market programmes in Bulgaria (excluding employment services and administration) is low compared to other European Union countries (0.39%) and OECD countries (0.35%). Moreover, Bulgaria's expenditure focuses too much on direct employment creation programs, which international studies suggest are of questionable effectiveness in supporting workers into regular employment, especially if they are not combined with additional support. Even though spending on employment incentives and training measures has increased since 2015, it remains at low levels.

However, effective activation requires more than well-functioning ALMPs. Outreach activities are needed to identify the inactive and engage with them. Despite the National Employment Agency's (NEA) initiatives to reach out to inactive people, many of those in need of support are not in contact with the NEA, particularly among young people and ethnic minorities. In addition, only few of inactive and unemployed people are eligible for unemployment benefits and are, therefore, out of the radars of the NEA. Ungenerous social assistance also limits people's incentives to register with the NEA in order to become eligible for it.

A smooth customer journey should identify needs and provide appropriate support. Within the NEA, caseloads for caseworkers are high making it difficult to ensure the needs of all clients are identified and met. A wider use of digital tools could be useful to increase the efficiency and effectiveness of PES services.

Bulgaria will have to take strategic decisions on how to reinforce active labour market policies in order to boost employment rates among all population groups and address labour shortages. Key policy recommendations emerging from this review include:

- **Reinforce support to vulnerable groups** that are further from the labour market: Including young NEETs, individuals with care and family-related responsibilities, individuals with health issues, older people, and ethnic minorities (especially the Roma population).
- **Tailor ALMPs to main labour market barriers**, including skills barriers, care and family barriers, health barriers, and geographic barriers.
- **Optimise social assistance benefits to cushion poverty risks and favour outreach:** Keep NEA registration as a pre-requisite for social assistance benefits, but soften other entitlement criteria.
- **Strengthen outreach to people in need of support**: Set up automated data exchanges between the NEA and other public institutions to facilitate the identification of inactive and unemployed people. Increase co-operation practices with NGOs and other organisations that can contribute to establishing contact with inactive people that are not on the radars of the NEA.
- **Adapt the customer journey to ensure optimal support:** Ensure intensive and frequent meetings with jobseekers with the greatest distance from the labour market. Consider expanding NEA resources to ensure all clients' needs are met. Additional resources can lead to faster transitions to work as well as net fiscal savings to the government from reduced benefit expenditure and higher tax revenue. Resource expansion could be achieved internally at the NEA or through contracting out employment services and Public Private Partnerships.
- **Make the most of technology to enhance the efficiency and effectiveness of NEA support:** Develop and adopt a new statistical profiling tool, or update the existing tool, that helps counsellors assess jobseekers distance from the labour market and train counsellors to ensure that it is used widely. Adopt a "digital first" approach with job seekers who have close ties to the labour market and possess sufficient digital skills, with the aim to free up resources for the harder-to-place clients.
- **Adjust the ALMP mix** by reallocating resources away from direct job-creation and towards programmes that up- and re-skill jobseekers and provide them employment opportunities in the primary labour market. Rationalise the large number of small programmes.
- **Monitor and evaluate ALMPs regularly** and rigorously terminate or adjust inefficient ones**,** while upscaling efficient measures.
- **Invest in linked administrative data** to support evidence-based policy making and identify polices that provide value for money.

1 Assessment and recommendations

Kristine Langenbucher, Marius Lüske, Judd Ormsby and Theodora Xenogiani

While Bulgaria's labour market has made significant progress, considerable structural challenges remain, including a rapidly shrinking labour force and a highly unequal labour market. Active labour market policies could play a bigger role to address employment challenges considering that spending on these policy measures is low compared to other countries and is mainly used for direct job creation and less so for up-skilling and re-skilling. Among the 900 000 working-age adults who neither work nor study, many belong to vulnerable groups furthest from the labour market, such as NEETs and ethnic minorities, who face significant barriers to employment, including a low level of skills or care obligations. Moreover, many of those in need of support are not in contact with the National Employment Agency (NEA). A wider use of digital tools, an effective use of administrative data, and a lower caseload for caseworkers would enable the NEA to improve its outreach to these groups and increase its support.

1.1. The Bulgarian labour market was making progress until the outbreak of COVID-19

Bulgaria's labour market performed relatively well prior to the COVID-19 pandemic. In 2019, Bulgaria's unemployment rate was among the lowest in the EU, at 4% among 15-64 year-olds, against 7% on average in the EU, and labour force participation had risen strongly within just a few years. From a rate of just 66% in 2011, it rose to its highest level in decades in 2019, at 73%. Employment gains had been strongest in urban areas and among older people, while rural areas and young people had benefitted less.

The outbreak of the pandemic abruptly interrupted these labour market improvements, with particularly strong effects on young people and sectors most susceptible to activity losses because of social distancing, such as tourism and other parts of the hospitality industry. In May 2020, only a few weeks after the state of emergency had been declared, the number of people holding an employment contract had shrunk by 5% compared to one year earlier, and by up to 40% in the sectors that were most severely affected. In the second quarter of 2020, the number of 15-24 year-olds who had a job was down by 17% year-over-year. As a consequence, the number of jobseekers registered with the National Employment Agency (NEA) escalated, rising from 205 000 in February 2020 to 295 000 in May 2020.

Bulgaria's labour market stabilised relatively quickly after the initial shock in spring 2020, and has improved since then, supported by rapidly implemented policy responses, including the new "60/40"wage subsidy scheme. The unemployment rate stabilised at about 5% in the second half of 2020, and the number of registered job seekers fell back to its 2019 level in summer 2021. Nevertheless, employment challenges persist. In the second quarter of 2021, the employment rate was still three percentages points lower than at the same period in 2019, at 68% against 71%. Especially in the accommodation and food service industry, the number of employees remains low, in spring 2021 it was still about one-quarter lower than in 2019. These challenges are likely to persist until the sanitary situation fully stabilises and, as of today, the long-run effects of the crisis on employment and activity remain uncertain.

1.2. Bulgaria faces structural employment challenges, calling for a strong role of active labour market policies

Bulgaria faces structural challenges weighing on the long-term prospects of its labour market. Unfavourable demographic dynamics, combining rapid population ageing and a stark population decline due to low fertility rates and emigration, are one of the most serious challenges confronting the country. According to recent projections, Bulgaria will lose close to one-third of its working-age population by 2050, making it the fastest shrinking country in the world. By then, one-third of Bulgaria's adults will be aged 65 or older, which will most likely result in labour market shortages and put stress on Bulgaria's social security system. Therefore, efforts to design a policy mix to increase employment rates as much as possible will be crucial to alleviate the consequences of a quickly declining labour force. Such a policy mix requires sound and effective active labour market policies which should be designed based on evidence and take account of the experiences of other countries in order to be efficient.

A second structural challenge the Bulgarian labour market faces is its high degree of inequality. Employment rates of highly educated people are among the highest in the EU, at 89% of 15-64 year-olds in 2019, while rates among the low-educated are considerably lower, at only 38%. Similarly, both employment rates and wage levels are substantially higher in economically prosperous regions than in poor and remote parts of the country and employment outcomes vary significantly across ethnic groups. For example, employment rates for working-age Roma men are 51%, compared to 65%

for Turkish males and 76% for ethnic Bulgarian males. For women, the differences are even larger with employment rates of 31%, 48% and 71% for ethnic Roma, Turkish and Bulgarians, respectively.

1.3. About 900 000 working-age adults are unemployed or inactive, many of whom belong to vulnerable groups furthest from the labour market

Despite the labour market improvements Bulgaria has achieved over the last years, there are about 900 000 working-age adults who are unemployed or inactive (excluding students). Among this out-of-work population, 15% are unemployed (i.e. available for employment and actively looking for a job) and the remaining 85% are inactive (i.e. outside the labour force). While inactivity and unemployment span across many different groups, some population groups are particularly exposed and face a high risk of becoming or remaining inactive or unemployed. These groups, which are overlapping,[1] require specific attention from the NEA, not only because they account for the bulk of the out-of-work population, but also because many of them face substantial barriers to employment, and cannot overcome them without support.

- **Youth not in employment education or training – NEETs (~170 000 in 2019):** Bulgaria has one of the highest NEET rates in the EU, at 17%, against 13% in the EU, highlighting that the need for further efforts in this area. Analysis of SILC data shows about 42% of youth NEETs are Roma. Activating NEETs is particularly important as failing to acquire human capital or skills can lead to long lasting scaring effects.
- **People out of work from ethnic minorities[2] (~360 000 in 2019):** Roma suffer much higher rates of joblessness than other ethnic groups and face many barriers and challenges to labour market participation. The Turkish community, too, is confronted with comparatively high levels of inactivity, in particular among women, although to a lesser extent than the Roma community. In total, there could be around 240 000 working-age Roma who neither work nor study, and less than one-fifth of them is in contact with the NEA. For the Turkish minority, estimates point to about 123 000 working-age adults who neither work nor study.
- **People out of work due to care and family commitments (~290 000 in 2019):** Care and family responsibilities are the most common reason for inactivity in Bulgaria, except for studying. This barrier particularly effects women who account for essentially all of the people who report care and family commitments as their primary barrier for not seeking employment.
- **People out of work for illness and disability (~190 000 in 2019):** Disability is a common reason for inactivity and employment rates for people with health problems are among the lowest in the EU.
- **Older working age people 55-64 who are out-of-work (~340 000 in 2019)**: While employment rates for older people are above the EU average and have strongly increased over the last years, they remain far below the level of prime-age adults. Given the large number of 55-64 year-olds who do not work, and the growing share of the elderly in the Bulgarian population, activating older people would have the potential to help mitigate the effects of a shrinking and ageing population and address labour shortages.

Most inactive and unemployed people face multiple barriers to employment

The most common barriers to labour market participation for inactive and unemployed people in Bulgaria are skills barriers (e.g. limited education or work experience), family-related barriers (e.g. care responsibilities), health impediments, and geographic barriers (e.g. living in remote settlements without a vehicle). Some labour market obstacles concern certain groups of inactive and unemployed much more often than others. For example, 42% of out-of-work Roma face a geographic barrier compared to

21% of the overall inactive population. Close to half of inactive or unemployed 55-64 year-olds have a significant and long-lasting health impediment, compared to one-third of all inactive and one-tenth of all unemployed. In many cases, inactive and unemployed people are confronted with several employment barriers simultaneously. In total, 75% of the inactive and 61% of the unemployed face at least two significant barriers to employment, against 18% of the employed.

1.4. Different activation solutions are needed to address the needs of the different groups

In order to help different out-of-work groups overcome their barriers, activation solutions have to be joined up to deal with multiple barriers and tailored to address individual needs. In particular, in some cases, support by the NEA has to be combined with additional services provided by other institutions addressing e.g. health obstacles or social difficulties, in order to be effective.

The NEA targets NEETs, but should reinforce co-operation practices and assess if there is a need for more youth activators

Prolonged periods spent by young people out of the labour market can have scarring effects making labour market integration more difficult the longer such periods last. In addition, young people were hit hardest by the labour market repercussions of the COVID-19 pandemic. In the second quarter of 2020, the number of employed 15-24 year-olds had plummeted by 17% compared to one year earlier, while the effect on workers aged 25 and older had been much smaller, dropping by only 5%. Consequently NEET rates increased again and stood at 18% in 2020, against a European average of 14%.

To reduce high NEET rates, both the NEA and municipalities employ activators/mediators who specifically focus on reaching out and activating NEETs. In 2019, close to 100 youth mediators were employed throughout Bulgaria. In addition, the NEA set up Family Labour Consultations, aiming to provide comprehensive services to all members of families confronted with unemployment and inactivity, with the potential to prevent teenagers and young adults from these families becoming NEETs. However, less than 15% of NEETs aged under 25 register with the NEA, limiting the support the NEA can provide. Therefore, the NEA should step up efforts to reach more young people who neither work nor study. For example, additional and more systematic partnerships between the NEA, schools and NGOs could contribute to identifying and supporting NEETs and school-drop outs. Such co-operation should be reinforced both in rural and urban areas, and combine approaches to prevent young people from becoming inactive (e.g. information campaigns in schools) and reengage young people who are inactive and not connected with public services. In addition, the NEA should carry out a rigorous evaluation and cost-benefit analysis to assess if increasing the number of youth activators and mediators could support better outreach to youth and their re-integration into employment or education and training.

Roma mediators are a promising initiative but more needs to be done to include Roma in the labour market

There are wide disparities in labour market outcomes between different ethnic groups in Bulgaria. While ethnicity is self-identified in labour force surveys and there are difficulties in accurately capturing ethnicity, the available data show that Roma suffer rates of joblessness more than double that of ethnic Bulgarians. Among the working-age population, about 49% of Roma men and 69% of Roma women were not in employment in 2019 compared to around 24% and 29% for male and female ethnic Bulgarians. Roma out-of-work often face complex and multiple barriers to employment, including skills, health, family-related, and geographic distance barriers. Beyond these barriers, Roma also face further

obstacles hindering the labour market participation, including discrimination based on their ethnicity, high rates of poverty, and low quality and overcrowded housing in segregated Roma neighbourhoods. Barriers to labour market participation already manifest themselves at an early age: Roma children benefit less from early childhood education and have lower attendance rates at all levels of school and often attend segregated schools. Consequently, Roma children lag significantly behind children of Bulgarian ethnicity in educational attainment.

Against this challenging background, the NEA's use of Roma mediators to support outreach to Roma is important to enrol more Roma with employment services. However, the data available suggests that only one-fifth of out-of-work Roma are registered with the NEA. In 2019, 78 Roma mediators worked for the NEA, which is likely to be insufficient considering that there could be about 200 000 unemployed or inactive Roma of working age who have no contact with the NEA. The NEA should carry out an in-depth assessment of the impact of the work of Roma mediators and evaluate to what extent the number of Roma mediators should be increased.

Beyond outreach, active labour market policies (ALMPs) can and should be used to help Roma in overcoming the barriers they face. However, registered unemployed of Roma origin are referred to ALMPs less frequently than jobseekers of other ethnicities. Whereas 20% of non-Roma jobseekers were referred to labour market programmes in 2020, this share was only 8% among Roma jobseekers. What is more, Roma are almost always referred to direct job creation programmes, which international research shows are, when deployed as stand-alone measures, less effective in securing sustained employment in the open market than other types of ALMPs. Seventy-six percent of ALMP places for Roma in 2020 were in direct job creation, while only 56% of non-Roma were referred to direct job creations programmes. This high proportion could be linked to the significant employment barriers Roma people face, including skills-related and family-related obstacles.

Many individuals out of work face care barriers, highlighting the need for policies targeted towards them

One of the largest groups of Bulgaria's inactive population, are individuals who cite care, family or personal responsibilities as their primary reason for not currently seeking work. It is the most common reason for not seeking work among the non-student-inactive population, representing 289 000 people or 37% of the non-student-inactive-working-age population. People citing care responsibilities for not working are almost entirely women which suggests that men could play a greater role in sharing care burdens and raising children. Bulgaria provides some of the longest leave available to mothers in the EU (more than two years in total including both maternity leave and the less generous paid parental leave). However, like most other EU countries, Bulgaria provides much less leave for fathers (about two weeks). To encourage fathers to take on a greater role in caring for children, some countries, such as Korea, Sweden, and Iceland have increased the amount of father-specific leave, sometimes on a use-it-or-lose-it basis. Other policies which can also bring cultural changes may help parents too. For example, wider access to affordable day care and the option to work part-time can help parents balance their care and work responsibilities. However, the number of day care nurseries is limited, especially in rural settlements, and Bulgaria has a full-time work culture with less than 2% of the employed in part-time roles, the lowest share in the EU. In addition, salaries of part-time workers in Bulgaria are often too low to make a decent living.

Many women out-of-work for family-related reasons often also face other barriers to labour market participation – particularly skills and experience barriers including a lack of recent work experience (while raising children), low levels of education or a history of working in low-skilled occupations.

As a first step in supporting jobseekers with children and other care barriers, *Family Labour Consultants* have been recently introduced at the Public Employment Service (PES) to help provide comprehensive support for families. These counsellors are regular NEA staff (counsellors, mediators, psychologists

and caseworkers) that spend some of their time specialising in the work with jobseekers and their families (630 experts provided such services in 2019). *Family Labour Consultants* not only support family members who are jobseekers in addressing their barriers, but provide support and counselling to the entire family, being mindful of the wider family context. *Family Labour Consultants* thereby can also identify and activate family members who are not yet registered with the NEA. As *Family Labour Consultants* have just recently been introduced, it is too early to evaluate their impact. Other initiatives to foster employment among parents with care obligations include the programme "Parents in Employment", which provides job mediation specifically to jobseekers with children and grants access to childcare, and the project "Children's corners", which trains jobseekers to acquire childcare skills.

Other countries use a range of measures that can support labour market participation of jobseekers with care barriers on a wider basis, and good results have been achieved with programmes offering counselling support. Beyond counselling, the NEA may need to intensify its work with employers to seek family-friendly work places and possible part-time opportunities. International evidence also highlights the importance of wider access to childcare and as well as targeted initiatives to specific groups such as increased employment service support for example for lone parents.

Employment among older people has grown strongly, but further improvements are possible to increase working lives

Employment rates of older people (aged 55-64) have increased very substantially over the last decade, rising from 45% in 2011 to 64% in 2020. This increase is closely linked to the gradual rise of the official retirement age, which currently stands at just over 64 years for men and just under 62 years for women, up from 63 years and 60 years in 2015, respectively. Nevertheless, the Bulgarian labour force is predicted to shrink swiftly, and further increases in the employment rate of older workers will be necessary to alleviate labour shortages. While the employment rate of 55-64 year-olds is now higher than on average in the EU, it is still at least 10 percentage points lower than in Europe's leading countries,.

There is scope for the NEA to play a bigger role in the activation of older people, instead of just providing a bridge to retirement as some ALMPs do. While many inactive and unemployed who are in their early 50s register with the NEA as jobseekers, NEA registration gets substantially less common as people approach the official retirement age. Among 60-64 year-old men who do not work, less than one in every six registers with the NEA, although they have not reached the official retirement age yet. This pattern is partly linked to financial disincentives to work in the retirement system, which reduce the willingness of older people to take up employment. Besides removing such disincentives, reaching out to more older inactive or unemployed people and introducing ALMPs that are specifically designed for older jobseekers, in addition to existing wage subsidies for older workers, can be one part of a wider strategy to encourage longer working lives. For example, networking groups of older jobseekers and media campaigns to improve the image of working at older ages could prove successful, including to increase the motivation of older people to take up employment. As a large share of older inactive and unemployed people face health barriers to employment, providing comprehensive services, in particular employment services in combination with health-related services, would encourage more older people to extend their working lives or take up a new job. In addition, employers are crucial in strengthening the role of older workers and should be supported to e.g. hire older jobseekers and provide retrain opportunities to older staff members permitting them to keep their competences up-to-date.

1.5. Unemployment benefits are generous but social assistance is low, limiting its role in alleviating poverty and supporting labour market participation

Unemployment insurance in Bulgaria is a contributory benefit that provides income support to those who have paid contributions for at least 12 of the last 18 months, with benefit duration and amounts tied to previous employment history. Unemployed people who are not eligible or who have exhausted their unemployment insurance can apply for the means-tested social assistance.

Unemployment benefits provide generous support to those entitled to them

Unemployment benefit replacement rates (full rates) are among the highest in the EU and provide good protection against a sudden loss of work income for those who can claim non-reduced rates. However, not all unemployed are eligible or are only eligible at a reduced rate (for example because their contribution records are too short, because they are returning claimants or because they quit their work on their own initiative). In these cases, the level of protection is much lower. The share of unemployed claiming unemployment benefits is lower than on average in the EU, and close to 30% of unemployment recipients only receive the minimum rate, amounting to about half of the median unemployment benefit. Among some groups of unemployed beneficiaries, the share receiving only the minimum rate is higher: 39% among the low-educated and 47% among Roma.

Social assistance is low and requires six months of registration as unemployed

Jobseekers who are not eligible for unemployment benefits or have exhausted their eligibility rely on social assistance as a last resort. This is in general the case for people with no recent formal employment histories or scattered employment records. However, social assistance benefits are very low and entitlement criteria are strict, contributing to a low take-up of social assistance. Bulgaria's minimum income benefits are among the lowest in the EU, at less than one-fifth of the median disposable income. In order to qualify, recipient's income and assets, assessed at the family level, must be very low and beneficiaries are required to perform regular community service work. Furthermore, recipients have to register with the NEA as unemployed for at least six months before they are eligible to receive social assistance. This requirement means that low-income individuals face a long waiting period before they can claim social assistance.

The low level of social assistance and its strict entitlement criteria contribute to low take-up and risk pushing more people into the informal economy, which accounts for about 16% of total employment. Furthermore, the low take-up of social assistance limits its ability to prevent poverty. In 2019, about one-third of the Bulgarian population was at risk of poverty or social exclusion, which was more than in any other EU country.

Making social assistance more generous could reduce poverty risks while facilitating outreach to the inactive

Both unemployment benefits and social assistance benefits are only paid out to people who are registered as jobseekers, thereby increasing the NEA's ability to establish contact with jobseekers. However, these incentives only concern people who are eligible for benefits and choose to claim them. Therefore, Bulgaria should keep registration with the NEA as a pre-condition to receive unemployment or social assistance benefits to favour NEA registrations, but reduce barriers to claim social assistance for eligible groups. For example, the 6-month waiting period before benefits are granted, should be reduced or eliminated. The benefits of higher social assistance take-up would be two-fold, contributing to mitigating poverty risks and facilitating NEA outreach to inactive people. While higher social assistance payments could, on their own, reduce incentives to find work, such risks are low in Bulgaria

relative to other countries as current levels of social assistance are already very low in an international comparison. Such disincentive effects can also be offset through requiring and monitoring job-search behaviours and the increased incentive a higher social assistance level could provide to register with the employment agency and comply with such requirements.

1.6. Activation requirements for benefit receipt are relatively lenient

Bulgaria imposes eligibility requirements both on unemployment benefit recipients and social assistance beneficiaries, aiming to favour active job search. These include requirements to be available for suitable work, participate in ALMPs and provide evidence of job-search. Failure to fulfil these obligations can lead to sanctions on benefit receipt.

In an international comparison, Bulgaria is relatively lenient on availability and job-search requirements. Jobseekers are allowed to decline jobs that do not match their education, qualifications, or profession and experience during the first 12 months of registration. After this period, requirements are stricter, but jobseekers can still refuse a job if it is too far from their home or incompatible with their health. In contrast to many other countries, which require social assistance beneficiaries to be available for a wider range of jobs, Bulgaria affords clients receiving social assistance the same protections and ability to refuse jobs that do not match their education and qualifications as those clients on unemployment insurance.

About 11% of the December 2019 stock of participants left the register via a sanction by February 2021. While Bulgaria is relatively lenient on availability and job-search requirements, the sanctions it imposes on failing to follow these rules are severe. Rejecting a suitable job or ALMP results typically in a six-month sanction on benefit receipt as well as loss of access to the NEA's services for this period. Some countries, e.g. Luxembourg, Latvia, and Greece, still allow access to PES services for sanctioned clients. This option potentially preserves the effect sanctions have on incentives to search for work while helping those sanctioned to find employment faster.

1.7. There is a large pool of inactive people with no contact with the National Employment Agency

The NEA is the central organisation reaching out to unemployed and inactive people. In addition, further institutions also carry out or contribute to outreach activities, including the Social Assistance Agency (SAA), municipalities, NGOs and schools. The NEA has set up a number of initiatives aiming to broaden its contact with people in need of support. For instance, it created mobile labour offices for inactive people in remote areas, set up centres for employment and social assistance (CESA) in co-operation with the SSA and hired activators and mediators focusing on inactive youth and Roma.

Many inactive and unemployed people have no contact with the NEA, in particular among vulnerable groups furthest from the labour market

Despite the NEA's efforts, the share of unemployed or inactive who register with the NEA is low compared to other countries. Only about 22% of inactive or unemployed 25-64 year-olds were in contact with the NEA, against an EU average of 35% of jobseekers who were in contact with the PES in 2019. In total, there could be around 700 000 working-age adults who neither work nor study, but have no contact with the NEA. Not all, but many of them would benefit from support to find employment.

While the NEA has stepped up efforts to intensify its outreach to groups further from the labour market, the share of inactive or unemployed registering with the NEA is particularly low among those groups, in

particular young NEETs and Roma. For example, only about 12% of 15-24 year-old NEETs registered with the NEA in 2019. This compares to an EU average of 47% for youth registering with the PES. The share is similarly low among inactive and unemployed Roma, at 13%.

Stronger co-operation with other organisations and intensified outreach would help to reach more people in need of support

Further efforts are needed to identify and establish a contact with people in need of support. Good co-ordination and co-operation between the NEA and other stakeholders is key to strengthening outreach to people who are currently off the radar. For instance, the NEA has established an automated data exchange via the Inter-Institutional Registry Information Exchange System (RegiX) with the SAA in order to identify inactive people. Similar automated data exchanges could be set up between the NEA and other public institutions to facilitate outreach. In addition, stronger and more regular co-operation with organisations close to people who are inactive or risk becoming inactive, in particular certain NGOs and schools, would contribute to getting hold of people in need of support.

1.8. NEA counsellors have high workloads and meet their most disadvantaged clients less frequently than other clients

Jobseeker caseloads for counsellors are high

An important element in the NEA's activation strategy, is supporting jobseekers to find employment through individualised job-assistance services and counselling. However, the caseload of caseworkers is high and limits the time they can spend with each client, making an intensive provision of services more challenging.

As studies from other countries show, lower jobseeker-to-caseworker ratios, can speed transitions to work by allowing for more intensive counselling to support job-search, increased monitoring of job-seekers, and increased collection of job-vacancies. Cost-benefit analysis from these studies shows that lower job-seeker to caseworker ratios can not only lead to faster unemployment-to-work transitions but also net savings for the government, i.e. additional expenditures on PES staff are more than offset by reduced benefit payments. Hence, while Bulgaria would need an initial up-front investment to increase caseworker numbers, providing these additional resources are used effectively, the up-front investment could lead to long term net-financial gains for the government, in addition to supporting jobseekers, through an "invest-to-save" approach.

Jobseekers furthest from the labour market are met less frequently

Groups that are furthest from labour market often face very specific and sometimes multiple barriers to employment. Hence those furthest from the labour market need individual tailored support which requires more intensive counselling. Such intensive and early PES counselling can identify specific barriers faced by these groups sooner and offer further services to alleviate these barriers including specialised counselling services (e.g. psychologic counselling), training to improve employability, and potentially employment subsidies to support clients into work. Some clients also need in-work follow up, even after finding employment.

However, with its limited resources it is difficult for the NEA to meet the needs of every jobseeker, especially intensive support for those with the bigger barriers to labour market integration. Indeed, even prior to the pandemic, NEA counsellors met clients furthest from the labour market less frequently than more job-ready clients.

The pandemic has made the situation for jobseekers furthest from the labour market even more challenging. It has increased workloads for counsellors, which makes it even more difficult to provide intensive counselling to those far from the labour market. At the same time, the crisis has often hit groups furthest from the labour market harder, with increased competition for jobs.

Bulgaria should explore different options to ensure it can provide adequate levels of service to all its clients, acknowledging that the intensity and types of services may vary across jobseekers. Options include:

- **Increase the number of PES counsellors:** Evidence from a number of other countries suggests that hiring more caseworkers could result in net-savings for government through increasing the speed and number of job-transitions.
- **Contracting-out employment services:** Rather than hiring more PES staff, Bulgaria could consider contracting out some services to private providers either through tendering procedures or voucher systems.
- **Reallocate resources towards those who need them most**: Irrespective of whether additional resources are available to expand the support for jobseekers, it is important to review whether existing resources are allocated in the most efficient manner. Priority should be given to those who benefit the most and those who are most in need of support. Such allocation decisions could be assisted with a more sophisticated jobseeker profiling tool (e.g. a statistical profiling tool that segments jobseekers based on their distance to the labour market for instance, their predicted unemployment duration). Reallocation of support should ensure an optimal match between the needs of jobseekers and the support they receive.
- **Make greater use of digital tools:** Greater use of digital tools could free up resources and enable the NEA to do more with less, as discussed next.

The number of registered unemployed could increase even further if Bulgaria succeeds in reaching out to a higher share of the inactive population. This further underscores the importance of considering the above options to meet demand.

1.9. There is scope for wider use of digital tools at the NEA

In Bulgaria, registration and employment services via digital channels currently play only a secondary role in engaging with jobseekers. There is scope to make more use of available technology to increase the efficiency of service provision and free up staff time for harder-to-place clients. This could be achieved through introducing a new profiling tool, developing and using other digital tools and services, and modernising the online vacancy database ("e-labour office") to improve the collection and advertisement of job-vacancies.

While the NEA uses a profiling tool to segment jobseekers into sub-categories depending on their distance to the labour market, the IT tool is about one decade old and does not have the same level of sophistication as profiling tools used in other countries. In addition, many caseworkers do not follow the recommendations of the tool, limiting its utility. The NEA should either update the IT tool or replace it with a more modern statistical profiling tool to improve its performance and streamline the profiling of jobseekers. Counsellors should be trained in the use of this new or updated tool and should be encouraged to use it widely.

Similarly, the NEA has introduced some digital services (e.g. online registration), but has not adopted a "digital first" approach as some other countries have. Some countries operate employment services largely online and apply the results of their profiling tools to target online services and online training to jobseekers. Profiling information gathered before a first personal interaction can make the counselling process leaner and support PES counsellors in tailoring services to jobseekers' needs. Therefore, the

NEA should strengthen the use of digital services, in particular in its interactions with jobseekers who have close ties to the labour market and possess sufficient digital skills, while ensuring that no jobseekers are pressured to use digital channels. The use of digital interaction with groups of jobseekers that can largely "self-manage" their unemployment spell through e-services frees up time for more intensive and costly face-to-face services for jobseekers with larger barriers to employment.

Further, the NEA should modernise its online vacancy database, improving functionality such as search features and allowing for direct communication between jobseekers and employers without requiring NEA counsellors to always act as intermediaries – a process that adds frictions and uses up valuable NEA resources. The PES in Flanders, VDAB, has developed particularly advanced tools to help jobseekers and counsellors quickly search the vacancy database for appropriate roles. Several PES (including Austria and the Netherlands) also use digital tools to automatically collect employer vacancies – potentially increasing the total number of vacancies held by the PES and through automation, reducing the staff time needed to register vacancies.

1.10. ALMPs should place a stronger focus on up- and re-skilling jobseekers and support employment in the primary labour market

Evidence shows that spending on ALMPs can help reduce unemployment and long-term unemployment, if such programmes are well designed and targeted. Especially for people with longer spells of unemployment, referrals to ALMPs can help improve employment prospects and keep up work habits through the regular participation in programmes.

Investments into ALMPs are comparatively low in Bulgaria

EU countries, on average, spent 0.39% of GDP on ALMPs (EU labour market policy categories 2-7), including labour market training, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives. In Bulgaria, expenditure was just 0.16% of GDP in 2019, which may be too low to support more individuals out of work back into the labour market. Against the background of overall low expenditure on ALMPs, Bulgaria has a surprisingly high number of individual programmes, many of which have a small budgets and few participants. This creates unnecessary administrative costs, reduces transparency for all stakeholders involved – jobseekers, employers, PES staff – and also limits the options for programme evaluation and identifying what works for whom. The programme mix should be consolidated going forward reducing the overall number of programmes through merging programmes on the one hand and ceasing inefficient programmes on the other hand.

Bulgaria should reconsider the strong emphasis it places on direct job creation

Bulgaria's programme mix consists of training programmes, employment incentives, direct job creation schemes, and mostly small start-up incentive programmes. In 2019, two-thirds of the total ALMP spending (excluding employment services and administration) was invested into direct job creation measures in Bulgaria. In contrast, EU countries only spent an average of 11% of their ALMP expenditure in direct job creation. According to international evidence, the effectiveness of direct job creation programmes in bringing participants back to open market jobs is questionable. A number of OECD countries – including Denmark, Estonia, Israel, Norway, and Switzerland – therefore do not use these programmes at all anymore and many other countries have shifted spending from direct job creation towards more effective ALMPs, such as training and employment incentives over the past decade.

Bulgaria should reconsider the large emphasis placed on direct job creation programmes going forward and reserve places on such programmes strictly to long-term unemployed who have no prospect of

integrating in the primary labour market in the short term to medium term. Even in these cases there should be wider support made available (e.g. training and mentoring) to help these jobseekers move to the primary labour market. For young people that are currently placed in such programmes, priority should be given to finding employment (including internships and apprenticeships) in the primary labour market, if necessary, with the support of wage subsidies.

Training programmes can play a vital role in matching jobseekers to jobs

Labour market training programmes may improve the skills of those with lower educational attainment, and reverse human capital depreciation that results from longer unemployment spells. However, just 8% of ALMP expenditure was spent on training in Bulgaria in 2019, against an average of 40% in the EU, suggesting that there are limited opportunities to offer training to jobseekers. Furthermore, some of the expenditure is spent on employed people instead. Yet, international evidence suggests that additional expenditure in training programmes can produce positive outcomes, especially in the medium to long run and should, hence, be part of an activation strategy that supports more inclusive and resilient labour markets. While in Bulgaria there are a limited number of places overall, the range of training programmes cover many different types and levels of training, but with few places for each type. Hence, it is crucial not only to invest more into training programmes, but also to streamline the existing ones. It is also important to ensure that information on available training is clear and easily available, that jobseekers receive guidance to choose suitable training and that training meets employers' needs and addresses labour market shortages. When large additional investments into training are not possible, the focus should be placed on increasing the number of places in shorter programmes, such as short vocational training, general and remedial training and internships, as well as training programmes tailored jointly with employers to support the high number of jobseekers with low levels of education and basic or obsolete skills in Bulgaria. A stronger focus on training activities in the future could result from commitments of the Bulgarian Government to invest more in education and training, as foreseen in the (provisional) Recovery and Resilience Plan.

Employment incentives should be consolidated and red tape reduced

Time-limited, well-designed and targeted employment incentives can be a cost-effective way to support jobseekers back into employment and strengthen their employability. As in the case of training programmes, merging different employment incentives programmes targeted at overlapping groups of registered unemployed could be considered for further streamlining Bulgaria's ALMPs. Bulgaria should also reduce excessive red tape for employers hiring jobseekers with support of a wage subsidy. This concerns both cumbersome application procedures and extensive monthly reporting, as well as delays in the recruitment process when recruiting jobseekers for whom a wage subsidy can be claimed.

An important ALMP for youth is the *Youth Employment Scheme*, which combines training to support the upskilling of youth with private sector employment incentives supporting their hiring. Results from this programme should be compared with other ALMPs that combine training and public works (*Training and Employment of Unemployed*, *Job Programme*, and *New Perspective Project*). Different to the *Youth Employment Scheme*, the latter type of programmes do not integrate the unemployed in the primary labour market. Both types of programmes should be thoroughly evaluated and compared to decide whether more unemployed could be supported through wage subsidies into the primary labour market directly, instead of maintaining them in public works schemes.

Additional mobility incentives for jobseekers could be used to overcome geographic distance barriers

Beyond subsidies for employers, more emphasis should be placed on mobility incentives for jobseekers. Such incentives are available in Bulgaria, but in 2019, only 134 unemployed benefitted from the measure. Support for commuting and relocation are in place in a number of OECD countries and could play a more important role in Bulgaria were geographic distance acts as a barrier to labour market integration for many jobseekers. Evaluations in other OECD countries have shown that labour mobility incentives tend to increase the regional radius for job-search and, hence, lead to higher employment probabilities and wages.

1.11. A reshuffle of the ALMP basket should be based on evidence on what works

The review highlights the need for additional investments into ALMPs in Bulgaria to promote employment, prevent labour market exclusion, and prepare for future opportunities and challenges in a rapidly changing labour market. At the same time, Bulgaria has a tight ALMP budget and, as all OECD countries, faces pressures to provide good value for money and improve the efficient and effective use of public finances to ensure that ALMP expenditure is spent on programmes that provide the greatest possible economic and social return. This highlights the need to monitor and evaluate ALMPs regularly and rigorously terminate or adjust inefficient ones, while upscaling efficient ones.

Client satisfaction for ALMPs in Bulgaria ranks high, but there is limited evidence of what works

Impact evaluations and client satisfaction surveys of ALMPs in Bulgaria have been carried out for programmes and measures running in 2011, 2015 and 2017, but only partially cover the suite of existing ALMPs. Programme participants rated most programmes positively with respect to improving their employability and increasing the likelihood of finding an employment. An assessment of which types of programmes work and for which types of jobseekers is, however, not possible on the basis of the existing evaluations. For the purpose of the evaluations, 32 different programmes have been lumped together, not enabling a separate assessment of each programme. It would be advisable to analyse strengths and weaknesses of each of the programmes in reaching the expected outcomes and to discuss results individually for each programme. It would also be useful to draw conclusions on what type of programmes (training, employment incentives, direct job creation programmes) work for which group and to include Human Resources Development Operational Programme (HRD OP) financed programmes in these reflections.

Going forward impact evaluations of ALMPs in Bulgaria could be conducted using linked administrative data

Going forward, carrying out thorough counterfactual impact evaluations of programmes will be key for policy makers in Bulgaria to know which programmes have a positive impact and which ones have no impact or even a negative one. Combined with cost-effectiveness or cost-benefit analyses, this can show how the right programme mix can support achieving net benefits for the government through ALMP investments. While existing evaluations for Bulgaria have largely relied on participant surveys, future evaluations could make use of Bulgaria's rich administrative data. As administrative data is already collected, it often is cheaper to use, can cover a greater population, allows tracking of outcomes over long periods of time, and does not suffer from non-response and sample attrition. Bulgaria's public authorities have registers that contain the most important information required for the comprehensive

evaluation of ALMPs, including programme participation, employment outcomes, and information on barriers to labour market participation. The different registers, however, are currently not linked for research purposes. Bulgaria should therefore continue to drive the process and further invest in the capacity to linking administrative data across different registers owned by different public authorities for research purposes.

Key policy recommendations

Reinforcing support to groups with high rates of inactivity

- Reinforce support to groups with particularly high rates of inactivity to support their labour market integration, including youth not in employment, education or training (NEETs), individuals with care and family-related responsibilities, individuals with health issues, older people and ethnic minorities, especially the Roma population.
- Tailor active labour market policies (ALMPs) to individual's main labour market barriers, including skills barriers, care and family barriers, health barriers and geographic barriers.

Optimising unemployment and social assistance benefits to cushion poverty risks and favour outreach

- Keep NEA registration as a pre-requisite for social assistance benefits, but soften other entitlement criteria (in particular the 6-month waiting period) and consider increasing the benefit level to increase take-up, mitigate poverty risks and facilitate NEA outreach.

Strengthening outreach to people in need of support to find employment

- Set up automated data exchanges via RegiX between the NEA and further public institutions, in addition to the SAA, to facilitate the identification of inactive and unemployed people.
- Carry out a counterfactual evaluation of the impact of youth and Roma activators/mediators and consider increasing the number of activators and mediators who reach out to groups furthest from the labour market.
- Increase co-operation practices with NGOs and other organisations that can contribute to establishing contact with inactive people.

Adapting the customer journey to ensure optimal support

- Ensure intensive and frequent meetings with jobseekers facing the largest labour market barriers.
- Assess whether an increase in NEA staff could lead to faster unemployment-to-work transitions and ultimately to net savings due to lower expenditures on unemployment benefits.

Making use of technology to enhance the efficiency of NEA support

- Develop or acquire a new profiling tool, or update the existing tool, and train counsellors to ensure that it is used widely.
- Further develop the NEA's e-services to allow for fully online delivery of employment and related services.
- Adopt a "digital first" approach with job seekers who have close ties to the labour market and possess sufficient digital skills to self manage their job search, freeing up resources for harder-to-place clients.

Ensuring that ALMPs support employment in the primary labour market

- Monitor and evaluate ALMPs regularly and rigorously terminate or adjust inefficient ones, while upscaling efficient ones and also reduce and rationalise the large number of very small programmes.
- Change the ALMP mix through increasing programmes that contribute to up- and reskilling of jobseekers and provide them with employment opportunities in the primary labour market, while reducing expenditure on direct job creation programmes.
- Invest in the capacity to link administrative data across registers kept by different public institutions to support evidence-based policy making and identifying policies that provide value for money.

Notes

[1] The five groups listed here overlap. Hence, the sum of the estimates across groups exceeds the total number of working-age adults who neither work nor study.

[2] Estimates on ethnic minorities have to be interpreted with caution. Information on ethnicity is self-declared and can be difficult to capture. In Bulgaria, stakeholders report that some people who self-identify as Turkish are seen by others as Roma.

2 Trends and challenges in the Bulgarian labour market

Kristine Langenbucher and Marius Lüske

This chapter describes recent economic and labour market developments in Bulgaria. It shows that Bulgaria's labour market was in a good condition before the outbreak of the COVID-19 pandemic, with low levels of unemployment and increasing employment rates. The COVID-19 pandemic had an immediate and strong negative impact on large parts of the Bulgarian labour market and, while many sectors have (almost) recovered by now, the long-run effects of the crisis are not fully known yet. In addition, Bulgaria is confronted with a number of structural challenges weighing on employment prospects, such as a quickly shrinking and ageing population, marked regional differences and a high poverty risk among some parts of the population. Despite the strong improvement in the Bulgarian labour market over the last decade, more than 1 million working-age adults are inactive, many of whom belong to vulnerable population groups.

2.1. Introduction

This chapter takes stock of recent economic and labour market developments in Bulgaria. It draws on a number of data sources to analyse trends and challenges in the Bulgarian labour market, including the challenges posed by the outbreak of the COVID-19 pandemic, and briefly sketches the profile of inactive people in Bulgaria, building the ground for a more in-depth analysis of inactivity in Chapter 3 of this report. The present chapter shows that the Bulgarian labour market has made major improvements since the Global Financial Crisis (GFC), but that not all population groups have benefitted equally. In 2020, the trend towards higher employment and activity rates was interrupted, at least temporarily, due to the outbreak of the COVID-19 crisis.

Bulgaria is confronted with a number of structural challenges weighing on its labour market, including a quickly dwindling working-age population, highly unequal employment outcomes across different population groups, regional disparities and a significant poverty risk in large parts of society. Although labour market participation has been on the rise over the last decade, close to 1.2 million individuals in working-age are inactive. Inactivity is present among all parts of society, but it is particularly common among the low-educated, people living in rural areas and women living in large households.

2.2. Bulgaria's labour market was on good track until the COVID-19 pandemic hit

This section provides an overview over the main developments in the Bulgarian labour market over the last years. It gives a short summary of Bulgaria's broader economic context, describes the development of the labour market since the end of the Global Financial Crisis and depicts early labour market effects of the COVID-19 crisis.

2.1.1. The Bulgarian economy has been catching up

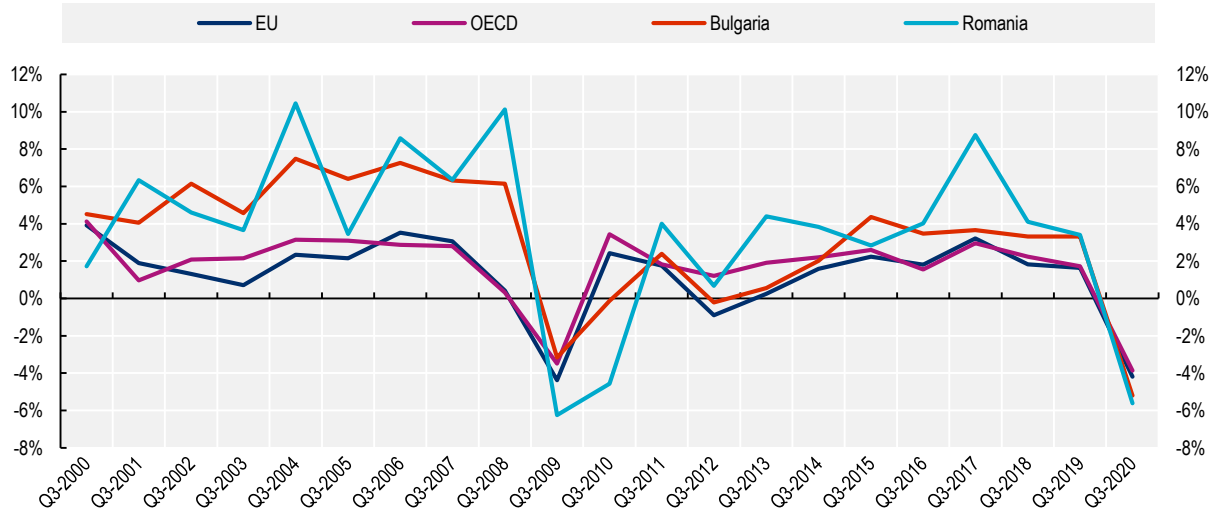
The economic context in which the Bulgarian labour market has evolved over the last 20 years has been characterised by four main episodes: strong economic growth prior to the GFC, a marked economic downturn after 2008, a sustained recovery starting in 2013, and a severe impact of the COVID-19 crisis in 2020 (Figure 2.1). Although Bulgaria has been catching up with other EU countries in terms of economic output over the last two decades, the country still has the lowest per capita GDP in real terms in the European Union (Eurostat, 2021[1]).

In the years leading to Bulgaria's accession to the European Union in 2007, GDP growth was very robust (Figure 2.1). Starting from a low level of economic output, the Bulgarian economy grew at an average annual rate of almost 6% between 2000 and 2007, far above the EU and OECD averages of 2.4% and 2.7%, respectively. During this period, Bulgaria was able to achieve significant economic progress. However, the good economic performance came to a sudden end when the GFC hit the world economy starting in 2007. Although Bulgaria was hit less hard than neighbouring Romania and many other European and OECD countries, Bulgaria's GDP shrunk by 3.4% in 2009, and economic growth remained feeble for several years.

Only from 2013 onwards, Bulgaria's economy started to grow more vigorously, reaching an average growth rate of 3.3% between 2014 and 2019, against 2.0% in in the European Union and 2.2% in the OECD. Over these years, Bulgaria continued to catch up with other EU countries in terms of economic output, albeit at a slower pace than before the GFC. In early 2020, the outbreak of the COVID-19 crisis led to another hurdle in Bulgaria's growth process, triggering a contraction of the country's economy amid travel restrictions, interruptions of international trade and social distancing measures (OECD, 2021[2]). In Q3 2020, the Bulgarian economy had shrunk by 5.2% compared to one year earlier, which is a stronger decrease than in the EU and the OECD on average, at -4.2% and -3.9%, respectively.

Figure 2.1. Bulgaria has grown faster than other European countries, but was deeply affected by the Global Financial Crisis and the COVID-19 pandemic

GDP growth compared to the same quarter in the previous year, seasonally adjusted



Note: GDP growth is calculated using the expenditure approach, fixed PPPs and seasonal adjustments.
Source: OECD Quarterly national accounts database, https://stats.oecd.org/Index.aspx?DataSetCode=QNA.

StatLink https://stat.link/l932b0

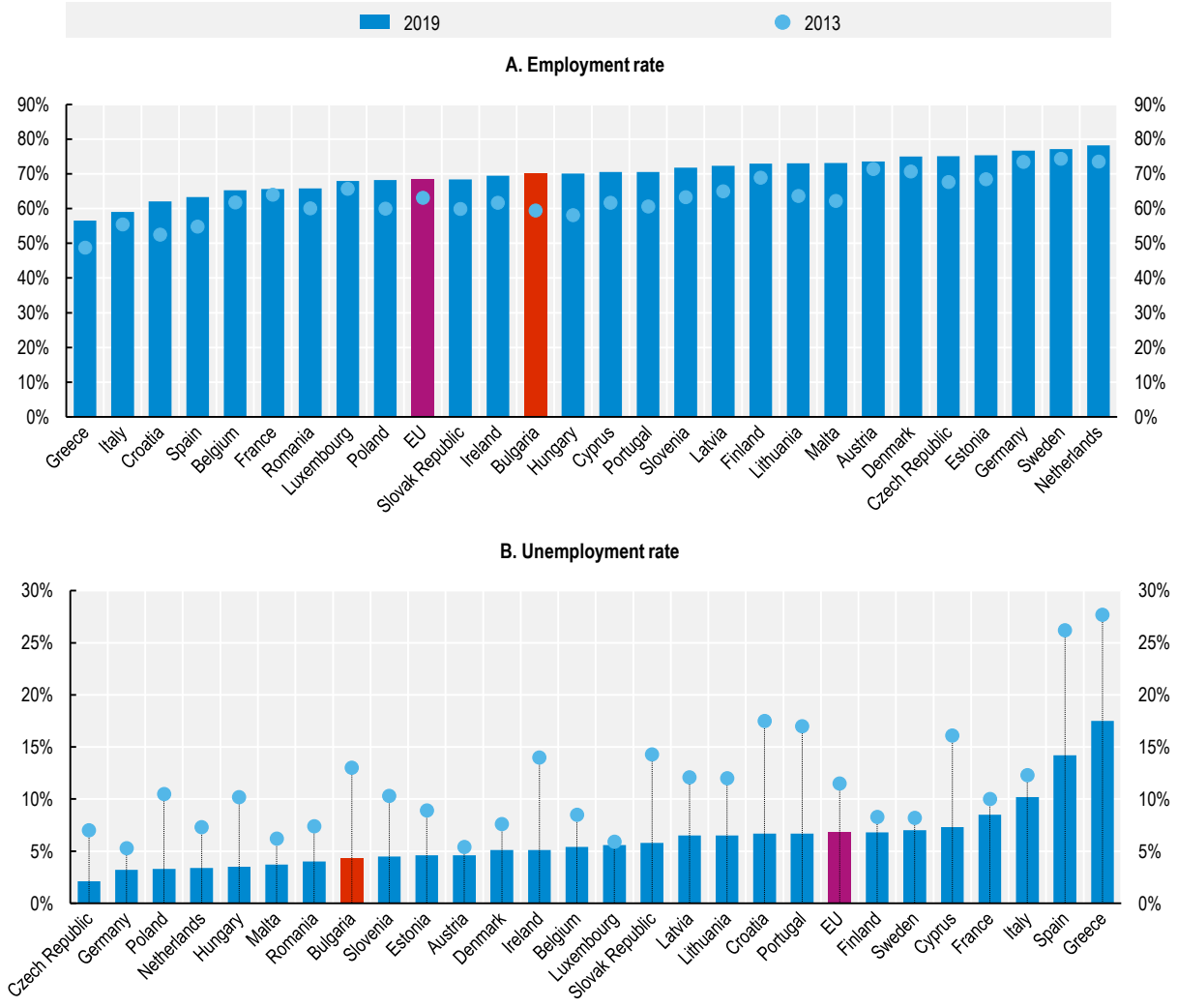
2.1.2. The Bulgarian labour market improved markedly after the Global Financial Crisis

The labour market situation in Bulgaria improved markedly between the end of the GFC and the outbreak of the COVID-19 pandemic in early 2020. Employment rates among 15-64 year-olds grew from 59.5% in 2013 to 70.1% in 2019 (Figure 2.2, Panel A). In 2017, for the first time since its accession to the European Union, Bulgaria's employment rate exceeded the EU average,[1] at 66.9% against 66.7%. In 2019, Bulgaria ranked 16th in terms of employment rates in the EU, up from 23rd just five years earlier.

The strong labour market improvements in the years preceding the COVID-19 pandemic led to a notable decrease in unemployment. While unemployment peaked at 13% of the working-age population in 2013 in the aftermath of the GFC, rates kept falling rapidly thereafter. In 2019, unemployment stood at just 4.3% in Bulgaria,[2] i.e. at only one-third of its 2013 level, against 6.8% in the EU (Figure 2.2, Panel B). Only seven EU countries reported lower unemployment rates than Bulgaria in 2019 and, in relative terms, the unemployment reduction between 2013 and 2019 had been stronger than in any other EU country except the Czech Republic and Poland.

Figure 2.2. While employment was on the rise, unemployment rates fell by two-thirds between 2013 and 2019

Employment and unemployment rates among 15-64 year-olds, 2013 and 2019



Note: The European Union (EU) is a weighted average of the 27 countries shown.
Source: Eurostat, European Union Labour Force Survey.

StatLink https://stat.link/p3xqcr

The good labour market outcomes after the GFC were accompanied by quickly rising wage levels. In 2019, the average annual nominal gross wage in Bulgaria stood at BGN 15 209, about EUR 7 750, up from BGN 10 535 (the equivalent of EUR 5 403) in 2015 (National Statistical Institute, 2021[3]). Especially in Sofia, where wages are more than a third above the national average, the wage gap with other countries has narrowed.

The jobs that were newly created after the GFC offered opportunities for jobseekers with diverse profiles. The number of people employed in the "Information and Communication" sector and of people working in "professional, scientific and technical activities", many of which need tertiary education for their jobs, rose by one-third between 2013 and 2019. At the same time, jobs for workers in the construction sector, for

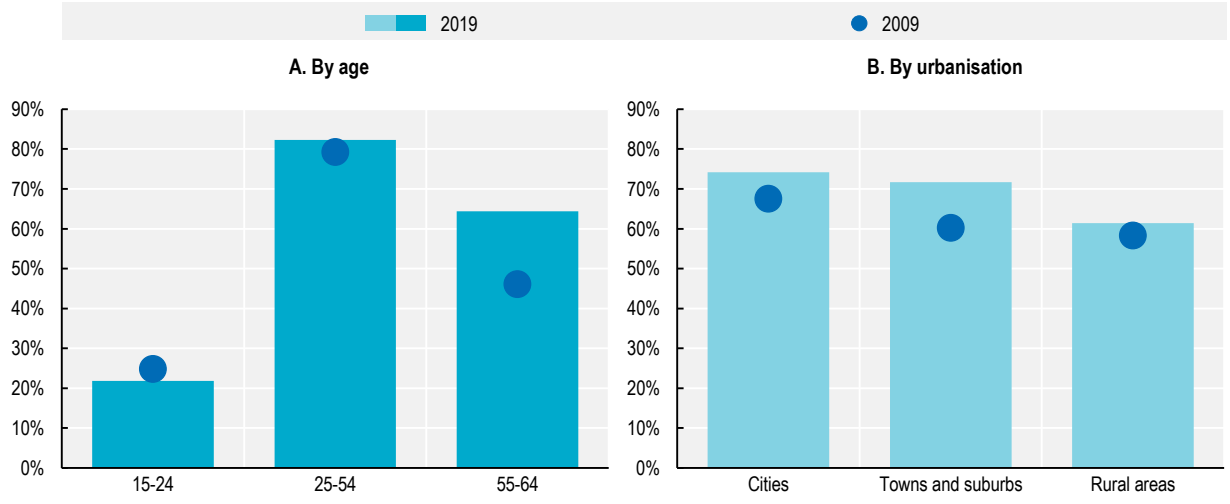
whom higher educational is rarely a requirement, also grew by one-fifth. Only few sectors did not – or barely – benefit from the improving employment conditions after the GFC, such as "Public administration and defence" (-1.6% between 2013 and 2019) and "Wholesale and retail trade" (+2.7%).

However, employment increases did not concern all population groups equally. Employment among older people grew much more markedly than among younger age groups, in part reflecting rising retirement ages. For example, between 2014 and 2019, the employment rate among 55-64 year-olds grew from 50% to 64.4%, while it grew less among 25-54 years-olds, from 74.5% to 82.3% (Figure 2.3, Panel A). Among the youngest groups of the working-age population (15-24 years), employment levels remained almost unchanged, moving only from 20.7% in 2014 to 21.8% in 2019, in part due to higher participation in post-secondary education.

Employment gains have been (almost) entirely captured by cities and towns/suburbs over the last 10 years, while gains have been much more limited in rural areas. Between 2009 and 2019, the employment rate of 15-64 year-olds increased by 6.7 percentage points in cities, 11.5 percentage points in towns/rural areas, against only 3.1 percentage points in rural areas (Figure 2.3, Panel B). What is more, there were strong demographic movements from the countryside towards cities and towns, exacerbating the divergence between rural and urban areas. While the number of employed persons increased strongly in cities (+9.9%) and towns/suburbs (+15%) between 2013 and 2019, it decreased in rural areas (-0.25%).

Figure 2.3. Bulgarian employment rates have grown most among older workers and in urban areas

Employment rates in 2009 and 2019 by age and urbanisation



Source: Eurostat, European Union Labour Force Survey.

StatLink https://stat.link/dwmgoz

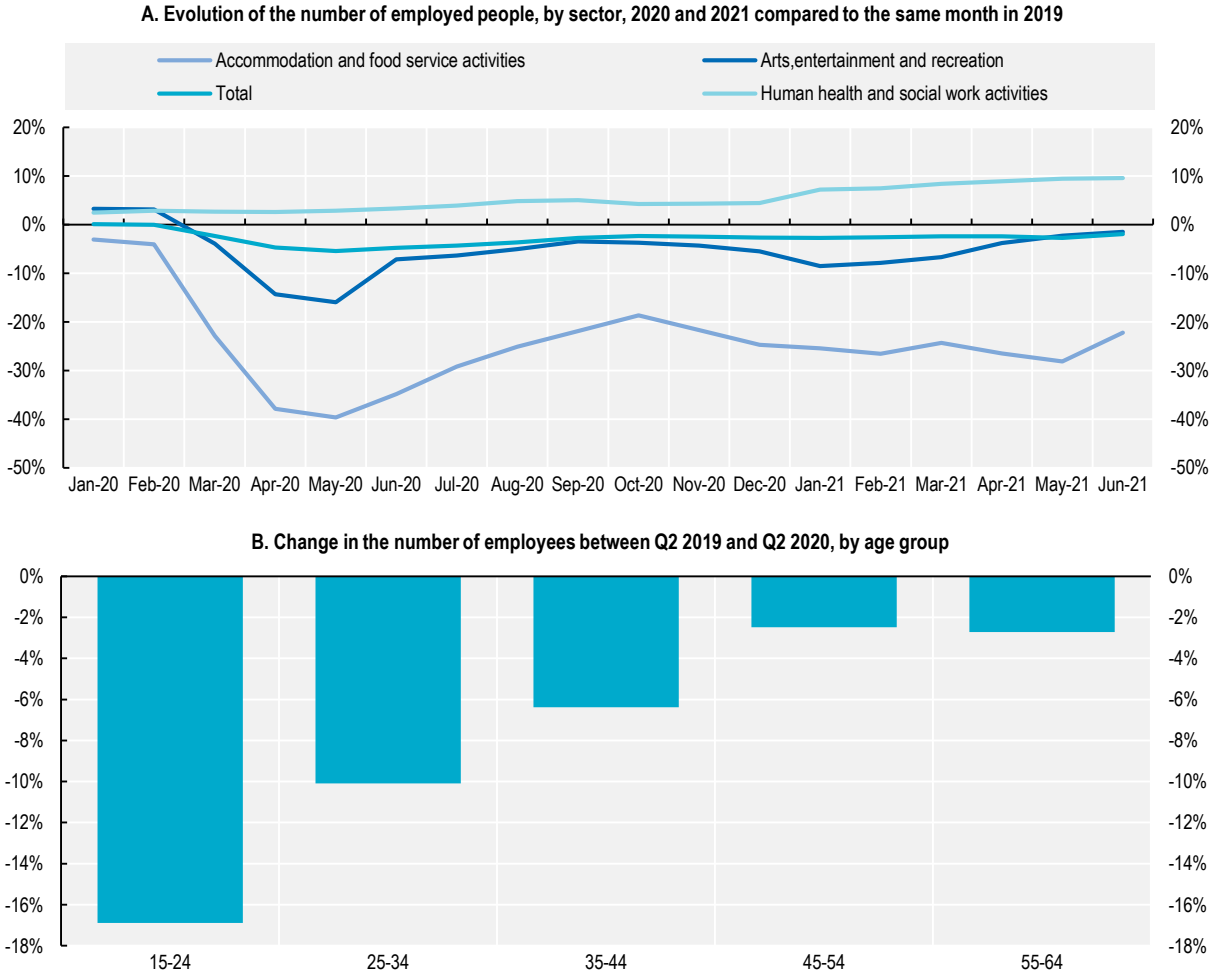
2.1.3. The effects of COVID-19 hit the Bulgarian labour market, but long-term effects remain uncertain

In early 2020, the COVID-19 pandemic severely hit the Bulgarian labour market, along with all other OECD economies. The number of infections in Bulgaria remained limited in spring and summer 2020, but the sanitary measures and international travel restrictions that were introduced both in Bulgaria and abroad had strong and immediate knock-on effects on the Bulgarian economy and its labour market (OECD, 2021[2]). In May 2020, only a few weeks after the state of emergency had been declared in Bulgaria, the

number of people holding an employment contract had shrunk by 5.4% compared to one year earlier (Figure 2.4, Panel A). The drop in employment hit sectors involving physical presence and frequent human interactions much more strongly than other sectors. In May 2020, the number of people employed in "Accommodation and food services" was 39.6% lower than in May 2019, and 16% lower in "Arts, entertainment and recreation". Other economic sectors, such as 'Health-related services", remained (almost) unaffected.

Young people were hit hardest (Figure 2.4, Panel B). The number of employees aged 15-24 plummeted by 17% between the second quarter of 2019 and the second quarter of 2020, suggesting that the job opportunities for young people with no or little prior work experience were particularly compromised. Overall, the immediate negative effect on employment was strong among people under 45, while it was much more limited for people aged 45 and over, which could be partly linked to employment protection legislation (OECD, 2020[4]).

Figure 2.4. Employment in some sectors collapsed due to COVID-19, hitting young Bulgarians hardest



Source: National Statistical Institute Bulgaria, https://www.nsi.bg/en.

StatLink https://stat.link/kxeady

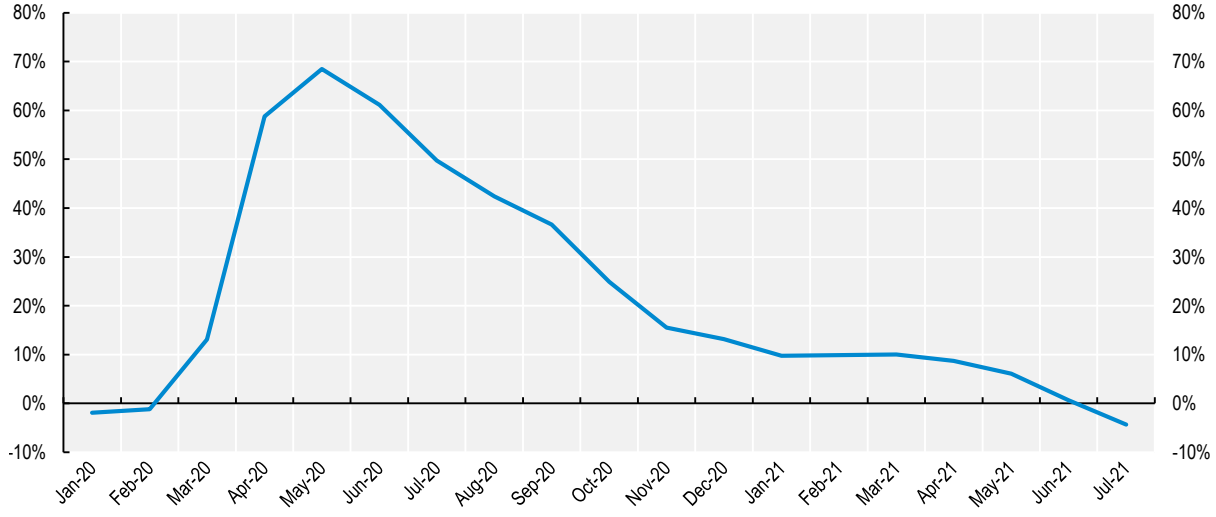
After the strong drop in employment between March and May 2020, employment levels stabilised and started to recover slowly towards summer 2020. This stabilisation was favoured by quick policy action, in particular the introduction of the 60/40 wage subsidy, in line with job retention schemes in other European and OECD countries (OECD, 2020[4]). The subsidy covers 60% of the wages of workers in particularly affected sectors who would have been laid off otherwise.

The slow employment improvements that started in summer 2020 remain fragile, however, especially in severely affected sectors. While the number of persons employed in "Accommodation and food services" improved substantially between May 2020 (-39.6% year-over-year) and October 2020 (-18.6% year-over-year), the number of employees in these sectors started to drop again in November 2020 amid a further COVID-19 wave, which hit Bulgaria very strongly. Although more recent waves of the COVID-19 pandemic, including the wave that peaked in March 2021, tended to have somewhat smaller effects on the labour market, the evolution of employment patterns in strongly affected sectors is likely to remain volatile over the next months, until the sanitary situation fully stabilises.

The sudden and sharp drop in employment in spring 2020 lead to a pronounced influx of jobseekers registering with the Employment Office (Figure 2.5). In May 2020, the number of registered jobseekers peaked at close to 300 000, corresponding to an increase of almost 70% year-over-year. After this initial shock, the number of jobseekers decreased gradually, slowly converging to the number of registered jobseekers one year earlier. In November 2020, the number of registered jobseekers was still about 15% higher than in November 2019 and the 2019 levels were only reached in summer 2021.

Figure 2.5. The number of registered Bulgarian jobseekers escalated in spring 2020, then started to fall again

Change in the number of registered jobseekers between 2019 and 2020/2021, by month



Note: Change in the number of jobseekers by month in 2020/2021 compared to the same month in 2019.
Source: Bulgarian Employment Agency.

StatLink https://stat.link/7z4mfq

During and after the peak of registrations in April/May 2020, the profile of newly registered jobseekers and jobseekers finding employment was unusual compared to other periods. In April 2020, less than 17% of newly registered job seekers were aged 55 or older, against almost 23% in December 2019, highlighting the smaller (immediate) labour market effects among older people. Among jobseekers whose registration ended because they found employment, the share was particularly low for people with reduced work ability, Roma and long-term unemployed. For instance, in June 2020, the share of people with reduced work ability among all registered jobseekers who found employment had halved compared to June 2019, and similar patterns could be observed for long-term unemployed and registered jobseekers belonging to the Roma community. These developments suggest that the labour market repercussions of the COVID-19 crisis likely reinforced, at least temporarily, the difficulties vulnerable groups are facing.

2.3. Despite positive trends, Bulgaria's labour market faces structural challenges

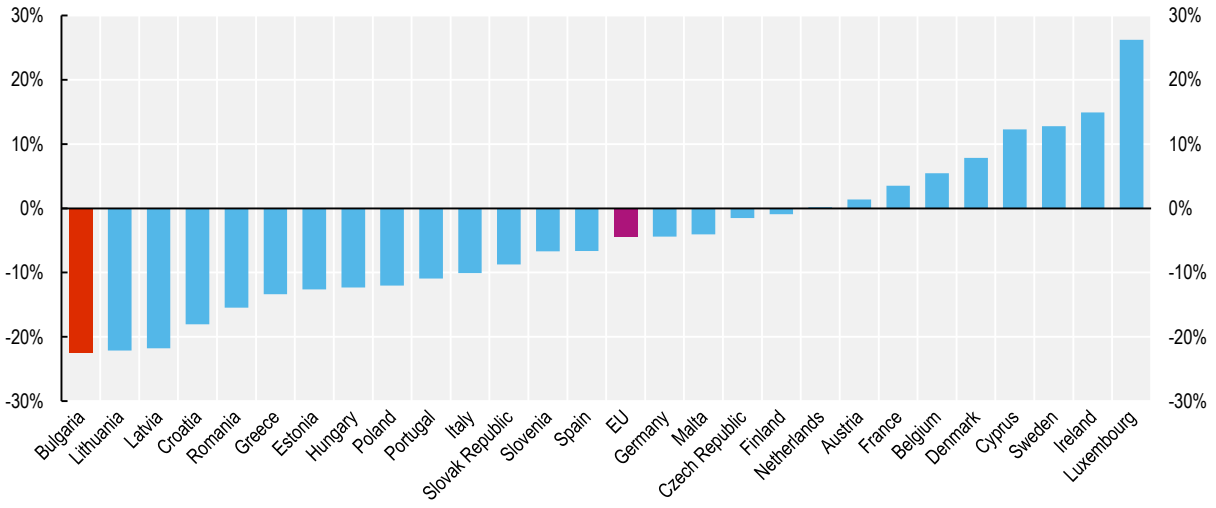
Despite the headwinds triggered by the COVID-19 crisis, the labour market improvements Bulgaria has made since the end of the GFC are substantial. Nevertheless, Bulgaria is confronted with a number of structural challenges weighing on its medium and long run outlook and risking to impinge on the country's economic prospects in general. A quickly decreasing and ageing population, a high degree of inequality in terms of labour market outcomes and a substantive poverty risk among large parts of society are among the biggest challenges.

Bulgaria is the fastest shrinking country in the world (United Nations, 2019[5]). Over the last decade, Bulgaria has lost more than 6% of its population and the country is set to shrink further, with a projected population loss of almost one-quarter by 2050, against an expected decrease of 4% on average in the European Union (Figure 2.6). The falling trend in Bulgaria started in the 1980s and a turning point is not in sight. What is more, the expected decrease in the population over the next three decades will stem exclusively from a lower number of children under 15 (-26%) and a shrinking working-age population (-30%), whereas the number of the 65+ is expected to grow (+3%). While there were 34 people aged 65 and older for every 100 people of working age (15-64) in 2020, this number is projected to rise to 50 by 2050. The population loss, in combination with rapid population ageing, will have major economic consequences, including on labour supply and the financial sustainability of the social security system.

Population dynamics are not uniform across the country. While Yugozapaden, the region around the Bulgaria capital Sofia, recorded only a slight decrease of about 1% in its population between 2009 and 2019, the drop was much stronger in other regions. Severozapaden, Bulgaria's poorest region, has lost about 16% of its inhabitants, and more than one-fifth of its working-age population over the last 10 years. These stark differences across regions are largely due to the fact that many people, in particular young and prime-aged people, have moved from remote rural areas to cities and towns. As a result, large parts of the country are shrinking and ageing much faster than the country as a whole, and the economic and social consequences of the demographic change are amplified in these regions.

Figure 2.6. Bulgaria is projected to lose one-quarter of its population by 2050

Expected evolution of the population size between 2020 and 2050, by European country



Note: The European Union (EU) is a weighted average of the 27 countries shown.
Source: United Nations World Population Prospects 2019.

StatLink https://stat.link/fs5hcb

A further structural challenge Bulgaria faces is a high degree of inequality in its labour market. Employment rates and wage levels differ markedly across educational groups, people living in different regions of the country and between men and women.

- Employment rates among highly educated people are among the highest in the EU while rates among the low educated are well below the EU average. In 2019, 88.5% of 15-64 year-olds with tertiary education were in employment in Bulgaria, against 84.7% in the EU. Conversely, only 38.4% of people with lower secondary education or less had a job in Bulgaria in 2019, while they were 45.1% in the EU. The COVID-19 crisis risks exacerbating this discrepancy even further. In Q2 2020, employment was down by 3% among highly educated people compared to one year earlier, against 5% among people with medium education and 13% among people with low education.
- Regional labour market differences are very pronounced. In 2019, the employment rate among 15-64 year-olds in Bulgaria's six planning regions ranged from below 60% (59.7% in Severozapaden) to over 75% (75.6% in Yugozapaden). According to the administrative statistics of the NEA, the unemployment rate by district for 2020 is lower than the national average (5.6%) in nine districts: Sofia-city (1.8%), Gabrovo (3.4%), Varna (3.5%), Stara Zagora (4.2%), Burgas and Plovdiv (4.3% each), Pernik (4.4%), Dobrich (5.0%), Veliko Tarnovo (5.3%). In the Ruse district, the level coincides with the national average (5.6%), while in the remaining 18 districts, it exceeds the national average, with a maximum of 13.5% in the Vidin district (NEA, 2020[6]). Beyond employment rates, wage levels differ strongly across regions. In Sofia, the wage level lies 40% over the national average, while in Blagoevgrad, in Bulgaria's South-west, the average wage is less than half of that in Sofia.
- There are differences between the employment rate among men (74.1%) and women (66%). Employment rates have grown both for men and women over the last 10 years, but the gender gap in employment has widened since the end of the GFC, suggesting that men benefited more from

the recovery than women. In addition, the average wage of men (BGN 16 845) is about one-quarter higher than that of women (BGN 13 528).

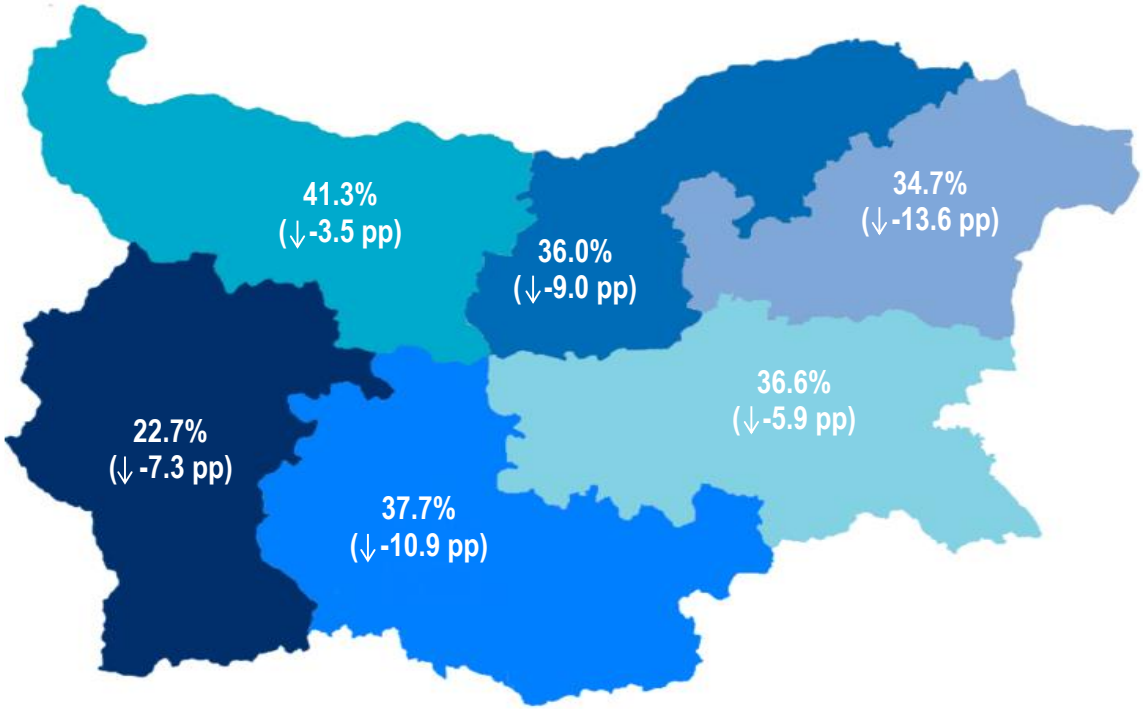
These marked differences, coupled with further employment gaps, e.g. between rural and urban areas and ethnic groups (see Chapter 3), point to a need for more inclusivity in the Bulgarian labour market. Improving access to jobs among the population groups that are far from the labour market is key to boosting employment outcomes in the years to come and to attenuating the labour shortage the country will face due to its shrinking working-age population.

According to employer surveys, 71% of employers faced difficulties to fill vacancies in 2021, up from 68% in 2018 and 50% in 2015 (ManpowerGroup, 2021[7]). Prior to the COVID-19 pandemic, labour shortages concentrated on occupations requiring a medium or high level of skills, while there was no shortage of workers for jobs requiring a low skill level (OECD, 2021[2]). Especially in the communication and information sector, companies were faced with difficulties to recruit qualified candidates, whereas in many manual occupations (e.g. construction and agriculture), there was an oversupply of workers (OECD, 2021[2]). Although the COVID-19 pandemic may have altered labour demand and labour supply in some sectors and its long-term consequences on the labour market are still unclear, labour market shortages are likely to persist and further intensify, in particular in quickly growing sectors.

A third major structural challenge Bulgaria is facing is the high risk of poverty people face in the country. One-third (32.5%) of the Bulgarian population was at risk of poverty or social exclusion[3] in 2019. Although this level corresponds to a decrease of 8.5 percentage points compared to 2015, Bulgaria remains the country with the highest share of people at risk of poverty and social exclusion in the European Union, comparing to an EU average of 21% in 2019. In line with employment outcomes, poverty risks are very unequally spread across the country (Figure 2.7.). While 22.7% of people in the region around Sofia (Yugozapaden) were at risk of poverty or social inclusion in 2019, the share was almost twice as high in Bulgaria's North-West (Severozapaden), reaching 41.3%. Severozapaden is also the region in which the share has decreased least over the last years, at only 3.5 percentage points between 2015 and 2019, whereas other regions have seen their poverty risks diminish much more strongly. In Bulgaria's North-East (Severoiztochen), the share of people at risk of poverty and social inclusion fell by 13.6 percentage points, from 48.3% in 2015 to 34.7% in 2019.

Figure 2.7. One-third of the Bulgarian population is at risk of poverty or social exclusion

Percentage of the population at risk of poverty or social exclusion in 2019, and percentage point change since 2015



Note: The risk of poverty and social exclusion decreased in all regions between 2015 and 2019. "Risk of poverty or social exclusion" refers to people who are at risk of poverty (after social transfers), who face sever material deprivation or who live in households with a very low work intensity. Change between 2015 and 2019 in percentage points is reported in brackets.
Source: Eurostat, database on people at risk of poverty and social exclusion by NUTS regions.

StatLink https://stat.link/ig5hqn

The high risk of poverty in Bulgaria is due to a combination of low employment rates and low wage levels among some parts of society and limited social benefits. Despite the labour market improvements that have been achieved over the last decade, there are still almost 1.2 million inactive people of working-age, i.e. they do not work and do not actively look for employment (see Section 2.4). In addition, even among people who work, salaries are at times too low to make a decent living. The average wage among people working in accommodation and food service activities, for example, was only about BGN 9 000 in 2019 (about EUR 4 600), which is close to 40% below the average wage. There is a minimum wage in Bulgaria, amounting to 44% of the average wage, which is (in relative terms) in line with the EU average in countries where a minimum wage exists. However, the level is not high enough to prevent all in-work poverty.

In addition to low employment rates and low wage levels in some population groups, the social benefits for the most vulnerable groups are low in Bulgaria, contributing to the high level of poverty risks (see Chapter 4). While unemployment insurance amounts at full rates are relatively generous compared to other countries, many jobless people receive only reduced rates or no unemployment benefits at all. For those who have exhausted or are not eligible for unemployment insurance, the non-means tested benefit alternative is Social assistance (SA). However, SA is not generous enough to lift people out of poverty (BGN 75 per month for a single person in 2019, about EUR 38) and only reaches a fraction of the poor, as take-up is low.

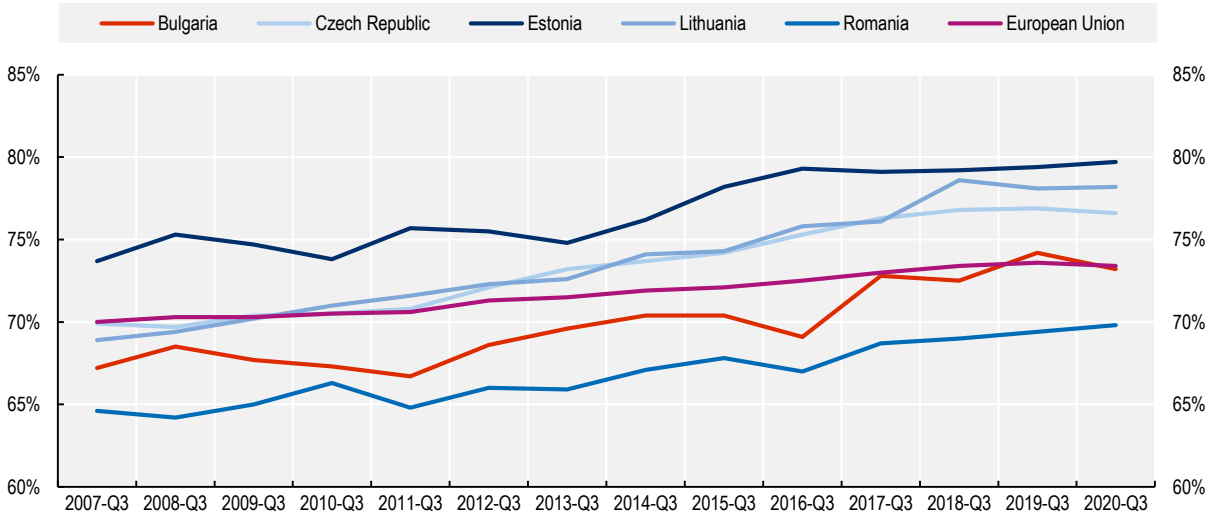
Informality is a further structural challenge confronting the Bulgarian labour market. The informal economy is large, accounting for close to one-third of GDP, which is about twice as much as on average in the OECD (OECD, 2021[2]). In total, informal employment is estimated to account for about 16% of total employment (ILO, 2018[8]). Especially partly undeclared work, i.e. working on a regular employment contract with undeclared envelop payments, is common, whereas fully undeclared work (i.e. no employment contract at all) is less widespread (Williams and Yang, 2017[9]) (European Commission, 2020[10]). Since 2010, the Bulgarian Industrial Capital Association has calculated an annual composite index called "Light Economy", which estimates the extent of informal employment in Bulgaria. While the composite index points to major improvements since 2010, it nevertheless highlights that informality remains frequent in Bulgaria (BICA, 2021[11]). In light of these estimates, some parts of the inactive and unemployed are likely to engage in some kind of informal employment.

2.4. There are still more than 1 million inactive working-age adults

Bulgaria's labour market has made significant progress since the GFC (see Section 2.2). This is also reflected by the fact that labour market participation has been on the rise over the last years. In Q3 2020, 73.2% of 15-64 year-olds were in the labour force (Figure 2.8). Despite a small drop from Q3 2019 (74.2%), due to the COVID-19 crisis, this corresponds to a 6 percentage point increase compared to Q3 2007 (67.2%). At its current rate, Bulgaria's labour force participation corresponds almost exactly to the EU average (73.4%) and improvements in the activity rate have been stronger than in neighbouring Romania. Nevertheless, despite these favourable trends, the numbers imply that almost 1.2 million Bulgarians aged 15-64 are inactive and that there is scope for further improvements.

Figure 2.8. Bulgaria's labour force participation has caught up with that of the EU

Labour force participation rate among 15-64 year-olds



Note: The European Union is a weighted average of the 27 member countries.
Source: Eurostat, European Union Labour Force Survey.

StatLink https://stat.link/kxdbms

While inactivity is present in all branches of society and there is not one single typical profile of inactive people in Bulgaria, it is far from being equally distributed across the Bulgarian population. Major gaps in terms of labour force participation exist in terms of educational attainment, gender, place of residence and household composition.

- Low-educated people are much more likely to be inactive than people with higher educational attainment. In 2019, 55.8% of 15-64 year-olds were inactive among people with lower secondary education or below, 22.8% among people with upper secondary and post-secondary non-tertiary education, and only 9.7% among people with tertiary education. The gap in labour force participation between educational groups is wider in Bulgaria than in most other EU and OECD countries. On average in the EU, the share of inactive people among low-educated people is about four times higher than among highly educated people, while the difference amounts to almost six times in Bulgaria.
- A higher share of women is inactive (31.3% in 2019) than of men (22.4%). With a labour force participation rate that is 8.9 percentage points higher among men than among women, the gender gap is slightly smaller than on average in the EU (11 percentage points).
- Inactivity is more common in rural areas than in urban areas. While 33.2% of 15-64 year-olds were inactive in rural areas in 2019, they were 25.7% in towns/suburbs and 23.5% in cities.
- Regional differences are pronounced. In 2019, inactivity among 15-64 year-olds amounted to 26.8% on average in Bulgaria. However, there was more than a 10-percentage point difference between the region with the largest share of inactivity and the region with the lowest share of inactivity. In particular, 32.9% of 15-64 year-olds were inactive in Severozapaden, 26.5% in Severen tsentralen, 28.3% in Severoiztochen, 27.7% in Yugoiztochen, 22.6% in Yugozapaden and 28.7% in Yuzhen tsentralen.
- Inactivity is unequally spread across age groups. Young people entering the labour market and older people have high rates of inactivity, whereas comparatively few people in their 30s and 40s are inactive. In 2019, 57.6% of 20-24 year-olds and 22.5% of 25-29 year-olds were inactive while numbers dropped quickly thereafter, with the share of inactive among 30-34 year-olds amounting to 15.7%. Among people in their 40s, inactivity stood at slightly above 10%, while it was much higher for people in their late 50s and early 60s, at 20% among 55-59 year-olds and 46% among 60-64 year-olds.
- Inactivity is common among people living in big households. In households with more than five household members, inactivity stood at 40.4% in 2019, against 25.5% in smaller households. On the same note, inactivity is more common in households with three or more children. Inactivity concerned 26.9% of people living in households without children, 24.8% in households with one child and 26.2% in households with two children, whereas 42% of the working-age populating living with a household with at least three children was inactive. The gap in activity depending on household composition is much more pronounced among women than among men and suggests that care responsibilities may be a significant barrier to employment.

Many inactive people in Bulgaria face strong employment barriers because they do not have any recent work experience. One-quarter (24.6%) of the inactive aged 25-64 have never worked before. This value is significantly higher than the EU average (18.3%) and it is higher than in all other EU countries except Belgium, Italy, Greece and Romania. Among the inactive in Bulgaria who have worked before, half (49.3%) have been out of employment for at least 5 years. Taken together, these numbers imply that less than 40% of Bulgaria's inactive have any work experience dating back to less than five years.

Only a small share of the inactive in Bulgaria would be willing to work. Less than one-tenth (9.4%) of the inactive are discouraged workers, i.e. they are not looking for employment, but would prefer to work. This level is lower than in most other EU and OECD countries, comparing to an EU average of 15.4%. Nevertheless, it implies that there are more than 100 000 inactive people in Bulgaria who would wish to work.

2.5. Key findings

Prior to the outbreak of the COVID-19 pandemic, Bulgaria's labour market was on a good track. Activity rates and employment levels had risen strongly between the end of the GFC and the beginning of 2020, and Bulgaria faced lower unemployment rates than most other EU countries. Some population groups benefited strongly from the labour market improvements, e.g. older workers and people living in urban areas, while others benefitted less, e.g. young people and people in the rural parts of the country.

The outbreak of the COVID-19 pandemic had a marked negative impact on employment in Bulgaria and lead to quickly dwindling employment rates in spring 2020. Young people and people working in sectors constrained by social distancing were hit hardest. While the effect on the labour market was very strong and lead to an escalating number of job seekers registering with the National Employment Agency in April and May 2020, it started to level off relatively quickly. By the end of 2020, employment levels in many sectors had started to converge back towards their pre-crisis levels. Nevertheless, employment challenges triggered by the COVID-19 pandemic persist and are unlikely to resolve before the sanitary situation fully normalises.

In addition to the effects of the COVID-19 crisis and its unknown long-term consequences on the Bulgaria labour market, the country faces structural challenges weighing on its employment and activity outlooks. Bulgaria is confronted with a very pronounced demographic change which makes it the fastest shrinking country in the world, raising a number of economic concerns, including on future labour shortages. In addition, employment differences across regions and across ethnic groups are stark and contribute to unequal labour market outcomes. Especially people living in rural areas and people belonging to ethnic minorities face low employment and high unemployment rates compared to other groups. More than 1 million people of working age are inactive in Bulgaria. Inactivity, too, concerns vulnerable groups particularly often. For example, low-educated people, people living in remote areas and women living in big households are particularly likely to be inactive.

References

BICA (2021), *Композитен Индекс „Икономика на светло"*, https://bica-bg.org/%d0%ba%d0%be%d0%bc%d0%bf%d0%be%d0%b7%d0%b8%d1%82%d0%b5%d0%bd-%d0%b8%d0%bd%d0%b4%d0%b5%d0%ba%d1%81-%d0%b8%d0%ba%d0%be%d0%bd%d0%be%d0%bc%d0%b8%d0%ba%d0%b0-%d0%bd%d0%b0-%d1%81%d0%b2%d0%b5%d1%82%d0%bb/2019-%d0%b3%d0%be%d0%b4/. [11]

European Commission (2020), *Undeclared Work in the European Union - Special Eurobarometer 498*. [10]

Eurostat (2021), *Sustainable Development Indicators*, https://ec.europa.eu/eurostat/databrowser/view/sdg_08_10/default/table?lang=en. [1]

ILO (2018), *Women and Men in the Informal Economy: A Statistical Picture*, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_626831.pdf. [8]

ManpowerGroup (2021), *ManpowerGroup Employment Outlook Survey Q3 2021 - Bulgaria Results*, https://go.manpowergroup.com/hubfs/Talent%20Shortage%202021/MPG_2021_Outlook_Survey-Bulgaria.pdf. [7]

National Statistical Institute (2021), *Demographic and Social Statistics*, https://www.nsi.bg/en/content/6437/average-annual-wages-and-salaries-total-statistical-regions-district. [3]

NEA (2020), *Отчет на план за действие 2020 г*, https://www.az.government.bg/pages/otchet-za-deinostta-na-az/. [6]

OECD (2021), *OECD Economic Surveys: Bulgaria 2021: Economic Assessment*, OECD Publishing, Paris, https://dx.doi.org/10.1787/1fe2940d-en. [2]

OECD (2020), *OECD Employment Outlook 2020: Worker Security and the COVID-19 Crisis*, OECD Publishing, Paris, https://dx.doi.org/10.1787/1686c758-en. [4]

United Nations (2019), *World Population Prospects*, https://population.un.org/wpp/DataQuery/. [5]

Williams, C. and J. Yang (2017), "Tackling Falsely-Declared Salaries in Bulgaria: Evidence from a 2015 Survey", *Economic Alternatives* Issue 3. [9]

Notes

[1] EU-average refers to the 27 countries who were members of the European Union on 1 January 2021.

[2] However, more than half of the unemployed in 2019 were long-term unemployed according to Eurostat data (among registered unemployed, 25.8% were long-term unemployed in 2019 according to NEA data), suggesting that many of the unemployed were particularly vulnerable. Nevertheless, between the publication of the Recommendation on the integration of the long-term unemployed (LTU) by the Council of the European Union in February 2016 and the end of 2019, the number of registered long-term unemployed decreased from 135 050 to 44 383, i.e. by 67.13%, comparing to a decrease in the number of all registered unemployed of 40.9%. The strong(er) decrease of the number of long-term unemployed could potentially be linked to the NEA's measures in terms of labour integration of the LTU.

[3] "Risk of poverty or social exclusion" refers to people who are at risk of poverty (after social transfers), who face sever material deprivation or who live in households with a very low work intensity.

3 Characterisation of the out-of-work population and their barriers to employment

Kristine Langenbucher, Marius Lüske, Judd Ormsby
and Todor Todorov (University of National and World Economy)

This chapter describes the out-of-work population in Bulgaria and the barriers to labour market integration they face with the aim of informing activation policy. In 2019, prior to the impact of COVID-19, there were about 1.3 million unemployed and inactive people of working age in Bulgaria, around 900 000 of whom were not studying and might benefit from support with finding employment. Despite overall strong employment levels for the working age population, rates of youth not in employment education or training (NEET) are some of the highest in the EU, while Roma people face extremely high levels of joblessness and barriers to employment. In addition, Bulgaria has some of the lowest shares of employment for people with a disability and one of the largest shares of the inactive out-of-work for reasons of family and care responsibilities. Finally older workers aged 55-64 years also make up such a large share of the out-of-work population that they must not be ignored. Appropriate activation responses will need to be tailored to the different needs these groups face.

3.1. Introduction

Integrating people who are out-of-work into employment contributes to individual well-being through raising the living standards of activated individuals and their families, saves the government money from reduced benefit spending and increased tax revenues, and provides a wider pool of workers for employers. The benefits to the government and employers are especially important in the context of a rapidly shrinking working-age population in Bulgaria. Integrating workers displaced by the COVID-19 crisis presents a further challenge.

However, to effectively support people into sustainable employment, governments first need to understand who the out-of-work are as well as the barriers to work that they face. This chapter provides a profile of the out-of-work population in Bulgaria, including a detailed analysis of their barriers to employment. This work helps inform who the National Employment Agency (NEA) – Bulgaria's public employment service (PES) – should reach out to and where active labour market policies (ALMPs) can best support people's needs. These topics are then taken up in depth in Chapter 5 on outreach to the out-of-work population and in Chapter 6 on job brokerage and activation strategies.

The next section, Section 3.2, provides an overview of the inactive and unemployed population and identifies key groups whose labour market barriers need to be better understood. Subsequently Section 3.3, examines the barriers these groups face. Both Section 3.2 and 3.3 use survey data to provide a picture of the entire out-of-work population. A final section, Section 3.4, uses NEA administrative micro-data to better understand the characteristics of the NEA's clients and gain insights on common employment barriers they are facing. While the discussion in Section 3.4 cannot be extrapolated to all unemployed and inactive people in Bulgaria, it describes the situation of the jobseekers whose labour market outcomes can be most directly improved through NEA support.

3.2. The inactive population in Bulgaria

The out-of-work population is not one homogenous group, but rather is made up of people from many varied backgrounds who may face quite different challenges to employment. This section, building on the overview from Chapter 2, provides an in-depth understanding of the different groups of people who are out-of-work in Bulgaria. The inactive and unemployed populations are analysed by standard demographic characteristics including, age, gender, ethnicity, and region within Bulgaria, as well as their self-reported primary barrier to employment. From these largely demographic characteristics five important groups are identified, bearing in mind their size, their labour market outcomes, and their potential to face different barriers to employment. Many characteristics – perhaps most notably people's education – are not analysed in the current section or used to form these groups. Rather some characteristics, including low education and skills, are instead seen as barriers to labour market participation and analysed in Section 3.3.

3.2.1. Methodology and related literature

This chapter complements and builds on previous work in the literature, providing a more up-to-date analysis and with more extensive data than used in prior work. The three past studies that relate most closely to this work are Sundaram et al. (2014[1]), Dimitrov and Duell (2014[2]), and the Institute for Market Economics (2019[3]). Of these, Sundaram et al. (2014[1]) is perhaps the closest to the work in this chapter with respect to analysis based on survey data. Their work considers many variables from the EU-SILC as used in this chapter, but the study's data are now a decade or more old (2008-11) and the study lacks SILC data on ethnicity. Dimitrov and Duell (2014[2]) provide a high-level picture of the out-of-work population but go into less depth on barriers facing the out-of-work population, as they focus more on the institutional set up supporting vulnerable groups. Finally, the Institute for Market Economics (2019[3])

examines youth not in employment education or training (NEETs) aged 15-34 in 2017 using a combination of SILC, LFS, and NEA admin data. Their analysis covers much detail on the situation facing NEETs, but by design does not address other groups. What this chapter offers, in addition to the previous three studies, is a detailed micro-data analysis of the NEA's registered unemployed for the entire working age population. Nevertheless, despite these differences, this chapter too identifies similar groups to the above three studies as top priorities to connect to the labour market.

In order to gain a detailed understanding of the barriers that out-of-work people face, it is necessary to have information covering a variety of different domains at the household and individual level in addition to labour force status. The Survey of Income and Living Condition's (SILC) data achieves this goal and is used in this chapter. It provides rich information on multiple domains including health, education, previous work-experience, household characteristics, and income, among other variables. The SILC survey also includes information on self-declared ethnicity, which is not available in the Labour Force Survey (LFS) – though see Box 3.1 for some important caveats related to the ethnicity data. While SILC data is better suited to understanding barriers to employment than the LFS, a drawback is that the SILC's measure of labour force status does not conform as easily to the International Labour Organization's (ILO) definition that the LFS uses. Box 3.1 further compares the LFS and SILC data and their measurement of labour force status, in addition to the discussion of SILC's measure of ethnicity noted above

Due to the different strengths and limitations of the LFS and SILC, this section (Section 3.2) primarily uses the LFS to provide a high level profile of the out-of-work population. As the LFS is the preferred survey for classifying labour market status it is best placed to understand the number of unemployed and inactive people in Bulgaria and their distribution over demographic groups (excepting ethnicity, which requires SILC data). Following the high level profile of the out-of-work in Section 3.2, Section 3.3 primarily uses SILC data to study in detail the barriers to employment the out-of-work population face, with the SILC survey chosen as it offers richer data on this topic. The SILC and the LFS provide information that covers all out-of-work people in Bulgaria including those who are not registered as with the NEA. To zoom in on the NEA's clients, Section 3.4 performs analysis using detailed NEA micro-data.

Box 3.1. Strengths and limitations of the LFS and SILC surveys for analysing people out-of-work

The Survey of Income and Living Conditions (SILC) includes detailed information on health, ethnicity, education, previous work-experience, household characteristics, and household income, among other variables. This allows for a detailed analysis of the barriers to work faced by the inactive and unemployed population making it the survey of choice for the type of work in this chapter.

However, the common classification of activity status in SILC does not follow the International Labour Organization (ILO) definition used in the Labour Force Survey (LFS) (which uses a set of questions on hours worked, job search and availability rather than the single question answer used for SILC). Table 3.1 shows that the standard SILC self-defined definition reasonably captures employment (Column 1), but compared to the LFS (Column 3) SILC overestimates the unemployed relative to the inactive. It is possible to partially replicate the ILO definition of labour force status in SILC through using additional variables. This bespoke estimate is used in this chapter for SILC estimates of labour force status, with headline figures shown in Column 2. Nevertheless, the LFS is used throughout the chapter to show the overall numbers of people by activity status while SILC data is used to provide a detailed analysis of the barriers the out-of-work population face.

Other more minor differences between SILC and the LFS include that the SILC combines the first two quarters of the year whereas LFS is collected in each quarter. Finally, survey respondents must be at least 16 years old in SILC rather than at least 15 years in the LFS.

Table 3.1. Comparisons between SILC and LFS labour force status

Labour Force Status	(1) SILC self-defined (Q1-Q2 2019)	(2) SILC preferred (Q1 –Q2 2019)	(3) LFS (Q1 2019)
Employed	3 073 341	3 019 000	3 062 400
Unemployed	429 810	224 561	163 100
Inactive	901 749	1 161 339	1 260 300
Unemployment rate	12.3%	6.9%	5.1%
Employment rate	69.8%	68.5%	68.3%

Note: Working age 15-64 population for LFS and 16-64 for SILC.
Source: OECD calculations based on EU-SILC 2019 and the European Union Labour Force Survey (EULFS) https://ec.europa.eu/eurostat/databrowser/bookmark/07078448-2673-4666-8cc3-3f584f66967a?lang=en.

StatLink https://stat.link/1oys75

Limitations with ethnicity data

Ethnicity is an important variable for understanding the out-of-work population as employment rates differ by ethnic affiliation in many countries including in Bulgaria. More than 98% of SILC respondents in Bulgaria self-identify with one of three ethnic groups: Bulgarian, Turkish, and Roma. However, care should be taken when interpreting analysis on ethnicity. Capturing accurate ethnic information has proved challenging in Bulgaria. The SILC survey weights are based (in part) on the 2011 census. However, the 2011 census had, on average, a 9% non-response rate to the ethnicity question. Non-response was even higher in regions with high Roma populations (Haralampiev and Blagoev, 2014[4]). The 2011 Census reported around 5% of the Bulgarian population identifying as Roma. In contrast, the 2012 estimates by the Council of Europe (2012[5]) put the figure closer to 10% or about 750 000 people. Another issue could be that ethnicity information is captured as single category rather than multiple

response. In a Bulgarian context it is important to recognise that some people prefer to self-identify as Turkish but are seen by others as Muslim Roma (Council of Europe, 2016[6]). Nonetheless, while the absolute number of people who are Roma, Turkish, or Bulgarian is challenging to estimate, differences among groups (such as differences in barriers faced) are qualitatively indicative even if uncertainty remains over exact quantitative figures.

Source: Council for Europe (2012[5]), *Estimates and official numbers of Roma in Europe – Document prepared by the Support Team of the Special Representative of the Secretary General of the Council of Europe for Roma Issues*, https://rm.coe.int/1680088ea9); Council of Europe (2016[6]), *Ad Hoc Committee of Experts on Roma and Traveller Issues (CAHROM): Thematic Report of the Group of Experts on Roma Health Mediators*.; Haralampiev, K. and D. Blagoev (2014[4]), *Ethnicity non-identification in the 2011 census in Bulgaria*.

3.2.2. Profile of out-of-work people by demographics and reason for not working

To understand who the unemployed and inactive people are, this section provides a high level profile of the out-of-work population in Bulgaria. It discusses the distribution of the inactive and unemployed across different demographic groups as well as inactive people's stated reasons for not seeking employment. The difference between unemployment and inactivity can be especially relevant for the PES as unemployed persons are by definition actively seeking work and hence may be more likely to register themselves with the PES whereas, inactive persons are by definition not seeking work and hence may require more active outreach from the PES.

The inactive population has shrunk but remains sizeable

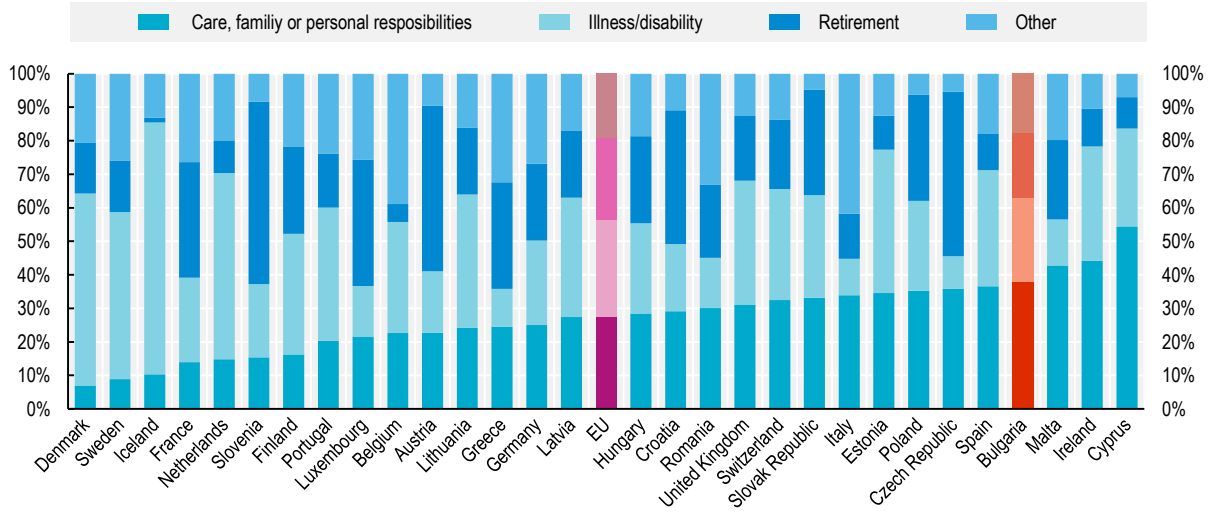
Estimates from the LFS put the working age out-of-work population at 1.3 million in 2019 (see Chapter 2). 140 000 of these people are unemployed and a further 1.2 million inactive. Of these 1.2 million inactive people, about one-third (426 000 people) are estimated to be out-of-work because they are studying. Students are not usually a target of ALMPs. This leaves about 770 000 inactive people who are not studying and might benefit from ALMPs in addition to the 140 000 unemployed people. Since 2009, the number of inactive non-students has substantially declined by nearly a million people, reflecting both a shrinking working-age population and improved labour market outcomes (see Annex Figure 3.A.1). The decline in working-age retirees has been particularly strong.

Care responsibilities are the most cited reason for inactivity

Among the inactive (non-student) population the most frequent reason for inactivity is care, family or personal responsibilities, with 289 000 people in Bulgaria stating this as their reason for not seeking work. This is 37% of the inactive (non-student) population, one of the largest shares in the EU (Figure 3.1). The next most common reason given for inactivity is illness or disability with 192 000 people in this group. This represents a quarter of the inactive population (excluding students), which is slightly below the EU average of 29%. A further 146 000 or 19% of the inactive cite retirement as their main reason for inactivity. Annex Figure 3.A.1 shows how the number of people in these groups have changed over time, with working age retirees having fallen dramatically since 2011, potentially related to the strong overall labour market performance over this period and rising retirement ages.

Figure 3.1. Care responsibilities in Bulgaria are a frequent barrier to labour force participation

Main reason for not seeking employment (other than education), 15-64 year-olds, 2019



Note: The European Union (EU) is a weighted average of the 27 member countries shown. Excludes those not seeking work due to study.
Source: OECD calculations based on the European Union Labour Force Survey (EULFS).

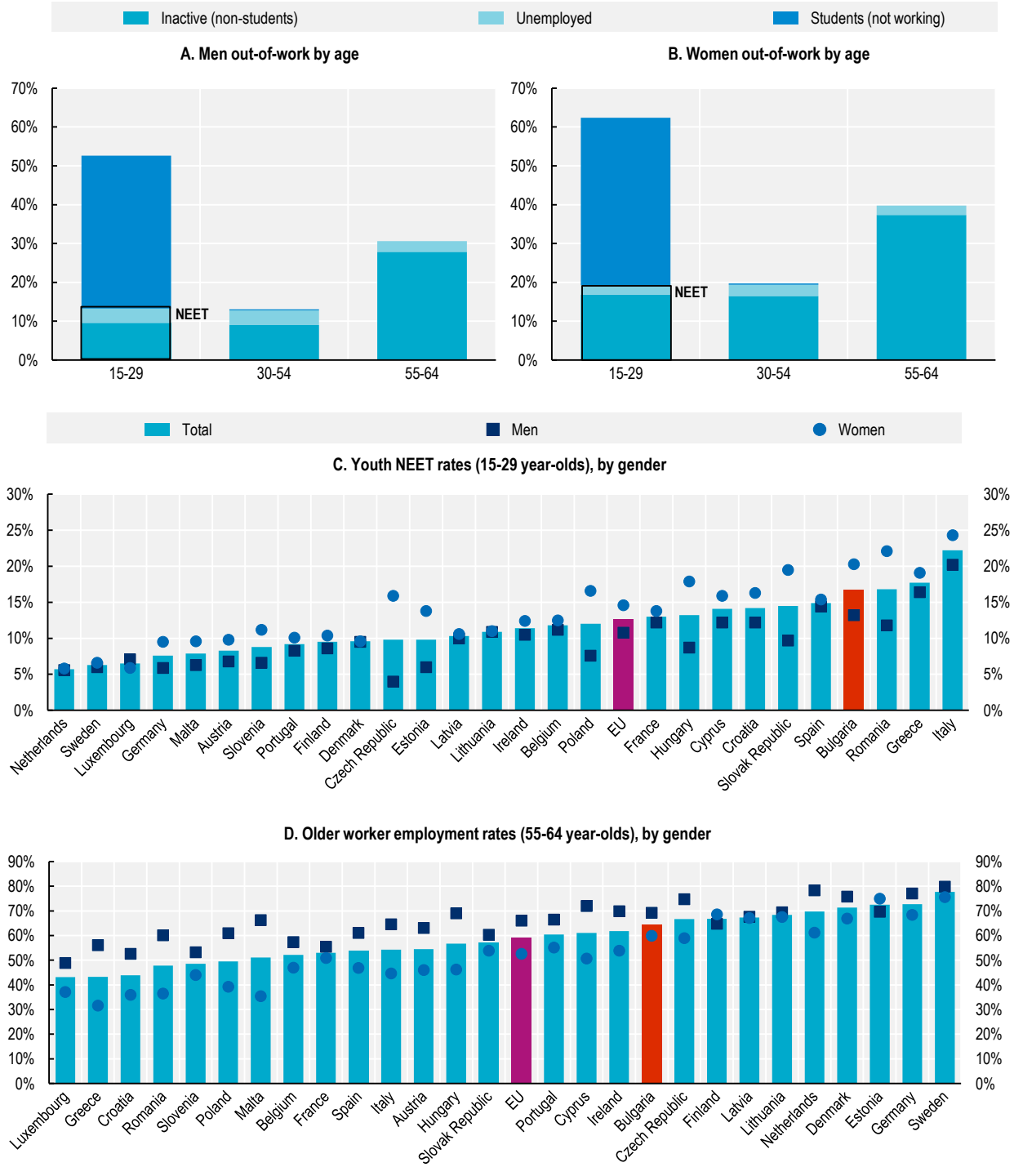
StatLink https://stat.link/t1jfwh

Youth NEETs and older working-age people are both important groups to activate

Figure 3.2 examines inactivity by age and gender within Bulgaria and internationally. When looking at youth, it is important to recognise that many who are not working are students. Hence in Panels A and B non-working inactive students are separated out into a unique category so that the unemployed and inactive (non-student) categories sum to the NEET population. NEET rates in Bulgaria are among the highest in Europe, highlighting the urgent need to connect more youth to the labour market or, where suitable, to education and training. Male NEET rates are lower than female NEET rates as elsewhere in Europe, and female NEETs are somewhat more likely to be inactive than unemployed with 89% of female NEETs inactive compare to 72% for male NEETs.

Those aged 55-64 are about twice as likely to be out-of-work as prime-age workers, driven by much higher rates of inactivity rather than unemployment. Excluding students, older workers are twice as likely to be out-of-work than youth. Part of the reason for older working age people dropping out of the labour market, is likely, especially for women, related to a younger retirement age of 61 years and six months for women in 2020 compared to 64 years and three months for men. However, ongoing reforms are set to continue increasing these retirement ages until they reach 65 for both men and women (National Social Security Institute, 2021[7]). Nevertheless, despite some potential to further improve, employment rates for older working age people compare favourably to other countries, with those aged 55-65 employed at slightly higher rates than the EU average for this group.

Figure 3.2. Inactivity is more common for older workers and women but NEET rates are high internationally



Note: Panel A refers to Bulgaria. Data refer to 2019. Panels A and B show inactivity, unemployment and non-working students as a percentage of people in the group in the European Union (EU). The groups are defined so as to be mutually exclusive, so that unemployed and inactive non-students sum to the total NEET population. Students are included in the figures for older age groups but make up less than 2% of the population over 30. The EU is a weighted average of the 27 member countries shown.
Source: OECD calculations based on the European Union Labour Force Survey (EULFS).

StatLink https://stat.link/iu3xmb

Ethnic minorities have much lower levels of employment than ethnic Bulgarians

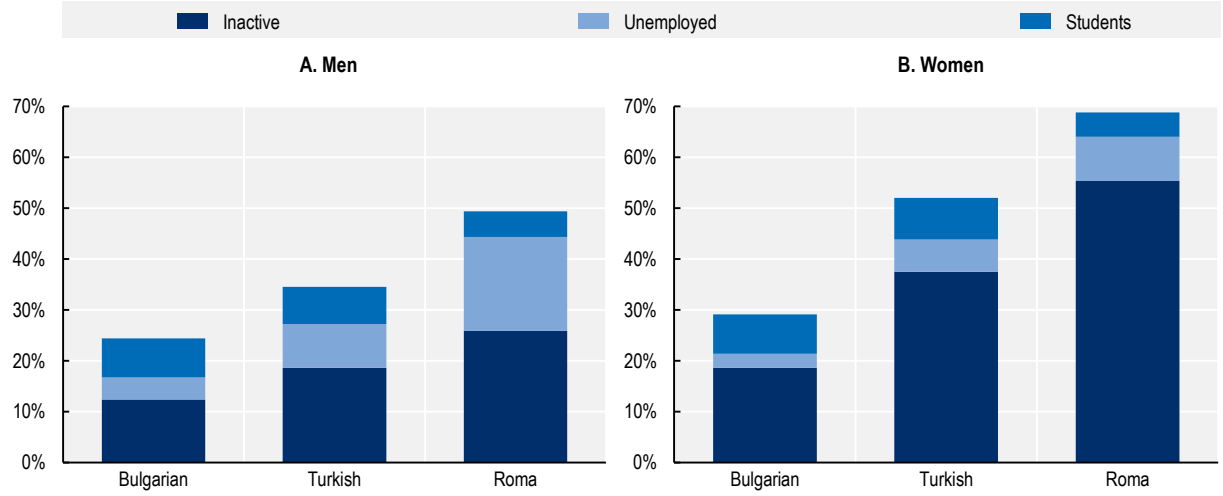
Measuring ethnicity can be challenging. This is can be due to a combination of reasons, such as reaching hard-to-survey populations and the self-defined nature of ethnicity. Indeed, estimating the size of different ethnic groups, especially for Roma, has proved difficult in Bulgaria (see Box 3.1), though a commonly cited estimate puts the number of Roma at around 750 000 (Council for Europe, 2012[5]) and the Bulgarian census puts the Turkish minority at around 588 000 (NSI, 2011[8]). The 2021 census will soon provide a further and more recent estimate of the number of people in each ethnic group (which will also be single response).

Bulgarian law does not identify ethnic minorities and the Employment Promotion Act does not specify ethnic minorities as a disadvantaged group, however the Employment Promotion Act under Article 2 does forbid discrimination or privileges on ethnic grounds. Despite these difficulties in measuring ethnicity, and noting Bulgarian legislation, ethnicity remains an important dimension for the analysis presented here, as there are large differences in outcomes across ethnic groups in Bulgaria.

Figure 3.3 shows that the Roma population records extremely high rates of joblessness – more than double that of ethnic Bulgarians. Turkish minorities too have lower rates of employment than Bulgarians, though the differences are not as stark. Employment rates for working-age Roma men are 51%, compared to 65% for Turkish males and 76% for ethnic Bulgarian males. For women, the differences are even larger with employment rates of 31%, 48% and 71% for ethnic Roma, Turkish and Bulgarians respectively.

Figure 3.3. Roma experience very high rates of joblessness

Share of working age population (16-64) out of work in Bulgaria, by ethnicity and gender, 2019



Note: Unemployed and inactive exclude students so that all three categories are distinct. Students shown refers to students not working.
Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC) 2019.

StatLink https://stat.link/4ow25e

The data suggest that many Roma men out-of-work are actively seeking work, with 42% of them being unemployed rather than inactive (excluding students). For Roma women this is not the case with only 13.4% of the jobless seeking work. This may be related in part to cultural differences with, for example, Roma women having an earlier age at their first birth than Turkish and Bulgarian women (Koytcheva and Philipov, 2008[9]). Care barriers are looked at in Section 3.3 and further information on Roma is provided

in Annex 3.B. The exact unemployed/inactive split given here should be interpreted with some care given the issues discussed in Box 3.1 measuring both ethnicity and labour force status in SILC.

Roma spend much longer periods out-of-work compared to ethnic Bulgarians too. Of those Roma out-of-work at the time of the 2019 SILC survey, 85% had not worked at all in 2018 compared to 75% for ethnic Bulgarians. Similarly, of Roma registered with the NEA in December 2019, the median Roma person had been registered with the NEA for 286 days compared to 117 days for the median ethnic Bulgarian and indeed the NEA report that Roma transition to employment at below average rates.

There are wide regional disparities in employment outcomes

As discussed in Chapter 2 there are wide regional labour market disparities across Bulgaria which are greater than in most OECD and EU countries (OECD, 2021[10]; OECD, 2021[11]; Hermansen, 2021[12]). Comparing joblessness across Bulgaria's regions, shows that the North Western and Southern Central regions have the lowest employment rates and the highest unemployment rates in Bulgaria. The North Western region has the lowest employment and highest unemployment rates. However, since the North Western region is small, in absolute terms the largest number of unemployed people are found in the Southern Central region.

In addition to regional disparities, there are large differences in employment outcomes between urban and rural environments. The 1.3 million Bulgarians living in rural areas face unemployment rates more than double those in densely populated places (around 11.7% compared to about 4.3% from SILC 2019, Table 3.2). This difference is greater than the largest difference among planning regions (4.6% in the South Western compared to 9.6% in the North Western area). The issue of living in a rural area, particularly without a car, is picked up in the Section 3.3.

Table 3.2. Labour market statistics by region and urban/rural environment

Working age population (16-64), 2019

	Employment rate	Unemployment rate	Inactive	Total working age pop
All Bulgaria	68.5%	6.9%	26.4%	4 404 901
A. Region				
North Western	62.4%	9.6%	30.9%	450 771
Northern Central	67.0%	7.2%	27.7%	480 073
North Eastern	69.1%	6.8%	25.8%	561 178
South Eastern	69.2%	7.2%	25.4%	628 323
South Western	73.1%	4.6%	23.3%	1 385 853
Southern Central	64.5%	9.1%	29.1%	898 704
B. Urban/Rural				
Densely-populated area	74.6%	4.3%	22.1%	2 037 211
Intermediate area	68.6%	7.0%	26.2%	1 062 730
Thinly populated area	59.1%	11.7%	33.1%	1 304 959

Note: "Working age" 16-64, based on SILC data. Unlike some other tables students are counted among the inactive and unemployed in these figures so as to be more comparable with other sources.
Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC) 2019.

StatLink https://stat.link/61fx4s

3.2.3. Five key groups to activate

The analysis above, in line with the existing literature, suggests five key groups that would benefit from activation policies. These groups overlap and are not mutually exclusive, Annex Table 3.A.1 shows the degree of overlap across these five groups. The groups are:

1. **Youth NEETs aged 15-29, ~170 000 people** (2019 LFS estimate): Bulgaria faces some of the highest NEET rates in the EU and Bulgaria's NEETs have previously been identified as a group of significant concern (e.g. the Institute for Market Economics (2019[3])).Activating Youth NEETs is particularly important as failing to acquiring human capital or skills can lead to long lasting harm to labour market opportunities. Annex Table 3.A.1 shows about 42% of Youth NEETs are Roma.
2. **Ethnic minorities, ~360 000 people** (2019 SILC estimate): Roma suffer rates of joblessness more than double that of ethnic Bulgarians. This makes them a highly relevant group for policy makers to consider. The European Commission have previously identified Roma as a group that could benefit from more support (European Commission, 2019[13]; European Commission, 2020[14]; European Commission, 2021[15]). Turkish minorities, albeit to a lesser extent, also have lower levels of employment than ethnic Bulgarians. With perhaps around 750 000 Roma living in Bulgaria and around 588 000 ethnic Turkish people, a special focus of activation strategies on ethnic minorities is therefore important.
3. **People out of work due to care and family commitments, ~290 000 people** (2019 LFS estimate): This is the most commonly cited reason for non-student inactivity in Bulgaria and it is cited at one of the highest rates among inactive populations in Europe. Strikingly, more than 99% of people in this category are women (SILC 2019 estimate).
4. **People out of work for reason of illness or disability, ~190 000 people** (2019 LFS estimate): A significant share (25%, LFS 2019; 27% SILC 2019) of non-student inactive people say they are out-of-work due to illness or disability. The next section shows people living in Bulgaria with a disability have low levels of employment compared to people living with a disability in other EU countries. This suggests that there is scope to improve the labour market outcomes of this population in Bulgaria.
5. **Older people (55-64) out-of-work ~340 000 people** (2019 LFS estimate): While the number of retirees among 55-64 year-olds has been falling in recent years and employment for this group is above the EU average, older working age people are twice as likely to be out-of-work as prime aged individuals 30 to 54 years old.

When considering who activation policies can be most effective for, it is important to identify groups of people who are far from the labour market as well as to recognise that different people face different barriers to labour market participation. Hence the approach used to select the groups above, chose groups that might be expected to face different needs and (all else equal) prioritises groups that have weaker labour market outcomes and groups that are larger. Nevertheless there is no one way to identify groups with activation potential. In another study, Sundaram et al. (2014[1]), also use a judgement based approach to rank the importance of similar groups although the authors first used the "Faces of Joblessness" methodology to define these groups. This "Faces of Joblessness" method uses an algorithmic approach described in Fernandez et al. (2016[16]).

As the five groups are defined in such a way that they might be expected to face different barriers to labour market participation, the categorisation given here helps to separate out people with different needs. The needs of these five groups are then analysed in Section 3.3 which looks at barriers to employment. This means that some factors, notably education, are analysed as barriers to employment below rather than being used above as demographics defining key groups to activate.

These groups taken together cover more than four-fifths of the working-age jobless population. The residual covers people not from ethnic minorities, aged 30-54, who do not report that they are inactive due to illness, disability, or family commitments (though may report being inactive for other reasons).

3.3. Employment barriers facing inactive and unemployed people

ALMPs can be an effective tool for improving labour market outcomes for the inactive. However, the optimal mix of ALMPs needed to effectively and efficiently activate them depends on what barriers people face. This section investigates the barriers to employment for the out-of-work, including for the five groups defined above, to gain a better understanding of where ALMPs may be most helpful.

ALMPs can be broadly classified into three types: those that strengthen people's motivation to work; those that improve people's labour-supply capabilities; and those that expand people's opportunities through intermediation and improved labour demand (Immervoll and Scarpetta, 2012[17]; OECD, 2015[18]). This chapter follows this framework (as is also applied in Sundaram et al. (2014[1])) and groups labour market barriers under these categories.

Five barrier types from 13 individual obstacles are defined in Box 3.2. Three types of barriers relate to workers capacity (experience and skills; health; and family/care commitments); one barrier type relates to opportunities (those geographically distant from the labour market); and one final barrier type related to motivation (household income). People often face multiple types of employment barriers, therefore the analysis in this section also observes the percentage of people facing at least one, two, or three types of barriers.

The rest of this section is laid out as follows: Box 3.2 provides definitions of various barriers to labour market participation. Then, the different barriers to labour market participation facing the five groups identified as a priority for activation above are discussed in Section 3.3.1. Finally, some of the barriers that cut across groups are discussed in Section 3.3.2.

Box 3.2. Capturing labour market barriers with SILC data

This box defines five different *types* of barriers to employment (measured using 13 *specific* barriers). The barrier groupings defined here closely follow OECD (2021[11]) differing only slightly and primarily for reasons related to data availability. The first three barrier types broadly relate to people's capacity for work. The geographic distance barrier relates to people's work opportunities and finally the high household income barrier relates to people's motivation to work. The barriers to labour market participation defined here are not exhaustive, however they jointly provide a rich picture on the obstacles to employment for the out-of-work population.

Skills and experience barriers. Lack of skills and experience reduce opportunities to find a good job. In this analysis, skills and experience barriers are measured with four variables: 1) Low education defined as ISCED 2011 level 0-2 (lower secondary education or below); 2) whether the most recent (or current) role was in an "elementary occupation" (ISCO Code 08 classification 91-96, those who have never worked are also counted as having this barrier); 3) absence of recent work experience, defined as not having worked at all in 2018, the calendar year prior to the survey; and 4) whether a person has never worked.

Health related barriers: Poor health can reduce people's capability to work. Two variables relate to health challenges: 1) whether a person reports a chronic health problem; and 2) whether they report that a health problem causes limitations or sever limitations in their usual activities.

Family related barriers: Care responsibilities at home can reduce the time people have available for paid-work. Three measures seek to capture care these barriers: 1) Whether there is a child three or younger in the household; 2) whether there is a person aged 80 or over in the household; 3) whether there is a person in the household with a severe health limitation and who is inactive due to disability (this question is only asked of primary respondents 16 years or over; hence this measure excludes those who care for children with disabilities). Finally, living in a household where the entire family is far from the labour market may make forming links to the labour market including acquiring information on job search and job readiness from family members harder and could sometimes involve overcoming inter-generational joblessness. So one further family related non-care barrier is included: 4) everyone in the household is out-of-work.

Geographic distance barrier: Being far from a local labour market hub limits the opportunities people have for work. Indeed, this relates to a labour demand barrier in the sense that there may be little demand for labour within this person's effective commute area. A variable that reflects a geographic distance barrier is defined as living in a rural area in a household without a car.

High household income barrier: Some of those out-of-work choose not to work because they have sufficient funds (from benefits, non-labour income, or other household members) that they have low monetary incentives to work. This barrier attempts to capture this by looking at whether the person's equivalised disposable household income is in the top quintile of the distribution.

Care should be taken when interpreting these barriers to labour market participation. In particular, the direction of causality is complex. The barriers defined above can decrease labour market attachment but conversely, in some cases, being out of work can worsen the above labour market barriers themselves. For example, without income from a job it is harder to afford a car, potentially creating a geographic distance barrier.

Source: OECD (2021), *Improving the Provision of Active Labour Market Policies in Estonia*, https://dx.doi.org/10.1787/31f72c5b-en.

3.3.1. Different groups face different barriers to labour market participation

Table 3.3 shows the percentage of people facing different barriers to labour market participation. Motivated by the previous analysis, this section examines the prevalence of these barriers across the five key sub-groups defined in Section 3.2.3: namely youth NEETs, older jobless people aged 55-64, those out of work for illness/disability, those out of work due to family/care obligations, and Roma. In addition, for working age non-students, Table 3.3 also shows the prevalence of barriers faced by the inactive, the unemployed, and, for comparison purpose, the employed – irrespective of which of the five key groups (if any) these people fall into.

Table 3.3. Barriers to employment in Bulgaria vary across different populations

Working age population (16-64), 2019

In percentage (%)	Key groups				Ethnicity			Labour force status		
Barrier type Specific barrier	Youth NEET	Inactive family/care	Inactive with a disability	Older out-of-work	Out-of-work Roma	Out-of-work Turkish	Out-of-work Bulgarian	Inactive	Unemployed	Employed
Any skills barrier	86.6	94.0	95.7	88.5	98.6	91.8	81.4	87.6	83.4	20.0
Education	53.8	55.7	43.2	30.6	88.5	56.1	21.5	40.3	45.4	13.1
Skills	69.2	61.3	44.5	26.5	81.7	49.2	28.5	41.8	50.8	11.7
No recent work	77.8	91.7	92.2	83.0	84.7	81.3	75.4	81.9	65.1	1.9
No experience	58.1	47.1	26.1	4.0	47.6	18.1	14.5	24.1	17.8	0.0
Any health barrier	4.6	5.1	97.1	48.2	16.0	33.1	32.1	33.0	11.1	10.1
Chronic health	3.9	4.7	93.5	44.6	14.9	31.0	29.8	30.9	9.7	8.7
Limited activities	3.7	2.1	80.1	34.4	12.6	23.1	23.3	24.0	7.6	4.8
Any family barrier	60.7	58.4	65.0	60.1	66.3	51.3	54.3	57.9	52.4	15.4
Any care	48.2	45.6	37.0	15.3	42.2.	22.0	21.9	28.5	18.7	15.4
Child 3	45.5	44.5	7.0	5.8	36.8	15.9	14.4	20.7	16.2	12.1
Person aged 80+ in household	2.9	2.3	4.9	3.9	2.5	3.6	3.3	3.3	2.4	2.8
Household member with disability	3.3	1.5	28.9	6.7	6.8	4.4	4.9	6.2	1.2	1.1
Non-working household	27.7	25.8	44.5	51.1	41.5	33.5	39.2	38.4	41.5	0.0
Geographic distance	26.6	15.7	25.4	17.7	42.0	24.7	13.5	20.5	26.0	6.4
Motivation/high household income	7.4	12.2	9.7	15.3	1.0	6.1	15.9	12.2	7.4	31.5
At least 1 barrier type	94.9	99.3	100.0	98.0	99.8	97.9	93.9	96.4	93.5	63.7
At least 2 barrier type	69.7	68.1	98.3	80.9	81.9	70.0	68.7	74.6	61.4	17.2
At least 3 barrier type	20.0	17.4	70.8	41.8	36.9	30.8	29.3	33.7	23.0	2.3

Note: "Working age" population 16-64. Students under 30 are excluded. "Youth NEET" refers to NEETs age 15-29. "Older out-of-work" refers to people out-of-work aged 55-64 (regardless of inactivity/unemployment classification). "Inactive with a disability" and "Inactive family/care" refers to people who self-define as inactive as they state they do not search for work due to disability/care obligations. Unemployed rather than inactive people with disabilities/care responsibilities can be identified under the "Unemployed" column and by looking up the "health"/"family" barriers. The three labour force status columns are defined using a bespoke combination of variables that more closely replicates the ILO definitions than the standard SILC definitions (see Box 3.2).
Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC) 2019.

StatLink https://stat.link/smqeya

Youth NEETs often lack skills and experience and many also face care barriers

Engaging youth in education, society, and the labour market is important both for their individual well-being and economic futures as well as for those of the country as a whole (OECD, 2021[19]). In Bulgaria, youth NEETs often struggle with low qualifications and frequently face care barriers related to younger children. Just over half of youth NEETs have lower secondary education or less and about half of youth NEETs live in households with children under three, although these may not necessarily be their own children.

Other common barriers for youth also reflect, in part, their age. For example, many youth NEETs have not yet made the transition from education into a first job – with nearly 60% having never worked and three-quarters having not worked in the past year. Again, reflecting their age, compared to other groups, a relatively large share of youth NEETs, about one-quarter, live in rural areas without a car. Over time, as people in this group age, these barriers may lessen, however, they do represent a contemporaneous challenge in managing the move into work.

Less than 8% of youth NEETs live in high income households. If this were the only factor affecting motivation, it would suggest low motivation barriers to employment for youth. However, this data does not measure all motivational issues. Indeed, one study has argued that low motivation – in particular too high reservation wages and reliance on other family members income including remittances from abroad – is an issue affecting youth in Bulgaria (Institute for Market Economics, 2019[3]). The study however has limitations and is based not on measuring youth motivation directly, but rather on a small focus group of 39 “local experts” from among the NEA, Roma and youth mediators, municipal officials, regional education management bodies of the Ministry of Educational and Science, industrial associations and NGOs working with youth NEETs. Unfortunately, the data used in this chapter are not able to offer more quantitative insights into remittances from abroad or reservation wages.

Ethnic minorities face very high barriers to labour market inclusion

As discussed above, ethnic minorities, particularly Roma, and to a lesser extent the Turkish ethnic minority, have weaker employment outcomes than ethnic Bulgarians.

Table 3.3 shows Roma people without jobs face some of the highest barriers to employment of any group. Compared to out-of-work Bulgarian and Turkish ethnic groups, out-of-work Roma are the most likely to face a skill or experience barrier, the most likely to face a family related barrier and the most likely to live in rural areas without a car in the household.[1] About 82% of out-of-work Roma face multiple types of barriers to employment compared to only around 69% for ethnic Bulgarian’s. Taken together the high prevalence of so many barriers shows the need to prioritise supporting Roma.

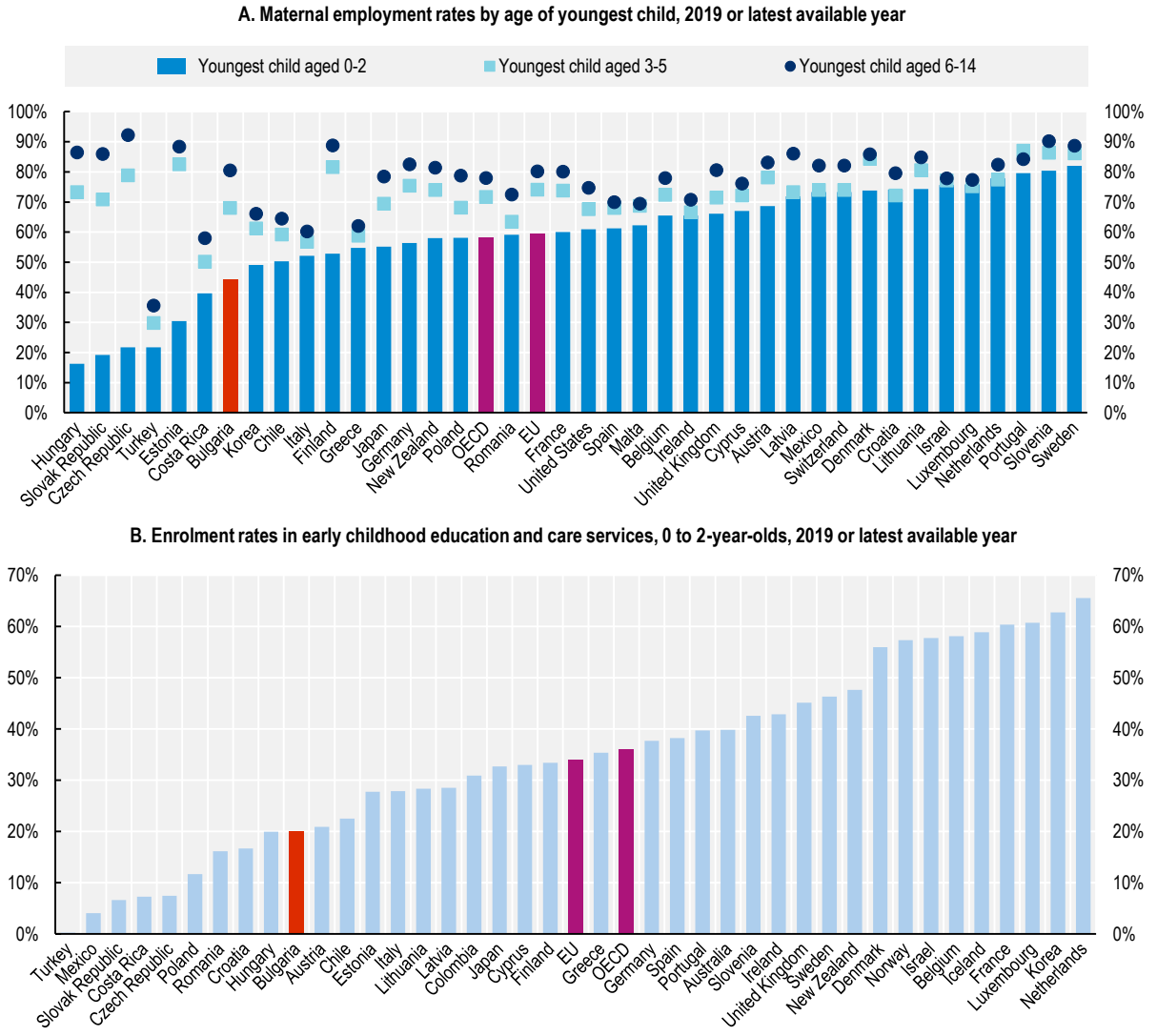
A key challenge in understanding the issues facing Roma is limited data availability, both in Bulgaria and across the EU. Indeed, even the size of the Roma population is difficult to estimate precisely (see Box 3.1). However, despite these data limitations, there are known further challenges facing Roma beyond those analysed in Table 3.3. These include discrimination in the labour market and beyond, higher risks of poverty, lower use of early childhood education and childcare, and many Roma living in low quality and overcrowded housing within segregated Roma neighbourhoods. Recognising the importance of lifting Roma labour market participation, Annex 3.B contains a review of the labour market literature on Roma and further analysis of Roma using the NEA data is also shown in Section 3.4. Chapter 5 includes a discussion of the NEA’s use of Roma mediators for outreach to Roma.

Out-of-work Turkish people also face high education and skills barriers. However, out-of-work Turkish people face comparable rates of health and family barriers as out-of-work ethnic Bulgarians. Among the out-of-work, both Roma and Turkish people are less likely to live in high income households than ethnic Bulgarians.

Women citing care related reasons for not working often also lack skills and experience

Among mothers with very young children (less than two years old), those in Bulgaria use less child care and have lower employment rates than those across many OECD and EU countries (Figure 3.4). This may in part reflect Bulgaria's relatively long duration of paid maternity leave which is discussed in Chapter 4. Out-of-work Roma in particular are more than twice as likely as out-of-work Turkish and Bulgarian ethnic groups to live with children under three (Table 3.3).

Figure 3.4. Mothers with very young children in Bulgaria have low rates of employment and use of formal care



Note: Shown are EU and OECD countries with sufficient data available in the OECD Families Database. The EU and OECD are unweighted averages of the member countries shown in each panel. Due to data availability there are some differences in the methodology applied across countries. Additional details are provided in the source below.

Source: *OECD Family Database* https://www.oecd.org/els/family/database.htm.

StatLink https://stat.link/oax5ic

While not all mothers with very young children will want to work, and indeed should not all be expected to work, greater availability of child care could make it easier for mothers to return to work for those who want to. Indeed, universal access to early childhood education for those aged four has previously been recommended for Bulgaria (OECD, 2021[11]). Cultural changes too could help women return to work. A full-time work culture potentially makes it harder to balance parenting with work and very few men (less than 1% in SILC 2019) cite care related reasons as their main reason for not working which potentially highlights a greater role for men to play in balancing care burdens within families.

As a mother's youngest child grows older, however, many mothers do return to employment. Employment rates in Bulgaria rise to about 80% for mothers whose youngest child is aged 6 to 14 – similar to the OECD average of 79% for this group (Figure 3.4).

However, there is a group of women that are not returning – or initially joining – the labour force but that are citing care barriers as their main reason for inactivity. In Table 3.3 the "Inactive/Family care" column shows the barriers faced by those who state their main reason for not seeking work is related to family or caring. Table 3.3 shows that many citing care as a barrier to work do not live with young children in their household. Indeed, only about half of those in this group actually face a care barrier of the type defined in Table 3.3.

This means that many of those out-of-work for care related reasons are still not working even though their children (if they have any) are no longer very young. Hence, many mothers citing care and family reasons for not working may instead be held back from the labour market by another barrier especially a lack of skills and experience. In fact, more than 90% of those in the "Inactive family/care" group face a skills or experience barrier. Activation efforts that build skills and experience, including ALMP provision, might therefore benefit many in this group.

Employment rates for people with disabilities are low internationally

While not everyone with a disability is able to work, it is important to support into employment those who can, and, indeed, in many cases want to work. In fact, for those with disabilities that can work, getting a job can not only reduce welfare costs to governments, but can also reduce poverty, improve social inclusion and improve the mental health of individuals with disabilities (OECD, 2010[20]). Employment rates for persons with disabilities are low in Bulgaria compared to other European countries (Figure 3.5). This suggests ways need to be found, where possible and appropriate, to help more of this group into work.

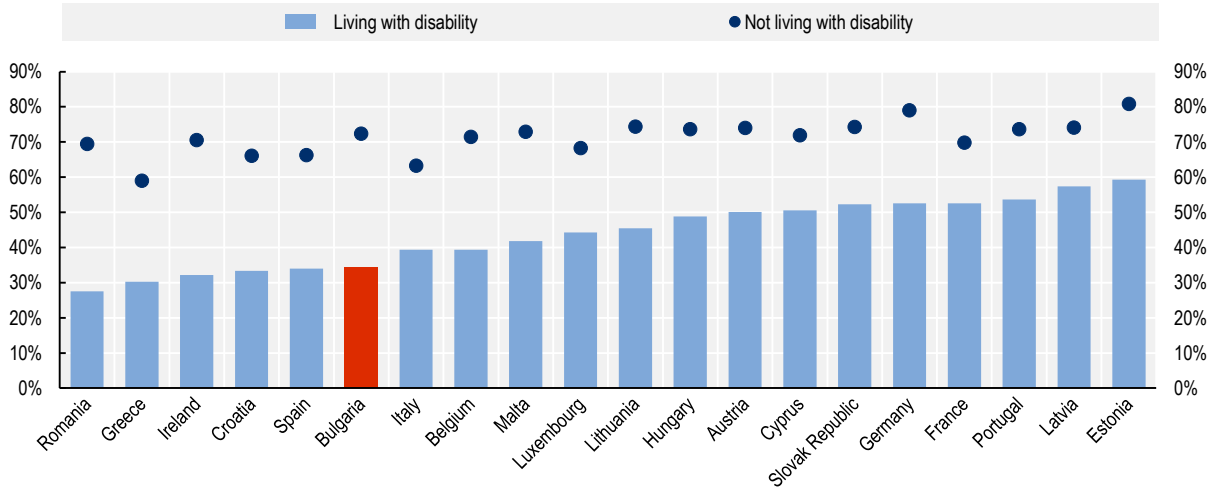
Table 3.3 shows that in addition to health problems, people with disabilities also face low levels of education and long breaks from working (both of which may often be caused by the disability itself). Nearly half of people with a disability live in a jobless household. Indeed, people with disabilities often have complex needs with more than 70% facing multiple types of barriers to employment (Table 3.3).

ALMPs have a role in improving employment outcomes for those with disabilities by targeting these barriers. For example, lifting skill levels and training or re-training for appropriate roles can support people into jobs (for example, re-training to desk based work may help some with physical disabilities) and subsidies to employers and support for sheltered employment in specialised enterprises can incentivise employers to hire people with disabilities. More information on the ALMPs Bulgaria provides is discussed in Chapter 6.

More generally, achieving better health and employment outcomes for people with disabilities involves having well-functioning, accessible, and well-co-ordinated health and public employment services that are tailored to individual needs as well as incentives that make work pay both for workers and for employers (OECD, 2010[20]). Making work pay for workers requires that disability benefits (discussed in Chapter 4) need to balance providing income support for people who cannot work with incentivising work for those who can.

Figure 3.5. Bulgaria has low levels of employment for people with disabilities

Employment as a share of working age population (16-64), 2019



Note: Living with disability is measured by having a chronic health condition and reporting of limitations in activities due to health. The data excludes a small number of people in some countries whose employment status is unknown. Data for Ireland and Italy refer to 2018.
Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC), 2019.

StatLink https://stat.link/194izp

Many older workers have potential to contribute to Bulgaria's shrinking labour market

Many 55-64 year-old jobless people have good potential to work and contribute to Bulgaria's economy. Of the five key groups to activate shown in Table 3.3, jobless 55-64 year-olds have: the lowest percentage whose last job was in an unskilled sector, the lowest percentage who have never worked, and the lowest percentage with only lower-secondary education (or less).These results suggests many older workers have good skills to contribute with, though in some case ALMPs may support retraining. Given their age, many persons in this group face health problems. Table 3.3 shows a health issue for about half of this age group.

Motivation for older people out-of-work may be understated by the "motivation/high income" barrier. Indeed, many jobless people in this age group are no longer searching for work: with the previous section showing that the vast majority of this group are inactive rather than unemployed. Further, many older jobless individuals live in entirely jobless households and 83% have not worked in the previous calendar year. Indeed, the fact that education and other skill barriers (except recent work experience) are low relative to other groups in Table 3.4 in part be due to some well qualified individuals preferring to live off savings rather than try to re-enter the workforce.

Bulgaria has made efforts to increase its retirement age in recent years which may increase labour market participation by increasing motivation to work. ALMPs too can potentially play a role in reconnecting this group to the workforce and targeted trainings to lift the skills of this group have been recommended for Bulgaria before (OECD, 2018[21]).

3.3.2. Many barriers cut across multiple groups

Many of the barriers to labour market integration in Table 3.3 cut across different groups that are a priority for activation. In fact, more than 80% of out-of-work people face a skills or education barrier and more than half face a family or care related barrier. Indeed, even when barriers are uncommon within a group there

are typically still some individuals in each group who face them. For example, health barriers are present in only 4.6% of youth NEETs, but for some of these individuals this may be the most important factor preventing them from their active participation education or employment. For this reason, while the analysis in Table 3.3 can inform high-level decisions (for example about where there may be widespread demand for ALMPs), activation services to specific people should be individually tailored. This topic, the process of service provision to PES clients, is discussed in Chapter 6.

Another noticeable, cross-cutting feature, is the large pool of people have not worked for a long time. The SILC data in Table 3.3 shows 82% of the inactive population and 65% of the unemployed population did not work in the last calendar year (i.e. 2018 for the 2019 SILC). These numbers are somewhat higher than the traditional measures of long-term unemployment found in the LFS, where long-term unemployment captures people who have been out-of-work and searching for a job for more than 12 months rather than merely out-of-work. However, the LFS long-term unemployment numbers confirm that many of the unemployed are long term unemployed, with this share fluctuating between 53-59% during Q1 2019-Q2 2019 (the period when the 2019 SILC survey was conducted). Similarly, Chapter 2 showed that fewer than 40% of the inactive have any work experience in the last five years with inactivity for most being a longer-term issue.

Living in a rural area without a car, a geographic distance barrier, affects a minority of the out-of-work population: with about 21% of the inactive and 26% of the unemployed population affected by this barrier (Table 3.3). However, in an international context, this is a higher lever level than in all but two countries for which sufficient data is available (Figure 3.6). People who live in a remote area without access to good transport can face few job opportunities. This barrier affects many groups but is particularly prevalent among Roma people (42%).

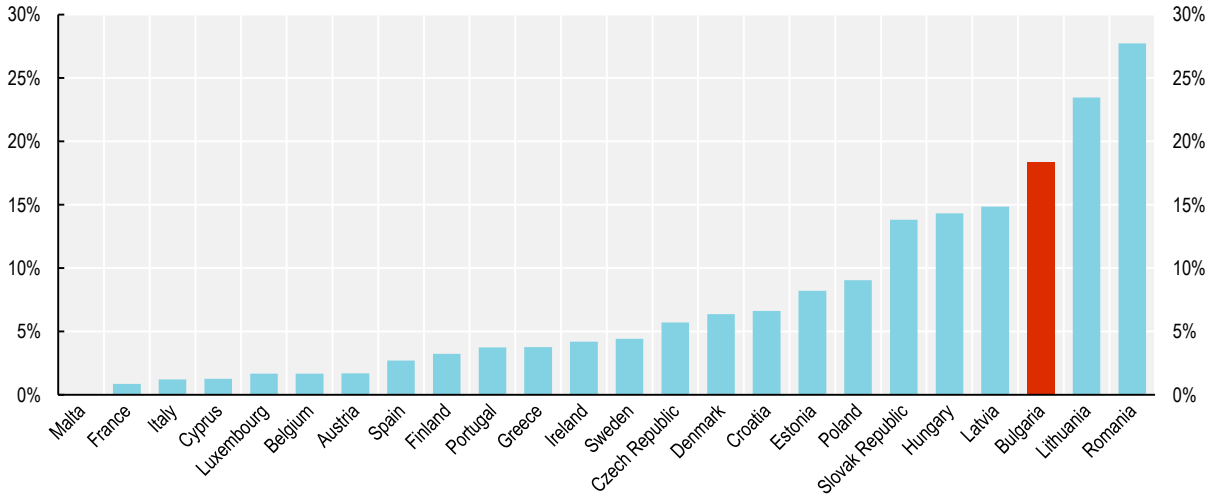
Further exacerbating geographic distance barriers are Bulgaria's high levels of regional inequality combined with underdeveloped and under maintained transport infrastructure (OECD, 2021[11]). Investments in better transport infrastructure including on roads and rail, as well as in better digital infrastructure, could better connect Bulgaria's regions (OECD, 2021[11]).

Beyond good regional development policy, policies that encourage mobility and activation policies that improve the attractiveness of workers may help improve the labour market outcomes of people living in remote areas. Indeed, only 3% of Bulgarian's moved to a new dwelling between 2007 and 2012, which while potentially underestimated due to large outward migration, is very low compared to the EU average of 16% (Hermansen, 2021[12]). Part of the reason for low mobility may be Bulgaria's high level of home ownership with several international studies supporting the association between owning a home and reduced residential mobility (Causa and Pichelmann, 2020[22]). The subsidies Bulgaria provides to help support mobility are discussed briefly in Chapter 6.

Finally, reaching out-of-work populations in remote areas is a challenge for the PES. To reach people in distant areas the NEA uses mobile labour offices, which are discussed in Chapter 5.

Figure 3.6. Geographic distance barriers are high for out-of-work people in Bulgaria

Share of working age people (16-64) out-of-work with a geographic distance barrier, 2019



Note: Geographic distance barrier is defined as living in a thinly populated area and in a household without a car. Due to data comparability across country the 'self-defined' measure of out-of-work is used in this chart (see Box 3.1) and students are included so that the numbers are not directly comparable to Table 3.3. Data for Ireland and Italy refer to 2018.
Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC), 2019.

StatLink https://stat.link/qbo4uw

3.4. Typical profiles of registered jobseekers: Who are the unemployed and inactive the NEA reaches?

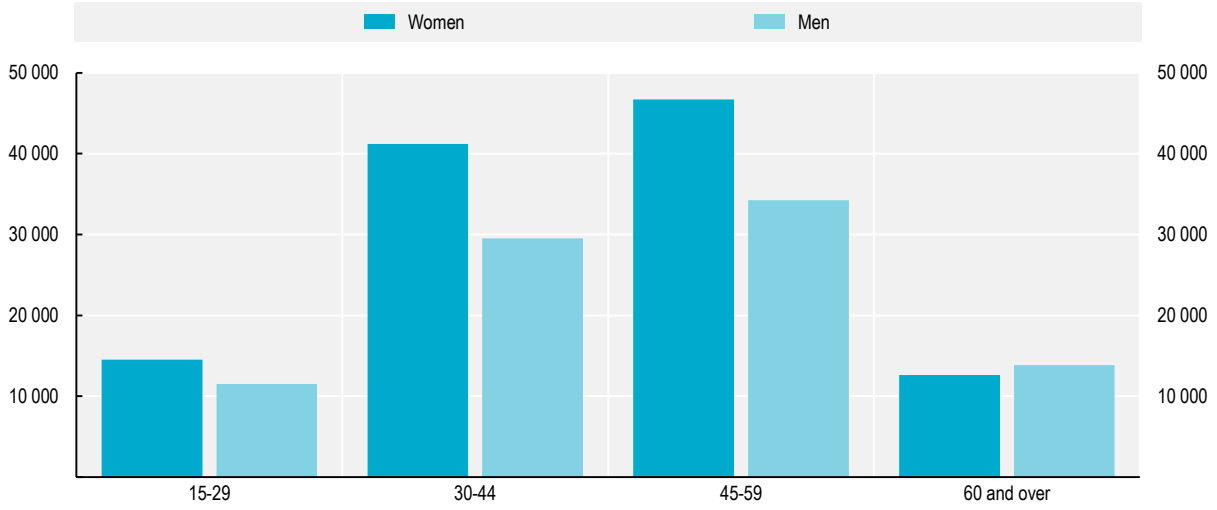
This section describes the profile of jobseekers who are registered with the NEA, complementing the discussion on inactive and unemployed people in the previous sections of the chapter. Since registered jobseekers are typically expected to search for employment, the NEA's clients examined in this section should generally be considered closer to unemployment rather than inactivity even though the ILO definitions of these concepts do not exactly overlap with registration with the PES.[2] In particular, the section uses administrative NEA data to describe common characteristics of NEA clients and identify potential barriers to employment they are facing. In contrast to the other parts of the chapter, the discussions in this section only apply to jobseekers who are in contact with the NEA and do not extend to other unemployed and inactive. Therefore, the discussions provide insights on the situation of inactive and unemployed who the NEA can support through well-tailored support, helping them to alleviate their employment barriers. The section relates closely to Chapter 5, which analyses outreach activities to jobseekers in greater detail and uses the same administrative NEA dataset to estimate the number of NEA clients compared to the size of the out-of-work population.

The vast majority of NEA clients are unemployed (96.1%), while pensioners (1.3%), people who are employed (1.2%) and students (0.5%) account for a small share of NEA clients only. Almost 40% of registered jobseekers are 50 years old or older, whereas the share of people under 25 is very low, at only 5%. In no other OECD or EU country for which data is available, the share of young people under 25 among all registered jobseekers is as low as in Bulgaria (see Chapter 5). On average across EU countries, 11% of registered jobseekers are under 25 years, and up to almost one-fifth in Belgium (European Commission, 2019[23]).

Most NEA clients are women, accounting for 56.2% of NEA clients, with the number of female NEA clients exceeding that of men by about one-third between ages 30 and 60 (Figure 3.7). At younger ages, the higher share of women among NEA clients mirrors differences in labour market patterns across genders, i.e. a significantly lower employment rate for young women than for young men, including due to maternity. For prime-aged and older workers, however, the employment gender gap is small, at about 2 percentage points among 45-59 year-olds, suggesting that other factors contribute to the larger number of women among NEA clients, e.g. better-performing outreach to women. Only past age 60, the majority of registered jobseekers are men, most notably due to a lower statutory retirement age for women than for men, at 61.3 years for women against 64.2 years for men in 2019 (MISSOC, 2019[24]).

Figure 3.7. Only few young Bulgarians register with the NEA and most NEA clients are women

Number of National Employment Agency (NEA) clients by age and gender, 2019



Source: National Employment Agency micro data.

StatLink https://stat.link/9mag6s

More than two-thirds (68%) of registered jobseekers self-identify as ethnic Bulgarians, while 15% are Roma, 12% belong to the Turkish community and 5% of NEA customers belong to another ethnic group or their ethnicity is not reported in the data. Jobseekers from ethnic minorities are highly concentrated in a few parts of the country, in line with general demographic patterns. For instance, close to 60% of registered jobseekers in Razgrad belong to the Turkish community and 40% of jobseekers in Sliven are Roma, while in Sofia city the Turkish and Roma community jointly account for less than 3% of jobseekers.

Socio-economic and individual characteristics vary strongly across gender, ethnic groups and age, highlighting that registered jobseekers in Bulgaria are far from forming a homogeneous group and that individualised approaches are required to support jobseekers depending on their individual circumstances (Table 3.4).

Many registered jobseekers have a low degree of education (lower secondary education or below, 43%) or a medium level of education (upper-secondary or post-secondary non-tertiary education, 45%) while only a minority of NEA clients has tertiary education (12%). The educational attainment of registered jobseekers is comparatively high among ethnic Bulgarians, with 56% having a medium level and 16% a high level of education, whereas two-thirds (67%) of NEA clients from the Turkish community and the

overwhelming majority of jobseekers from the Roma community (92%) only have low or no completed education.

On the same note, skills and competences are unevenly spread among registered jobseekers. Especially older people and jobseekers belonging to ethnic minorities are less likely to possess specialised skills that could facilitate their job search. For instance, 18% of registered jobseekers have known or certified digital skills and 14% have English skills, but among jobseekers aged 55 or older, they are only 8% and 3%, respectively. Similarly, only 5% of jobseekers from the Turkish ethnic community and 1% of NEA clients from the Roma community have known digital skills, respectively. These numbers highlight the high frequency of skills barriers among the out-of-work population (see Section 3.3), including jobseekers registered with the NEA, in particular among vulnerable groups.

Table 3.4. Main characteristics of jobseekers registered with the NEA

Characteristics of jobseekers who were registered with the Bulgarian NEA on 31.12.2019, by gender, ethnicity and age

	Gender		Ethnicity			Age			Total
	Men	Women	Ethnic Bulgarian	Turkish	Roma	15-29	30-54	55+	
Share among all NEA clients	43.7%	56.3%	68.1%	12.5%	14.8%	12.8%	60.1%	27.2%	100%
Education									
Low	41.7%	44.8%	28.6%	67.3%	92.3%	38.5%	42.8%	47.2%	43.4%
Medium	48.8%	42.0%	55.8%	29.6%	7.6%	46.9%	44.1%	46.0%	45.0%
High	9.5%	13.2%	15.6%	3.1%	0.1%	14.6%	13.1%	6.9%	11.6%
Children under 16 (reported)									
None	77.8%	66.8%	72.8%	76.4%	60.4%	64.4%	60.8%	98.7%	71.6%
1	11.0%	15.3%	14.2%	10.7%	12.8%	16.6%	18.4%	0.9%	13.4%
2	7.8%	12.5%	10.0%	9.6%	14.1%	12.4%	14.7%	0.3%	10.5%
3 or more	3.4%	5.4%	3.1%	3.4%	12.8%	6.5%	6.1%	0.1%	4.5%
Pre-school children (reported)									
Yes	9.9%	15.6%	13.0%	9.9%	16.9%	30.2%	15.3%	0.1%	13.1%
No	90.1%	84.4%	87.0%	90.1%	83.1%	69.8%	84.7%	99.9%	86.9%
Health problems									
Share with a known and recognised health problem	8.2%	6.8%	8.4%	6.6%	4.7%	3.0%	6.1%	12.4%	7.4%
Average work capacity among people with health problems	65.8%	63.0%	65.6%	62.4%	56.9%	70.3%	65.5%	62.7%	64.4%
Skills									
English skills (known or certified)	14.2%	14.3%	19.7%	2.2%	0.5%	28.0%	15.7%	3.4%	14.3%
Digital skills (known or certified)	16.5%	19.2%	24.3%	5.5%	1.3%	29.1%	19.7%	8.0%	18.0%
Residence									
Urban	55.3%	57.3%	65.5%	23.3%	46.3%	57.1%	58.2%	52.2%	56.4%
Rural	44.7%	42.7%	35.5%	76.7%	53.7%	42.9%	41.8%	47.8%	43.6%
Length of registration									
Median number of days since registration (as of 31.12.2019)	146	141	119	161	286	92	139	201	144

Note: People whose ethnicity is unknown or other than ethnic Bulgarian, Turkish or Roma (about 6% of NEA clients) are not included in the statistics by ethnic group. "Pre-school children" refers to children under seven. Information on children, health problems and skills are self-reported and might not be comprehensive.
Source: National Employment Agency (NEA) micro data.

StatLink https://stat.link/0a1rzw

Caring responsibilities can be a barrier to employment, too. While there is no information on care tasks for elderly family members, the NEA data includes information on whether the jobseeker reports to have children or not. Among jobseeker who are registered with the NEA, 13% report having one child under the age of 16, 11% have two children and 5% report having at least three children (Table 3.4). These numbers may under-estimate the real number of children, as they are self-reported and some job-seekers may fail to indicate that they have children, in particular in cases where family circumstances do not influence benefit entitlements. Among registered jobseekers from the Roma community, the share of people with at least three children under 16 is much higher than among other NEA clients, at 13%, suggesting that care responsibilities could be particularly widespread in this group. Similarly, care responsibilities for children are likely to be a stronger obstacle to employment for young people than for prime-aged jobseekers, as 30% of 15-29% registered jobseekers report having pre-school children under seven, against 13% among all registered jobseekers.

Recognised health problems are not common among registered jobseekers, concerning only 7% of NEA clients, which is less than suggested by the estimates on the prevalence of health impediments among inactive and unemployed people reported in Section 3.3. The low number of health problems in the NEA stems partially from the fact that health issues are only reported in case they are officially diagnosed and affect a person's work ability. In addition, people with very severe health problems rarely register with the NEA. Many of them are entirely unavailable for the labour market and do not look for employment.

Recognised health problems shown in the data are particularly uncommon among jobseekers belonging to the Roma community, at less than 5%, against more than 8% among ethnic Bulgarians. However, Roma jobseekers who have a recognised health problem tend to have quite severe impediments, with an estimated average remaining work ability of only 57%, against 62% among jobseekers from the Turkish ethnic community with a health problem and 66% among ethnic Bulgarians.

Vulnerable groups tend to remain registered with the NEA for longer periods because they do not find work, further reinforcing their labour market obstacles due to longer periods without work experience. For example, median registration times at the end of 2019 show that jobseekers from the Roma community had been registered for 286 days, against 144 days among all jobseekers (Table 3.4). For job seekers aged 55 and older, the median registration length was 201 days.

3.5. Key findings

In 2019, prior to the impact of COVID-19, there were about 1.3 million unemployed and inactive people of working age in Bulgaria, around 900 000 of whom were not studying. These 900 000, represent around 20% of the working-age population, which provides a large pool of people who could benefit from active labour market policies. Naturally, the out-of-work population is a diverse group, with people facing different barriers and having different reasons for not working. This chapter therefore groups the out-of-work population that could benefit from activation support into five key groups based on their employment outcomes, size, and similar labour market barriers. The five key groups identified are:

- **Youth not in employment education or training (NEET) ~170 000 people:** Bulgaria has some of the highest NEET rates in the EU suggesting there is scope for improvement in this area.
- **Ethnic minorities ~360 000 people:** Amongst Bulgaria's different ethnic groups, especially Roma suffer much higher rates of joblessness than other ethnic groups and face many barriers and challenges to labour market participation.
- **People out of work due to care and family commitments ~290 000 people:** This concerns mainly women and is the most commonly cited reason for (non-student) inactivity in Bulgaria.

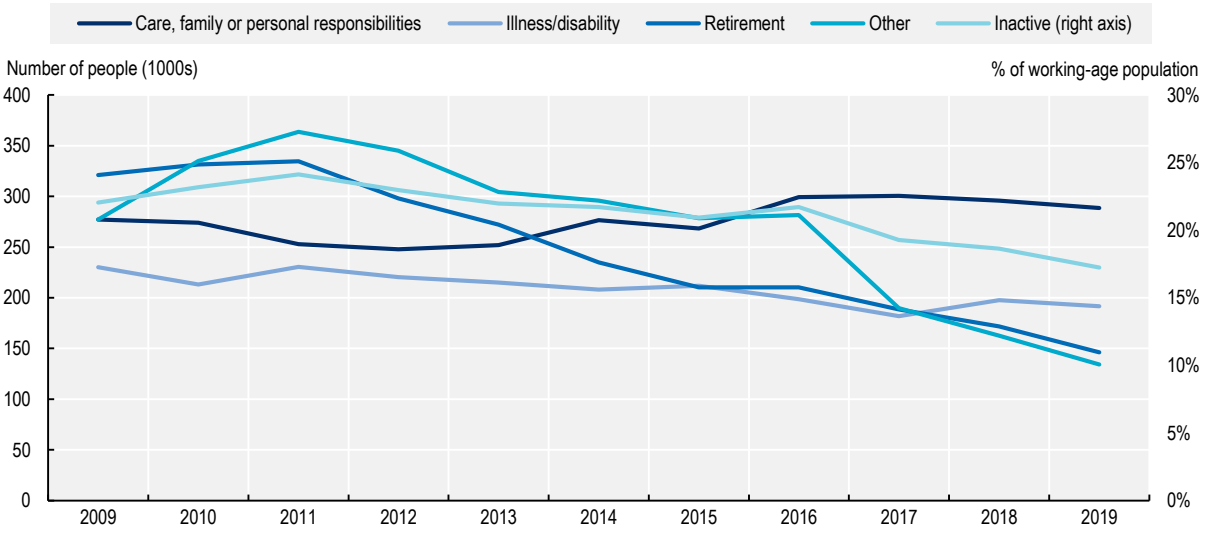
- **People out of work for illness and disability ~190 000 people:** This is the second most cited reason for (non-student) inactivity in Bulgaria. Further, employment rates for people with health problems are some of the lowest in the EU.
- **Older working age people 55 – 64 who are out-of-work ~340 000 people**: Older working age people are twice as likely to be out-of-work as prime aged individuals 30 to 54 years old. The many people in this group could contribute much if activated.

The chapter also zooms in on the different barriers to work of these groups, including skills barriers, health related barriers, family related barriers, and geographic distance barriers. While all of these groups should be a priority for labour market policies, the findings in this chapter also highlights the different needs of those groups. This suggests that different activation strategies may need to be found for them, which will be discussed in subsequent chapters.

Annex 3.A. Supplementary statistics

Annex Figure 3.A.1. Working age (15-64) retirees in Bulgaria have fallen dramatically since 2011

Different reasons for inactivity (excluding students), 2019



Source: European Union Labour Force Survey (EU-LFS).

StatLink https://stat.link/a478z2

Annex Table 3.A.1. Overlap across key groups in Bulgaria

2019

	Youth NEETs	Inactive family/care	Inactive with disability	Older working age	Ethnic minorities		Other out-of-work
					Out-of-work Roma	Out-of-work Turkish	
Total (SILC estimate)[1]	220 000	159 000	135 000	389 000	240 000	123 000	182 000
Group as share of all (non-students) out-of-work	20.8%	15.0%	12.7%	36.8%	22.7%	11.7%	17.2%
Youth NEETs	220 000	54 000	6 000	0	92 000	18 000	0
Inactive family/care	54 000	159 000	0	13 000	56 000	19 000	0
Inactive with disability	6000	0	135 000	71 000	21 000	16 000	0
Older working age	0	13 000	71 000	389 000	37 000	48 000	0
Out-of-work Roma	92 000	56 000	21 000	37 000	240 000	0	0
Out-of-work Turkish	18 000	19 000	16 000	48 000	0	123 000	0

Note: "Working age" is 16-64. Excludes students under 30. The cells show the number of people who are in both the column and row group. For example, looking at the "Older worker" column and reading down to the "Inactive family/caring" cell the table shows there are 13 000 people who are in both these groups. "Other out of-works" shows jobless people who are not in any of the five categories. The second row "Group as share of all (non-students) out-of-work" shows the size of the group as a percentage of all non-student working-age people out-of-work.
1. SILC estimates of the group sizes differ to the LFS figures cited in text as there are methodological differences between the surveys.
Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC) 2019.

StatLink https://stat.link/djbqum

Annex 3.B. Literature review on barriers to labour market integration of Roma in Bulgaria and the EU

Roma are considered Europe's largest ethnic minority, but across the European Union (EU) Roma face major obstacles to labour market integration and lag behind their non-Roma peers with respect to virtually all indicators of social and economic inclusion. Addressing this gap between Roma and non-Roma population requires efforts in many policy areas. This Annex presents figures on the size of the Roma population cross Europe, discusses the challenge of a generally poor evidence base on Roma, identifies important barriers to labour market integration and examines the challenging issue of persistent discrimination of people of Roma origin, which is a further obstacle to their labour market integration.

Roma as one of the largest ethnic minorities in Europe

Roma are considered Europe's largest ethnic minority, with an estimated 10-12 million Roma living in Europe in 2012, based on estimates by the Council of Europe (Council of Europe, 2012[25]) and an estimated 5 million Roma living in European countries outside the EU (Council of Europe, 2012[25]). In several EU countries Roma are estimated to present more than 7% of the population. Other countries have smaller Roma population shares in comparison to the general population (Annex Table 3.B.1). In comparison to the estimates from the Council of Europe, official statistics often show a much smaller number of Roma. Especially in EU countries with large Roma populations, Census data are markedly lower than the estimates of the Council of Europe. The observed discrepancy and the absence of more recent estimates highlights the lack of data on Roma populations in EU member states (Kahanec, 2014[26]).

In EU countries with a larger proportion of Roma, Roma represent a growing share of the school-age population and the future labour force (EC, 2020a[27]). In Bulgaria, the Roma population is fairly young: the Bulgarian National Roma Integration Strategy (NRIS; Annex Box 3.B.1) reports that 72.6% of the Roma population is less than 40 years old (Council of Ministers, 2012[28]). Official data from the last Census in Bulgaria, conducted in 2011, indicate that 325 343 people (or 4.9% of the population) identified themselves as Roma. In comparison to the 2001 Census, this would, however, represent a decline of the Roma population, which was then estimated at around 371 000 people (Pamporov, Markova and Yordanova, 2020[29]). One reason for the lower numbers in Census data in comparison to the Council of Europe may be that many Roma self-identify themselves as Bulgarians, Turks, Romanians, etc. (Council of Ministers, 2012[28]). Census ethnicity information is based on self-identification as a certain ethnicity, while responses to the ethnicity question may also be refused (European Parliament, 2015[30]).

Annex Table 3.B.1. Roma population across the European Union

Official data and Council of Europe Estimates

Country	Total population (2010	Official statistics		Council of Europe Estimates (2012)			
		Official national statistics (Census data)	Census year	Minimum estimate	Maximum estimate	Average estimate	Average estimate as a percentage of total population
Bulgaria	7 543 325	325 343	2011	700 000	800 000	750 000	9.94%
Slovak Republic	5 433 456	89 920	2001	380 000	600 000	490 000	9.02%
Romania	21 442 012	619 007	2011	1 200 000	2 500 000	1 850 000	8.63%
Hungary	10 008 703	190 046	2001	500 000	1 000 000	750 000	7.49%
Czech Republic	10 525 090	11 718	2001	150 000	250 000	200 000	1.90%
Spain	46 081 574		n/a	500 000	1 000 000	750 000	1.63%
Greece	11 319 048		n/a	50 000	300 000	175 000	1.55%
France	64 876 618		n/a	300 000	500 000	400 000	0.62%
Italy	60 483 521		n/a	120 000	180 000	150 000	0.25%
Germany	81 702 329		n/a	70 000	140 000	105 000	0.13%

Source: Council of Europe (2012), https://rm.coe.int/1680088ea9 for official numbers and estimates; World Bank (2010), World Population Estimates, https://datacatalog.worldbank.org/dataset/population-estimates-and-projections for Total Population.

StatLink https://stat.link/v5t0wo

Availability of reliable data on the situation of Roma in Bulgaria and the EU

The development of policies targeted at Roma is complicated by insufficient general statistics and outdated information on the number of Roma (with a data gap of more than 10 years between Censuses). As EC (2018, p. 8[31]) highlights, information about Roma in the EU is "still incomplete, with gaps in most Member States". This lack of accurate data in European countries on Roma labour market situation in particular is an obstacle to understanding the barriers they are facing (Soler Penadés et al., 2016[32]). For example, short and medium-term labour market outcomes of Roma cannot be monitored in most European countries, as ethnicity information is not consistently collected in all household surveys. While ethnicity information is collected for the Survey of Income and Living Conditions (SILC) in Bulgaria, this information is not collected in labour force survey (LFS) data. Hungary is an exception is this respect, collecting ethnicity information in its quarterly LFS (EC, DG JUST, 2020[33]). Improving the evidence base on the situation of Roma with respect to their education, employment, health care and housing therefore has been an important element in the EU Framework for NRIS (Annex Box 3.B.1). A recent EU Council Recommendation highlights the importance of collecting data as necessary background for the design of measures that effectively improve the situation of the Roma population (EU Council, 2021[34]).

In Bulgaria, the lack of a working system for monitoring, evaluating and controlling the Bulgarian NRIS 2012-20 is defined as a major drawback for the objective assessment of policies and measures concerning Roma (labour market) integration in Bulgaria (EC, DG JUST, 2019[35]). Different projects in Bulgaria during the last NRIS period focussed on improving the data situation on Roma. This included a project to track the development of the Bulgarian NRIS, funded under the Operational Programme Human Resources Development.[3] Moreover, more use is being made of the data collected in EU-wide surveys such as SILC and the European Values Study EVS)[4] (EC, DG JUST, 2018[36]). The local labour offices also play an important role and have also started to collect ethnic data from registered unemployed, but they face "frequent responses of refusal to identify by Roma for fear of discrimination" (EC, DG JUST, 2018, p. 19[36]).

Finally, the Bulgarian National Statistical Institute (NSI) in co-operation with EU-FRA are currently developing innovative methods for data collection for the provision of indicators on vulnerable groups, including Roma, as part of the project "Novel Approaches to Generating Data on hard-to-reach populations at risk of violation of their rights".[5]

The first EU-wide comprehensive approach to address the evidence gap on Roma and other minorities was the European Union Minorities and Discrimination Survey (EU-MIDIS) conducted by the European Union Agency for Fundamental Rights (EU-FRA) in 2008.[6] A second wave was conducted in 2015-16.[7] EU-MIDIS surveys different ethnic minority and immigrant groups' experiences of discrimination and victimisation in everyday life across the EU. In nine EU Member States[8] Roma were interviewed as part of EU-MIDIS II and some results are presented in this Annex.

Annex Box 3.B.1. European strategies for Roma integration

In 2021, the European Commission (EC) called upon member states to develop national strategies for Roma integration, with a focus on education, employment, health care and housing. Most importantly it called on Member States ensuring that Roma are not discriminated against and that Member States actions ensure that the cycle of inter-generational poverty will be broken. Following this, each country produced a National Roma Integration Strategy (NRIS) up to year 2020, which the Council of the European Union agreed upon in a Recommendation on effective Roma integration measures in EU countries in 2013. The Commission produced annual reports (until 2020) assessing the NRIS, using information from each country, as well as from civil society, international organisations and the EU Fundamental Rights Agency.

Following the end of this period, a new framework was developed in 2020 and adopted by the Council of the European Union in March 2021. The new EU Roma strategic framework sets a number of targets up until 2030, again in the areas education, employment, housing and health, as well as the three horizontal objectives of promoting effective equality, socio-economic inclusion and meaningful participation of Roma. Different to the previous framework, the EC now proposed quantitative headline targets to monitor achievement towards these objectives.

Source: European Commission (2020), "EU Framework for National Roma Integration Strategies up to 2020", https://ec.europa.eu/info/policies/justice-and-fundamental-rights/combatting-discrimination/roma-eu/roma-equality-inclusion-and-participation-eu/eu-roma-national-integration-strategies-2020_en and EC DG JUST (2020), "EU Roma strategic framework for equality, inclusion and participation for 2020 – 2030", https://ec.europa.eu/info/policies/justice-and-fundamental-rights/combatting-discrimination/roma-eu/roma-equality-inclusion-and-participation-eu_en.

Barriers to Labour Market Integration of Roma

Roma integration in Bulgaria requires solving the problem of the high unemployment and inactivity rates among Roma people. According to a Bulgarian Academy of Sciences (BAS), despite the economic recovery in Bulgaria and the increased labour demand in the years following the GFC, mass unemployment and the Roma drop-out from the formal labour market (and related poverty) remained unchanged (Tomova and Stoychev, 2017[37]). More recent reports highlight some positive developments though, relating both to better educational outcomes and also higher employment of the Roma population in the period 2011-19 (Angelova et al., 2020[38]). Nevertheless, in Bulgaria as across the EU, Roma are employed mainly in low-paid jobs with temporary contracts and no health insurance[9] and many of them have only insecure or informal employment (EC, DG JUST, 2019[35]) and furthermore face discrimination in the labour market (Arbex et al., 2013[39]). In Bulgaria, 51% of working Roma lack health.

Intra-EU mobile Roma, who left their country of origin to work in other EU member states are particularly vulnerable, as they face an increased risk of becoming victims of exclusion from the labour market and public services, exploitation and discrimination due to tight local labour markets and lack of legal frameworks and support and may work in precarious conditions, for low wages and without insurance (EC, DG JUST, 2020, p. 12[33]). This section therefore discusses education, housing and spatial segregation and health as barriers to Roma labour market integration, while the next subsection considers the issue of discrimination.

Access to education as a key prerequisite for Roma labour market integration

Educational outcomes of Roma in Bulgaria and other EU countries lack behind those of other ethnic groups. The gap already manifests itself in early childhood education and care (ECEC) and continues in subsequent levels of the education system. Civil society organisations point out the lack of access to ECEC, including nurseries, kindergartens and other early childcare services and institutions in Bulgaria and other Central and Eastern European countries (CEEC). Reasons identified are: i) unavailability of ECEC services in rural settlements, ii) poor transportation, iii) lack of vacant places in educational facilities in big cities and iv) financial difficulties experienced by Roma parents (EC, DG JUST, 2018[36]). Results from the EU-MIDIS II survey show that only 66% of Roma children aged 4-6 in Bulgaria attended kindergarten in 2016 (EU-FRA, 2017[40]). In addition, a factor seriously undermining the quality of ECEC provision to Roma children is the insufficient training of teachers and other staff in early childcare institutions (Pamporov et al., 2020[41]). Hence, the low quality of education and care in the kindergartens attended by Roma children, combined with poor interaction with Roma parents, is barrier to Roma integration in education (EC, DG JUST, 2019[35]).

While school attendance for children of compulsory school age has improved over the past decade, segregated education remains an issue in Bulgaria. Data from the last national census of 2011 show that one in four Roma children aged 7-15 have never attended school, compared to 5.6% of children from the Bulgarian ethnic group (World Bank, 2015[42]). Findings from the EU-MIDIS I and II survey, however, suggest that school attendance at compulsory schooling age improved more recently, increasing from 86% to 90% over the period 2011-16, while early leaving from education and training dropped from 87% to 68% (EC, 2018[31]). Nevertheless, about half of Roma students in Bulgaria are enrolled in schools located in neighbourhoods with a predominant Roma population, which results in deepening their educational segregation (Dimitrov, Grigorova and Decheva, 2013[43]). What is more, children in smaller settlements grow up with an extreme lack of access to health, education and social services such as speech therapy, rehabilitation, medical treatment, etc. (Council of Ministers, 2020[44]). Consequently, Roma children lag significantly behind children of Bulgarian ethnicity in the educational attainment for the respective age group, the lag equalling three school years in the field of reading and two school years in the field of mathematics and science (Ministry of Finance, 2019[45]). The COVID-19 crisis is likely to have further increased the educational gap between Roma and non-Roma children, “disproportionately affect[ing] marginalised and socially excluded Roma” (EU-FRA, 2020, p. 7[46]), also because they are more likely to be without access to the internet or IT equipment and cannot benefit from online distance-learning measures during the COVID-19 school closures (EU-FRA, 2020[46]).

According to some commentators, cultural and family environment may contribute to those outcomes, as education is not a “virtue” for marginalised Roma (Bogdanov and Angelov, 2006[47]). According to the same authors, poverty is another driver for early school leaving among Roma, as education imposes costs on the household, on the one hand (for transport, textbooks, etc.), and deprives it of income (from child labour), on the other. Marriage at a very young age is also still a common reason for Roma girls to drop out from school (UNICEF, 2016[48]). Furthermore, migration to other EU countries driven by unemployment and poverty in Bulgaria, are considered a reason for school drop-outs among the children of migrants who leave with their parents or experience reduced control over their attendance at school by the relatives with whom they are left to stay (Tomova and Stoychev, 2017[37]).

Consequently, educational barriers with respect to no education or only lower level of education are observed more often for Roma than other ethnicities. The EU-MIDIS II survey results show low education levels among adult Roma population. On average, for the nine surveyed Member States, barely 18% of adult Roma have completed upper secondary, vocational or post-secondary education, while they also tend to have low proficiency in the national language, mainly in reading and writing (EC, 2019c[49]). Data from the 2011 Census in Bulgaria suggests that 93% of Roma do not complete their secondary education, compared to about 30% for ethnic Bulgarians (Council of Ministers, 2020[44]). This is also reflected in the analysis carried out in this Chapter, showing that skills barriers for people of Roma ethnicity are more frequent than for other ethnicities (see Table 3.3 and Table 3.4) in Bulgaria, which is often seen as the main reasons limiting their chances for sustainable employment participation (Pamporov, Markova and Yordanova, 2020[29]).

Housing and spatial segregation as obstacles to Roma labour market integration

Poor housing conditions and spatial segregation are key factors that further aggravate exclusion and inactivity among Roma. EU-FRA identifies spatial segregation as a structural barrier for Roma labour market integration and refers to it as "a severe impediment for access to employment" (EU-FRA, 2014, p. 27[50]). Limited mobility creates additional barriers to employment among Roma, as many of them live in areas with little employment opportunities and limited public transport facilities (Wislock, 2017[51]). Willingness to move, however, is often low. Many Roma communities have a strong sense of spatial belonging to their areas, which are inhabited by many successive generations (Ilieva, 2019[52]).

Beyond spatial segregation, Roma also often live in extremely poor housing. While results from the EU-MIDIS II survey suggest that nearly all Roma households have access to electricity, the situation with respect to tap water and a toilet or bathroom inside the house is much worse. Twenty-three percent of Roma in Bulgaria live without tap water and 44% – without a toilet inside their dwellings (EU-FRA, 2016b[53]). Regarding housing quality and surrounding environment, 33% of Roma in Bulgaria live in dwellings with a leaking roof, damp walls or other problems, while 27% feel that pollution and other environmental issues are a problem in the places where they live (EU-FRA, 2016b[53]). Moreover, Roma often face issues related to the legal ownership of their homes, which sometimes explains the lack of access to public utilities, such as water supply, sewage, etc., but may also pose a risk of demolition of their dwellings and eviction of the residents (Mihailova and Kachamov, 2017[54]).

Health barriers to Roma participation in employment

Health barriers are another obstacle to labour market integration by Roma in Bulgaria and other European countries. Results from the EU-MIDIS II survey show that in Bulgaria, the share of Roma facing long-term activity limitations is higher than the share of the general population. While the difference for men is relatively smaller (19% of Roma men reported long-term activity limitations compared to 16.4% of the general population), the gap is larger for women and a higher proportion of women report long-term health problems (25% of Roma women 19.7% of the general population), a pattern observed also in other EU countries (EU-FRA, 2016b[53]). These patterns may also be explained by a lack of access to health care for Roma, which is extremely pronounced in Bulgaria in comparison to many other EU countries. Across the EU, health care coverage through public and primary private health insurance is relatively universal, reaching 93% (Slovak Republic) up to full coverage.[10] In response to the EU-MIDIS II survey, however, only 45% of Roma in Bulgaria stated that they were covered either by the national basic health insurance or additional health insurance schemes. This is the lowest Roma health insurance coverage rate among the nine surveyed countries, where – on average – three-quarters of Roma are covered by health insurance, reaching 98% in Spain and 96% in Portugal (EU-FRA, 2016b[53]).

Discrimination as an obstacle to Roma integration

Across the EU, limited access to decent work for the Roma population is driven by both entry barriers to the mainstream society, as well as exit barriers from the traditional Roma community (Ciaian and Kancs, 2018[55]). Exit barriers are driven by a strong sense of community, as well as the issue of spatial segregation discussed before. Entry barriers determine to what extent the "mainstream society" is willing to accept Roma within its socio-economic structures. In this context, discrimination against Roma, which prevails across all EU countries (Frazer and Marlier, 2011[56]), poses a major problem for social mobility and creates constraints for Roma in their integration into and interactions with the mainstream society (Ciaian and Kancs, 2018[55]). Discrimination occurs both in society more generally and, more specifically, employment, education, health and housing. While Roma are being denied employment on discriminatory grounds, they furthermore often face discrimination in the workplace once employed and are constrained from progressing upwards (Council of Europe, 2012[57]).

A main focus of the EU-MIDIS survey is discrimination individuals experience on the grounds of skin colour, ethnic origin, and religion or religious belief, both within the past five years and past 12 months. Across the nine member states were Roma were surveyed in 2015-16, 41% of Roma felt discriminated against because of their Roma background at least once in the past five years and 26% indicated that the last incident of discrimination based took place in the past 12 months. While discrimination also prevails in Bulgaria, the level of discrimination in Bulgaria has dropped between the two MIDIS surveys (2005 and 2015-16) and is lower than in any other of the eight countries surveyed in 2015-16 (22% of Roma in Bulgaria felt discriminated in the past five years and 14% in the past 12 months). While the results are relatively better in Bulgaria, in comparison to those in the other countries, discrimination prevails and is difficult to counter, as it is often concealed (EC, DG JUST, 2019[35]).

References

Angelova, R. et al. (2020), *Education and Finding Employment in the Roma Community: Main Conclusions from a National Representative Survey of the Roma Community in Bulgaria*, Trust for Social Alternative, Global Metrics Ltd., https://us4bg.org/wp-content/uploads/2021/01/Education-and-Employment-survey-report-2020-in-BG.pdf. [38]

Arbex, C. et al. (2013), *Guide for Working with Roma Families towards Achieving the Success of their Children in School: A transnational methodological proposal for professionals*, Fundación Secretariado Gitano, https://www.schooleducationgateway.eu/files/esl/downloads/08_Guide_for_working_with_Roma_families.pdf. [39]

Bogdanov, L. and G. Angelov (2006), *Roma Integration in Bulgaria: Necessary Reforms and Economic Effects*, Open Society Institute – Sofia, https://www.economedia.bg/getatt.php?filename=o_280347.pdf. [47]

Card, D., J. Kluve and A. Weber (2017), "What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations", *Journal of the European Economic Association*, Vol. 16/3, pp. 894-931, http://dx.doi.org/10.1093/jeea/jvx028. [59]

Causa, O. and J. Pichelmann (2020), "Should I stay or should I go? Housing and residential mobility across OECD countries"*, OECD Economics Department Working Papers*, No. 1626, OECD Publishing, Paris, https://dx.doi.org/10.1787/d91329c2-en. [22]

Ciaian, P. and D. Kancs (2018), "Marginalisation of Roma: Root Causes and Possible Policy Actions", *European Review*, Vol. 27, pp. 115–130, https://www.cambridge.org/core/services/aop-cambridge-core/content/view/33510787C9D12EF6B5B015F67B7C58C9/S106279871800056Xa.pdf/marginalisation_of_roma_root_causes_and_possible_policy_actions.pdf. [55]

Council for Europe (2012), *Estimates and official numbers of Roma in Europe - Document prepared by the Support Team of the Special Representative of the Secretary General of the Council of Europe for Roma Issues*, https://rm.coe.int/1680088ea9 (accessed on 23 July 2021). [5]

Council of Europe (2016), *Ad Hoc Committee of Experts on Roma and Traveller Issues (CAHROM): Thematic Report of the Group of Experts on Roma Health Mediators*, Council of Europe, Strasbourg, https://coe-romed.org/sites/default/files/documentation/CAHROM%20(2016)7%20EN%20Thematic%20report%20on%20Roma%20health%20mediators.pdf. [6]

Council of Europe (2012), *Estimates and official numbers of Roma in Europe - Document prepared by the Support Team of the Special Representative of the Secretary General of the Council of Europe for Roma Issues*, Council of Europe, https://rm.coe.int/1680088ea9. [25]

Council of Europe (2012), *Human rights of Roma and Travellers in Europe*, Council of Europe Publishing, https://rm.coe.int/the-human-rights-of-roma-and-travellers-in-europe/168079b434. [57]

Council of Ministers (2020), *National Roma Equality, Inclusion and Participation Strategy of the Republic of Bulgaria (2021 - 2030) - draft*, Council of Ministers, https://www.strategy.bg/FileHandler.ashx?fileId=24803+. [44]

Council of Ministers (2012), *National Roma Integration Strategy of the Republic of Bulgaria (2012 - 2020)*, Council of Ministers, https://ec.europa.eu/info/sites/default/files/roma_bulgaria_strategy_en.pdf. [28]

Dimitrov, D., V. Grigorova and J. Decheva (2013), *Civil Society Monitoring Report on the Implementation of the National Roma Integration Strategy and Decade Action Plan in 2012 in Bulgaria*, Decade of Roma Inclusion Secretariat Foundation, https://www.rcc.int/romaintegration2020/romadecadefold/decade%20implementation/4.%20civil%20society%20reports/Civil%20Society%20Monitoring%20Report%202012%20(Bulgaria,%20local%20language).pdf. [43]

Dimitrov, Y. and N. Duell (2014), *Activating and increasing employability of specific vulnerable groups in Bulgaria: a diagnostic of institutional capacity*, The World Bank, Washington, D.C. [2]

EC (2018), *Evaluation of the EU Framework for National Roma Integration Strategies up to 2020, Report on the evaluation of the EU Framework for National Roma Integration Strategies up to 2020*, European Commission, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018SC0480&from=EN. [31]

EC (2015), *Report on the implementation of the EU Framework for National Roma Integration Strategies 2015*, European Commission, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015DC0299&from=EN. [63]

EC (2020a), *A Union of Equality: EU Roma strategic framework for equality, inclusion and participation*, European Commission, https://eur-lex.europa.eu/resource.html?uri=cellar:9a007e7e-08ad-11eb-a511-01aa75ed71a1.0001.02/DOC_1&format=PDF. [27]

EC (2019c), *Roma inclusion measures reported under the EU Framework for NRIS, Report on the implementation of national Roma integration strategies – 2019, Part 2/2*, European Commission, https://ec.europa.eu/info/sites/default/files/cswd_roma_inclusion_measures_reported_under_the_eu_framework_for_nris_pt2_en.pdf. [49]

EC, DG JUST (2020), *Roma Civil Monitor, A synthesis of civil society's reports on the implementation of national Roma integration strategies in the European Union: Assessing the progress in four key policy areas*, Publications Office of the European Union, https://cps.ceu.edu/sites/cps.ceu.edu/files/attachment/basicpage/3172/rcm-civil-society-monitoring-report-synthesis27-2019-eprint-fin.pdf. [33]

EC, DG JUST (2019), *Civil society monitoring report on implementation of the national Roma integration strategies in Bulgaria: Assessing the progress in four key policy areas of the strategy*, Publications Office of the European Union, http://amalipe.com/files/publications/RCM-Y2-C1-Bulgaria-PUBLISHED.pdf. [35]

EC, DG JUST (2018), *A synthesis report on implementation of national Roma integration strategies in Bulgaria, Czech Republic, Hungary, Romania and Slovakia: Focusing on structural and horizontal preconditions for successful implementation of the strategy*, Publications Office of the European Union, https://op.europa.eu/en/publication-detail/-/publication/446cb4f2-3c82-11e8-b5fe-01aa75ed71a1/language-en/format-PDF. [36]

EU Council (2021), *Council Recommendation of 12 March 2021 on Roma equality, inclusion and participation 2021/C 93/01*, Official Journal of the European Union, https://op.europa.eu/en/publication-detail/-/publication/05c5aac3-8855-11eb-ac4c-01aa75ed71a1/language-en. [34]

EU-FRA (2020), *Coronavirus Pandemic in the EU – Impact on Roma and Travellers*, Publications Office of the European Union, https://fra.europa.eu/sites/default/files/fra_uploads/fra-2020-coronavirus-pandemic-eu-bulletin-roma_en.pdf. [46]

EU-FRA (2017), *Second European Union Minorities and Discrimination Survey: Main results*, Publications Office of the European Union, https://fra.europa.eu/sites/default/files/fra_uploads/fra-2017-eu-midis-ii-main-results_en.pdf. [40]

EU-FRA (2014), *Poverty and employment: the situation of Roma in 11 EU Member States; Roma survey – Data in focus*, Publications Office of the European Union, https://fra.europa.eu/sites/default/files/fra_uploads/fra-2014-roma-survey-dif-employment-1_en.pdf. [50]

EU-FRA (2016b), *Second European Union Minorities and Discrimination Survey: Roma - Selected findings*, Publications Office of the European Union, https://fra.europa.eu/sites/default/files/fra_uploads/fra-2016-eu-minorities-survey-roma-selected-findings_en.pdf. [53]

European Commission (2021), "COUNCIL RECOMMENDATION of 12 March 2021 on Roma equality, inclusion and participation", *Official Journal of the European Union*, Vol. 64. [15]

European Commission (2020), *Recommendation for a COUNCIL RECOMMENDATION on the 2020 National Reform Programme of Bulgaria and delivering a Council opinion on the 2020 Convergence Programme of Bulgaria*, European Commission, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0502&from=EN. [14]

European Commission (2019), *Labour Market Policy indicators*, https://webgate.ec.europa.eu/empl/redisstat/databrowser/view/LMP_RJRU/default/table?lang=en&category=lmp_indic. [23]

European Commission (2019), *Recommendation for a COUNCIL RECOMMENDATION on the 2019 National Reform Programme of Bulgaria and delivering a Council opinion on the 2019 Convergence Programme of Bulgaria*, European Commission, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019DC0502&from=EN. [13]

European Parliament (2015), *Evaluation of the EU Framework for National Roma Integration Strategies*, European Union, https://www.europarl.europa.eu/RegData/etudes/STUD/2015/536485/IPOL_STU(2015)536485_EN.pdf. [30]

Fernandez, R. et al. (2016), *Faces of Joblessness: Characterising Employment Barriers to Inform Policy"*, OECD Publishing, Paris, http://dx.doi.org/10.1787/5jlwvz47xptj-en. [16]

Frazer, H. and E. Marlier (2011), *Promoting the Social Inclusion of Roma, Synthesis Report*, EU Network of Independent Experts on Social Inclusion, https://www.euromanet.eu/upload/03/11/synthesis_report_2011-2_final_3.pdf. [56]

Haralampiev, K. and D. Blagoev (2014), *Ethnicity non-identification in the 2011 census in Bulgaria*, European Population Conference, Budapest 2014. [4]

Hermansen, M. (2021), "Reducing regional disparities for inclusive growth in Bulgaria", *OECD Economics Department Working Papers*, No. 1663, OECD Publishing, Paris, https://dx.doi.org/10.1787/d18ba75b-en. [12]

Ilieva, N. (2019), *Spatial Segregation - Theoretical Aspects*, Bulgarian Academy of Sciences, http://harman-mahala.com/wp-content/uploads/2019/07/%D0%9F%D1%83%D0%B1%D0%BB%D0%B8%D0%BA%D0%B0%D1%86%D0%B8%D1%8F_1.pdf. [52]

Immervoll, H. and S. Scarpetta (2012), "Activation and employment support policies in OECD countries. An overview of current approaches", *IZA Journal of Labor Policy*, Vol. 1/1, p. 9, http://dx.doi.org/10.1186/2193-9004-1-9. [17]

Institute for Market Economics (2019), *Assessment of the people not in employment, education and training (NEETs) in Bulgaria and policy measures to effectively their integration*, European Commission. [3]

Jones, A. et al. (eds.) (2020), *Roma Early Childhood Inclusion+: Special Report on Roma Inclusion in Early Childhood Education and Care - Republic of Bulgaria*, Open Society Institute – Sofia, Roma Education Fund, UNICEF, https://reyn.eu/wp-content/uploads/2020/11/RECI_Republic-of-Bulgaria-Report_ENG.pdf. [41]

Kahanec, M. (2014), "Roma integration in European labor markets", *IZA World of Labor* 2014: 39, pp. 1-10, https://wol.iza.org/uploads/articles/39/pdfs/roma-integration-in-european-labor-markets.pdf?v=1. [26]

Koytcheva, E. and D. Philipov (2008), "Bulgaria: Ethnic Differentials in Rapidly Declining Fertility", *Demographic Research*, Vol. 19, pp. 361-402, http://www.jstor.org/stable/26349254. [9]

Mihailova, D. and A. Kachamov (2017), *Roma Evictions and Demolition of Roma Houses: A Sustainable Solution for Roma Integration or a Problem of Roma Discrimination in Bulgaria?*, Open Society Foundations, https://www.equalopportunities.eu/docs/REPORT-2017-en.pdf. [54]

Ministry of Finance (2019), *Bulgaria 2030, Part 1, Analysis of the socio-economic development of the country after its accession to the EU*, Ministry of Finance, https://www.minfin.bg/upload/41549/Bulgaria+2030+analiz.pdf. [45]

MISSOC (2019), *Missoc Comparative Tables*, https://www.missoc.org/missoc-database/comparative-tables/. [24]

National Social Security Institute (2021), *Пенсии за осигурителен стаж и възраст [Pensions for length of service and age]*, https://www.noi.bg/en/pensions/grantpensions/1854-posv13 (accessed on 23 July 2021). [7]

NEA (2021), *Месечни бюлетини - 2021, Април*, https://www.az.government.bg/bg/stats/view/2/340/. [62]

NEA (2019), *Месечни бюлетини - 2019, Декември*, https://www.az.government.bg/bg/stats/view/2/305/. [61]

NSI (2011), *2011 Population Census - main results*, https://www.nsi.bg/census2011/PDOCS2/Census2011final_en.pdf. [8]

OECD (2021), *Decentralisation and Regionalisation in Bulgaria: Towards Balanced Regional Development*, OECD Multi-level Governance Studies, OECD Publishing, Paris, https://dx.doi.org/10.1787/b5ab8109-en. [10]

OECD (2021), *Improving the Provision of Active Labour Market Policies in Estonia*, Connecting People with Jobs, OECD Publishing, Paris, https://dx.doi.org/10.1787/31f72c5b-en. [60]

OECD (2021), *OECD Economic Surveys: Bulgaria 2021*, OECD Publishing, Paris, http://dx.doi.org/10.1787/1fe2940d-en. [11]

OECD (2021), *The Updated OECD Youth Action Plan: Building Blocks for Future Action*, OECD, Paris, https://www.oecd.org/employment/youth/The-Updated-OECD-Youth-Action-Plan.pdf. [19]

OECD (2018), *Key policies to promote longer working lives: Bulgaria country note 2007 - 2017*, OECD, Paris, https://www.oecd.org/els/emp/Bulgaria%20Key%20policies_Final.pdf. [21]

OECD (2015), "Activation policies for more inclusive labour markets", in *OECD Employment Outlook 2015*, OECD Publishing, Paris, https://dx.doi.org/10.1787/empl_outlook-2015-en. [18]

OECD (2010), *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264088856-en. [20]

Pamporov, A., E. Markova and G. Yordanova (2020), *Comprehensive report for evaluation of Roma integration policies in Bulgaria in the period 2012-2019*, Bulgarian Academy of Sciences, Institute of Philosophy and Sociology, http://www.nccedi.government.bg/sites/default/files/2021-01/Final_Assessment_Report_Roma_Strategy_2020_Final.pdf. [29]

Parekh, N. and T. Rose (2011), "Health inequalities of the Roma in Europe: A literature review", *Cent Eur J Public Health*, Vol. 19/3, pp. 139-142. [58]

Roy, H. (ed.) (2017), *Promoting Roma Inclusion, Policy Paper*, Eurodiaconia, https://www.eurodiaconia.org/wordpress/wp-content/uploads/2018/02/Policy-Paper-Roma-Inclusion.pdf. [51]

Soler Penadés, V. and M. Corell Doménech (eds.) (2016), *Fighting discrimination and anti-Gypsyism in Education and Employment in EU*, Florida Universitaria, http://projectpal.eu/wp-content/uploads/2017/06/PAL_WS1.6.-Analysis-of-data-collected-and-research-finalization-Final-version.pdf. [32]

Sundaram, R. et al. (2014), *Portraits of Labor Market Exclusion*, The World Bank, Washington DC. [1]

Tomova, I. and L. Stoychev (2017), *Analysis and expert assessment of the progress of the Republic of Bulgaria on the main priorities for social inclusion of Roma*, Bulgarian Academy of Sciences, Institute for Population and Human Studies, http://www.nccedi.government.bg/sites/default/files/2019-01/BAS%20Report_NCCEII_V2.0.pdf. [37]

UNICEF (2016), *Research on the Social Norms which Prevent Roma Girls from Access to Education*, United Nations Children's Fund, https://www.unicef.org/bulgaria/media/1886/file/Social-norms-which-prevent-roma-girls-from-access-to-education-EN.pdf. [48]

World Bank (2015), *Bulgaria's Potential for Sustainable Growth and Shared Prosperity: Systematic Country Diagnostic*, World Bank Group, https://documents1.worldbank.org/curated/en/521881467994600656/pdf/99721-CAS-P151391-SecM2015-0217-2-IFC-SecM2015-0085-2-Box393212B-PUBLIC-mark-VERSION-REVISED.pdf. [42]

Notes

[1] Only for health type barriers do Roma appear to do better than other ethnic groups in Table 3.3. However the self-perceived fewer barriers to health should be interpreted with care, as it is known that health inequalities are often worse for Roma, with Roma people suffering lower life expectancy and higher rates of communicable and non-communicable disease than other groups (Parekh and Rose, 2011[58]).

[2] For example, some unemployed persons may search for a job without registering with the PES, while some persons registered with the PES may state in the LFS that they are not seeking a job (and hence be classified as inactive).

[3] Project 2014BG05M9OP001-3.2015.001 „Development and introduction of a system for monitoring, evaluation and control for implementation of the National Roma Integration Strategy of the Republic of Bulgaria 2012-20". The NRIS implementation monitoring system is available at the following: web address: https://nrcpsystem.government.bg/SitePages/%D0%9D%D0%B0%D1%87%D0%B0%D0%BB%D0%BD%D0%B0%20%D1%81%D1%82%D1%80%D0%B0%D0%BD%D0%B8%D1%86%D0%B0.aspx.

[4] EVS is a large-scale, cross-national, repeated cross-sectional survey research programme on basic human values. It provides insights into the ideas, beliefs, preferences, attitudes, values and opinions of citizens all over Europe.

[5] The project started in August 2018 and is funded by the European Economic Area (EEA) and Norway Grants. The project goal is to find approaches for drawing a more comprehensive picture on the situation of vulnerable groups in Bulgaria, as this will support the development of more effective policies for those groups of the population at national and local level. The key project activities include conducting: 1) a study of the existing good practices and methods for identification of vulnerable groups of the population and 2) a survey among 15 000 households across Bulgaria, the results of which will be used for the purposes of policy making in the field of social inclusion, development of target indicators for the EU Operational Programmes and monitoring the implementation of the UN Sustainable Development Goals in Bulgaria.

[6] Using a random sampling approach, the survey interviewed 23 500 respondents across the 27 EU Member States in 2009 – including 3 500 Roma respondents in seven EU Member States and, for the purpose of comparison, additional 5 000 people from the majority population in 10 EU Member States.

[7] The EU-MIDIS II survey aimed to assess progress made since the first survey in 2008 and was based on face-to-face interviews across all 28 EU Member States. The survey was carried out between October 2015 and July 2016 and contained questions on perceived discrimination in different settings, such as employment, education, housing and health when using public or private services. More information about the survey is available at: https://fra.europa.eu/en/project/2015/second-european-union-minorities-and-discrimination-survey.

[8] Bulgaria, the Czech Republic, Greece, Spain, Hungary, Portugal, Romania and the Slovak Republic.

[9] In Bulgaria, 51% of working Roma lack health insurance, far higher than in other EU countries. In the 11 EU countries covered in EU FRA (2014[50]), on average only 19% of working Roma stated that they did not have health insurance.

[10] https://stats.oecd.org/Index.aspx?DataSetCode=HEALTH_PROC#.

4 Unemployment and related benefits in Bulgaria

Kristine Langenbucher and Judd Ormsby

A critical component of activation policies concerns the incentives that people face to become formally employed or to remain in employment. The tax and benefit system must strike the right balance of maintaining incentives to work and cost-effectiveness while ensuring income support for vulnerable individuals. This chapter examines how well Bulgaria's tax and benefit system strikes this balance, with a focus on unemployment insurance, social assistance, and related benefits available to unemployed and inactive people. In addition to examining these benefits and how well targeted they are, this chapter also discusses briefly the overall effects of Bulgaria's tax and transfer system on inequality.

4.1. Introduction

The incentives people face to become employed are a critical component of activation policies. The tax and benefit system aims to redistribute income, to alleviate poverty, to reduce inequalities, and to smooth consumption in addition to the goal of collecting revenue to fund government spending. The tax and benefit system also impacts directly on incentives to work. This chapter assesses how Bulgaria's tax and benefit system supports the out-of-work while maintaining good incentives to work.

Other factors that influence incentives for work include opportunities provided by the overall labour market situation (see Chapter 2) as well as individual's human capital (see Chapter 3). A further, crucial consideration concerning incentives are activation related eligibility rules tied to benefit receipt. Such rules require jobseekers to search for and not refuse jobs or else face sanctions on their benefit receipt. These eligibility rules are discussed in Chapter 5.

Section 4.2 begins with an overview of Bulgaria's benefits for those out-of-work: detailing especially the rules, durations, and amounts for unemployment insurance and social assistance while briefly describing available invalidity benefits and benefits for families. Following this, Section 4.3 examines the effects the benefit system has on incentives for work and alleviating poverty. Finally, Section 4.4 concludes with key findings.

4.2. Overview of unemployment and related benefits for those out-of-work

The decisions governments make around who is entitled to claim out-of-work benefits, the amount people receive, and the duration people can claim them for, affect how well the benefit system reduces poverty and inequality while maintaining incentives to work. This section details the system of unemployment insurance, social assistance, and related benefits for those out-of-work, while the next section looks at the effects of the system on incentives and inequality.

Income-support for unemployed individuals in Bulgaria is provided primarily through a two-tiered system through the benefits of:

- Contributory unemployment insurance (Обезщетение за безработица) which is not means-tested but requires a minimum period of social security contributions.
- Social assistance (Социална помощ) and the heating allowance (целева помощ за отопление), which are means tested and targeted towards low income families but are not dependent on social security contributions.

4.2.1. Unemployment insurance (Обезщетение за безработица)

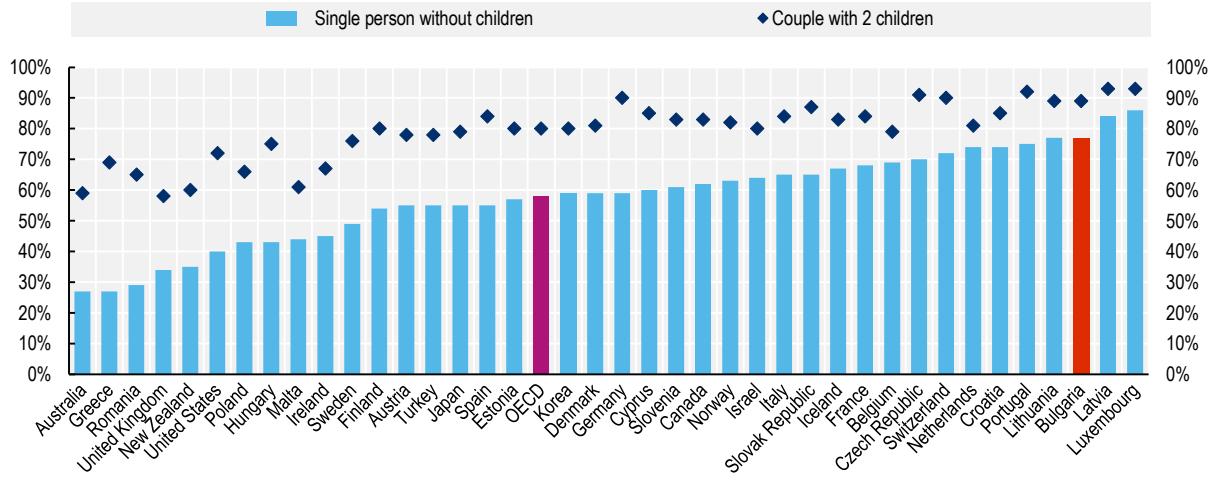
This section details Bulgaria's unemployment insurance: durations, amounts, entitlement rules and coverage.

Unemployment insurance amounts are generous

Recipients of unemployment insurance receive a standard rate of 60% of contributory income (averaged over the last 24 months). The minimum amount is BGN 9.12 (EUR 4.6) per day (or BGN 195 (EUR 99.7) per month). The maximum amount is BGN 74.29 (EUR 37.8) per day (BGN 1 609.6 (EUR 823) per month. By international standards the 60% replacement rate is high and amounts to 77% net of tax and social security contributions for a single person without children (Figure 4.1). However, there are exceptions to the "standard" 60% rate. If employment ended voluntarily or as a result of misconduct, then the minimum unemployment insurance is paid.[1]

Figure 4.1. Unemployment insurance replacement rates are high in Bulgaria

Net replacement rates for a single person with no children and a couple with two children, 2019



Note: Rates are net of tax and benefits. Earnings prior to unemployment and for the other partner of the couple are assumed to be at the average rate and contributions are assumed to be long enough to qualify for unemployment insurance. Rates are assessed at month two of unemployment. OECD is an unweighted average and excludes Chile, Colombia, Costa Rica and Mexico.
Source: OECD calculations based on the OECD tax-benefit model, www.oecd.org/social/benefits-and-wages/data/.

StatLink https://stat.link/n7f5b6

Unemployment insurance duration and coverage are modest

Recipients of unemployment insurance must have contributed to the scheme for a minimum of 12 out of the last 18 months to receive payments. For those with less than three years of contributions, unemployment insurance is paid for just four months and it is paid for a maximum of 12 months for those with at least 15 years of contributions. In the case of voluntary quits, the duration is also reduced to the minimum four months. The 12 month maximum duration is similar to many countries in the OECD. The approximate median entitlement duration for claimants is eight months and about a third of people have less than six months of eligibility (Table 4.1). (These durations are approximate, see note to Table 4.1).

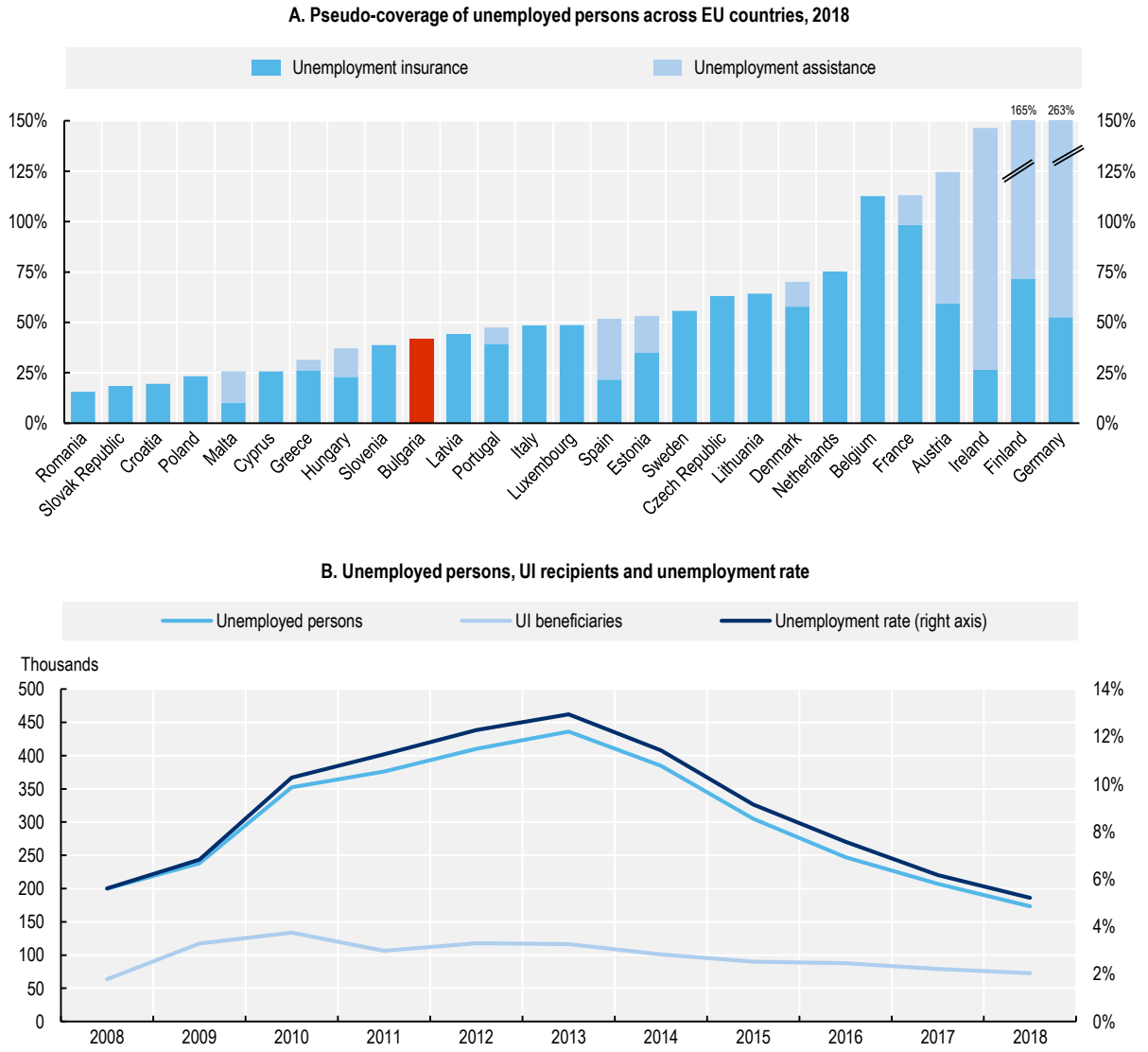
Unemployment insurance payments cease when recipients find jobs. The one exception is for low paid part-time jobs with total earnings less than the full-time national minimum wage. In this case recipients can claim 50% of their remaining unemployment insurance benefit – which is paid out as a re-employment allowance (Обезщетение за безработица на лица наети на непълно работно време).

Benefit durations and entitlement criteria are challenging to compare across countries. One way to compare entitlement and duration generosity is to look at “pseudo-coverage”. Pseudo-coverage is defined as the total number of people on unemployment benefits over the total number of unemployed people (as measured by the Labour Force Survey). Because the numerator and denominator come from different data sources and do not fully overlap “pseudo-coverage” provides only a rough approximation of the percentage of unemployed people who receive unemployment support. For example, some people who are not actively searching for employment (i.e. not identified as unemployed in the LFS) may receive unemployment benefits, while others who are unemployed may not receive benefits either because they are not entitled to such benefits or because they do not claim benefits they are entitled to. The degree of these issues can vary across countries for various reasons including policy settings (e.g. in Finland and Germany pseudo-coverage rates exceed 100% reflecting that many people who are not actively searching for work are able

to claim benefits). However, pseudo-coverage is still useful as it can be easily calculated and compared across countries.

Bulgaria's pseudo-coverage rate is below the median EU country (Figure 4.2, Panel A). Panel B of Figure 4.2 shows that unemployment insurance claimants in Bulgaria rose during the Global Financial Crisis (GFC) but not nearly by as much as unemployment rates did. This likely reflects that many people who were out of work following the GFC were not eligible for or had exhausted their unemployment insurance before finding a job.

Figure 4.2. Unemployment coverage is moderate in Bulgaria



Note: Data cover persons 15 and over. Pseudo-coverage measures the number of people on unemployment benefits divided by the LFS measure of people in unemployment (i.e. ILO definition – available and seeking work). Bulgaria only provides for unemployment insurance not unemployment assistance. See the Social Benefits Recipients Database for caveats when interpreting pseudo-coverage.
Source: *OECD Social Benefits Recipients Database (SOCR)*, www.oecd.org/social/social-benefit-recipients-database.htm and the European Labour Force Survey.

StatLink https://stat.link/1f9ejx

Disadvantaged groups get less unemployment insurance and for less time

As discussed above, the amount and duration of unemployment insurance depends on contributions lengths and the level of prior earnings, as well as the reason for leaving a job and prior unemployment insurance claims. Rules of this type are the nature of an unemployment insurance scheme. However, they also entail that those with less stable employment, as well as those who have only recently joined the labour force, can get lower amounts of unemployment insurance for less time. These groups will then be more reliant on means-tested social assistance, which is discussed in the next section.

By analysing detailed micro-data provided by the National Employment Agency (NEA) on more than 244 000 people claiming unemployment insurance between January and September 2020 it is possible to quantify the different amounts different groups receive. Table 4.1 shows the daily amount in BGN that people from different groups actually receive. The analysis provides a detailed understanding of unemployment insurance receipt by looking across many different demographic groups defined by ethnicity, education, health status, age, and gender. Table 4.1 also shows how frequently the minimum and maximum payments are applied and whether people are eligible for at least six months of unemployment insurance.

Table 4.1. Duration and amounts of unemployment insurance for different groups in Bulgaria

Number of people on UI, median amount of UI, percentage of people on minimum and maximum UI and percentage with less than six months of eligibility (conditional on some eligibility)

Group	Number of people on UI	Median daily amount (BGN)	Mean eligible duration (months)	Share on minimum	Share on maximum	Share with less than six months eligibility
Total	244 028	16.5	8.0	29.0%	5.2%	33.6%
Ethnicity						
Bulgarian	205 121	16.8	8.2	27.2%	5.3%	31.2%
Turkish	18 425	15.2	7.0	39.2%	5.8%	46.3%
Roma	7 641	12.0	5.5	47.3%	3.9%	63.7%
Education						
Low	43 110	15.2	6.8	39.1%	5.4%	48.0%
Medium	147 853	16.5	8.2	28.5%	4.5%	31.9%
High	35 851	20.5	8.4	24.7%	7.5%	28.7%
Health						
No known health problem	231 594	16.6	8.0	29.1%	5.4%	33.8%
Health problems	12 434	16.2	8.5	27.0%	2.0%	29.1%
Age						
18-29	31 676	15.9	5.1	37.2%	5.1%	61.3%
30-54	159 516	16.7	8.4	27.9%	6.3%	29.3%
55-64	50 206	16.5	8.8	26.9%	2.3%	29.1%
Gender						
Women	142 876	16.2	8.0	30.3%	3.8%	34.3%
Men	101 152	17.5	8.1	27.0%	7.2%	32.5%

Note: Recipients of UI at any point between Jan. 2020 – Sept. 2020. Multiple spells for the same person are treated separately (except for the number of people in each group). Median daily amount can be converted to an approximate average annual (monthly) rate by multiplying by 260 (260/12) noting that payment duration is usually less than one year. On some relatively infrequent occasions the duration of the unemployment spell is over or underestimate when people are on a second spell, or the spell is interrupted by time spent participating in ALMPs. The modest differences between the figures reported in this table and those reported by the National Social Security Institute (NSSI), see (National Social Security Institute, 2020[1]), are related to a difference in the provided sample (e.g. different time periods) and because the NSSI's figures refer to averages across months whereas the figures in this table report averages across individual spells.
Source: OECD calculations based on National Employment Agency data.

StatLink https://stat.link/0eoadx

The analysis demonstrates that many of those from groups with high activation potential – such as those identified in Chapter 2 – get less unemployment insurance and for a shorter time. While the overall median daily amount of unemployment insurance is BGN 16.5, Roma receive only about BGN 12 and nearly half receive the minimum. Youth and persons with low education are also more likely to receive the minimum. Almost all people who are on the minimum amount receive it because of a "reduction" (e.g. because they voluntarily quit their job or lost if due to misconduct). About one-third of those on the minimum rate get it because it is their second spell of unemployment and about 62% of those on the minimum receive it because they voluntarily quit their job or were dismissed for misconduct (OECD calculations on NEA micro data, figures not shown in Table 4.1)

4.2.2. Social assistance (Социална помощ) and the heating allowance (целева помощ за отопление).

Bulgaria's social assistance (Социална помощ) is a means tested, family-level benefit designed to support families suffering from long-term unemployment and is available for unlimited duration.[2] In addition to the social assistance benefit, there is also a heating allowance (целева помощ за отопление). The heating allowance is a means tested family-level benefit targeted towards lower income households. The heating allowance is paid to recipients for the five months from November to March. This section details Bulgaria's social assistance and heating allowance: including entitlement rules, amounts, and coverage.

Social assistance is available to households with very low income

Total family income is taken into account to calculate entitlements according to a means test. Social assistance tops up family income to a certain level known as the family's Differential Minimal Income (DMI). The family's DMI is based on a complex formula dependant on family type but the levels are low (see, for example, the policy descriptions from the OECD tax-benefit model for further details). For a family of four with two school aged children the DMI is just BGN 235.5 (EUR 120.4) well below the minimum wage of BGN 610 (EUR 311.9) per month for one full-time earner.

In addition to low income, families must not have another home or property, capital, or assets that might be a source of income. In most cases, adults are expected to be registered as unemployed, searching for a job and not have declined trainings offered by the NEA. Finally, the house lived in must have sufficiently few rooms for a family of their size.

The heating allowance is also based on a similar formula as that for social assistance. However, the income thresholds for the heating allowance are typically higher, so that there are people who may qualify for the heating allowance but not for social assistance.[3] For the 2019/20 heating season the base allowance was BGN 93.18 (EUR 47.6) per month or BGN 465.9 (EUR 238.2) over the whole heating season (although this amount can change depending on the price paid for electricity). Again, this level is well below the minimum wage of BGN 610, and so the heating allowance is also targeted only towards very low income households.

Social assistance payments are too low to alleviate relative poverty

By supporting people with enough money to live on, people can focus their efforts on searching for sustainable employment. Without such support people may need to resort to wider family support or seek work in informal economy (which is especially large in Bulgaria at close to one-third of GDP – see Chapter 1). Moreover, activating inactive individuals through outreach (discussed further in Chapter 4) is easier for the Public Employment Service (PES) if jobseekers themselves have incentives to register with the unemployment agency in order to claim benefits.

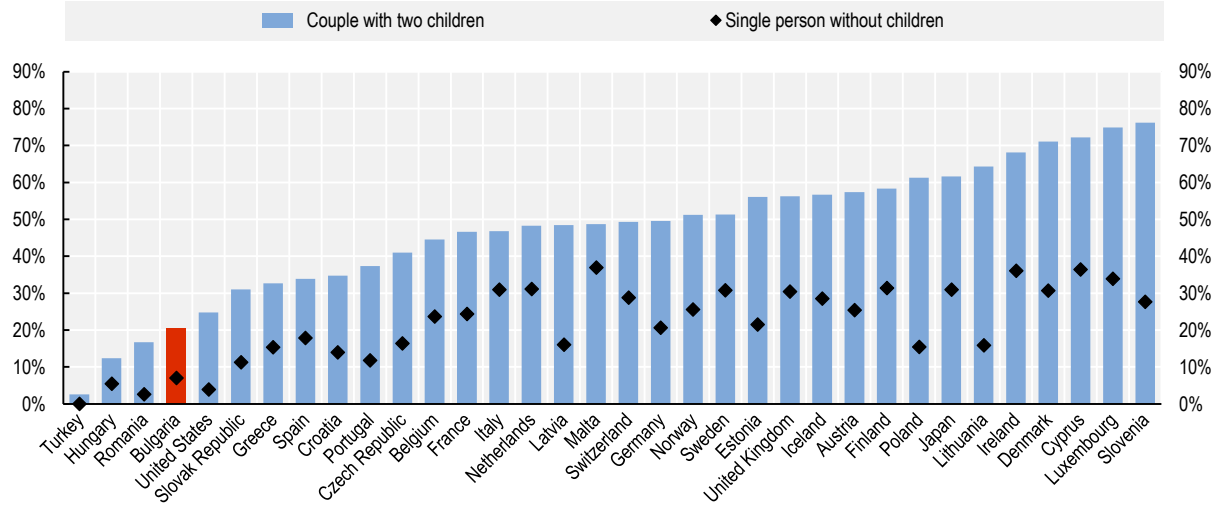
However, unlike unemployment insurance, Bulgaria's minimum income benefits are not generous and are very low by international standards (Figure 4.3). Taking social assistance and the heating allowance

together, a couple with two children would receive benefits equal to 17% of median disposable income, compared with 40% for the OECD average.

Bulgaria also requires social assistance recipients to do compulsory community service (for example environmental or sanitation work). This requires four hours of work per day for 14 days each month, though there are exemptions including for participating in an active labour market programme (ALMP). Such obligations make the already low levels of social assistance less attractive to participants and provide a disincentive to claim such benefits. In addition, it may make participating in informal work more attractive and can hinder outreach and opportunities to activate this group.

Figure 4.3. Bulgaria's minimum income and family benefits are low

Guaranteed minimum income benefits and family benefits as a percentage of median disposable income, 2020



Note: Includes the heating allowance for Bulgaria. For countries where the rate changes with length of time in unemployment the rates are assessed at month two.
Source: *OECD Benefits, Taxes and Wages Database*, www.oecd.org/social/benefits-and-wages/.

StatLink https://stat.link/hbc0sg

Social assistance payments begin only after six months of unemployment registration

No other country in the OECD's tax-benefit policy tables reports requiring social assistance recipients to wait as long for benefit payments as Bulgaria (OECD, 2020[2]). Social assistance clients in Bulgaria must normally register with the unemployment agency for six months before they become eligible for social assistance. There are exceptions to this six month waiting/unemployment registration period for social assistance receipt. These exemptions, however, only cover narrow cases.[4] Registration with the employment agency is a requirement for all family members (again with some exclusions e.g. children and others not expected to find work).

For social assistance recipients who are entitled to six months or more unemployment insurance there will not be a gap between the end of unemployment insurance payments and the start of social assistance. However, those ineligible for unemployment insurance must spend six months without support before they can receive social assistance. This is potentially a long time to live without income replacement, especially so given that all these households are low-income (middle income households are ineligible for social assistance). Indeed, even out of those who qualify for unemployment insurance roughly a third have less

than six months of eligibility and this share rises to nearly two-thirds for Roma and youth aged 18-29 (Table 4.1).[5] This implies that many people who have some unemployment insurance coverage may still face several months between unemployment insurance ending and social assistance payments beginning.

Social assistance misses many of those who live in relative poverty

There were about 100 000 households receiving social assistance in 2016, the latest year for which data is available in the OECD Social Benefit Recipients (SOCR) database (Figure 4.4). Prior to this, in 2015 the number of households on social assistance was closer to 200 000. While these figures refer to households (rather than individuals) receiving payments, these figures are well below the number of people living in relative poverty (there are around 600 000 working age individuals living in household with less than 50% of median equalised income Figure 4.4).

Social assistance recipient numbers are most likely low in part due to the very low minimum income threshold but another reason for their low number could be a limited take-up. Earlier work showed that benefit take-up in Bulgaria is low with 40% of intended recipients not taking up benefits that they were entitled to (Tasseva, 2016[3]). In addition, 60% of people surveyed said they received benefits that they were not eligible for (with eligibility based on the author's calculations using other survey questions).

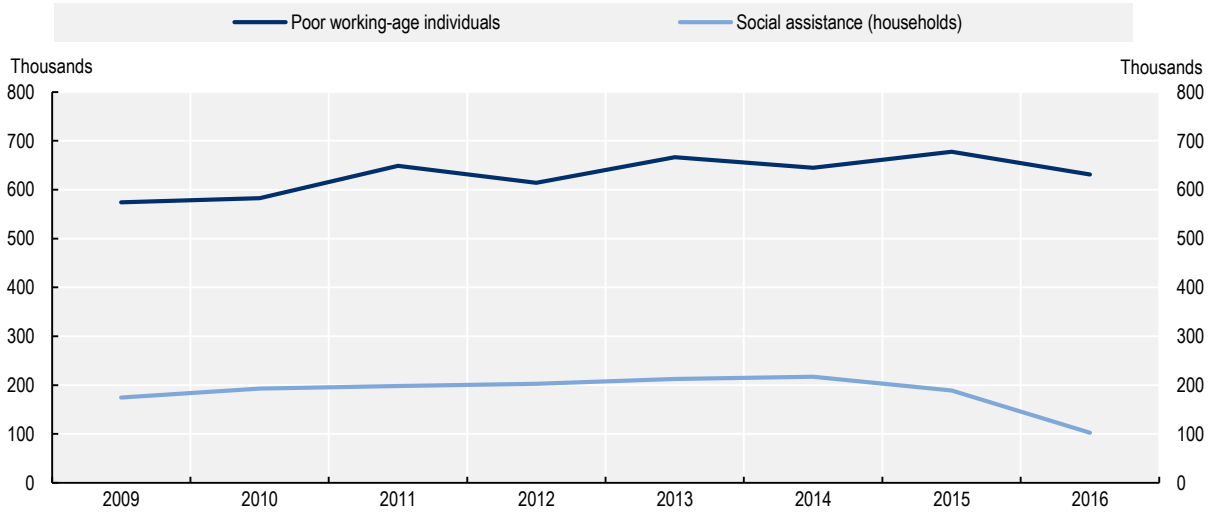
More generous social assistance could reduce poverty risks and foster improved outreach to the inactive

While the exact numbers here should be treated with much caution – the data Tasseva (2016[3]) uses is from 2007 – it is likely that a non-trivial number of people do not claim social assistance they are entitled to. Increasing the amount social assistance pays while decreasing or removing requirements to participate in compulsory work could increase incentives to claim social assistance and thus increase incentives to register with the NEA. More generous social assistance could, hence, be part of activation strategy to reach a higher number of inactive people and activate them and integrate them into sustainable employment.

High levels of out-of-work benefits can lead to disincentives to work. Disincentives to work are discussed in more depth in the next section. However, it is important to note that there is little risk (except in the case of an extreme rise) that increasing social assistance would lead to excessively high disincentives as social assistance is currently set very low relative to other countries (Figure 4.3). Any disincentives to work can be offset by imposing time limits to more generous assistance or by increasing and the requirements for active job search by jobseekers in order for individuals to receive payments. These activation requirements are discussed further in Chapter 5, which shows that Bulgaria's activation requirements are relatively lenient. Further, provided sufficient checks can be put in place to prevent people claiming social assistance while working in the informal economy, then a more generous level of social assistance would reduce people's incentives to work in the informal economy.

Recent reforms in other countries have also provided examples of more generous benefits that are also tied to activation policy. For example, when recently Italy introduced a new social assistance scheme "*Reddito di Inclusione*" on 1 January 2018, it was combined with activation efforts including requirements for job-search, ALMP participation, and the drawing up of individual action plans. Likewise, Spain's new *Minimum Income Scheme* (MIS), introduced in June 2020, also comes with activation requirements including requirements to register as job-seekers and the provision of individualised "inclusion itineraries". In addition the MIS has a "making work pay" incentive scheme that allows recipients to temporarily receive a (reduced) amount of MIS while starting work. Details of both the Spanish and Italian changes can be found in the policy descriptions of the OECD's tax benefit model.

Figure 4.4. Many Bulgarians in relative poverty are missed by the benefit system



Note: "Poor" refers to individuals living in households whose equalised disposable income is below 50% of the median disposable income. As social assistance is awarded at the household rather than individual level only one benefit per household is recorded.
Source: *OECD Social Benefit Recipients (SOCR) Database*, www.oecd.org/social/social-benefit-recipients-database.htm.

StatLink https://stat.link/4yvb7d

4.2.3. Invalidity benefits and benefits for families

The analysis above examined the unemployment insurance and social assistance benefits which are both work tested and require job-search. This section now turns to the multitude of other benefits Bulgaria has, none of which require employment agency registration.

People with a reduced health capacity of more than 50% can claim invalidity benefits

Invalidity benefits are available in Bulgaria for people whose work capacity is assessed to be reduced by 50% or more for an extended period (European Commission, 2021[4]). These people do not need to register with the NEA in order to receive social assistance or an invalidity benefit. The main invalidity benefit is the invalidity pension for general illness (пенсия за инвалидност поради общо заболяване) which had about 385 000 recipients in 2018 (OECD Social Benefits Recipients Database). The invalidity pension is an insurance benefit and not means tested. The amount received depends on the length of social insurance contributions and average earnings prior to disability as well as the degree of work incapacity.

The lack of job search requirements potentially explains why so few people with disabilities are registered with the NEA. On the other hand, people with disabilities (50% reduced capacity) are eligible for a tax free allowance of BGN 7 920 (EUR 4 049.4) per year which increases work incentives.

In total, people with disabilities are less likely to work in Bulgaria than in many other countries (see Chapter 2). This suggests more could be done to support people with disabilities into employment where appropriate.

Benefits for families are numerous

Bulgaria has myriad benefits available to families. Indeed, in the next section, Table 4.2 shows Bulgaria spends nearly two-and-a-half times as much on families and children as it does on unemployment benefits,

social assistance, and the heating allowance combined. For comparison, the comparable ratio for the EU average is closer to 1.2.[6] However, Bulgaria's high ratio of expenditures on families and children relative to expenditure alleviating unemployment and social exclusion is driven by low expenses on the later rather than above average spending on the former.

The main benefit available for families with children aged less than 18 (or less than 20 but still in school) is a means-tested family benefit (Месечни помощи за дете). Family income averaged over the last 12 months must be below BGN 410 (EUR 209.6) per month or if it is between BGN 410 and BGN 510 then families may receive 80% of the entitlement. The amounts start at BGN 40 (EUR 20.5) for the first child and go up to BGN 145 (EUR 74.1) for four children and an additional BGN 20 (EUR 10.2) for each child after that.

In addition to payments to families with children, Bulgaria's paid maternity leave is notably generous. Indeed, at 58.6 weeks (52.7 full-rate equivalent weeks), it is higher than any EU or OECD country (Figure 4.5). This maternity leave is paid at 90% of prior earnings averaged over the last 24 months (European Commission, 2021[5]).[7] Following maternity pay, mothers are eligible for a further 51.9 weeks of less generous paid parental leave, paid at an average rate of about 33% of prior earnings (OECD Families database date for 2018). Father's specific leave is much less generous at 2.1 weeks though still above the average for the EU of 1.7 weeks. After the first six months of leave, the mother can return to work and transfer her leave to the father. This allows the father to take paid maternity/parental leave for a period up to 1 year and 6 months (from the age of 6 months to the age of 2 years of the child).

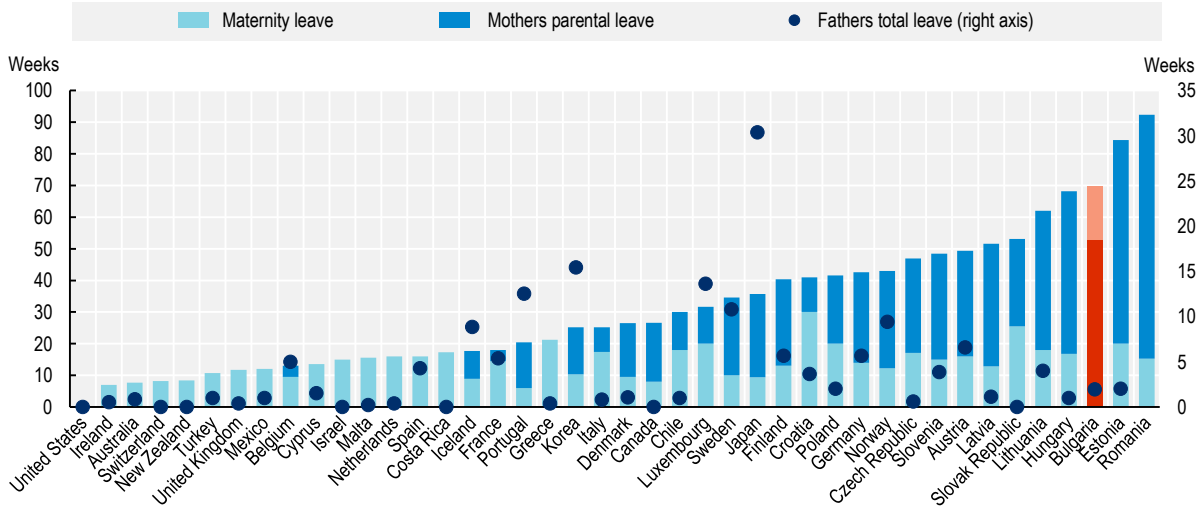
Chapter 2 highlighted that a high number of inactive women cite care responsibilities as a reason for inactivity. The group has great activation potential, especially as many of them no longer have young children under three years in the household. Hence, supporting women back into the labour force after maternity leave is important.

Strikingly more than 99% of those citing care barriers as their main reason for not seeking employment are women (see Chapter 2). This suggests that fathers could play a greater role in caring for children and alleviate some of the burden on mothers. To further increase the labour market participation of women and to re-balance norms around how care responsibilities are shared between fathers and mothers, some countries such as Korea, Sweden and Iceland, have increased the amount of father-specific leave (that cannot be transferred to the mother) (OECD, 2016[6]). Such policies create incentives for fathers to "use it or lose it" when it comes to taking parental leave.

There are many additional benefits and tax free allowances available (for additional details see the OECD's Tax-Benefit model's description of policy rules for Bulgaria (OECD, 2020[2])). Indeed, taking all benefits together (including those described above) there are at least 15 different transfers in Bulgaria, governed by different rules and managed by a number of different agencies (OECD, 2021[7]; World Bank, 2019[8]). Large numbers of these benefits often target the same or similar groups, (especially many benefits targeting families and child raising, but the social assistance and the heating allowance are also separate benefits that target similar groups). Such a large number of similarly targeted benefits increases paperwork and administrative costs associated with many separate applications for both citizens and the government. Such administrative costs are likely proportionately larger for smaller one-time benefits – where paperwork may make up a larger burden relative to the size of the transfer. Further, having many benefits for the same target group, potentially increases information costs for eligible participants. This could increase the time people spend acquainting themselves with their entitlements and in the worst cases may mean some miss out on benefits they do not know they are eligible for. Hence, simplifications to Bulgaria's benefit system offers benefits to both the government as well as recipients.

Figure 4.5. Maternity leave is generous in Bulgaria

Paid maternity and parental leave available to mothers and fathers in full-rate equivalent weeks, 2018



Note: Data for Chile and Costa Rica refer to 2017. Full-rate equivalent weeks reflects both the number of weeks and the amount paid.
Source: *OECD Family Database*, www.oecd.org/els/family/database.htm.

StatLink https://stat.link/an2cdh

Picking up on this aspect earlier reviews have recommended simplification of Bulgaria's benefit system much of which is yet to occur (Dimitrov and Duell, 2014[9]; World Bank, 2019[8]; OECD, 2021[7]). However, one positive example is Bulgaria's aggregation of benefits for families with children who have disabilities. Several benefits were replaced with one benefit launched in 2017 (World Bank, 2019[8]). This consolidation saved paperwork and benefit distribution costs to the government and recipients. Meanwhile the cost to the government, for most recipients, did not increase, as except for a small group of recipients, people did not receive larger payments than before the reform (World Bank, 2019[8]). This example could perhaps be considered in the case of other benefits and application processes for families.

4.3. Effects of taxes and transfers on incentives to work and inequality

The previous section reviewed the benefits available in Bulgaria: their entitlement rules, the amounts and the duration they are given for, and the coverage the benefits achieve. This section now turns to the effects of these benefits: how well the benefits alleviate poverty and whether they manage to do this without stifling incentives to work.

4.3.1. Low spending on social protection and a flat tax rate do little to reduce inequality

Spending on social protection in Bulgaria is low compared to other EU counties (Table 4.2). Bulgaria also makes much less use of means testing than the EU average. Indeed, expenditure on the means-tested social assistance and heating allowance (classified in Table 4.2 under the "social exclusion not classified elsewhere" category) represents just 0.2% of GDP. Spending on alleviating unemployment is also low making up just 0.5% of GDP which is less than half of the EU average.

Table 4.2. Spending on social protection benefits is low in Bulgaria

Social protection benefits, excluding old age and survivor pensions, 2018

	Bulgaria	EU27
Function	***As a percentage of GDP***	
Sickness and health care	4.9%	7.8%
Disability	1.2%	2.0%
Family and children	1.7%	2.2%
Unemployment	0.5%	1.2%
Housing	0%	0.4%
Social exclusion not classified elsewhere	0.2%	0.6%
Total social protection benefits to working-age population	8.4%	14.4%
Cash and in-kind	***As a percentage of total social protection***	
Cash benefits	36%	38%
In-kind benefits	64%	62%
Means-testing		
Means-tested benefits	6%	17%
Non means-tested benefits	94%	83%
Memorandum: Old age and survivors benefits (% of GDP, not included above)	8.0%	12.3%

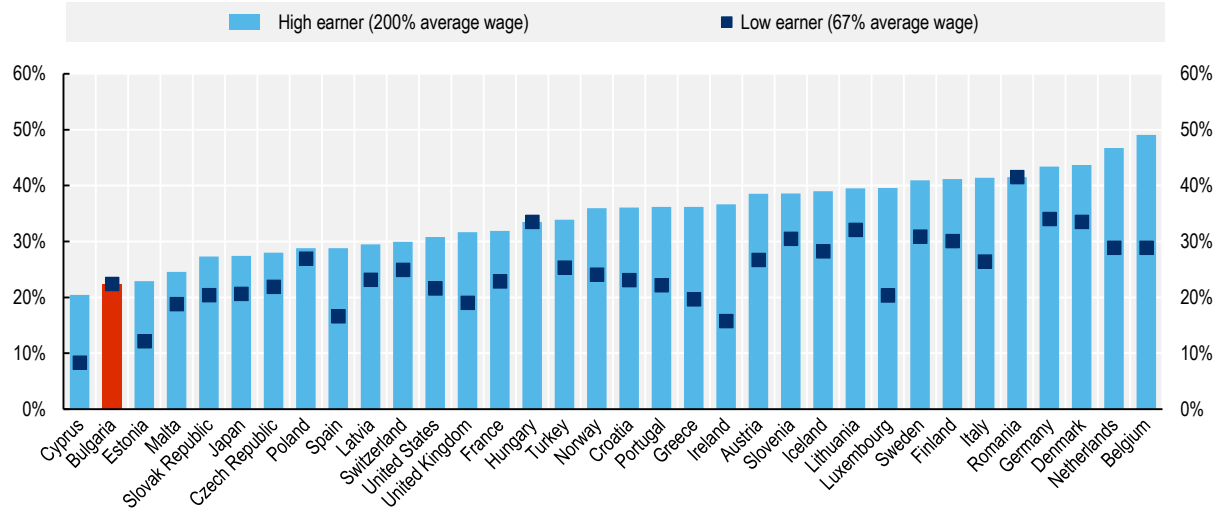
Note: The different "functions" cover a mix of cash and in kind transfers as well as means/non-means testing. Bulgaria's monthly Social assistance and Social assistance for Heating are both included in the "social exclusion not classified elsewhere" category. Other benefits covered by the "social aid" and managed by the social assistance agency may be included in other functions (e.g. "Family/children", "Disability", "Housing"). The overall percentage of cash/non-case and means-tested/non-means tested benefits is shown under the respective headings. Old and age survivor pensions are excluded from the functions and from the means testing and cash/in kind calculations.
Source: *Eurostat, Social protection Database (ESSPROS)*, https://ec.europa.eu/eurostat/web/social-protection/data/database.

StatLink https://stat.link/jqwhe6

Bulgaria operates a flat low income tax of 10% with no basic tax allowance (i.e. no portion of income is exempt from taxation except for some deductions related to children and disabilities). While income taxes are low, social security contributions are substantive at 13.8% for employees and 19.2% for employers. This leads to a high average tax wedge of 43% on labour income. There are maximum limits to social security contributions – employees do not pay contributions on income over 3 000 BGN (1 533.9 EUR) per month. Overall then, the system is slightly regressive. With this set up, high wage earners in Bulgaria pay a very low level of tax relative to other countries (Figure 4.6). By contrast low-income earners face rates that are much closer to the OECD average. Taxes on capital earnings, while they vary by asset class, are also much lower than on labour earnings which further favours wealthier households. A tax neutral shift that places more of the burden on high income earners and less on low income earners, for example by introducing a basic tax allowance, could improve incentives to work for low-wage workers without introducing extraordinarily high taxes on high earners (OECD, 2021[7]).

Figure 4.6. Tax wedges are the same for low and high wage earners in Bulgaria unlike in most other countries

Average combined tax rate from personal income and social security contributions, percentage of gross wage, 2019



Note: The average tax rate is calculated for a single household without children and housing costs at 20% of the average wage.
Source: OECD calculations based on OECD Tax-benefit models, www.oecd.org/social/benefits-and-wages/.

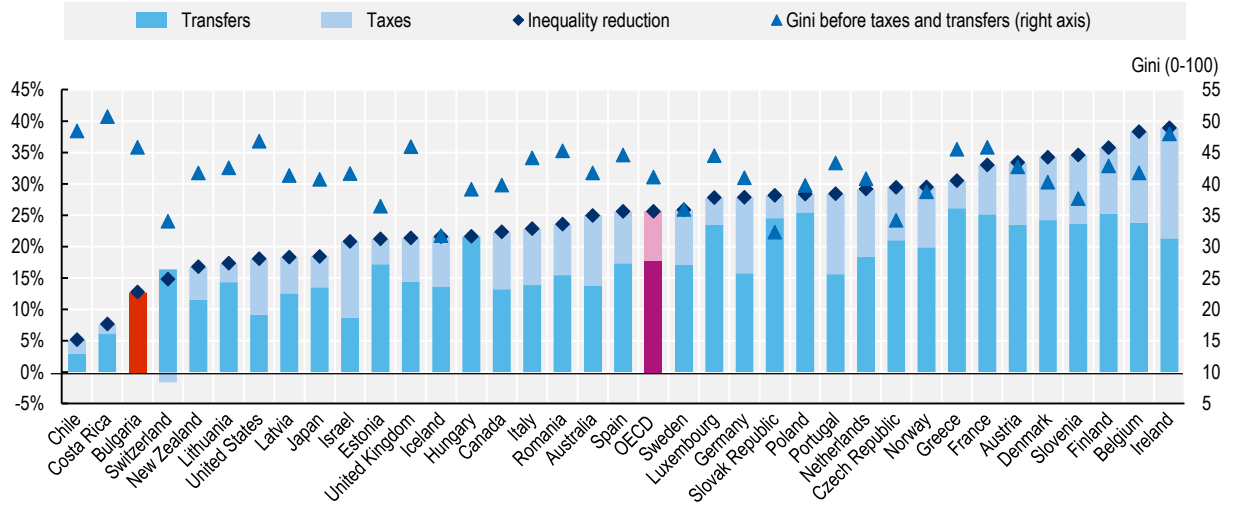
StatLink https://stat.link/zqs1wp

Income inequality in Bulgaria is the highest in the EU as measured by the Gini coefficient. Indeed, Bulgaria's tax and transfer system reduces income inequality by less than any EU country (Figure 4.7). The 13% reduction in the Gini coefficient that is achieved (from pre- to post-tax-and-transfers) is driven entirely by cash-transfers (including pensions). Effectively none of the reduction is achieved by taxation, a rarity among EU and OECD countries where income inequality reductions are usually achieved by a combination of taxes and transfers (Figure 4.7). By definition, those on low incomes are taxed by more than they would be if, all else equal, a more progressive tax system was adopted.

Aside from taxation, increasing the generosity of transfers targeted towards people in poverty, such as social assistance, would also reduce income inequality. At present, the amount of social assistance families receive is well below the relative poverty lines.

Figure 4.7. The tax and transfer system does little to reduce inequality in Bulgaria

Percentage reduction in inequality by taxes and transfers, working-age population, 2018 or latest available year



Note: Inequality reduction is measured as the difference between Gini coefficients before and after taxes and transfers scaled by the Gini coefficient for household incomes before taxes and transfers, see Causa and Hermansen (2017). The split between transfers and taxes is computed using the Gini coefficient for income after transfers and before taxes. Taxes compose personal income taxes and employees' social security contributions, while transfers only include cash social benefits. Working-age population refers to age 18-65.
Source: OECD (2021), *OECD Economic Surveys: Bulgaria 2021: Economic Assessment,* OECD Publishing, Paris, https://doi.org/10.1787/1fe2940d-en.

StatLink https://stat.link/ybjihd

4.3.2. Transitions from unemployment insurance and social assistance to work

As people move from unemployment into a job they gain employment income while losing support from benefits. Participation Tax Rates (PTRs) measure the proportion of additional income lost in taxes or through benefit reductions when people transition into full time employment. For those on social assistance PTRs are low at about 29% for a single person (calculations using the OECD tax benefit model for a transition to work from social assistance to the average wage for a single person). Unemployment insurance, on the other hand, is more generous (Figure 4.1), so when people forgo unemployment insurance to take up work, the PTRs can be higher – with around 82% of earned income lost (calculations using the OECD tax benefit model for a transition to work from unemployment insurance to the average wage for a single person).[8]

These disincentives are mitigated by benefit eligibility requirements that require participants to search for and not refuse jobs, with sanctions on benefit receipt for non-compliance. These eligibility requirements are discussed further in Chapter 5.

The above discussion described simple PTRs faced by a single person transitioning from social assistance or unemployment insurance to work. An alternative approach is look at every family type in Bulgaria by combining survey data with a tax model. In this way, the incentives facing every person/family can be calculated and results representative of the population reported. Jara, Gasior and Makovec (2017[10]) conduct this exercise for 2015 using the EUROMOD microsimulation model making comparisons across nine countries. Their more sophisticated analysis is consistent with the findings here. They show average PTRs in Bulgaria are modest compared to other countries when people have access to unemployment insurance and low compared to other countries once people lose access to unemployment insurance.

4.4. Key findings

Bulgaria's out-of-work benefits comprise a relatively generous unemployment insurance scheme and an ungenerous social assistance scheme, which is available only to very low income households. This means that once unemployment insurance claims are exhausted, people face the prospect of living in relative poverty on social assistance or resorting to the informal economy or wider family support (including remittances from abroad).

Bulgaria requires jobseekers to be registered with the NEA for at least six months before they can claim social assistance. This is a harsh requirement in an international context, and potentially entails a long wait for low-income families who do not have access to unemployment insurance or their unemployment insurance entitlement is less than six months. In addition, claimants of social assistance are expected to perform community service work, which makes the already low levels of social assistance even less attractive.

These features of social assistance, low payment amounts, a long six month registration requirement, and compulsory community work, contribute to low incentives to claim social assistance and potentially higher incentives to engage in the informal economy. Indeed, many people living in relative poverty do not receive social assistance. When people do not claim benefits it is harder for the PES to outreach and engage with them (see Chapter 4). Hence, an opportunity is missed for the PES to reach more jobless individuals and activate them (including through job search assistance and other employment services, as well as targeted ALMP provision, see Chapter 5).

Turning to the tax system, Bulgaria does not have a basic tax allowance, meaning that low income earners face the same flat 10% tax rate as high income earners. While such a simple system does have advantages, it also leads to high income earners paying relatively low amounts of combined tax and social security contributions compared to other countries. At the same time, low income earners face a relatively higher tax burden compared to other countries. Any reforms in this area would, however, need to undergo careful cost-benefit analysis and wait until recovery from the COVID-19 crisis is well underway (OECD, 2021[7]).

References

Dimitrov, Y. and N. Duell (2014), *Activating and increasing employability of specific vulnerable groups in Bulgaria: a diagnostic of institutional capacity*, The World Bank, Washington, D.C. [9]

European Commission (2021), *Bulgaria - Maternity and paternity*, European Commission, https://ec.europa.eu/social/main.jsp?catId=1103&langId=en&intPageId=5037 (accessed on 2021 November 16). [5]

European Commission (2021), *Bulgaria - Persons with disabilities*, https://ec.europa.eu/social/main.jsp?catId=1103&langId=en&intPageId=4434 (accessed on 7 September 2021). [4]

National Social Security Institute (2020), *СТАТИСТИЧЕСКИ БЮЛЕТИН ЗА РЕГИСТРИРАНИТЕ БЕЗРАБОТНИ ЛИЦА С ПРАВО НА ПАРИЧНО ОБЕЗЩЕТЕНИЕ ПРЕЗ 2020 г.*, National Social Security Institute, https://www.nssi.bg/images/bg/about/statisticsandanalysis/statistics/bezrabotica/unempl_2020.pdf. [1]

OECD (2021), *OECD Economic Surveys: Bulgaria 2021: Economic Assessment*, OECD Publishing, Paris, https://dx.doi.org/10.1787/1fe2940d-en. [7]

OECD (2020), *TaxBEN Policy tables*, https://taxben.oecd.org/policy-tables/TaxBEN-Policy-tables-2020.xlsx (accessed on 6 September 2021). [2]

OECD (2016), "Policy Brief: Parental leave: Where are the fathers?", OECD, Paris, https://www.oecd.org/policy-briefs/parental-leave-where-are-the-fathers.pdf. [6]

Tasseva, I. (2016), "Evaluating the performance of means-tested benefits in Bulgaria", *Journal of Comparative Economics*, Vol. 44/4, pp. 919 - 935, http://dx.doi.org/10.1016/j.jce.2016.02.003. [3]

World Bank (2019), *Harmonizing services for inclusive growth: Improving access to essential services for vulnerable groups in Bulgaria*. [8]

Xavier Jara, H., K. Gasior and M. Makovec (2017), "Low incentives to work at the extensive and intensive margin in selected EU countries", *EUROMOD Working Paper series*, Vol. 3/17. [10]

Database references

OECD Income Distribution Database www.oecd.org/social/income-distributiondatabase.htm

OECD Social Benefit Recipients Database www.oecd.org/els/soc/recipients-socr-by-country.htm#programme-level

OECD Social Expenditure Database, www.oecd.org/social/expenditure.htm

OECD Families Database, https://www.oecd.org/els/family/database.htm

ESSPROS https://ec.europa.eu/eurostat/web/social-protection/overview

Tax and Benefit Systems: OECD Indicators Database, www.oecd.org/social/benefits-and-wages.htm

Notes

[1] Similarly, those claiming the benefit a second time within three years receive the minimum amount.

[2] As a note on terminology some countries offer unemployment assistance (distinct from unemployment insurance and social assistance) for those who have exhausted or are not eligible for unemployment insurance. Unemployment assistance is an often generous benefit than unemployment insurance, it is usually means tested and it aims to support people's labour market integration once they have exhausted their unemployment insurance. Bulgaria does not offer unemployment assistance but does offer social assistance. Social assistance, is similar to unemployment assistance in that it is usually means tested and designed to support those who do not have access to unemployment insurance, however social assistance differs to unemployment assistance in that its main goal is to alleviated risks of income poverty.

[3] In principle, the reverse can also be true too: with some social assistance beneficiaries not eligible for the heating allowance. This is because social assistance is assessed on the last month of income whereas the heating allowance is assessed on the last six months of income.

[4] For example, parents of young children (up to three years old), people with disabilities, people caring for unwell family members, and pregnant women all do not need to register as unemployed while others must register but are exempt from the six month waiting period (e.g. when children leave school, when a mothers child turns four, when people are released from prison and when people finish trainings).

[5] Note that these calculations are approximate as the estimated duration of time receiving unemployment insurance does not always adequately account for multiple spells of unemployment insurance or for time spent participating in ALMPs (which results in them being de-registered from the unemployment register).

[6] Social assistance and the heating allowance are included under social exclusion not elsewhere classified in Table 4.2. Hence, the comparison ratio for the EU average divides expenditure on families and children by the sum of expenses on unemployment benefits and social exclusion not elsewhere classified.

[7] This amount must not be less than the minimum monthly full-time wage which for 2021 is BGN 650 (European Commission, 2021[5]).

[8] Once unemployment insurance payments cease there is a sharp drop in income to the social assistance level. Unemployment insurance last at most 12 months so there is, in this respect, strong incentives to find a job within this period.

5 Outreach activities to the out-of-work population

Kristine Langenbucher and Marius Lüske

This chapter discusses outreach activities to unemployed and inactive people in Bulgaria. While the National Employment Agency (NEA) has the leading role in reaching out to people who do not work and need support, further institutions implement outreach activities, often in co-operation with the NEA, such as the Social Assistance Agency (SAA) and municipalities. Registering with the NEA is a requirement for receiving unemployment benefits and social assistance benefits. While Bulgaria has stepped up efforts to establish a contact with unemployed and inactive people, there is a large pool of people who do not work but do not register with the NEA. In an international comparison, the share of the out-of-work population registering with the NEA is low. Unemployed and inactive people belonging to some specific groups of the population are particularly difficult to reach for the NEA, including young people, people close to retirement age and Roma.

5.1. Introduction

This chapter describes and discusses how the National Employment Agency (NEA) and other institutions reach out to the out-of-work population in Bulgaria, which comprises unemployed and inactive people of working age. Outreach to people who do not work and, more generally, people in need of support plays an important role in active labour market policy systems, as an adequate provision of active labour market programmes (ALMPs) can only be achieved if a sufficiently large share of unemployed and inactive people register with the NEA.

In order to discuss and analyse outreach to the out-of-work population, the chapter starts by identifying the institutions that are involved in reaching out to people who do not work. After this, it analyses financial incentives to register with the NEA, which are a strong driver for some (but not all) groups of unemployed and inactive people to register with the NEA, followed by a discussion of specific outreach activities the NEA carries out. The chapter then reports estimates of the share of the unemployed and of the out-of-work population (comprising both unemployed and inactive people) that registers with the NEA, highlighting that there is a large pool of people who do not work but have no contact with the NEA, especially among vulnerable groups. The final section summarises the key findings.

5.2. Institutions involved in outreach to inactive and unemployed people

As the central institution implementing policies to promote employment, the NEA has the leading role in approaching people who need support to find work.[1] This function of the NEA, which exceeds the responsibility of public employment services (PES) in a number of other European and OECD countries, is of particular importance in the light of looming labour market shortages and the need for a more inclusive labour market. The outreach strategies the NEA develops and puts into practice correspond to the labour market priorities set by the MLSP. In addition to the NEA, further public institutions, non-governmental organisations (NGOs) and private actors contribute to reaching people in need of support, often in co-operation with the NEA.

5.2.1. National Employment Agency (NEA) and Ministry of Labour and Social Policy (MLSP)

The NEA is an executive agency of the MLSP. Both institutions are jointly responsible for ensuring an adequate provision of ALMPs according to the legal regulation in force (Republic of Bulgaria, 2001[1]).

While the MLSP holds general and strategic responsibilities regarding the provision of ALMPs, the NEA has partial decision power or is consulted on strategic decisions, in addition to delivering ALMPs (OECD, forthcoming[2]). This general division of responsibilities between the MLSP and the NEA implies that the NEA has a direct responsibility for outreach to unemployed and inactive people, as it is in charge of the daily implementation of ALMPs and outreach activities. In particular, NEA's 106 local employment offices and 145 affiliated offices/branches play a central role in approaching people in need of support. NEA staff working in local offices regularly engage in specific outreach activities, which can be permanent or temporary, including in small settlements far from economic centres (see Section 5.3). In 2020, more than 35 000 economically inactive people were activated by the NEA (NEA, 2021[3]).

The MLSP influences outreach to the unemployed and inactive indirectly, most notably by setting the general rules regulating ALMP provision. In particular, it takes budgetary decisions on ALMPs and defines target groups for support, thereby laying out general priorities and the scope of outreach activities. For instance, by setting up, approving and co-ordinating the national programme "Activation of Inactive Persons", the MLSP put a specific focus on targeting and outreach to young people, Roma people and other vulnerable groups (NEA, 2021[4]). Under this programme, more than 11 000 inactive people

belonging to vulnerable groups were activated in 2019 and 11 650 in 2020.[2] The MLSP co-ordinates the implementation of the module on co-operation of youth mediators and municipalities.

5.2.2. Further key stakeholders involved in outreach to the inactive population

Beyond the NEA and the MLSP, further stakeholders take on important functions in the outreach to the inactive. Several public institutions co-operate with the NEA in order to identify and establish a contact the out-of-work population and vulnerable groups, most notably the Social Assistance Agency (SAA) and municipalities. In addition, private employment agencies operate and connect unemployed and inactive people with employers and the work of NGOs permits to approach inactive people.

Social Assistance Agency (SAA)

The Social Assistance Agency (SAA), which administers the payment of social assistance and other benefits (see Chapter 4), is a common entry point into Bulgaria's social system for people in need of income-support. For most claimants, registration with the NEA, followed by a 6-month waiting period, is a pre-condition to become eligible for social assistance. Beyond SAA claimants themselves, family members of social assistance beneficiaries must also register with the SAA as an eligibility requirement. The SAA and NEA work closely together at the local level, thereby favouring the outreach to inactive and unemployed people. The SAA commonly redirects inactive persons wishing to file for social assistance to the NEA, in order to permit them to register with the NEA and receive specific support.

The SAA and NEA both use the inter-institutional Registry Information Exchange System RegiX (see Box 5.1) and have set up an automated data exchange once per month, including on sanctions and de-registrations of claimants. This data exchange facilitates the identification of people who are out of work and are not registered with the NEA. It is among the closest collaborations between the NEA and another institution in terms of data exchange, even though data exchanges also take place on an ad-hoc basis between the NEA and further institutions, e.g. the National Revenue Agency and the Ministry for Public Works. While the automated data exchange between the NEA and the SAA facilitates the work of both institutions, a higher frequency of the exchanges (e.g. on a daily basis) could potentially accelerate and further support outreach to the inactive.

The SAA and the NEA run joint Centres for Employment and Social Assistance (CESAs) in order to simplify access to services and provide holistic support through so-called "one-stop-shops", thereby favouring the activation of inactive people who wish to claim social assistance (see Section 5.3). Beyond data exchange and running joint centres, the SAA and the NEA also co-operate to organise meetings and information campaigns, which, among other things, aim to increase awareness of NEA services and access to people in need of support.

A close co-operation between the NEA and the SAA is a key element to well-functioning outreach to vulnerable people with a large distance to the labour market and both organisations should continue their collaborative efforts. Nevertheless, take-up of social assistance is low in Bulgaria (OECD, 2021[5]), e.g. due to long waiting periods and low benefit levels, limiting the pool of inactive people that can be reached through the co-operation between the NEA and the SAA (see Chapter 4). Therefore, outreach would benefit most if the close co-operation between the institutions was complemented by measures to increase social assistance take-up (see Section 5.6).

Box 5.1. Bulgaria's inter-institutional Registry Information Exchange System (RegiX)

Bulgaria's inter-institutional Registry Information Exchange System (RegiX) is a digital infrastructure permitting automated information and data exchanges across registers from different public institutions using machine-to-machine (M2M) communication. RegiX is hosted by the State e-Government Agency (SEGA) and it part of Bulgaria's central e-government system.

The main objectives of RegiX are to favour holistic service provision through an enhanced and better use of client data and to increase the efficiency of administrative processes (e.g. providing personal data only once to a public institution rather than to each institution or service separately).

As of September 2021, more than 70 registers are included in RegiX, such as the Population Database, the Property Register and the Register of Identity Documents, and information from these registers can be accessed by authorised users. According to RegiX website statistics, several hundred information exchange requests are sometimes filed per hour within RegiX.

Source: https://regix-service.egov.bg/; European Commission (2020[6]), "Digital Public Adminsitration Factsheet Bulgaria", https://joinup.ec.europa.eu/sites/default/files/inline-files/Digital_Public_Administration_Factsheets_Bulgaria_vFINAL_0.pdf.

Municipalities

Municipalities have a high potential to identify and reach inactive and unemployed people and direct them towards the NEA, as they are often in closer contact to people in need than other institutions that are less rooted at the local level. For example, municipalities are bound to provide assistance services at no cost to people with no income according to the Social Services Act, which permits to establish ties with people in need (OECD, 2021[5]). Especially in remote settlements, the involvement of municipalities is a crucial factor permitting to identify inactive people with no contact to the NEA (and SAA), and possibly motivate them to register. Among youth activators and Roma mediators that were interviewed for this study, 86% co-operate with mayors of small settlements on a regular basis to reach out to inactive or unemployed people (Annex 5.B).

Municipalities also contribute to the activation of inactive people due to their contacts with social assistance recipients. In particular, social assistance recipients are required to perform community work, which is organised and supervised by municipalities, in order to remain eligible for social assistance. Community work can help to build up regular working habits and may allow municipalities to identify inactive or unemployed people who have some or full work capacity. In order to facilitate the organisation of community work and the motivation of social assistance recipients, municipalities with high numbers of social assistance recipients employ special community service organisers. In 2020, municipalities in Bulgaria employed 167 of such organisers (yearly average).

The role of municipalities in the outreach to unemployed and inactive people depends on the capacity, and sometimes willingness, of mayors and municipality staff to co-operate with NEA's local offices and NEA mediators and activators. In many cases, the ability of municipalities to co-operate and co-ordinate with other institutions, including the NEA, is compromised due to budgetary reasons or weak governance (World Bank, 2019[7]).

The national programme "Activation of Inactive Persons" (NEA, 2021[8]) reinforced the role of municipalities in the outreach to the inactive. Under the programme, many municipalities hired youth mediators to carry out specific outreach activities to vulnerable groups (see Section 5.4). In 2019, 93 youth mediators worked for municipalities around the country under the programme, aiming to establish a contact

with inactive youth and activate them. Further municipality staff, in particular staff specialising on social activities, employment programmes and education, support youth mediators in their work.

Private employment agencies

There are a number of private employment agencies in Bulgaria that contribute to the outreach to people who are out of employment. In 2020, close to 13% of the unemployed (i.e. people actively looking for work) were in contact with a private employment agency to find work according to the European Labour Force Survey, which is relatively little compared to other countries (see Figure 5.3). The use of private employment agencies among the unemployed was persistently lower than on average in the EU over the last years (Eurostat, 2021[9]).

In light of the comparatively limited role of private actors in outreach to unemployed and inactive people and the delivery of ALMPs, recent National Employment Action Plans have formulated objectives for intensified public private partnerships. Experiences from OECD and EU countries show that such partnerships can largely contribute to an efficient and effective provision of ALMPs (European Commission, 2021[10]). However, setting-up well-functioning private public partnerships takes time and requires mutual trust, regular communication and exchanges on what works and what does not. For example, in the case of outcome-based outsourcing, setting appropriate prices is challenging and requires from the PES the development of governance instruments and a deep understanding of labour market challenges (see Chapter 6) (OECD, 2019[11]). In some EU and OECD countries, PES have engaged in narrow partnerships with a broad set of public and private actors focusing on different activity areas, including outreach to jobseekers and the implementation of ALMPs (see Box 5.2).

Box 5.2. The role of partnerships between the PES and public and private actors in France

The French PES, *Pôle Emploi*, has a longstanding history of partnerships with both public and private actors, aiming to permit integrated and tailored service provision. One specific focus of these partnerships lies on reaching vulnerable groups and integrating them into employment.

One notable example of partnerships between the PES and other actors are the so-called "local communities without long-term unemployment" (*territoires zéro chômeur de longue durée*). This programme offers long-term unemployed individuals a permanent contract for a job with a social enterprise, in line with their skills. Jobs provided under this scheme must be useful for society and address unmet needs while they may not stand in direct competition with the unsubsidised private market. The approach relies largely on narrow partnerships at the local level e.g. between the PES, municipalities and social enterprises. The different actors involved in these partnerships need to co-operate at various stages of the programme, e.g. developing an outreach strategy to motivate long-term unemployed people to participate and identifying unmet needs in the municipality. The programme has so far been tested in 10 local areas and will be rolled out in at least 50 additional local areas between 2021 and 2026. The experiment and its activities are closely monitored and evaluations are under way. According to intermediary evaluations, out of 1 849 jobseekers wishing to participate in the programme, 1 112 were hired in one of the local areas between 2016 and 2019. Despite promising results, the intermediary evaluations also point to scope for improvements, including better and more explicit regulations (e.g. regarding the role of each stakeholder and the identification of eligible participants) and the need for more upskilling of participants.

A second example of partnerships is the co-operation between *Pôle Emploi* and private employment agencies. In May 2021, *Pôle Emploi* signed a three-year general agreement with a federation of temporary work companies, *Prism'emploi*, which represents more than 600 temporary work companies.

The agreement contains a commitment of both partners to improve communication and information exchanges and intensify existing co-operation practices. For instance, regular meetings between the staff of both the PES and *Prism'emploi* are planned, and the two organisations agreed to co-operate in terms of access to data banks containing profiles of jobseekers. Beyond this national agreement, *Pôle Emploi* has specific agreements with regional federations of temporary work agencies as well as with individual temporary work companies. These agreements can include e.g. the commitment to share data and information (e.g. regarding planned activities) on a regular basis, or to co-operate to improve methodological approaches (e.g. sharing profiling methods).

Note: Pôle Emploi presented and discussed its most important partnerships with the Bulgarian PES during an international workshop and a study visit in September and October 2021.
Source: TZCLD (2021[12]), "Territoire zéro chômeur de longue durée", https://www.tzcld.fr/; ETCLD-TZCLD (2019[13]), "Territoire zéro chômeur de longue durée - rapport d'analyse", https://travail-emploi.gouv.fr/IMG/pdf/rapport_d_analyse_etcld-tzcld.pdf; Pôle Emploi and Prism'Emploi (2021[14]), "Accord cadre national entre Prism'Emploi et Pôle Emploi", https://www.prismemploi.eu/sites/default/files/2021-08/Accord%20Prism%27emploi%20-%20P%C3%B4le%20emploi%20-%2012%20mai%202021.pdf.

Social partners

The social partners contribute to outreach to unemployed and inactive people, including through their participation in tripartite bodies at the national, regional and local level. As members of the National Council for Employment Promotion, the social partners contribute to the development and implementation of Bulgaria's employment policy (Republic of Bulgaria, 2001[1]), which includes responsibilities related to outreach. For example, the social partners are involved in developing the National Employment Action Plan, which determines the funding that is available for hiring activators and mediators. The social partners are also members of the Council to the NEA Executive Director, monitoring the implementation of employment policy and making proposals for improving the activities of the NEA.

Every year, the social partners' national organisations can submit project proposals to the MLSP to apply for funding under the National Action Plan for Employment for their training and employment projects. Projects involving outreach to the inactive can be among these projects. For example, in recent years, projects on outreach and activation of inactive people submitted by employers or trade unions have received such funding.

NGOs

Several NGOs are involved in the outreach to the out-of-work population. In particular, this is the case for NGOs working with youth, long-term unemployed or ethnic minorities and co-operating with the NEA. For example, NGOs working with youth can help identify NEETs in need of support, in particular in small settlements. For example, due to its youth activities, the Bulgarian Red Cross has close ties to young people and is in a good position to identify young people in need and accompany them throughout the labour market integration process (Bulgarian Red Cross, 2021[15]). Similarly, NGOs working with Roma people on the local level can largely facilitate interactions with unemployed and inactive Roma using their contacts to this community. In some cases, the NEA sets up formal agreements with NGOs to specify their co-operation in outreach activities and the activation of the out-of-work populations. In the context of the programme "Ready for work", for example, the NEA signed formal contracts with several NGOs[3] and associations on their contribution to the outreach to inactive people, including work to identify and subsequently activate inactive people.

Schools

Schools are in direct contact with young people who are about to finish their education and may face challenges to enter the labour market for a number of reasons, such as a low number of job offers, no previous work experience, or a lack of motivation to engage in a recruitment process. Using their close contact to young people who might become inactive or unemployed, many schools co-operate with the NEA, e.g. by working with youth activators. Among the activators and mediators interviewed for this study, almost all co-operate with schools to identify and reach out to young inactive people (see Annex 5.B).

In addition to the stakeholders discussed above, other institutions contribute to reaching inactive and unemployed people in need of support, either directly or indirectly. For example, community centres, with which labour offices co-operate at the local level, facilitate contacts with people who do not work. The vast majority of community centres around the country, including in rural settlements, have implemented the project "Global Libraries", which attracts inactive and unemployed people by providing access to the internet. This offers the possibility to identify and approach people who might need support and are currently not in contact with the NEA, in particular NEETs in small settlements. Further important stakeholders involved in outreach activities include Local Probation Commissions, which play a role in reaching and activating inactive people who have committed criminal offenses, and pedagogical experts, who are of great importance in reaching minors who have left school.

5.3. Financial incentives can be a strong driver to register with the NEA, but less so for people who are far off the labour market

Reaching out to inactive people and unemployed jobseekers in need of support is one of the NEA's key functions. In order to achieve this objective, the NEA carries out a range of outreach activities, which often target vulnerable groups and people that are particularly difficult to approach (see Section 5.4).

Such outreach activities have to be seen in the wider context of Bulgaria's social benefit system, taking into consideration that it creates strong financial incentives to register with the NEA by making unemployment benefits and social benefits conditional on NEA registration (see Chapter 4). More specifically, registration with the NEA is a prerequisite for benefits in the following cases:

- People who lost employment will only receive unemployment benefits if they register with the NEA.
- People in need with little financial resources are required to register with the NEA in order to become eligible for social assistance, in general after a waiting period of 6 months. Only in some specific cases, no registration and waiting period are required, e.g. in the case of a parent caring for a child under three years, a person caring for one or more sick family members and pregnant women.
- People with an assessed disability of less than 50% are still required to register with the NEA to be eligible for social benefits.
- Unemployment benefit and social assistance recipients are granted free health insurance in addition to receiving benefits, as contributions are covered by the state budget according to the Health Insurance Act. Gaining access to free health insurance can be a strong incentive to register with the NEA.

While making benefits conditional on NEA registration risks leaving people in need behind, in particular people with a large distance to the labour market, it is a major incentive for many unemployed and inactive people to establish a contact with the NEA and therefore receive employment support. According to NEA micro data, 43% of the jobseekers who were registered with the NEA at the end of 2019 received unemployment benefits, and 10% registered (mainly) to become eligible for social benefits from other institutions.[4] The remaining half (47%) registered for reasons unrelated to unemployment benefits and

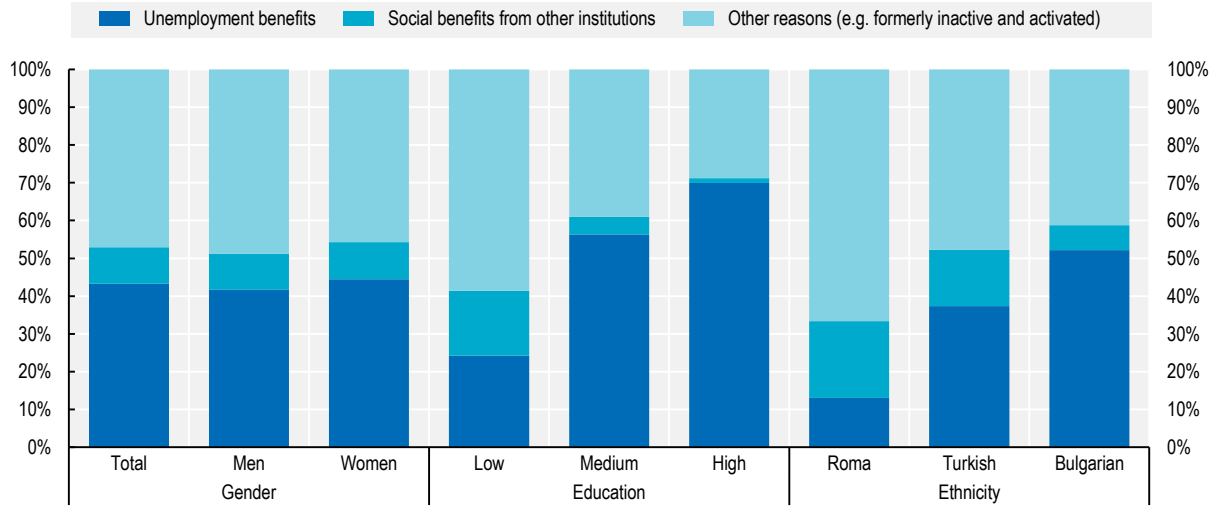
social benefits, e.g. they were activated by activators or they were inactive and registered on their initiative to find employment (Figure 5.1).

Access to unemployment benefits is a strong driver to register with the NEA for people who are eligible for them, i.e. for people who have recently stopped working. The vast majority (70%) of high-educated registered jobseekers receives unemployment benefits, while among the low-educated, unemployment benefits play a role in one in every four NEA registrations only (Figure 5.1), reflecting their missing contribution records. This pattern highlights that requiring jobseekers to register with the NEA as a pre-requisite for unemployment benefits is a very useful tool to get hold of jobseekers with existing ties to the labour market, but it rarely permits to reach the most vulnerable groups.

Conversely, registration requirements for the receipt of social assistance and other social benefits are more often a driver to register with the NEA for disadvantaged groups than for jobseekers with lower vulnerability. According to the NEA micro-data, about 17% of the low-educated register with the NEA to receive social benefits, against 5% among people with medium education and 1% among highly educated job seekers. Similar patterns hold for other vulnerable groups, including Roma (20%) and people living in remote areas (14%), who register more commonly with the NEA to receive social benefits than other groups.

Figure 5.1. Gaining access to unemployment benefits is a strong driver in Bulgaria to register with the NEA for some groups of jobseekers, but not for the most vulnerable

Main reason for registration among jobseekers who were registered with the NEA on 31.12.2019



NEA: National Employment Agency.
Note: *Unemployment benefits* refers to people who received unemployment benefits at one point in 2019. *Social benefits from other institutions* refers to jobseekers who were classified by caseworkers as registering mainly to receive social benefits from other institutions. *Other reasons* include formerly inactive who registered with the NEA mostly to find a job or were activated by activators or mediators.
Source: OECD calculation based on National Employment Agency micro data.

StatLink https://stat.link/nlejka

5.4. Bulgaria has introduced a number of specific outreach activities to reach people in need of support

The NEA carries out specific outreach activities to approach people in need of support, with a focus on inactive people with a large distance to the labour market, recognising that many unemployed and inactive people, do not register as jobseekers on their own initiative, in particular those belonging to vulnerable groups. For example because they are not aware of the NEA support that is available or are not convinced that they would benefit from support. Among the most important outreach activities by the NEA are Mobile Labour Office Workplaces, Mobile Labour Offices, Family Labour Consultants, Career Centres at regional NEA directorates, the work of activators and mediators and the organisation of job fairs.

5.4.1. Mobile Labour Office Workplaces (MLOWs)

The NEA sets up Mobile Labour Office Workplaces (MLOWs) to reach out to disadvantaged groups and inactive persons living in small and remote settlements with no access to regular labour offices. MLOWs are organised in public premises (e.g. town halls) for a limited amount of time (e.g. one day) and offer unemployment registration and labour mediation. Thereby, they permit people who cannot afford to travel to the labour office to enter in contact with the NEA and prolong existing registrations as unemployed. MLOWs aim to identify inactive and unemployed people in need of support and to raise awareness of the different types of support the NEA offers, in order to increase jobseekers' motivation to register with the labour office. The staff working in MLOWs typically consists of a labour counsellor and a youth or Roma mediator who closely co-operate with local actors (e.g. local administration) to facilitate the identification of people in need of support.

5.4.2. Mobile Labour Offices (MLOs)

In 2019, the NEA introduced Mobile Labour Offices (MLOs) to extend and complement the services of MLOWs (NEA, 2019[16]). MLOs offer the full range of services that is on offer in regular labour offices, including services to ensure access to training, which is not the case in MLOWs. MLOs are organised by local labour offices, and MLO teams typically consist of a head of unit, a labour counsellor, a psychologist or caseworker, a youth/Roma mediator and an IT expert (all from the labour office), and sometimes a youth mediator from the municipality. The focus of MLOs lies on counselling, providing information and motivating job seekers to register and use the NEA's services. MLOs also target employers willing to hire workers in remote areas, including both employers who operate locally and employers who are ready to ensure transportation between the place of work and the small settlements where people live. In most cases, MLOs are organised once a month in bigger settlements, and every two to six months in small settlements. MLOs are organised in all districts (oblasts) except Sofia city, where no MLOs take place because they are no truly remote areas. The NEA is working to set up a full tracking of the results of MLOs in the National Data Base Information System.

5.4.3. Family Labour Consultants (FLC)

In 2019, following a pilot programme and an analysis of its efficiency, the NEA rolled out the use of Family Labour Consultants (FLC) as a reorganisation of NEA services across the country (MLSP, 2019[17]). FLCs aim to provide holistic support to families in need, offering tailored services to each family member, taking account of individual circumstances. For example, the services FLCs can provide include vocational counselling and employment information services for adults, as well as services targeted at students enrolled in lower or upper secondary education for the children living in the same household. Providing consultations to entire families permits to reach unemployed and inactive family members who were not registered with the NEA previously.

FLC services are usually provided by labour counsellors at local labour offices, i.e. FLCs are typically not additional staff, but rather counsellors who were already employed and took on this role. Each local labour office determines the staff members that should act as FLCs, often choosing staff with long work experience or education in social activities and/or psychology. Depending on the profile of the family, psychologists, mediators (e.g. Roma mediators) and caseworkers may also be involved in the family labour consultations (Table 5.1). The exact composition of the team that is available for FLCs depends on the staff profile that is available at local labour offices. In total, 630 labour market experts carried out family labour consultations in 2019, with the vast majority being labour counsellors and labour mediators, comparing to a total of about 2 400 client facing NEA staff at the end of 2019.

Table 5.1. A high number of NEA staff act as Family Labour Consultants

Staff providing family labour consultations, by region in Bulgaria

Oblast	Labour counsellors and labour mediators	Roma mediators	Psychologists	Caseworkers	Total
Blagoevgrad	68	0	0	0	68
Burgas	70	0	0	2	72
Haskovo	46	2	3	3	54
Lovech	69	0	4	3	76
Montana	46	6	4	3	59
Plovdiv	89	1	2	1	93
Ruse	63	0	4	2	69
Sofia	63	3	2	1	69
Varna	63	1	2	4	70
Total	577	13	21	19	630

NEA: National Employment Agency.
Source: Non-publicly available information provided by the National Employment Agency.

StatLink https://stat.link/0em4ia

5.4.4. Career Centres at regional labour offices

Since 2015, ten Career Offices have been operating in the NEA's regional employment service directorates in order to reach and support unemployed and inactive people, as well as employees and self-employed people wishing to improve their professional development (NEA, 2015[18]). The Career Centres, which were introduced as part of the project "Career development of employees", offer vocational counselling to registered jobseekers and, at least in some centres, non-registered jobseekers. At the centres, jobseekers can receive information on the labour market situation and employment opportunities, and participate in workshops and "Career Days". The centres are located in the regional directorates in bigger cities (Sofia, Burgas, Haskovo, Lovech, Montana, Plovdiv, Ruse, Sofia, Varna), i.e. they mainly reach inactive and unemployed people living in or close to these cities or having access to transportation.

5.4.5. Centres for Employment and Social Assistance (CESA)

Across Bulgaria, the NEA and the SAA run 76 joint Centres for Employment and Social Assistance (CESA). The major objective of these centres, which were introduced under the ESF/OP HRD-funded project "Face to Face Services in the Centres for Employment and Social Assistance", is to offer a comprehensive and individualised set of services (comprising both NEA and SAA services) to people from disadvantaged groups. The services aim to prevent social exclusion and favour the reintegration of social assistance

recipients into the labour market. While the Centres are located at NEA's or SAA's local premises, they are separated from the rest of the premises (e.g. an individual office in which both NEA and SAA services are provided), aiming to create a confidential environment. The close co-operation of NEA and SAA permits to provide vulnerable groups with the services that correspond best to their individual needs and favour the activation of social assistance recipients. In order to reach out to people living in remote areas, CESA staff also offer mobile services. An evaluation of CESAs was carried out in 2017, which identified scope for improvements in the functioning of the centres. As a result, the set of services available in the CESAs was extended in early 2018 as well as in 2020, when it was extended.

5.4.6. Youth activators, Roma mediators and youth mediators

Youth activators and Roma mediators are NEA staff specialising on the outreach to young people and Roma people, respectively, whereas youth mediators are employed by municipalities to approach inactive or unemployed young people.[5] The OECD carried out a qualitative survey with youth activators, youth mediators and Roma mediators on their work processes (see Annex 5.B) to gain specific insights for this section.

Youth and Roma activators/mediators were hired under the national programme "Activation of Inactive Persons" (NEA, 2021[4]) to strengthen outreach to vulnerable groups and the NEA programme "Ready for Work" (NEA, 2021[19]) to activate NEETs. In 2020, there were 78 Roma mediators and 92 youth mediators working for the NEA or municipalities under the national programme "Activation of Inactive Persons", down from 92 Roma mediators and 101 youth mediators in 2015. In addition, the NEA hired youth activators under the programme "Ready for work" (up to 100 until the end of the project), which will run until 2023.

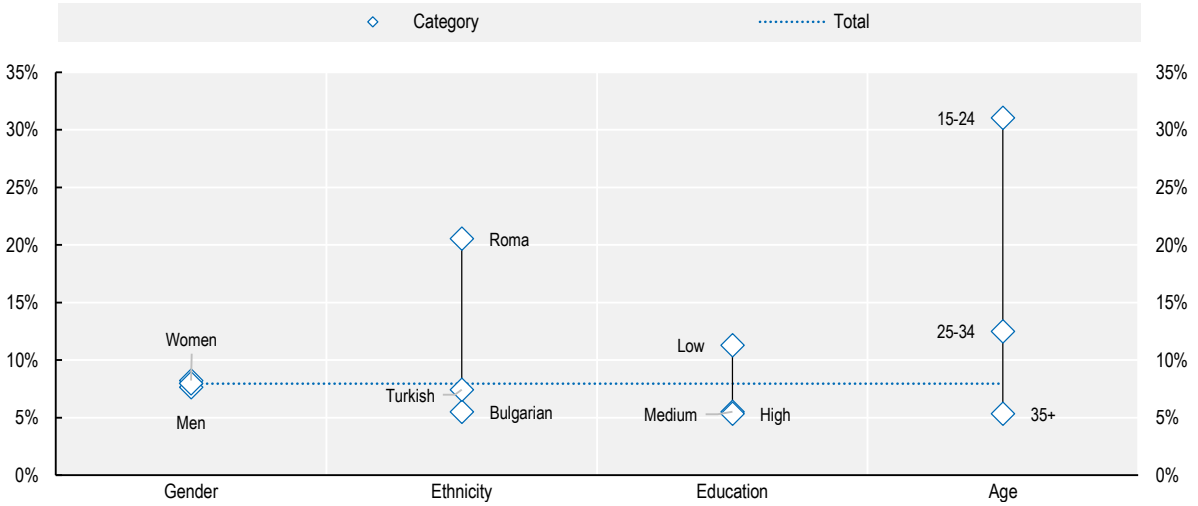
Although their affiliation and main target groups differ, the main duties of all three types of activators/mediators are similar and involve fieldwork activities, such as the identification of inactive persons and raising awareness about the benefits of registering with the local labour office. In addition, activators and mediators working for the NEA often carry out labour counselling, e.g. they can themselves register the inactive and subsequently offer adequate employment support.

For the work of activators/mediators, a solid co-operation with local stakeholders is indispensable, in particular to facilitate the identification of inactive people facing a large distance to the labour market (e.g. people who have never worked or have been out for employment for a long time). According to the in-person and online interviews with activators/mediators the OECD carried out for this project, co-operation practices with schools, local social assistance offices, mayors of small settlements and NGOs are very common (see Annex 5.B). Beyond physical onsite visits aiming to reach out to the inactive, activators/mediators sometimes rely on digital tools to establish a contact with their target groups. For example, some youth mediators create dedicated Facebook pages to increase the visibility of current job opportunities and raise awareness about upcoming events (e.g. Youth Job Fairs).

Activators and mediators play a crucial role in reaching out to groups facing particular challenges to integrate the labour market (Figure 5.2). Among 15-24 year-olds registered with the NEA at the end of 2019, many of whom do not possess any previous work experience, (at least) 31% were identified and activated by activators/mediators, against 8% among all NEA clients and 5% among the NEA clients aged 35+ years. Similarly, (at least) 21% of NEA clients belonging to the Roma community were activated by activators/mediators, exceeding the corresponding shares among other ethnic groups by far (7% among Turkish, 6% among ethnic Bulgarians). These estimates suggest that the work of activators and mediators is important to establish a contact with groups that are difficult to reach. Nevertheless, young people and Roma remain groups with particularly high inactivity and unemployment rates (see Chapter 3) and groups the NEA reaches less than others (see Section 5.5).

Figure 5.2. Many young people and Roma are activated by activators and mediators in Bulgaria

Share of NEA clients who are known to have been activated by activators/mediators, 2019, by category



NEA: National Employment Agency.
Note: The term "activators" refers to: Roma mediators, youth mediators, other NEA intermediaries and activators that work with other organisations. Due to the structure of the data, estimates should be interpreted as lower bounds and the role of activators/mediators may be higher for some or all groups. In particular, in some cases, registered jobseekers may be activated through activated or mediators, but state a different reason for their registration (e.g. access to benefits).
Source: National Employment Agency micro data.

StatLink https://stat.link/mcyfa2

5.4.7. Job fairs and information campaigns

The NEA organises job fairs and information campaigns, in some cases in co-operation with other organisations, to raise awareness about the benefits of registering with the labour office and connect jobseekers with jobs. For example, as part of the "Ready for Work" programme (NEA, 2021[19]), more than 100 information events for activation were organised between 2018 and 2020, aiming to identify, inform and motivate NEETs below 30. In addition, about 90 job fairs were organised under the same programme to promote the activation of young people.

5.5. How effective are outreach strategies to reach and active the inactive in Bulgaria?

This section presents estimates of the share of the out-of-work population that is in contact with the NEA, thereby providing insights on how well the NEA reaches people in need of support. The first part of the section focuses specifically on unemployed people, i.e. on people who do not work, but are available for work and actively look for employment, while the second part compares the number of NEA clients to the total number of people who neither work nor study (i.e. comprising inactive and unemployed people). Estimates are based on survey data (EU-SILC; EU-LFS) and on a rich NEA micro dataset. The results indicate that among the unemployed, the NEA reaches a higher proportion than many other EU countries. In contrast, there is a large pool of inactive people who are out of the NEA's reach, in particular among vulnerable groups, and additional efforts are necessary to establish a contact with them. Bulgaria is among

the countries where the number of registered jobseekers relative to the out-of-work population (consisting of unemployed and inactive) is lowest.

5.5.1. Outreach to the unemployed

This section presents estimates of NEA outreach to unemployed people,[6] i.e. on the group of jobseekers who still have comparatively close ties to the labour market. The European Union Labour Force Survey (EU-LFS) contains information on the share of active jobseekers who declare having contacted the public employment service to seek employment. In line with the International Labour Organization (ILO) definition of unemployment, jobseekers must have actively looked for employment at some point during the last 4 weeks preceding the survey interview in order to be classified as unemployed.

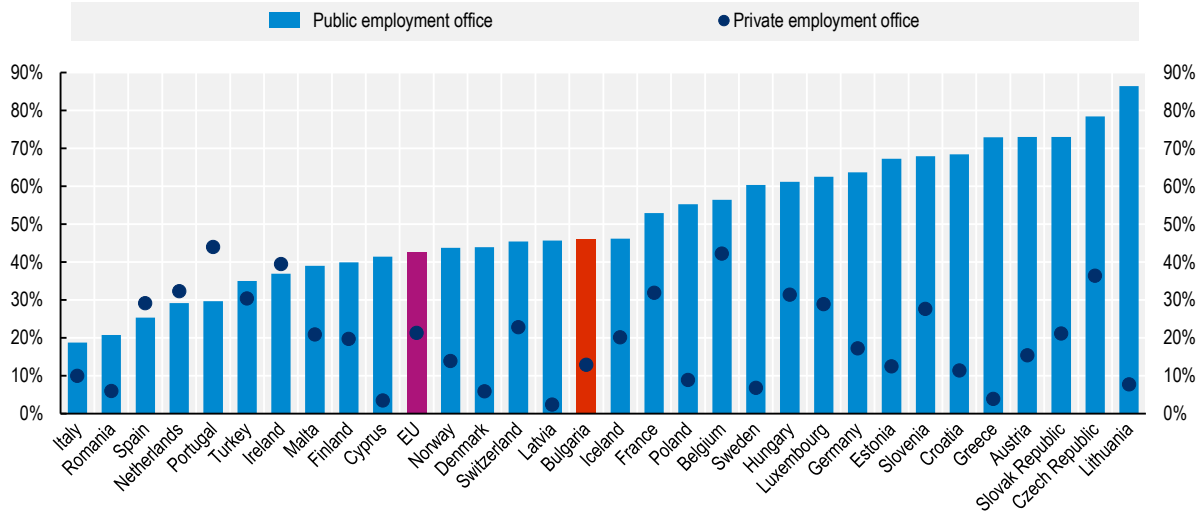
In 2020, 46% of the unemployed were in contact with the NEA to seek employment in Bulgaria, comparing to an EU average of 42.5% (Figure 5.3). The value for 2020 is a significant increase compared to 2019 (39.6%) and the first time since Bulgaria's access to the EU that the share of unemployed contacting the PES is higher in Bulgaria than on average in the EU. This number suggests that the NEA is a central contact point for jobseekers who wish to work. While outreach to people with a very large distance from the labour market is challenging (see next section), outreach to the unemployed performs better. Nevertheless, further improvements are still possible, as shown by a number of countries in which PES outreach to the unemployed in higher, with the PES reaching more than 70% of active jobseekers in five EU countries (Greece, Austria, the Slovak Republic, the Czech Republic and Lithuania).

NEA outreach to the unemployed performs better among women than among men in Bulgaria. In 2019, which is the last year for which this detailed information is available, 47% of unemployed women contacted the NEA to look for employment, against 32% of unemployed men. In addition, contacting the NEA to look for a job is more common among unemployed people with a high level of educational attainment (42% in 2019) than among unemployed with a low level of education (35%) according to the European Labour Force Survey data. Outreach to the unemployed performs better in rural areas (48%) than in cities (32%) and towns and suburbs (30%). This latter finding highlights the important role of local labour offices.

Compared to other EU countries, the role of private employment offices/agencies in reaching active jobseekers is relatively limited in Bulgaria (Figure 5.3). In 2020, 12.9% of active jobseekers contacted a private employment office to look for work, against 21.3% on average in the EU. This low level contrasts with countries like Portugal and Belgium, where more than 40% of the unemployed were in contact with a private employment office to seek work.

Figure 5.3. Close to half of jobseekers in Bulgaria are in contact with the PES to look for employment

Share of jobseekers who declare having contacted the public employment office or a private employment office to seek employment, 2020



Note: The European Union (EU) is a weighted average. Jobseekers refer to people stating that they have been seeking work during the four weeks preceding the interview.
Source: European Union Labour Force Survey (EU-LFS).

StatLink https://stat.link/kfjtn1

5.5.2. Outreach to the out-of-work population (inactive and unemployed)

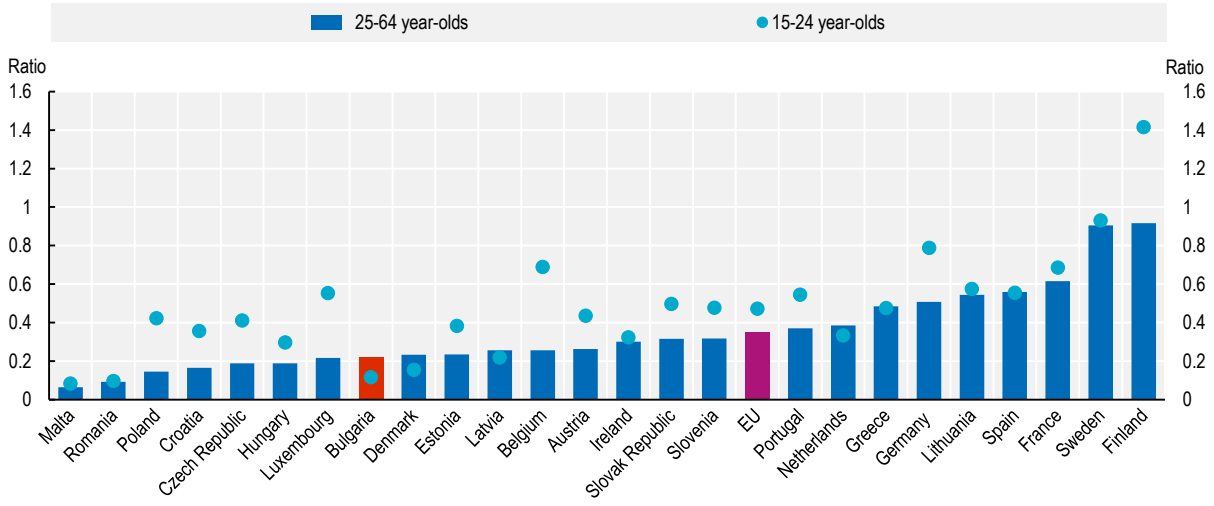
While the previous part of Section 5.5 focuses entirely on unemployed people, the statistics presented and discussed below put the number of registered jobseekers in December 2019 in relation to the size of the out-of-work population, which comprises both unemployed and inactive people. Therefore, this part provides approximate estimates of the share of unemployed or inactive people that is reached by the NEA. All estimates exclude students from the out-of-work population, i.e. people who are enrolled in regular long-term studies, accounting for the fact that students are generally not available for the labour market.

In December 2019 (the reference month for the analysis in this section), there were approximately 195 000 registered jobseekers (see Chapter 3). The number of registered jobseekers has been relatively stable over the last few years, apart from a very significant influx of jobseekers triggered by the COVID-19 pandemic. In 2018, there were 203 000 registered jobseekers on a yearly average, against 185 000 in 2019 and 241 000 in 2020 (NEA, 2021[20]).

Compared to other countries, outreach to the out-of-work population is low in Bulgaria. Among 25-64 year-olds, the number of registered jobseekers relative to the number of people who neither work nor study amounts to 22% in Bulgaria (as of 2019), against an EU average of 35%, and more than 90% in Sweden and Finland (Figure 5.4). Only in one-quarter of EU and OECD countries, the share of unemployed and inactive people reached is lower than in Bulgaria. These estimates indicate that there is a large pool of inactive people who have no contact to the NEA. Many of these inactive people are likely to be off the radar for other public institutions (e.g. SAA), too, given that registration with the NEA is a precondition for many different kinds of social benefits. In light of these numbers, more outreach to inactive people is needed to ensure that people with a large distance to the labour market receive the support they require to integrate into the labour market. In addition, services need to be tailored to the needs of jobseekers so that they motivate people to register with the NEA.

Figure 5.4. The NEA reaches comparatively few jobseekers in Bulgaria, especially among young people

Number of registered jobseekers compared to the number of people who neither work nor study, 2019



NEA: National Employment Agency.
Note: The European Union (EU) is an unweighted average of the 25 member countries shown. The ratio number of registered jobseekers over number of people who neither work not study can exceed 1, in particular if people who work register with the Public Employment Service.
Source: European Commission Labour Market Policy indicators; European Union Labour Force Survey; United Nations World Population Prospects 2019.

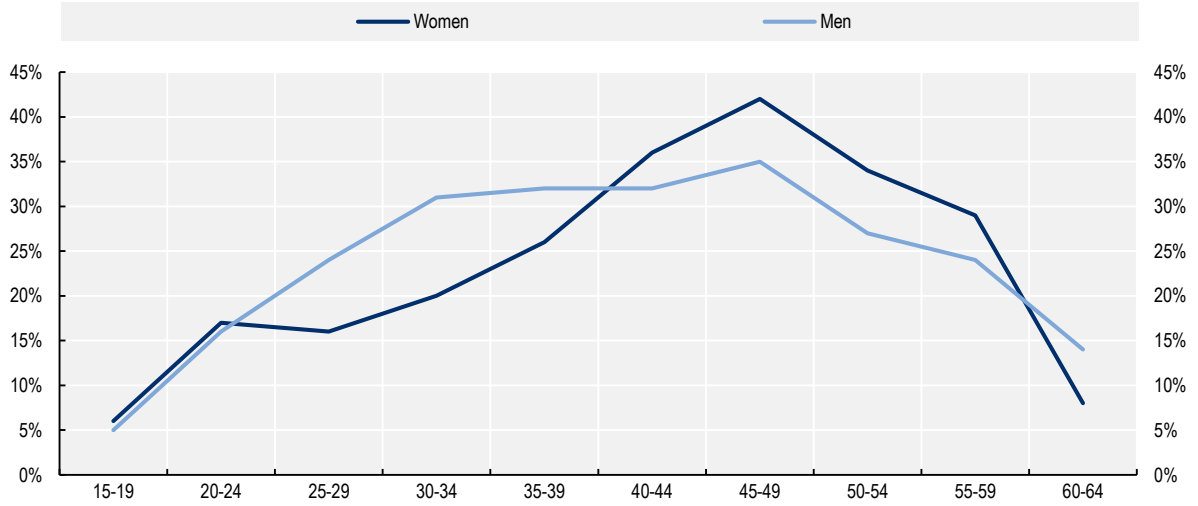
StatLink https://stat.link/f95ni7

The proportion of unemployed and inactive people registering with the NEA is much lower among young people under 25 than among older people in Bulgaria. In this age group, the number of registered jobseekers amounts to less than 12% of people who neither work nor study, placing Bulgaria among the countries with the lowest values (Figure 5.4). Although Bulgaria has recently intensified its outreach to young people in need of support, e.g. through the programme "Activation of Inactive Persons", more needs to be done to reinforce outreach to young people, in particular to NEETs who often face significant barriers to employment, and to make registration with the NEA more attractive.

In addition to young people, low NEA registration is also the case for older unemployed and inactive people (Figure 5.5). Even among men, who have an official retirement age of over 64, only 13% of unemployed and inactive 60-64 year-olds are registered with the NEA, suggesting that the vast majority of older unemployed and inactive people do not register with the NEA. Especially in light of rapid population ageing and the risk of labour shortages down the road, more should to be done to reach out to older people who do not work, as part of a wider strategy to support employment at older ages. While outreach activities targeting specifically (or exclusively) older workers are uncommon in EU and OECD countries, some countries have introduced programmes that strongly favour the registration of older workers with the public employment service. For example, in the Netherlands, a measure to reach and activate older jobseekers called "Perspective 50 plus" (*Perspectief voor vijftigplussers*), has been in place since 2007 (European Commission, 2018[21]). Within this initiative, networking groups of older jobseekers are set up to provide them with the tools needed to complete a successful recruitment process. The strong focus on networking among participants also permits to reach out to other older inactive or unemployed people, using the personal contacts of participants. The programme is accompanied by a media-campaign with the goal to improve the overall image of working at older ages.

Figure 5.5. Young jobseekers and jobseekers close to retirement age rarely register with the NEA in Bulgaria

Number of jobseekers registered with the NEA compared to number of people who neither work nor study, by gender



NEA: National Employment Agency.
Note: Students are excluded, i.e. people enrolled in the educational system are not considered to be "non-employed".
Source: National Employment Agency administrative data; European Union Labour Force Survey (EU-LFS).

StatLink https://stat.link/2r36q9

A large share of Bulgaria's unemployed and inactive who are not in contact with the NEA belongs to vulnerable groups (Table 5.2). According to estimates based on NEA micro data and EU-LFS, there are close to 700 000 working-age adults who are out of employment (and studies) and are not registered with the NEA. Among these "out-of-reach jobless", about 40% (287 000) have only a low degree of education, and close to half (330 000) have a medium degree of education, whereas only a small share has tertiary education. This pattern persists, most importantly because employment rates among the low-educated are much lower than among other groups (see Chapter 2).

A sizeable share of the unemployed and inactive who are not reached by the NEA belongs to ethnic minorities (Table 5.2).[7] In particular, outreach to the Roma community proves more challenging than to other ethnic groups even though the NEA employs Roma mediators who specifically target unemployed or inactive Roma. According to the estimates reported in Table 5.2, only 13% of unemployed or inactive Roma are registered with the NEA, against 23% in the Turkish community and close to 27% among ethnic Bulgarians. The low share of inactive and unemployed Roma who are reached by the NEA is in part related to the fact that the share of Roma who are not employed is particularly high (see Chapter 3). Other countries too face difficulties in reaching out to vulnerable groups and have introduced specific approaches to address this challenge (see Box 5.3).

Table 5.2. Many unemployed and inactive who are out of reach for the NEA belong to vulnerable groups

Number of registered jobseekers in Bulgaria as a share of 15-64 year-olds who neither work nor study, and estimated number of unemployed or inactive people not registered with the NEA

	Share of unemployed or inactive registered			Estimated number of unemployed or inactive **not registered**	Estimated number of unemployed or inactive **registered**
	Total	Men	Women	Total	Total
Total	22.6%	23.9%	21.8%	699 000	204 000
By education					
Low	23.6%	24.1%	23.3%	287 000	89 000
Medium	21.8%	23.0%	20.7%	330 000	92 000
High	22.1%	27.1%	20.0%	84 000	24 000
By ethnicity					
Ethnic Bulgarian	26.6%	28.4%	25.3%	399 000	145 000
Turkish	23.0%	24.5%	22.2%	88 000	26 000
Roma	13.3%	13.0%	13.5%	204 000	31 000
By location					
Severozapaden	27.2%	27.9%	26.6%	100 000	37 000
Severen tsentralen	25.5%	27.6%	24.0%	76 000	26 000
Severoiztochen	20.5%	24.2%	18.6%	110 000	28 000
Yugoiztochen	20.0%	20.2%	19.9%	116 000	29 000
Yugozapaden	22.9%	24.3%	21.9%	139 000	41 000
Yuzhen tsentralen	21.2%	20.9%	21.4%	157 000	42 000

NEA: National Employment Agency.
Note: Calculations refer to jobseekers registered with the NEA on 31.12.2019. Calculations are based on: a) NEA administrative data for the number of registered jobseekers by education, ethnicity and location b) EU-LFS to estimate the share of unemployed or inactive people by education and location; c) EU-SILC to estimate the share of unemployed or inactive people by ethnicity; d) United Nations World Population Prospects 2019 for total population size by age. Ethnicity other than ethnic Bulgarians, Turkish and Roma are not tabled.
Source: OECD calculations based on NEA administrative data, EU-LFS, EU-SILC and United Nations World Population Prospects 2019.

StatLink https://stat.link/v3h2jk

Box 5.3. Reaching out to vulnerable groups

Reaching unemployed and inactive people with health problems: The Work Ability Reform in Estonia

In 2016, Estonia implemented a large-scale policy reform called "Work Ability Reform" to increase outreach to people with long-term health problems, optimise the support on offer for this group and improve the labour market situation of people with reduced work capacity (OECD, 2021[22]). The Work Ability Reform strengthened the incentives to register with the PES, in particular for people with health impediments. Besides changes to the work ability assessment, the reform introduced new ALMPs targeting people with health problems and adapted service concepts to the needs of people with health problems, thereby rendering the support for people with reduced work ability both more attractive and more effective. For example, a new staff category, disability employment counsellors, was introduced at the PES to specifically focus on jobseekers with disabilities. In addition, registration with the PES was made a pre-condition for disability benefit receipt, creating strong financial incentives for people entitled to such benefits to establish a contact with the PES. The outcomes of the reform are promising.

While the share of registered jobseekers with reduced work ability stood at 15% at the end of 2015, it grew to over 30% by the end of 2019, suggesting that the Work Ability Reform had a significant impact on outreach to the people with long-term health problems.

Reaching unemployed or inactive Roma in Sweden

Since 2012, Sweden has run a programme called "Bridge-building" to reach out to Roma people in need of support as part of a wider strategy to improve the social inclusion of Roma people. The programme has similarities with the work of Roma mediators in Bulgaria, as it aims to mobilise people with Roma language skills to reach out to socially excluded Roma people. Within the programme, so-called bridge-builders (i.e. mediators) first follow a 2-year university programme to sharpen their intercultural competences, improve their knowledge on Roma culture and learn about mediation practices. After that, bridge-builders are hired by public institutions, including the PES but also other institutions (e.g. schools are health care facilities), to establish a contact with Roma people, using awareness-raising campaigns and carrying out motivational conversations. The objective of bridge-builders is twofold: improving knowledge and the image of public services among the Roma population to facilitate outreach, but also, vice versa, increasing knowledge and the understanding of Roma minorities within public organisations. Bridge-builders organise a variety of events to establish a contact with Roma people, e.g. information campaigns in shopping malls, events in schools and colleges and also use social media to reach out to Roma people. The outcomes of the work of bridge-builders are monitored on a regular basis through quarterly status reports.

Source: European Commission (2019[23]), *Work ability reform: A way to enhance employment opportunities for people with long-term health problems or disabilities*, https://ec.europa.eu/social/BlobServlet?docId=21923&langId=en; OECD (2021[22]), *Improving the Provision of Active Labour Market Policies in Estonia*, https://doi.org/10.1787/31f72c5b-en; European Commission (2018[21]), *The Role of PES in Outreach to the Inactive Population*, https://op.europa.eu/en/publication-detail/-/publication/ce86219d-2d84-11e8-b5fe-01aa75ed71a1/language-en.

5.6. Key findings

The NEA is the central institution reaching out to unemployed and inactive people in Bulgaria. In addition, several other institutions contribute to reaching out to people in need of support, such as the SAA and municipalities, often in co-operation with the NEA.

For some groups of unemployed and inactive people, there are strong financial incentives to register with the NEA. Most importantly, unemployment benefits and social assistance benefits are only paid out to people who are registered as jobseekers. However, these incentives do not concern all unemployed and inactive people, as many are not entitled to unemployment benefits and take-up of social assistance is low.

Bulgaria has stepped up efforts to reach out to inactive and unemployed people, including people belonging to vulnerable groups, such as NEETs and Roma, and people living in remote areas. For example, the NEA and municipalities employ activators and mediators who specifically reach out to young people who do not work and inactive Roma.

Nevertheless, the share of the out-of-work population (comprising unemployed and inactive people) registering with the NEA is low compared to other countries, at only about 22% among 25-64 year-olds and less than 12% among young people under 25. In addition, the share of unemployed making use of private work agencies is comparatively low. While there is scope for more outreach for all types of inactive people, vulnerable groups are particularly difficult to reach. In particular, this is the case for NEETs, people close to the retirement age and unemployed and inactive Roma. A number of new initiatives have recently been introduced to reach out to more inactive and unemployed people, but thorough evaluations of these approaches are not yet available.

References

Bulgarian Red Cross (2021), *The Bulgarian Youth Red Cross*, https://www.redcross.bg/activities/activities10. [15]

ETCLD-TZCLD (2019), *Territoire zéro chômeur de longue durée - rapport d'analyse*, https://travail-emploi.gouv.fr/IMG/pdf/rapport_d_analyse_etcld-tzcld.pdf. [13]

European Commission (2021), *PES Networking stakeholder conference - The power of PES partnership, Synthesis paper*. [10]

European Commission (2020), *Digital Public Adminsitration Factsheet Bulgaria*, https://joinup.ec.europa.eu/sites/default/files/inline-files/Digital_Public_Administration_Factsheets_Bulgaria_vFINAL_0.pdf. [6]

European Commission (2019), *Work ability reform: A way to enhance employment opportunities for people with long-term health problems or disabilities*, https://ec.europa.eu/social/BlobServlet?docId=21923&langId=en. [23]

European Commission (2018), *The Role of PES in Outreach to the Inactive Population*, https://op.europa.eu/en/publication-detail/-/publication/ce86219d-2d84-11e8-b5fe-01aa75ed71a1/language-en. [21]

Eurostat (2021), *Labour Force Survey series - detailed annual survey results*, https://ec.europa.eu/eurostat/databrowser/view/lfsa_ugmsw/default/table?lang=en. [9]

MLSP (2019), *Национален план за действие по заетостта през 2019 г.*, https://www.mlsp.government.bg/natsionalni-planove-za-deystvie-po-zaetostta. [17]

NEA (2021), *Месечни бюлетини*, https://www.az.government.bg/bg/stats/2/. [20]

NEA (2021), *Месечни бюлетини - 2021, Април*, https://www.az.government.bg/bg/stats/view/2/340/. [8]

NEA (2021), *Национална програма "Активиране на неактивни лица"*, https://www.az.government.bg/pages/nacionalna-programa-aktivirane-na-neaktivni-lica/. [4]

NEA (2021), *Отчет на плана за действие 2020 г.*, https://www.az.government.bg/pages/otchet-za-deinostta-na-az/. [3]

NEA (2021), *Проект "Готови за работа"*, https://www.az.government.bg/pages/gotovi-za-rabota/. [19]

NEA (2019), *Месечни бюлетини - 2019, Декември*, https://www.az.government.bg/bg/stats/view/2/305/. [16]

NEA (2015), *10 кариерни центъра в страната*, https://www.az.government.bg/bg/news/view/10-karierni-centyra-v-stranata-1113/. [18]

OECD (2021), *Improving the Provision of Active Labour Market Policies in Estonia*, Connecting People with Jobs, OECD Publishing, Paris, https://doi.org/10.1787/31f72c5b-en. [22]

OECD (2021), *OECD Economic Surveys: Bulgaria 2021: Economic Assessment*, OECD Publishing, Paris, https://dx.doi.org/10.1787/1fe2940d-en. [5]

OECD (2019), *Strengthening Active Labour Market Policies in Italy*, Connecting People with Jobs, OECD Publishing, Paris, https://dx.doi.org/10.1787/160a3c28-en. [11]

OECD (forthcoming), "Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity", *OECD Social, Employment and Migration Working Papers*, OECD Publishing, Paris. [2]

Pôle Emploi and Prism'Emploi (2021), *Accord cadre national entre Prism'Emploi et Pôle Emploi*, https://www.prismemploi.eu/sites/default/files/2021-08/Accord%20Prism%27emploi%20-%20P%C3%B4le%20emploi%20-%2012%20mai%202021.pdf. [14]

Republic of Bulgaria (2001), "Employment Promotion Act", *State Gazette*, Vol. 112. [1]

TZCLD (2021), *Territoire zéro chômeur de longue durée*, https://www.tzcld.fr/. [12]

World Bank (2019), *Harmonizing services for inclusive growth: Improving access to essential services for vulnerable groups in Bulgaria*. [7]

Annex 5.A. Further statistics

Annex Table 5.A.1. Outreach by oblast (NUTS 3 level)

Share of non-employed 15-64 year-olds in Bulgaria who are registered with the National Employment Agency, 2019

	Both genders	Men	Women
Blagoevgrad	30.4%	32.4%	28.8%
Burgas	13.9%	11.5%	15.7%
Dobrich	14.7%	15.8%	14.0%
Gabrovo	11.2%	11.7%	10.8%
Haskovo	17.7%	16.3%	18.9%
Kardzhali	15.1%	15.4%	14.9%
Kyustendil	19.5%	15.6%	23.9%
Lovech	24.6%	22.6%	26.7%
Montana	18.5%	18.6%	18.5%
Pazardzhik	19.4%	19.4%	19.3%
Pernik	13.5%	11.2%	15.7%
Pleven	19.2%	20.4%	18.1%
Plovdiv	11.5%	11.4%	11.5%
Razgrad	20.5%	20.9%	20.2%
Ruse	15.6%	15.1%	16.0%
Shumen	20.6%	22.1%	19.7%
Silistra	19.9%	22.6%	18.1%
Sliven	19.8%	22.2%	18.2%
Smolyan	25.6%	21.5%	30.0%
Sofia (region)	21.9%	24.3%	20.6%
Sofia (city)	6.4%	6.1%	6.6%
Stara Zagora	14.1%	13.0%	15.1%
Targovishte	20.8%	20.5%	21.0%
Varna	10.4%	10.2%	10.6%
Veliko Tarnovo	21.4%	23.8%	19.6%
Vidin	25.2%	24.7%	25.7%
Vratsa	22.4%	22.2%	22.6%
Yambol	12.4%	12.9%	12.1%

Note: Students are included as non-employed.
Source: NEA administrative data; National Statistical Institute of the Republic of Bulgaria.

StatLink https://stat.link/cmlirx

Annex 5.B. Qualitative interview results

The OECD carried out qualitative interviews with youth activators, youth mediators and Roma mediators for this chapter to gain in-depth insights on the day-to-day work of mediators and activators. In total, seven youth mediators, eight youth activators, seven Roma mediators and one (general) counsellor participated in the interviews. During the interviews, respondents provided information on their work procedures, frequent co-operation practices with other institutions and the type of support their clients typically receive once they register with the NEA.

Annex Table 5.B.1. Answers to the qualitative interview with youth mediators, youth activators and Roma mediators

Answers to interview questions, by type of activator/mediators, Bulgaria

	Youth mediators	Youth activators	Roma mediators
Total number of interview participants	7	8	7
With which organisations (other than yours) do you frequently work with?			
Local labour offices	7	1	1
Regional labour offices	2	6	6
Local social assistance offices	4	6	6
Municipal administrations	1	4	5
Trade unions	1	6	3
Employer organisations	1	5	3
Employers	6	7	6
NGOs	5	4	4
Schools	5	8	6
Training provider	1	6	3
Which type of support do your clients usually get once activated?			
Intensive counselling	7	8	6
Vocational orientation and motivation assistance	7	6	6
Group career guidance	4	8	5
Job search atelier	5	8	6
Psychological support	3	7	6

Note: Answers of interview partners other than youth activators, youth mediators and Roma mediators are not shown. Not all interview questions are included.
Source: Qualitative OECD interview with youth mediators, youth activators and Roma mediators.

StatLink https://stat.link/wf0vaq

Notes

[1] Large parts of the analysis in this section and other parts of the chapter are based on fact-finding meetings the OECD and the European Commission's Directorate-General for Structural Reform Support (DG-Reform) held with the NEA, the Ministry of Labour and Social Policy (MLSP), social partners, NGOs and further institutions.

[2] Information based on answers to OECD questionnaire.

[3] Formal agreements were signed with the NGOs/associations "Strategy – Balkan Institute", "House of Ideas", "Easter 2015" and others.

[4] The NEA classifies registrations depending on the main reason for the registration. One of the possible reasons is "access to social benefits from other institutions". Classification is based on the conversation between caseworkers and jobseekers.

[5] Nevertheless, youth mediators are remunerated by the NEA through the budget of the national programme "Activation of Inactive Persons".

[6] According to the ILO definition, i.e. people who do not work, but are available for work and look for employment.

[7] Ethnic groups are self-defined. There may be significant under-reporting of some ethnic groups.

6 Investing in the employability of jobseekers in Bulgaria

Kristine Langenbucher, Judd Ormsby and Nicola Düll (Economix Research)

The National Employment Agency (NEA), Bulgaria's public employment service (PES), has the main responsibility for the implementation of active labour market policies in Bulgaria. This includes both placement and related services and referrals to active labour market programmes such as training and employment incentives. Supporting both jobseekers and employers, the NEA acts as a job broker, matching jobseekers with employers who are seeking to fill vacancies. The NEA has a large and diverse client base, which has been increasing especially in wake of the COVID-19 crisis. While supporting job-ready jobseekers in their quick reintegration into the labour market, more intensive services and referrals to special programmes are needed for harder-to-place jobseekers, including those from vulnerable groups. This chapter identifies a number of areas where consideration should be given to introducing additional measures or adjustments to existing ones.

6.1. Introduction

Employment opportunities for the out-of-work population in Bulgaria had been improving in the years prior to the COVID-19 pandemic, however many people, especially those from vulnerable groups, remained weakly connected to the labour market. With the onset of the COVID-19 pandemic, Bulgaria's unemployment register has grown, highlighting the importance of the National Employment Agency (NEA) in (re-)connecting people with jobs. In this process the NEA acts as a job-broker offering services to both jobseekers and employers. For harder-to-place jobseekers the NEA needs to provide more intensive services and referrals to active labour market programmes (ALMPs).

The chapter begins by following jobseekers' journeys with the public employment service (PES). Section 6.2 describes the process of registering as unemployed, discusses how the NEA segments its clients and provides services, and details the job-search requirements that are expected of jobseekers. Finding jobseekers sustainable employment requires an employer to hire them. Moreover, filling vacancies benefits employers in addition to jobseekers. Thus, employers are important clients of the PES and the role of the NEA as a job-broker and the services the NEA provides to employers are described in Section 6.3. During longer unemployment spells especially, referrals to Active Labour Market Programmes (ALMPs) can be used to improve employment prospects while keeping up good work habits through regular programme attendance. Section 6.4 provides an overview on Bulgaria's ALMPs and discusses them in comparison with those offered by OECD countries.

6.2. Interventions during the unemployment spell from first registration of jobseekers

A smooth and effective registration process should minimise the administrative burden for jobseekers and the PES while gathering the information necessary to efficiently and effectively tailor services to clients. Chapter 4 discussed how the NEA and other institutions reach out to the inactive and unemployed in order to begin the process of activating them. This section looks at how the journey of the NEA's jobseekers continues after outreach ends, beginning with registration and segmentation and then discussing activation requirements for the registered unemployed.

6.2.1. Registration and segmentation

The registration process collects the basic information needed to start assigning clients to different services. This section describes this process in Bulgaria.

The NEA started online unemployment registration during the pandemic

Since March 2020 and the onset of the COVID-19 lockdown, registration has been possible online as well as by post, while in-person registration has also remained possible (e.g. for clients with low digital skills or without access to digital tools). Online registration can free up front-office staff and automatically digitise information, which can then be used for other purposes, including for statistical profiling to segment clients. Some clients with lower digital skills may need in person services or support with online registration (e.g. in Iceland benefit applications must be made online but computers with in person support are provided at the PES office (OECD, 2015[1])). However, for many jobseekers online applications may be more convenient than in person appointments as the application can be done at a time and place of their choosing. Given these benefits, even prior to the COVID-19 crisis, many countries have used online registration as the primary mode of registration. For example, Australia, Canada, Finland, France, the Netherlands and the United States. Indeed, some countries have taken this further with Iceland and Italy, requiring all registrations to be made online (Immervoll and Knotz, 2018[2]).

As discussed in Chapter 3, registering as unemployed is a prerequisite for receiving unemployment insurance benefits and social assistance benefits. Indeed, around 45% of new NEA clients in 2019 were applying for one of these benefits at the time of registration with the NEA. For unemployment insurance, payments start after registration though they are backdated to when the person lost their job (Immervoll and Knotz, 2018[2]). For social assistance, recipients must be registered as unemployed for six months before they are able to claim (see Chapter 3). For both unemployment insurance and social assistance, jobseekers must also complete separate forms with other institutions. In the case of unemployment insurance, jobseekers must submit a separate application to the National Social Security Institute (NSSI). Since March 2020, the application to the NSSI can be submitted either electronically or in person at the local labour office. For social assistance a separate application must be made to the Social Assistance Agency (SAA). Alternatively, both the social assistance application and the unemployment registration form can be completed at the Centres for Employment and Social Assistance (CESA) the joint initiative of the NEA and the SAA described in Chapter 4.

The NEA segments clients by job readiness based on caseworker judgments assisted with an older profiling tool

It is important for a public employment service to differentiate among clients so that they can tailor services to clients in ways that will have the most impact. Following registration the NEA segments clients into three categories that guide service provision. These categories then help determine what services are delivered to clients and when. Jobseekers are assigned to categories either at the end of the registration process or, during the meeting when the Individual Action Plan (IAP) is drawn up. Counsellors can review the grouping over time and make changes when clients' situations change (though in practice changes are rare). The three categories are:

1. **Most job ready:** People with good professional characteristics and active labour market behaviour. They will typically be expected to conduct independent job search and the NEA anticipates that these jobseekers will find a job within six months of registration.
2. **People further from the labour market:** NEA counsellors assess these jobseekers as harder to place due to their characteristics (for example, low education, living far from work, or having health and disability issues). The NEA aims to work with these clients more actively to match them with employers or offer them subsidised employment. The NEA anticipates that jobseekers in this group will find a job within nine months of registration.
3. **People furthest from the labour market and least active**. People in this group are considered to be far less active and motivated to find work. Counsellors do not believe these people are ready for immediate participation in employment or education. Instead, the vision is to work with clients in this group intensively to "activate" them group and increase their motivation and support their transition into Category 1 or 2 as quickly as possible. The NEA anticipates it will take up to 12 months for people in this group to find a job.

The NEA does have an IT tool which recommends phasing to counsellors. However, the tool was designed a decade ago and only produces recommendations for the first two of the three categories. Counsellors frequently deviate from these recommendations. For example, of the caseload on 31 December 2019, around 76 000 registered unemployed had been rated by the IT tool as Category 1 but only about half of these, 37 000 registered unemployed, were actually allocated to Category 1 by counsellors. While freedom to deviate from a simplistic model can be useful, these outcomes suggest the tool could be upgraded and better integrated with counsellors' segmentation of clients.

To help better target services many countries now use sophisticated profiling tools to help differentiate their clients (Desiere, Langenbucher and Struyven, 2019[3]; OECD, 2018[4]). Such tools combine rich data on jobseeker characteristics with predictive modelling techniques – such as basic regression or more advanced machine learning – to forecast important labour market outcomes for jobseekers such as the

probability of finding work or other important labour market outcomes. These tools can help standardise services and can be most useful to counsellors who face varied clients. A PES can use these tools to provide less services to those that are likely to find a job without support and to reallocate resources to those who need them. Some PES (e.g. Ireland and the Netherlands) use profiling tools to help anticipate budgeting needs. While others (e.g. the Netherlands) use profiling tools to identify clients who can have services delivered largely online. In case of contracting-out employment services, profiling tools are also important to guide assignment to payments groups, as is done in Australia and Sweden. Bulgaria already collects rich data on its clients so developing a better profiling tool may be possible without investing in further data collection, though this too could be considered.

Services for jobseekers are scheduled through Individual Action Plans (IAPs)

The services provided to jobseekers are agreed between the jobseeker and their caseworker as part of the IAP. The IAPs set goals and identify what type of support jobseekers need. This includes determining the need for individualised services such as individual or group counselling sessions, or specialised counselling including referrals to psychologist or the need to work with Roma mediators. The IAPs are monitored for progress and adjusted over time in the client's meetings with their caseworker. As a follow up to the IAP, after 12 months of unemployment there is an "Agreement for integration into employment" (AIE), for the long-term unemployed which further specifies services and actions for the jobseeker.

The three categories of job-readiness clients are placed in help caseworkers determine service delivery and shape the IAP. In addition, the IAPs are further tailored to individual characteristics. To assist counsellors, since mid-2019, seven standardised packages of services have been designed for people who fall into different groups. They include three packages for different groups of youth, and a package each for, people over 50, people with primary or lower education, single parents, and mother with children under five. These packages act as a guide to caseworkers to decide on the types of services and ALMPs jobseekers are referred to. Caseworkers can, at their own discretion, to further tailor service to clients' needs. Referrals to ALMPs depend on jobseekers' individual characteristics, the barriers to employment they face, as well as, at times, on jobseeker preferences. Various ALMPs are based on age such as several trainings and employment subsidies for younger workers, and (separate) training and employment subsidies for older workers. Further ALMPs are available to support specific barriers including for those with disabilities, support moving region, and support for people with young children. Section 6.4 gives more detail on what ALMPs Bulgaria provides, to whom, and how effective they are.

The NEA meets its clients furthest from the labour market infrequently

For clients who have just lost their job it is important to help them begin their search as fast as possible, as the longer jobseekers are unemployed the more challenging it is to find a job (Kroft, Lange and Notowidigdo, 2013[5]). Indeed, evidence supports early and frequent meetings with jobseekers as an effective way of placing jobseekers in sustainable employment. In an experiment in Denmark, early and frequent meetings with jobseekers increased employment over the next two years by up to five weeks (Maibom, Rosholm and Svarer, 2017[6]). Positive impacts on exits to employment have also been found for France, with evidence suggesting in particular that intensive counselling can improve the quality of job matches, thereby reducing unemployment recurrence (Crépon, Dejemeppe and Gurgand, 2005[7]).

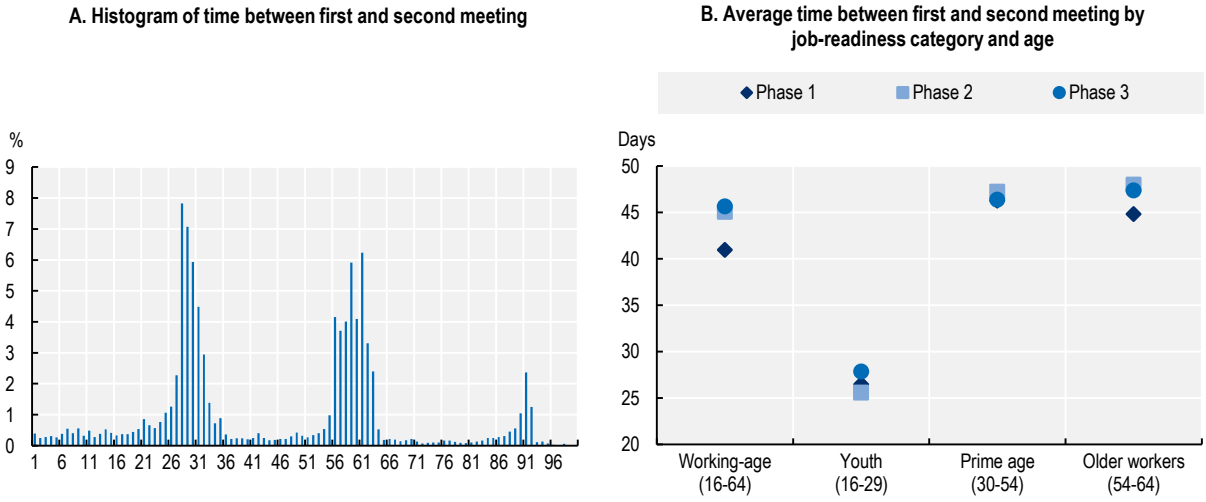
The NEA aims to meet with clients and set up an action plan within a month of registration. Follow-up meetings can be scheduled at any interval and as frequently as weekly, with the NEA aiming to meet clients at least every two months. In practice, the meetings almost always occur at one, two, and sometimes, three month intervals (Figure 6.1, Panel A).

The NEA aims to meet its clients who are furthest from the labour market (i.e. in Category 3) more frequently. However, in practice, the NEA actually meets these clients less frequently than clients in Category 1 and Category 2 (Figure 6.1, Panel B). This result is driven in part by the NEA's policy of meeting

young jobseekers under 30 years at least monthly. Many young persons are classified as Category 1, which drives down the average time between the first and second meeting for Category 1 clients to a little over 40 days (Figure 6.1, Panel B). To increase the frequency of meetings with Category 3 clients, the NEA should consider setting a more frequent minimum meeting schedule for Category 3 clients, as it does with youth. This, however, is likely to require additional counsellor resources.

In general, not all clients will need frequent meetings with the NEA, and not all jobseekers will need a detailed or promptly prepared action plans. Some jobseekers will be able to effectively manage their job search independently. Identifying these jobseekers is thus important for freeing up resources for those who need them most, and as mentioned above, more sophisticated use of profiling tools may be of use in assisting with these decisions. For example, youth under 30 are met very frequently by the NEA. However even though this may be helpful for many youth, it could be that not all youth need this extra support as much as some, older, less-job ready clients who currently receive less support. A sophisticated statistical profiling tool could thus assist in such decisions.

Figure 6.1. Time between meetings varies more by age than by distance from the labour market in Bulgaria



Note: Data are for jobseekers who have had at least two meetings with the National Employment Agency (NEA). Phase is the job-readiness category assigned by the NEA clients with phase 1 clients the closest to the labour market and phase 3 clients the furthest from the labour market. For Panel B the chart does not show those who are recorded as having a "second" meeting on the same day as the first (less than 2.5% of cases) and those with a second meeting more than 100 days after the first meeting (less than 0.5% of cases).
Source: OECD calculations based on National Employment Agency administrative data.

StatLink https://stat.link/n6zp50

The jobseeker to caseworker ratio is relatively high

The most important input into PES activities is its people. The NEA has around 2 900 staff. Of these about 1 350 are involved in providing labour mediation services. Staff satisfaction is considered high with around 80% of employees feeling personal satisfaction with their work according to a 2019 staff survey. About 38% of NEA staff are on temporary contract many of whom work on ESF financed projects where the funding is not permanent. The majority of NEA staff are highly skilled and have a bachelor's or master's degree.

In August 2020, the government granted a one-time permanent pay increase for NEA staff of 29.7% on average. This increase appears to have been mostly uniform across the organisation. The rational was to address a pay gap between the NEA and other state agencies, and also to reward front-line workers in the face of the COVID-19 crisis and was given in the context of a government review of pay for 24 state agencies. This substantial pay-rise will make the NEA a more attractive place to work, which may lower staff turnover (currently around 12%).

In 2019, during the July – September period, the NEA had around 142 jobseekers per caseworker. This calculation comes from an average of 172 689 jobseekers served by about 1 213 staff over this period (though this figure includes some employees who also provide services to employers as well as jobseekers).[1] As the number of jobseekers rose in the wake of the COVID-19 crisis caseloads increased to around 217 per caseworker during the same period in 2020.

Lowering caseloads below these levels would allow for more personalised services (for example, increasing the frequency of meetings discussed above). Indeed, international evidence suggests improving jobseekers to case worker ratios below the levels seen in Bulgaria can result in improved labour market outcomes and to net financial savings. In an experiment in Austria, a local PES office in Vienna temporarily increased staff during the year 2015 to lower the client-to-staff to 100:1 instead of the usual 250:1 (Böheim, Eppel and Mahringer, 2017[8]). Similarly, an experiment in the German PES between 2007 and 2010 involved the hiring of additional caseworkers in 14 local PES offices to lower the client-to-staff ratio to an average of 70:1 (from the usual 80:1 to 250:1) to improve the quality of placement services (Hainmueller et al., 2016[9]).

The international evidence makes a strong case that hiring more staff to decrease workloads of caseworkers can achieve improved outcomes and reduce net costs to the government. Indeed, in both the Austrian and German experiments, the costs of hiring additional caseworkers was offset by decreased benefit expenditure within one year or less.[2] Beyond hiring additional PES staff to complement existing PES services or address additional staff needs during periods of high unemployment, some countries contract out employment services to external service providers. Expanding PES capacity temporarily, without long-term commitments, can be achieved by contracting out employment services to the private sector. Two in five of the countries covered by the OECD-EU survey already contract out employment services to external parties, including both to for-profit and not-for-profit entities (OECD, 2021[10]). A number of countries foresee expanding the use of contracted out services in the near future, also to address higher levels of unemployment resulting from the COVID-19 crisis (see Box 6.1). Hiring of additional PES staff as well as contracted-out employment services, however, require large additional upfront financing, which may not be available, even so both measures are regarded as “invest-to-save” measures. An alternative approach is to free up the time of existing staff members with increased use of automation and digital services, which is discussed in the next sub-section.

Box 6.1. Contracted-out employment services

Two in five OECD and EU countries (or regions) contract out employment services to external parties, including both to for-profit and not-for-profit entities. While there are different ways of contracting for employment services the focus on this box is on payment-by-results (or outcome-based) contracts. This box summarises the findings of Langenbucher and Vodopivec (Langenbucher and Vodopivec, 2022[11]).

Contracted-out employment services offer many advantages and they can be used to complement or replace existing publicly provided employment services. Contracted-out employment services can offer: (i) flexibility in providing a range of innovative services that can be tailored to individuals, (ii) a strong client-focus (especially if high numbers of counsellors per client are stipulated in contracts), (iii) increased cost-effectiveness through the use of competitive tenders and a large share of payments that are results-based, and (iv) consumer choice when contracting with multiple providers for similar services.

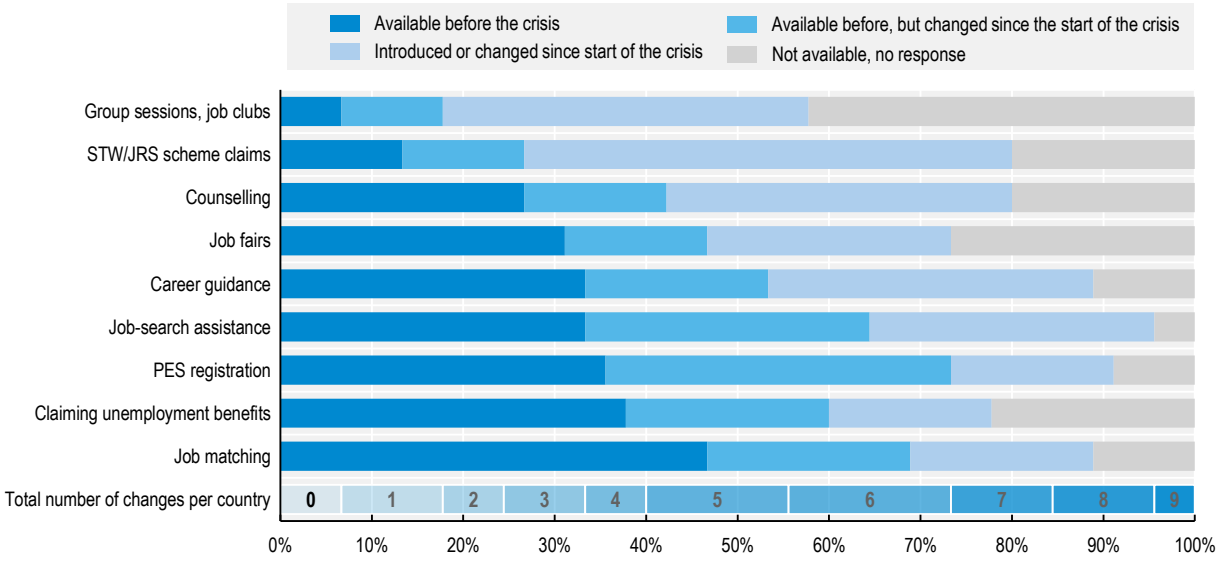
However, outcome-based contracting is not without challenges. One challenge is the risk that providers do not serve the most disadvantaged jobseekers. This can occur for example when providers are able to "cream-skim" or "cherry-pick" job-ready clients who might be placed in employment with less effort than more disadvantaged jobseekers. This risk needs to be addressed through programme and contract design (such as fee structure, minimum service requirements, and participant obligations). A related challenge is that tendering outcome-based contracts is more complex than other forms of tendering so it requires contracting authorities to build up specific expertise. In fact, prior to contracting it is important to ensure appropriate legislation, with experience in some countries showing that labour market regulations may not always accommodate payment by result contracts. Another challenge, that is particularly salient in Bulgaria, is ensuring a sufficient market of providers that can supply outcome based employment services. Indeed, Bulgaria requested tenders for services to support people with disabilities into employment in 2017, 2018, and 2019, but did not receive any submissions in response. Going forward Bulgaria might consider further research into the reasons for non-response as well as future tenders for employment services of a different type or directed towards other groups. Information sessions to gather feedback from potential providers even before tender requests are published can help to work through the constraints and challenges providers face in delivering a good service. Indeed, due to the complexities of tendering, countries can allow a year or more between when tendering procedures begin and clients first start receiving services (as was the case in the UK's *New Deal* and in Ontario's *Employment Service Transformation* pilot).

Source: Langenbucher and Vodopivec (2022[11]), "Paying for results: Contracting out employment services through outcome-based payment schemes in OECD countries", https://doi.org/10.1787/c6392a59-en.

The NEA is increasing its provision of digital services but could go further

Many PES have increased their service offering in recent years (Figure 6.2). Bulgaria is no exception but it still has room to go further in this direction. During the COVID-19 crisis the NEA was quick to roll out e-services. It is now possible for jobseekers to perform basic administrative tasks such as registration and deregistration online which many clients now prefer. IAPs can also now be drawn up remotely, whereas prior to the COVID-19 crisis these were all done in person. An increasing digital set up is important and emphasising online employment registration and services should continue beyond the COVID-19 crisis. Remote digital service provision, as with online registration discussed above, can offer more flexibility to jobseekers, can reduces time spent commuting to the employment service and waiting in ques, and, once the investments in setting up digital services have been made, may free up NEA staff time for other tasks.

Figure 6.2. Proportion of PES offering remote/digital access to services



Source: OECD (2021), *OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery*, https://dx.doi.org/10.1787/5a700c4b-en.

StatLink https://stat.link/jhx0ae

The NEA also maintains an e-labour office (which existed prior to the crisis) that allows jobseekers to view job vacancies through a basic online-portal. Likewise, jobseeker's basic profiles are included on the website and employers can search these to find prospective candidates. This website, however, could be modernised. For example, further functionality could also be added to the website to better match jobseekers and employers. Box 6.2 shows examples of such functionality used by the Public Employment Service (PES) in Flanders (Belgium).

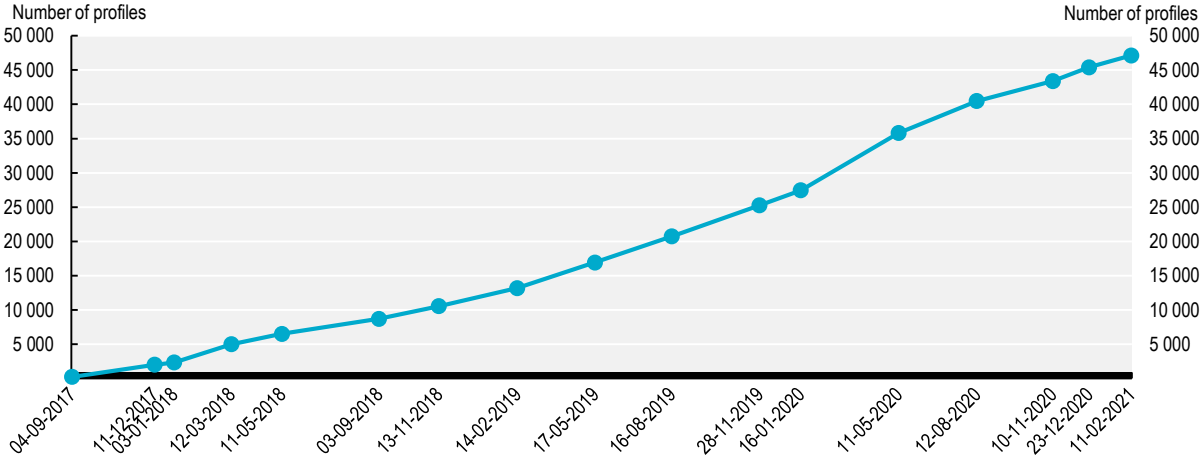
An important limitation of the e-labour office, is that when jobseekers find a vacancy they are interest in, or employers find a potential candidate, they must contact the NEA to intermediate. This process takes up additional time for employers, jobseekers and NEA staff. Automating this process and allowing employers and jobseekers to directly contact each other could potentially save time for all involved. Indeed other countries (e.g. Austria, Germany, the Netherlands and Sweden) have fully open vacancy databases that offer all the information jobseekers need to apply for a position, in case they are registered within the database. While the NEA previously had concerns about data privacy, now has plans to modernise this aspect of its website and intends to allow such functionality in the future.

One example of the NEA taking the initiative with introducing more online and digital services is the "MyCompetence" website and its "personal profile of a jobseeker" tool (MyCompetence, 2019[12]). The "MyCompetence" website provides access to e-learning, allows jobseekers to view their competencies using the "personal profile of a jobseeker" online module, and provides information on the competencies required for various positions. The "personal profile of a jobseeker" application shows jobseekers the current data the NEA holds (e.g. on their skills, education, experience, and action plan) so that they can update it online. The e-learning courses offered on the "MyCompetence" website are wide ranging including courses on time management and business etiquette, conflict management, the use of decision-making tools, and digital competencies, as well as courses that support managers in hiring or leading. These resources are provided to jobseekers for free. The website's development is also an example of co-operation across the public and private sector with the system developed in co-operation with the

Bulgarian Industrial Association (BIA) and developed over several years with support from the European Social Fund (MyCompetence, 2019[12]). The NEA has promoted this tool, particularly during the COVID-19 pandemic and nearly 50 000 profiles had been created by early 2021(Figure 6.3). Statistics supplied by the NEA show that in 2020 an average of 74 new profiles were created per day and an average of 39 "development measures" (e.g. questionnaires, trainings) were planned each day. Profiles can continue to be used and updated after registration at the labour office ends.

Figure 6.3. Many jobseekers in Bulgaria have started using the "Mycompetence" online platform

Number of profiles on "Mycompetence" application



Note: Number of profiles developed using the Mycompetence tool. Updates shown at irregular intervals due to availability of user data supplied.
Source: Data provided by the National Employment Agency.

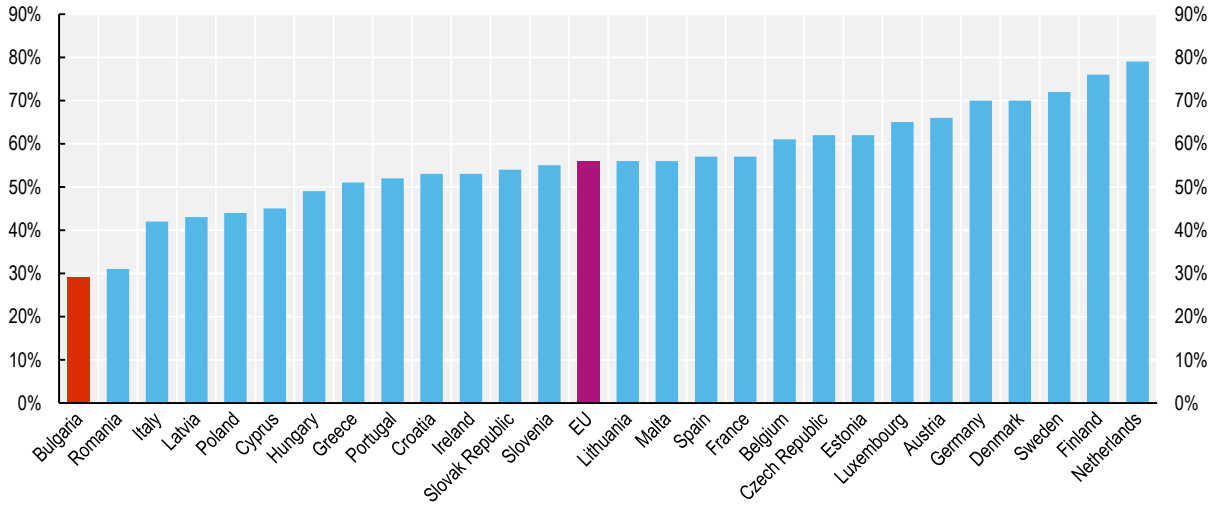
StatLink https://stat.link/xv8gbw

During COVID-19, counselling sessions could be undertaken remotely and remote counselling was supported by the "MyCompetence" platform. Bulgaria should consider retaining this as an option for some customers where this is suitable post-COVID-19. Indeed, many countries now seek to provide their most job-ready clients with entirely online experiences. Already in 2014, the Dutch PES was using e-services as the primary means of servicing all clients in the first three months of registration, with almost all unemployment benefit recipients registering online and 85% using ongoing e-services to manage their benefit claim and automatically match with vacancies (European Commission, 2014[13]). As digital services are not appropriate for everyone, the Dutch PES now uses a statistical profiling tool to help segment clients into those that will initially use e-services and those that need in-person assistance.

While digital services can be convenient for certain jobseekers and save the PES time, they are not suitable for all jobseekers. In Bulgaria, just 3.5% of the registered unemployed on 31 December 2019 subscribed to e-mail notifications from the NEA. There can be many reasons for lack of uptake of digital services, including people's awareness of the services, their willingness to use them, their trust in sharing data, and their access to appropriate equipment. One concern when providing digital services is people's computer skills. This is particularly relevant in Bulgaria which has the lowest levels of digital literacy in the EU (Figure 6.4).

Figure 6.4. Bulgaria has the lowest levels of digital literacy in the EU

Percentage of people with basic or above basic digital skills, 2019



Note: The European Union (EU) is an unweighted average of the 27 countries shown.
Source: European Statistical System (ESS) ICT survey.

StatLink https://stat.link/zdrtwh

Box 6.2. The Flemish PES uses innovative digital tools to connect jobseekers with employer vacancies

The Flemish PES in Belgium – Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleidin (VDAB) – uses AI and other advanced analytics to better connect jobseekers with relevant vacancies. This box describes these tools based on interviews with experts from VDAB.

VDAB has two tools to recommend job vacancies to jobseekers. The first tool, matches jobseekers to vacancies based on their dossier information (including their competencies and their preferred jobs and regions) and the skills required for a vacancy using a rule-based algorithm. VDAB considers this tool particularly useful when counsellors want to require jobseekers to apply for a job as part of activation-linked benefit requirements.

The second tool, Jobnet, uses a wider range of data and combines this with an AI-based predictive algorithm. In addition to competencies, Jobnet uses information including: jobseekers own (and similar) profiles, job viewing history, work experience, competencies, desired jobs, desired work schedule, drivers licences, age, and even the type of email domain jobseekers use (e.g. gmail, yahoo, etc.). Jobnet's algorithm predicts what vacancies clients are most likely to interact with. Jobseekers are then shown vacancies that are most relevant to them. Such a tool is less useful for enforcing job search requirements as Jobnet's algorithm is opaque and may recommend jobs clients find interesting but are not yet ready for. However, this tool is useful for allowing jobseekers and counsellors to take a wider view of what jobs might be suitable. VDAB has separate digital tools that can help jobseekers understand the competencies they need for such roles.

Bulgaria could consider adopting such practices through its e-labour offices. Such tools reduce search costs and are likely most useful in areas where there are many vacancies to examine.

6.2.2. Activation requirements for benefit recipients operate on a "soft obligation, strict sanction" approach

In order to mitigate the disincentive effects of benefits, countries impose eligibility requirements on benefit receipt that aim to activate jobseekers. This involves requiring jobseekers to be available for training and work and to take steps to search for a job. To help compare the stringency of eligibility requirements the OECD collects detailed information about each countries requirements (Immervoll, Knotz and Otmani, 2020[14]).[3] The results are available on the OECD's website (OECD, 2021[15]). Each countries' rules are examined and coded on a 1-5 stringency score (with 5 as most strict). The OECD work assesses stringency across three categories:

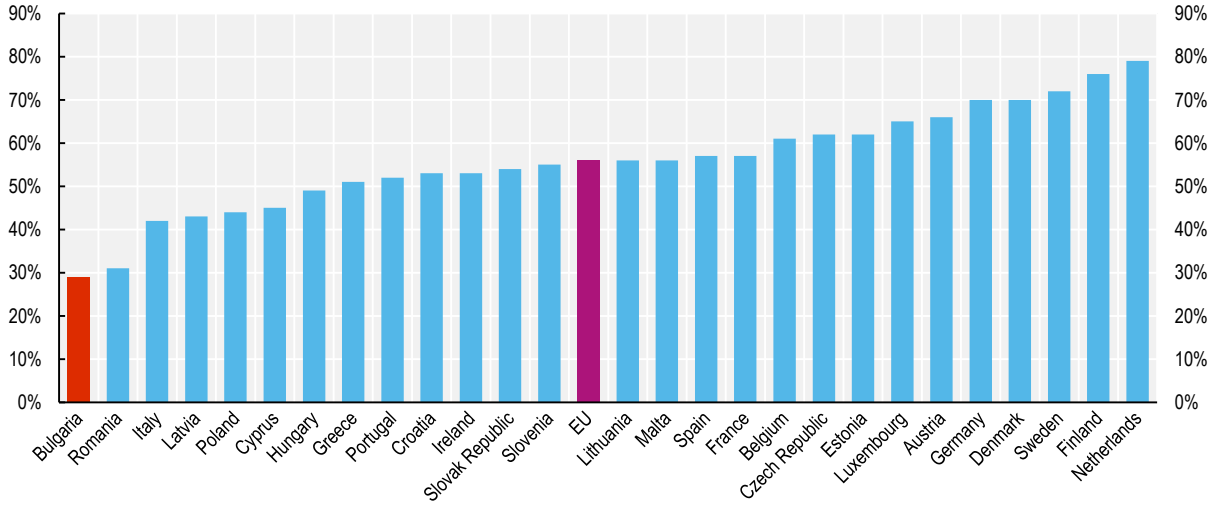
- **Availability requirements**: The reasons people are allowed to give for turning down jobs and refusing ALMP participation, including how mobile jobseekers are expected to be across place and occupation.
- **Job-search requirements:** How frequently jobseekers must provide evidence of job-search and how well-documented this evidence must be.
- **Sanctions:** How severe sanctions are, including for refusing valid job offers and ALMPs as well as for voluntary resignation.

Tougher activity-related eligibility requirements can speed up transitions back to work (Abbring, Berg and Ours, 2005[16]; Lalive, van Ours and Zweimüller, 2005[17]; van den Berg and van der Klaauw, 2006[18]) but policy makers must balance this with equity considerations (Immervoll, Knotz and Otmani, 2020[14]). Indeed, some studies find sanctioning can lead to lower quality employment such as less stable and lower paid job-matches (Arni, Lalive and Van Ours, 2012[19]) or higher take up of part-time instead of full-time jobs (van den Berg and Vikström, 2014[20]), though overall evidence on the effects of eligibility requirements on job quality is mixed (Tatsiramos and van Ours, 2012[21]; Le Barbanchon, 2016[22]). However, if jobseekers do end up in lower quality employment this could potentially contribute to skill erosion.

Overall, Bulgaria's activation requirements are relatively light – ranking 12th most lenient out of 39 OECD and EU countries covered (Figure 6.5). Like several other eastern European countries, Bulgaria opts for an approach that combines strict sanctions on unemployment insurance recipients with lenient job-search and availability requirements. The rest of this section examines in more detail Bulgaria's activation requirements.

Figure 6.5. Activation requirements in Bulgaria are relatively lenient compared to many other countries

Strictness of activation requirements (higher is more strict), tier 1 unemployment benefits, 2020



Note: Data refer to 2017 for Iceland, Ireland, Norway and Portugal and for Greece and Malta for "Sanctions data" only.
Source: *OECD Strictness of Activation Requirements Database*, https://stats.oecd.org/Index.aspx?DataSetCode=SBE.

StatLink https://stat.link/wn73om

Availability and search requirements for job-seekers are lenient compared to other countries

To allow candidates to take time to find not just any job, but a good job, many countries allow candidates to decline "unsuitable" jobs without loss of benefit. Suitability can take into account jobseekers education, skill and previous occupations as well as how far away the job is. Jobseekers are usually expected to consider a broader range of jobs the longer they are unemployed.

In Bulgaria, jobseekers are allowed to decline jobs if they do not match their education, qualifications or profession and experience during the first 12 months of registration. After this period, these are no longer valid reasons to refuse a job. Regardless of registration length jobseekers are compelled to accept a job in the same locality or within 50 kilometres of it provided there is adequate transportation, but jobseekers are not compelled to accept job offers that are further afield. Similarly, job seekers can always turn down jobs that are unsuitable given their health. Further when participating in ALMPs there are no requirements to be available for jobs.

In an international context these rules are relatively lenient scoring only a two out of five for each of occupational mobility and geographic mobility and a maximally lenient one out of five for ALMP participation (Figure 6.6, Panel B). Out of 35 OECD and EU countries for which there is data in the OECD's 2020 survey, 30 require jobseekers on tier one unemployment benefits to be available for work when participating in at least some ALMPs while 11 countries report that jobseekers must be available for and actively searching for work when participating in any ALMP (OECD, 2021[15]). In terms of occupational mobility, examples of more strict approaches include countries that only allow jobseekers to turn down jobs that do not match their experience and qualifications for a shorter period, e.g. six months or, or even to never allow such protections as is the case for Australia, Denmark, Hungary, Japan, New Zealand and Poland (OECD, 2021[15]).

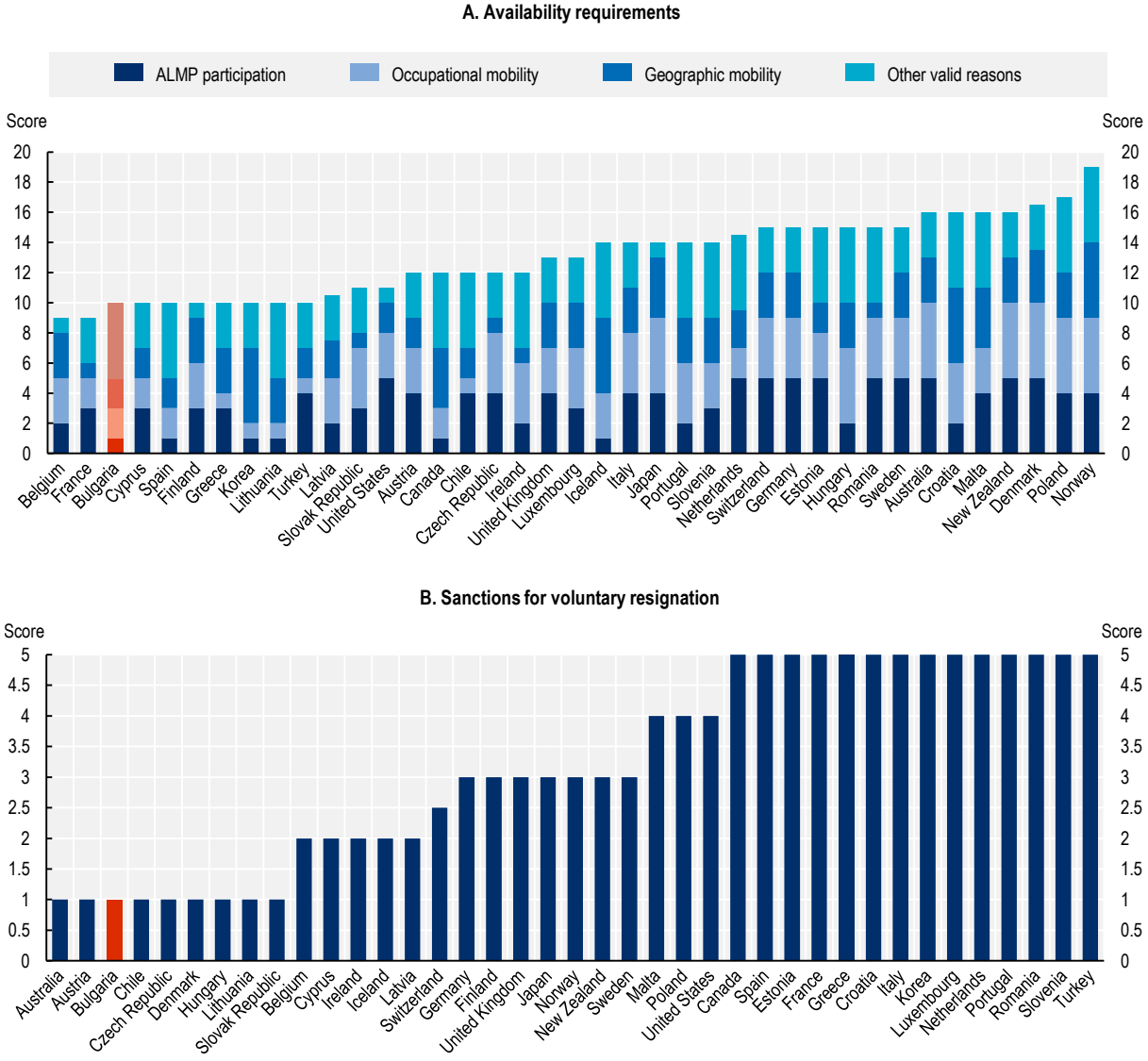
Interestingly, Bulgaria allows the same protections relating to education and qualifications for jobseekers on social assistance as it does for unemployment insurance. Social assistance benefits are targeted more toward the long-term unemployed who have exhausted any unemployment insurance they may qualify for. Some other countries require those on lower tier social assistance benefits to be available for a wider range of jobs than those on unemployment insurance – for example Austria, Canada, Italy, Japan and the United Kingdom operate stricter overall activation criteria for lower tier compared to first tier unemployment benefits (Immervoll and Knotz, 2018[2]).

One area of particular interest would be geographic job mobility requirements. One option would be to make geographic mobility requirements stricter, however this may be difficult to enact in practice as moving far from existing networks and family may not be feasible for all. Perhaps for this reason only two countries in the OECD's 2020 survey (Croatia and Korea) report requiring participants to move for a job, though three further countries (Canada, Japan and Malta) are assessed as requiring commutes of more than four hours, and 16 countries report requiring commutes of up to four hours (OECD, 2021[15]). As discussed in Chapters 1 and 2, there are large differences in labour market opportunities within and across regions in Bulgaria. Hence, improving incentives may have the potential to help many. Indeed, the OECD has previously identified high-levels of home ownership in Bulgaria as a factor that may contribute to Bulgaria's low levels of residential mobility (OECD, 2021[23]). Instead of tightening eligibility rules, subsidies that support moving are an alternative (or additional) way to change incentives. Bulgaria does offer two programmes that provide subsidies to support moving. The first subsidises only transport costs while the second provides broader support including for child care costs and even rent for people taking a job outside of 50km. Both these programmes however only last for 12 months and have very few participants numbers (see Section 6.4). Such programmes are important given the Bulgarian context. Bulgaria should consider how well these programmes incentivise longer-term moves and assess whether or not there is a case for a more generous one-time subsidy conditional on a permanent move to a different location.

As discussed above, meetings with the NEA are not set very frequently and meeting frequencies vary by person. Further, jobseekers need only provide verbal information about their job seeking activities outside of the employment agency (OECD, 2021[15]). Of the same 39 countries in Figure 6.5 24 countries (62%) are assessed as having stricter documentation requirements and 16 (41%) are assessed as performing more frequent checks (OECD, 2021[15]).[4] In some cases these checks of documented job-search are as frequent as every four weeks or less (e.g. Malta or the United Kingdom) but in most of the cases assessed as having more frequent checks than Bulgaria the frequency is every nine weeks or less. Examples of more strict documentation include requirements that jobseekers specify the specific actions they took to find work, to specify the names and addresses of employers jobseekers have applied to, or even, in the most strict case of Malta, to regularly produce declarations from an employer stating that they have applied for work. To perform more frequent checks with stricter documentation, while minimising any increased demands on staff, the NEA could consider greater use of online tools to monitor jobseekers such as the digital submissions of evidence of job search.

Figure 6.6. Sanctions for voluntary resignation are lenient in Bulgaria as are availability requirements

Strictness of sanctions (higher is more strict), tier 1 unemployment benefits, 2020 or latest year



Note: Data are for latest year available (2020 or 2017). See source for more details.
Source: *OECD Strictness of Activation Requirements Database*, https://stats.oecd.org/Index.aspx?DataSetCode=SBE.

StatLink https://stat.link/4ojrfi

Sanctions for refusing jobs and ALMP participation are strict

Bulgaria's sanctions for failing to participate in an ALMP or for turning down a suitable job are among the harshest in the OECD and EU. Rejecting a suitable job or ALMP resulting typically results in a six month removal from the unemployment register and associated loss of benefit entitlement and in the case of being dismissed from subsidised employment it is 12 months. Many other countries opt for a less strict approach, especially for first refusals.

A tough sanction approach provides strong incentives for jobseekers to comply with rules. Nevertheless, there are drawbacks to this approach. First, harsh sanctions reduce income to those in need. This reduces the role benefits play in abating income inequality and can induce hardship. One study in the United Kingdom using a "fixed-effects" or "difference-in-difference" methodology, found an association whereby local authorities that had relatively higher increases in sanctions over time suffered increased mental health problems (as measured by increased anti-depressant prescriptions) compared to local authorities with relatively lower increases in sanctions over time (Williams, 2021[24]). Another study in the United Kingdom, with a similar methodology, found higher sanctions were associated with higher food insecurity (Loopstra et al., 2018[25]).

Second, due to the magnitude of the sanction counsellors may exercise discretion in actually applying them especially for more minor setbacks. It is difficult to tell the extent this occurs in Bulgaria. Of jobseekers that were registered as unemployed at the end of 2019, about 11% left the register via a sanction by February 2021.[5] While international comparisons are rare, this does not appear to be a low number. Gray (2003[26]) calculated the number of sanctions per year and divided these by the average stock of unemployment beneficiaries for a sample of 14 OECD countries in the 1990s. Gray found the median was about 7%. For another recent data point using a similar methodology, annual sanctions rates in Slovenia in 2015 were around 6% in 2015 (OECD, 2016[27]).

Third, sanctions in Bulgaria not only result in the loss of benefit entitlement they also imply exclusion from all PES services. These disengaged clients thus need to manage their job search independently and without the support of the PES. This includes clients registered with the PES who are not on benefits as they too can be sanctioned. Other countries, including Luxembourg, Latvia and Greece, still allow sanctioned benefit recipients to access at least some services – sometimes with a delay, but one shorter than the full sanction period for their benefit (OECD, 2016[27]).

Finally, there is some evidence that sanctions may be less effective than stricter availability or job-search requirements. Knotz (2020[28]), analysing cross-country panel data, finds that both more strict job-search and more strict availability requirements have a statically controlled positive association with the employment rate but that stricter sanctioning (on its own) does not. Unfortunately, such studies are not definitive as it is difficult to be certain that these statistically controlled associations are causal.

The benefit rules for voluntary resignations in Bulgaria differ from those typically used in other countries

To encourage job-to-job transitions and discourage unneeded government spending on unemployment benefits, most OECD and EU countries impose sanctions on claiming unemployment insurance for those who leave their jobs voluntarily. Bulgaria, however, is rated as one of the least strict countries in the OECD and the EU for sanctioning of people who voluntarily resign (Figure 6.6, Panel A). This is because Bulgaria imposes no up-front restrictions on people who voluntarily leave their job. Bulgaria instead places sanction on voluntary resignation – if at all – at the *end* of the unemployment insurance period: with the maximum unemployment insurance period reduced to four months for all people who voluntarily quit their job.

This is very unusual internationally. Most countries, either, do not pay unemployment insurance at all to people who voluntarily quit their job (which is also very harsh), or they impose up-front sanctions. Countries may opt for this up-front deterrent because people tend to place more weight on costs in the near term than those in the future. To the extent this is true, it means that sanction periods at the beginning of the unemployment spell will act as a greater deterrent to voluntary resignations, than a sanction at the end. In theory, this could potentially allow the government to use smaller up front sanctions compared to larger end-of-period sanctions in order to achieve the same deterrent effect thus minimising the impact of sanctioning on poverty. Bulgaria could therefore consider reforming the way it sanctions voluntary quits. However, in addition to moving sanctions from the end to the beginning of the unemployment spell, Bulgaria also should make sure that people with entitlement to unemployment insurance who voluntarily

end employment (excepting those with valid reasons) face at least some sanction. At present Bulgaria's sanction for voluntary quits only affects those with more than four months unemployment insurance. This means those who have contributions of less than three years (potentially many youth) face no disincentive for quitting.

6.3. Services for employers

Finding jobseekers suitable employment requires matching jobseekers with employers who will hire them. Thus, in order to achieve higher living standards for PES clients through greater labour market participation, it is important to work with jobseekers – the labour supply side – and with employers – the labour demand side. Indeed, both jobseekers and employers are PES clients and the PES provides useful services to both groups. Whereas the previous section focussed on the NEA's work with jobseekers, this section details the work the NEA does with employers.

The NEA works with employers in a number of ways. These include, listing vacancies on the NEA's online job-board – the e-labour office described in the previous section; referring candidates to employers; offering employment mediation; and the organising of job-fairs. On its website, the NEA publishes information for employers on issues such as support for dismissed employees to register with the employment agency; employers' obligations for mass layoffs (including the timing and structure of consultations); information on the COVID-19 job-retention scheme; and information on hiring foreign workers. The provision of many ALMPs including employment subsidies and trainings involve further interactions with employers including both providing information on what is available in addition to working with employers during the implementation of these programmes.

As with PES jobseekers clients, perhaps the first step in working well with employers involves outreach activities. As part of its outreach strategy, the NEA has teams that identify and work with important large employers in each region. At the other end of the spectrum, to reach out to employers in smaller settlements and more remote areas the NEA uses its mobile labour offices (see Chapter 4).

To deliver on its work with employers, particularly in gathering vacancies to share internally and list on its e-labour website, the NEA has staff who specialise in working with employers. While all staff are expected to, when needed, work with clients from both the employer and jobseeker side, Bulgaria has, 60 counsellors who specialise in working with employers compared with about 1 170 counsellors in specialising in working with jobseekers. International comparisons of the number of PES staff working with employers are hard to come by, but, as one data point, Slovenia, which has high levels of engagement with employers, has a much larger share of employer counsellors than Bulgaria: with about one-in-five counsellors at the Employment Service of Slovenia (ESS) specialising in working with employers or about 80 in total (see Box 6.3).

Box 6.3. Slovenia has a a well-developed strategy for working with employers

Public Employment Service (PES) provision of Human Resource (HR) services to firms include advertising vacancies (including vacancy exchange and hosting job-fairs), assistance with vacancy drafting, assistance in selecting candidates for interviews, assistance in understanding regulations, and continuous assistance with training employees. While almost all PES could be said to offer some HR services (e.g. hosting vacancy exchanges), the HR services offered by the Slovenian PES, the Employment Service Slovenia (ESS), are particularly far-reaching and can include all of the aforementioned services.

The ESS' interactions with employers usually begin online, although there are also in-person local offices that function as one-stop shops for employers needs (European Commission, 2018[29]).Upon posting a vacancy with the ESS, employers can opt for additional support and specify which services they require (such as those services listed above). In 64% of cases employers request such support and for temporary work agencies this figures is especially high at around 85%.[1] The Slovenian PES aims to get in touch with employers within 24 hours if additional services are requested and services are tailored to firms' needs (for example if the firm is posting many vacancies the ESS may organise a job-fair or "speed dating").

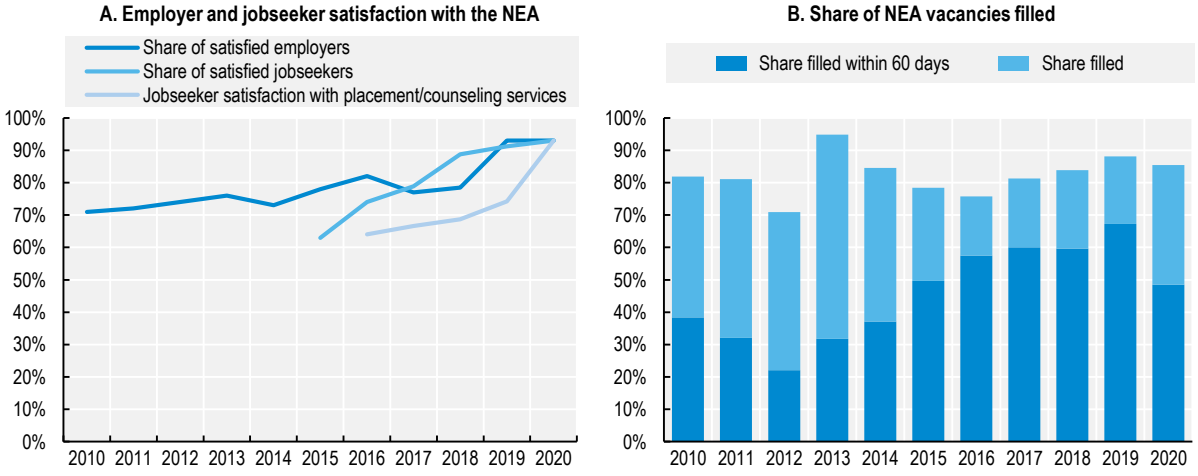
Employer counsellors lie at the heart of Slovenia's employer strategy. In the past, the ESS did not have employer-specific counsellors and used counsellors that worked with both job-seekers and employers. However, employer satisfaction was lower than it is now and at times employers felt they were going from person-to-person as they attempted to access different services. Now at the ESS, about one in five counsellors specialise only in working with employers and the ESS aims to have employers deal with the same counsellor over an extended period of time. Employer counsellors are supported by specific trainings in addition to the trainings other PES staff receive. Employer counsellors from across Slovenia meet at events two to three times per year where they can share knowledge with each other and attend presentations on key topics. Counsellors are also supported with a sophisticated Customer Relationship Management (CRM) tool. As well as keeping track of the interactions the ESS has had with employers, the CRM tool also combines data from other agencies and allows counsellors to identify local employers that have not engaged with the PES. Therefore, the tool assists the ESS in employer outreach.

The ESS reports increased satisfaction among employers with its approach. While the impact of Slovenia's employer services have not been subject to rigorous counterfactual impact evaluation, evidence from other countries shows such services can be effective. For example a Randomised Control Trial (RCT) in France found that the French PES's efforts to better market existing HR services and offer more intensive support to firms to fill vacancies led to a 24% increase in vacancy posting with the PES and a 10% increase in permanent contract hires of registered jobseekers (Algan, Crépon and Glover, 2020[30]).

1. These figures are for the first five months of 2021.
Note: Information presented in this box comes, in part, from interviews with experts from the ESS.
Source: Algan, Y., B. Crépon and D. Glover (2020), *Are active labor market policies directed at firms effective? Evidence from a randomized evaluation with local employment agencies*, J-PAL, Working paper; European Commission (2018), *Promising PES Practice: PES Offices for employers*, Publication Office of the European Union, Luxembourg, https://ec.europa.eu/social/BlobServlet?docId=19258&langId=en.

The NEA's investments in working with employers appear to be well received. As part of this review, the OECD conducted semi-structured interviews with a small (and not representative) sample of employers who work with the NEA. These employers gave largely positive responses regarding their interactions with the NEA (see Box 6.4). In the NEA's own surveys of its clients it receives high and growing rates of satisfaction from both employers and jobseekers (Figure 6.7, Panel A). Further the NEA manages to match more than 80% of job vacancies it receives from employers (Figure 6.7, Panel B). The challenge for Bulgaria going forward will be to maintain these high levels of satisfaction from employers while matching more hard-to-place and disadvantaged jobseekers with vacancies.

Figure 6.7. The NEA in Bulgaria has high and increasing satisfaction with clients while filling most vacancies



NEA: National Employment Agency.
Note: Panel A shows the percentage of employers and jobseekers reporting they are "satisfied". Panel B shows the percentage of vacancies held by the NEA that it manages to fill. The share of vacancies filled is calculated as the number of job vacancies the NEA fills each year (or filled within 60 days of the vacancy being posted) divided by the total number of jobs vacancies registered with the NEA in that year.
Source: OECD calculations based on National Employment Agency data.

StatLink https://stat.link/8ugc76

Box 6.4. Results of interviews with employers using the NEA services

As part of this review, the OECD conducted semi-structured interviews with 22 employers in Bulgaria to better understand their work with the National Employment Agency (NEA). The employers formed a non-representative sample and interviews were organised with the support of the NEA through their contacts. As such, most had existing relationships with the agency, all used the NEA to advertise job vacancies and all but employer had hired a worker through an Active Labour Market Programme (ALMP). However, the employers represented a variety of different industries and at least two came from each area covered by Bulgaria's nine regional labour offices. All but one employer represented small and medium size enterprises.

All interviewed employers stated that their co-operation with the NEA was effective. Employers said that they benefited from involvement in the numerous activities they participated in which included: listing vacancies with the NEA, recruiting candidates referred to them by the NEA, participating in job fairs organised by the NEA, participating in information campaigns including for raising awareness of ALMP programmes, and participating in group career guidance sessions.

Despite this overall positive view, there were areas where employers saw a need for improvements. This included the time consuming paperwork needed to comply with ALMP provision which at times could be inflexible (for example, changes to employee work schedules need to be notified a day in advance which is not always possible when unforeseen circumstances arise) and employers sometimes perceived this compliance burden as excessive. There have also been cases where month's long delays in processing ALMP eligibility paperwork had led to employers losing preferred candidates who were no longer available. It is, however, important to highlight that these largely qualitative interviews with a non-representative sample of employers, are not able to reveal how prevalent this issue is. Some employers stated their preference that employment subsidies last longer.

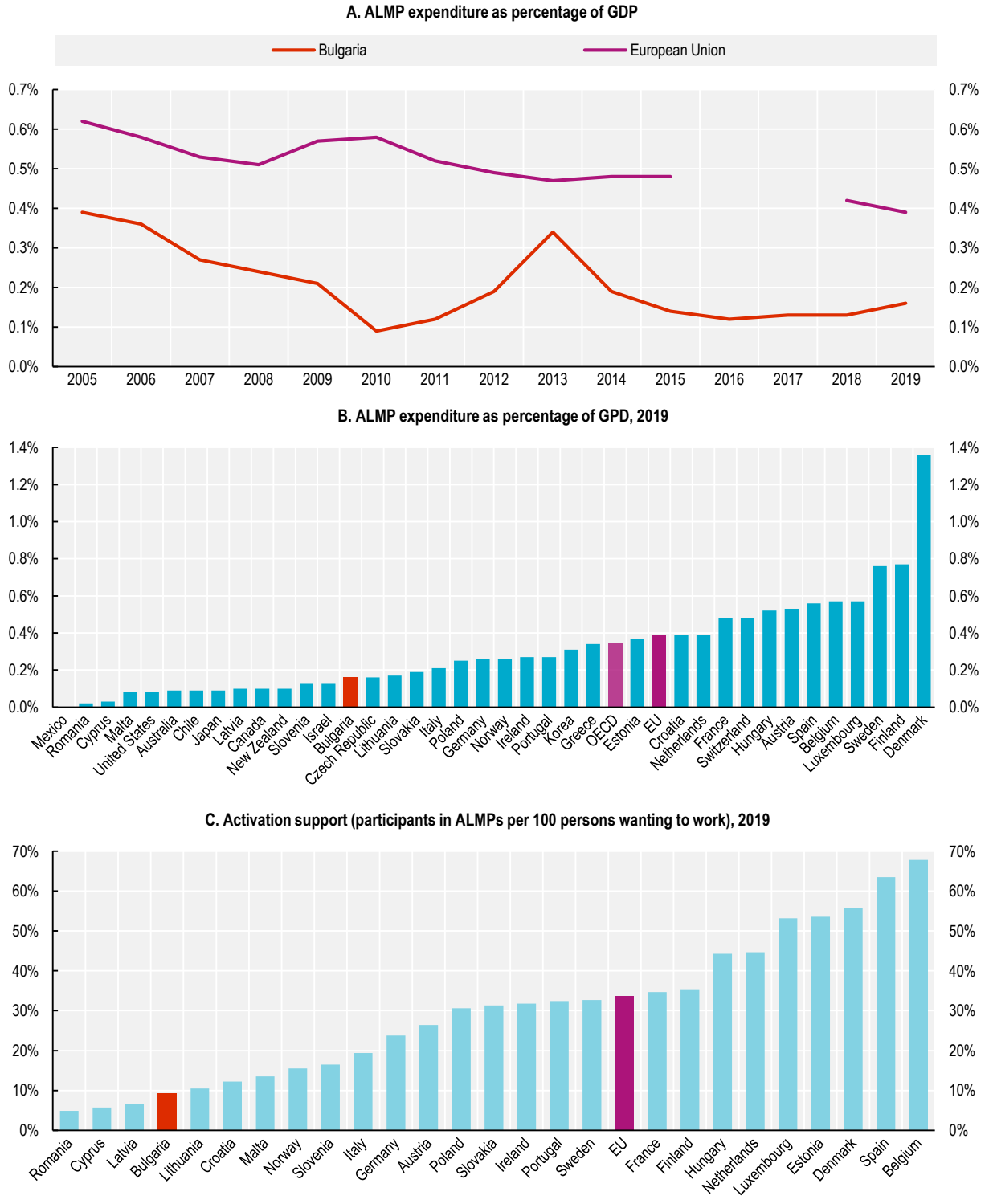
6.4. Effectiveness of Active Labour Market Programmes (ALMPs)

Pre-pandemic economic growth and increased labour demand have enhanced the chances for unemployed and inactive persons further away from the labour market to find employment. However, for the most vulnerable jobseekers opportunities have only slightly increased. For those with longer spells of unemployment, referrals to active labour market programmes (ALMPs) can help improve employment prospects and keep up work habits through regular participation in programmes. This section first compares Bulgaria's overall investments into ALMPs with those of other EU and OECD countries. After that, it zooms into the different programmes offered by the Bulgarian public employment service (PES) and concludes with reviewing the targeting of ALMPs to vulnerable groups.

6.1.1. Investments into ALMPs are comparatively low in Bulgaria

In 2019, spending on ALMPs as a share of GDP was 0.16% in Bulgaria, less than half the EU-average of 0.39% (Figure 6.8, Panel A). Spending on ALMPs fell after the global financial crisis in 2009 and 2010. It increased afterwards in a context of high unemployment, reaching a peak in 2013, and decreased again as unemployment fell. Likewise, spending on active labour market measures[6] per unemployed as a share of GDP per capita was considerably below OECD and EU averages in 2019 (Figure 6.8, Panel B), ranking as the sixth lowest EU country. Moreover, Bulgaria's expenditure on active labour market measures has substantially fallen since the mid-2000s, when Bulgaria ranked about mid-field in a European wide comparison (OECD, 2019[31]). In addition, when considering the number of participants in active labour market measures, Bulgaria ranks relatively low. Participation in active measures per 100 persons wanting to work (LFS concept) was one of the lowest in the EU (Figure 6.8, Panel C).

Figure 6.8. Bulgaria's investments into active labour market programmes (ALMP) lag behind the OECD and EU average



Note: ALMP data cover categories 2 to 7. For category details see: https://www.oecd.org/els/emp/Coverage-and-classification-of-OECD-data-2015.pdf. Data for non-EU countries refer to 2018 and the EU average in Panel C. Averages are weighted.
Source: European Commission/OECD Labour Market Policies Database. https://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP.

StatLink https://stat.link/p9e561

The National Employment Action Plan (NEAP) defines the objectives, priority measures and target groups of active labour market programmes (ALMPs) financed both through the national budget and EU sources. The state budget earmarked in the NEAP (see Box 6.5) amounted to BGN 73 million (EUR 37.4 million) in each year between 2017 and 2020 and increased to BGN 83 million in 2021 (EUR 4.3 million; (Ministry of Labour and Social Policy, 2021[32])). EU funding for ALMPs through the Human Resource Development Operational Programme (HRD OP) of the European Social Fund (ESF), the Youth Employment Initiative (YEI), and the Youth Guarantee plays an important role. While funding through the state budget has been rather stable, EU funding showed stronger variations.[7]

Box 6.5. National Employment Action Plans target disadvantaged groups

The National Employment Action Plan (NEAP) defines the objectives, priority measures and target groups of active labour market programmes (ALMPs) financed through the national budget and financed through EU funding, and establishes links to other relevant programmes on a yearly basis.[1] The plan is developed by a working group with the participation of experts from the Ministry of Labour and Social Policy (in co-operation with the other government ministries) and social partners, as set out in the Employment Promotion Act (Art. 6 para. 2). Likewise, key stakeholders are participating in the Monitoring Committee for implementing the Human Resource Development Operational Programme.

Over time, the objectives of the NEAP have shifted from reducing unemployment and mitigating the effects of industrial restructuring towards tackling unemployment and inactivity among vulnerable groups and reducing skills mismatches. The vision of the NEAP 2019 formulates the need to meet employer demand and to bring disadvantaged groups into work, with a priority given to the least developed regions. The NEAPs 2019 and 2020 list six broad target groups (long-term unemployed, unemployed under the age of 29, unemployed without a vocational qualification or obsolete qualifications, unemployed aged 50 and above, people with disabilities and inactive people wishing to work), which are divided into 17 more detailed subgroups (see Annex Table 6.A.2). The NEAP 2021 maintains these objectives and stresses the need to activate the inactive, in addition to implementing job retention schemes, implementing measures for dismissed workers and preparing for the recovery. The NEAP 2021 also sets the objective for workforce development in small and medium sized enterprises and in less developed regions. Recent NEAPs also formulate objectives for an improved delivery of ALMPs through intensified inter-institutional co-operation and public private partnerships. The target groups defined in some NEAPs largely match the target groups that are defined in the NEA's "employment packages", which guide interventions for registered jobseekers.[2]

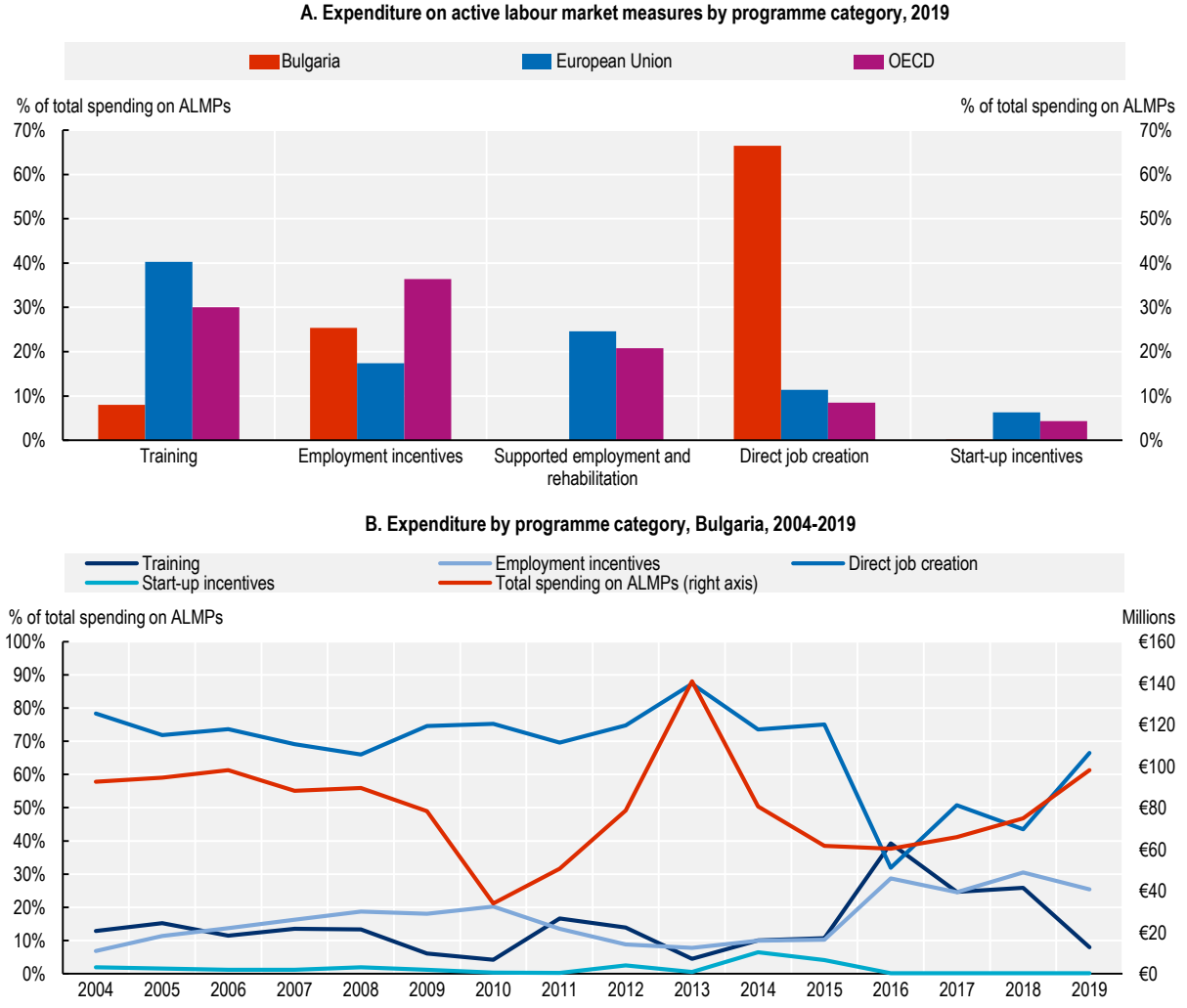
The NEAPs also set the objective to increase the effectiveness of ALMPs. This includes the objectives of (i) fast transitions from unemployment to employment for jobseekers with high qualifications; (ii) achieving a lasting effect in the integration of the most vulnerable groups into the labour market through the provision of integrated services by the territorial divisions of the Employment Agency and the Social Assistance Agency, (iii) increasing the effect of the programmes, projects and measures of the active labour market policy in connection with the recommendations from impact evaluations and effective spending of ALMP funds.

1. The NEAPs links also to the objectives and measures of the National Reform Program 2018, the Convergence Programme of the Republic of Bulgaria 2018-21, the Updated Employment Strategy 2013-20, the National Plan for Implementation of the European Youth Guarantee 2014-20, the National Strategy for Lifelong Learning 2014-20, and the National Strategy for People with Disabilities 2016-20.
2. Employment package target groups: unemployed young people; unemployed young people from specialised institutions; long-term unemployed people; unemployed people with primary or lower education and no professional qualification; unemployed people with permanent disabilities; unemployed young people with permanent disabilities; unemployed single parents (adoptive parents) and / or mothers (adoptive mothers) with children up to five years of age; unemployed over 50 years of age.
Source: Ministry for Labour and Social Policy (2019), Национални планове за действие по заетостта ("National employment action plans"), https://www.mlsp.government.bg/natsionalni-planove-za-deystvie-po-zaetostta.

6.1.2. Direct job creation represents the bulk of Bulgaria's ALMPs whereas spending on other programmes is low

Direct job creation has been the main type of ALMPs in Bulgaria for many years (except in 2016) (see Figure 6.9, Panel B). Since its peak in 2013, spending on job creation programmes has significantly fallen and has been partly replaced with somewhat higher spending on training and employment incentives. Nevertheless, it was still above the spending on training and employment incentives measures from 2017 to 2019. The share of ALMP spending used for job creation measures was largely above the EU average in 2019 (Figure 6.9, Panel A).

Figure 6.9. Spending on active labour market measures continues to have a strong focus on direct job creation in Bulgaria



Note: Active Labour Market Programmes (ALMP) cover categories 2 to 7. For category details see: https://www.oecd.org/els/emp/Coverage-and-classification-of-OECD-data-2015.pdf. OECD and the European Union are weighted averages. The OECD average excludes Colombia, Costa Rica, Iceland and Turkey as no data are available.
Source: European Commission/OECD Labour Market Policies Database. https://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP.

StatLink https://stat.link/sa1vig

Conversely, spending on employment incentives and training measures has increased since 2015, but remains at low levels, despite the NEAP objective to improve the skills of jobseekers and reduce skills mismatches. In particular, spending on training measures is very low in Bulgaria, at only 8% of total spending on active labour market measures (categories 2-7), against 40% on average in the EU (Figure 6.9, Panel A).

A number of job creation measures are part of mixed measures, which combine subsidies for temporary, non-market jobs with training.[8] This is in principle the right approach, as it helps to link training to the demand for skills and has the potential to improve the effectiveness of job creation measures. However, in practice, the effectiveness of the measures depends on concrete implementation conditions such as the quality of employment and the training received.

The very low share of participants in supported employment and vocational rehabilitation in Bulgaria as compared to the EU average is due to the fact that the larger national programmes for employment and training (mainly categories 2 and 6 of the LMP database) also target people with disabilities. In contrast to OECD and EU good practices, except employment incentives, there are no specific vocational rehabilitation programmes managed by the PES addressing specific skills needs of people with disabilities and managing up-skilling and re-skilling, measures for adapting workplaces and sheltered workshops for people with severe disabilities. Some specialised programmes are organised by the Agency for People with Disabilities, including through the financing of projects of people with disabilities wishing to open a business and the financing of social projects aiming to improve the working conditions of workers with disabilities (MLSP, 2021[33]). In many EU countries, PES co-operate with other institutions in charge of people with disabilities and provide vocational rehabilitation measures (see examples in Box 6.7).

Other EU countries spent on average 6% of the active expenditure on start-up incentives, while in Bulgaria these are very small programmes in Bulgaria; a new programme has, however, been introduced in 2020.

Bulgaria's HRD OP aims to boost employment and reduce social exclusion as well as reduce poverty levels. ALMPs that benefit from EU funding are mainly direct job creation programmes as well as programmes for young people, including NEETs. Other target groups of HRD OP include the long-term unemployed, older people, people with disabilities and minority groups such as those belonging to Roma communities (EC, 2020[34]). Annex Table 6.A.1 provides details on expenditure and participants of Bulgaria's programmes, while Annex Box 6.A.1 provides a short description of the seven largest state-funded programmes.[9] The majority of programmes have very small budgets and numbers of participants (see Annex Table 6.A.1). Most of them have been maintained for a long period of time. The 13 largest ALMPs out of a list of 54 ALMPs, absorbed 86% of funding and 88% of participants in 2019. Running small programmes involves a high administrative burden per participant and the availability of small programmes may not be known by jobseekers and employers. Therefore, it might be beneficial to consider streamlining the programmes to improve their management and increase the take-up of those that have proved to be successful. Some of the small programmes are nevertheless relevant, in particular the ones that address the needs of jobseekers belonging to vulnerable groups and facing specific labour market barriers (see Chapter 2). In these cases, it would be more effective to raise the number of participants and improve their design.

Box 6.6. PES co-operation with institutions in charge of supporting people with disabilities

Germany

In Germany, the main institutions delivering services to people with disabilities are the federal employment agency *Bundesagentur für Arbeit* (BA), the jobcenters (for means-tested minimum income recipients), municipal welfare agencies (for social assistance recipients), the statutory accidence insurance, the statutory pension insurance, and the youth welfare institution. The type of disability (e.g. disability since birth, injury at work, occupational disease, chronic diseases, etc.), a person's labour market status and welfare benefit receipt determine which of these agencies is responsible for vocational rehabilitation. In particular, the BA is responsible for all cases that are not covered by the other agencies and concern registered jobseekers of both the local offices of the BA and jobcenters. In principle, people with disabilities or jobseekers in need of vocational rehabilitation have access to general ALMPs. People with severe disabilities have, in addition, access to specific measures more easily, such as long-term training measures for re-training and/or benefit from more generous and longer wage subsidies. Places in sheltered employment may also be available, depending on the type of disability. Therefore, the assessment of the degree of disability and the assessment of the need for vocational rehabilitation are crucial. Overall, in 2018, 10.3% of all unemployed participating in active labour market measures were involved in specific vocational rehabilitation measures. According to the guiding principles for referral of people with disabilities and people in need of vocational rehabilitation, vocational rehabilitation should be implemented as much as possible at the workplace. In June 2020, the BA published an "action plan inclusion" listing all mainstream activities in the area of vocational rehabilitation and labour market integration of people with disabilities, as well as co-operation structures with other agencies and additional activities for 2020 and 2021. In addition, new avenues for service delivery are explored. For example, the federal programme "Innovative Ways to Participate in Working Life – rehapro" aims to test innovative services and innovative organisational measures on how the employability of people with health impairments can be best maintained or restored. The jobcenter and the statutory pension insurance scheme are the leading agencies of this programme, which also aims to reinforce co-operation between the key players in the field of medical and vocational rehabilitation and to prevent the reliance on disability pensions and integration and social assistance benefits. A total of around EUR 1 billion will be available to implement the federal programme rehapro by 2026. While most of the pilot projects in this programme focus on counselling jobseekers and workers at risk of a disability, a few projects also seek to improve advice provided to employers or intend to offer company-based counselling to keep workers with mental health problems in employment.

Netherlands

In the Netherlands, the public employment service *Uitvoeringsinstituut Werknemersverzekeringen* (UWV) and municipalities have a shared responsibility for delivering activation measures to people with disabilities. UWV provides reintegration support for people who receive unemployment benefits and to people who receive disability benefits. In 2013 the Jobs Agreement concluded between the government and social partners set the commitment to create new jobs for target groups, notably for people with an incapacity for work. This has entailed a shift from the previous focus of reintegrating people with disabilities into sheltered workshops to integrating them in the regular labour market. Therefore, co-operation within the 35 labour market regions is further developed, including through the provision of improved services to employers. Policy measures include trial placements, wage subsidies, on-the-job coaching, workplace adjustment and a no-risk policy. The no-risk policy means that the PES covers sickness benefits in the case of employers who hire people who are ill, have an incapacity to work, are long-term unemployed or belong to the target group of the Jobs Agreement. In 2019, about 12 000 people were covered by a no-risk policy.

For delivering services to jobseekers with disabilities, UWV works in partnerships with private providers through its approach "Open House Contracting", which is a service provision system based on an transparent approval procedure. Key features of "Open House Contracting" are that only suitability and/or minimum requirements of services have to be met, such as price and quality requirements, and that service providers are not guaranteed to receive a minimum number of clients from UWV. Instead, clients themselves – i.e. people with disabilities benefiting from the services – select one of the approved providers with the assistance of a UWV counsellor. This procedure introduces competition among service providers, incentivising them to offer higher quality services.

Note: The Dutch example was presented to the Bulgarian PES in the scope of this project during an internatinal workshop in September 2021.
Source: Bundesagentur für Arbeit (2021[35]), "Merkblatt 12 – Förderung der Teilhabe am Arbeitsleben für Arbeitnehmerinnen und Arbeitnehmer", https://www.arbeitsagentur.de/datei/merkblatt-12-teilhabe_ba015371.pdf; rehapro (2021[36]), "Modellvorhaben rehapro", https://www.modellvorhaben-rehapro.de/DE/Home/home_node.html; European Commission (2020[37]), "Towards an inclusive labour market: ambitions of the Dutch Public Employment Service. Host Country Discussion Paper – the Netherlands", https://ec.europa.eu/social/main.jsp?langId=en&catId=1047&newsId=9528&tableName=news&moreDocuments=yes.

Bulgaria should streamline its training programmes, raise funding and find appropriate solutions for disadvantaged groups

NEAPs have underlined the need to develop skills of the workforce to meet the employers' needs. This objective does respond to the challenge of tackling skills mismatch and overcoming labour shortages (see Chapter 1). Moreover, the main priorities of the Human Resources Development Programme 2021-27 include, reforming the lifelong learning system, supporting the acquiring of digital competences and the development of skills including the sustainable ("green") skills, encouraging adaptation capacity, improving working conditions, and achieving a work-life balance for the workforce.

In principle, the content of the training provided by the NEA is embedded in the vocational education and training (VET) system of Bulgaria.[10] However, while training has a high level of quality, many of the NEA's clients have low levels of skills or obsolete skills. In addition, a poor quality of vocational training received by those entering the labour market, poor supply of lifelong learning, as well as a lack of literacy and other basic skills courses for people with low levels of education are severe weaknesses of the education system that the NEA needs to cope with (European Parliament, 2017[38]).

In 2016, 79% of participants in training measures received such training in combination with subsidised employment in the context of direct job creation measures. In this case, participants attend a training measure before they are placed in subsidised employment, which, however, are non-market jobs.

In addition to training programmes for the unemployed, the NEA also offers training to upskill workers in employment through the Programme "Training Voucher for Employed". The budget was, however, fairly low in 2019 (see Annex Table 6.A.1) and the measure has been suspended since the start of the COVID-19 pandemic. There is a co-payment of 15% by the employee to ensure selected participants are motivated to take and finish the training courses. Since the start of the programme in 2017, the number of applications was more than twice the number of vouchers available (25 946), reflecting strong demand for this support. 67% of the vouchers were issued for obtaining a vocational qualification or improving vocational skills, 23% for training communication in a foreign language and 8% for digital skills.

While training programmes include low-qualified and other disadvantaged jobseekers among the target groups, the majority of training participants typically have at least mid-level education and few have a low educational level only (10% in 2020). Training programmes that are in particular targeting low-qualified exist, but are small-scale. One of them is offering low-skilled unemployed people the possibility to get vocational training through the dual training system under the Vocational Education and Training Act. The expenditure for the programme combines a training subsidy for the employer and funding for the training

institution and for mentors. However, in 2018 the programme had only 14 participants and 35 in 2019. Another small, but promising scheme called “Consultation and mentoring after starting work”, which has recently been introduced, offers follow-up services for younger recent training programme participants. It provides support to both employers and employees to adapt to the workplace and achieve sustainable employment. The new initiative has received positive feedback from all stakeholders involved, as it supports the early identification of potential risks in the new workplace and supports the newly employed youth to gain stability in their new workplace.[11]

Given the overall low expenditure on training programmes in Bulgaria, there are limited opportunities to offer training to NEA clients. Nevertheless, while the number of training seats is low, the range of training programmes covers many different types and levels of training, in small training programmes. International evidence suggests that additional expenditure on training programmes can produce positive outcomes, especially in the medium to long run and should be part of an activation strategy supporting more inclusive and resilient labour markets (OECD, 2015[1]). Hence, there is a business case for investing more into training programmes. If additional investments are not feasible, Bulgaria should consider streamlining its basket of training programmes to have a limited number of training programmes and increase the focus on basic skills training. It is also important to ensure that information on available training is clear and easily available, that jobseekers receive guidance to choose suitable training (OECD, 2021[39]) and that training meets employers’ needs and addresses labour market shortages (see Chapter 1).To address the latter point, social partners’ trainings are preceded by a preliminary study of labour market needs, distinguishing by profession and region. Against the background of limited funding, some form of employers’ funded training is important, as is e.g. done by the Austrian “Implacement Foundations” (see Box 6.7).

Going forward, it would be important that one major programme could focus on basic skills training for low-skilled jobseekers only. Bulgaria currently has no major programme for illiterate jobseekers, whereas other OECD countries – e.g. Australia, Finland, the Netherlands, Ireland, and France (Windisch, 2015[40]) – have implemented measures for providing basic literacy and numeracy skills for this group of jobseekers.

Another challenge in Bulgaria is accessibility of training for highly disadvantaged groups in remote areas. Interviews conducted by the OECD team in the Montana region, a rural area with high unemployment, point to the problem that VET training centres are often located at great distance to potential training participants, even though in case of mass dismissals, the Bulgarian-German Vocational Training Centre State Enterprise may sometimes be able to organise trainings in remote settlements where the unemployed live. This reduces the opportunities for jobseekers to participate in this type of training. Moreover some interviewees highlighted that the support for transportation costs offered by the NEA is insufficient for trainees from remote settlements. To address this issue, supplements for transportation as well as board and lodging should be sufficiently high the cover the costs participants incur.

Box 6.7. Training for bottleneck occupations: Implacement Foundations in Austria

The Austrian *Implacement Foundations* in essence are long-term training measures for unemployed to train them in occupations with labour shortages. This measure benefits from a mixed financing and a joint commitment of various actors. It builds on a long-lasting relationship of broad partnerships at the regional level, and a tradition of employers contributing to employment services and training provision during economic restructuring. This example is relevant for Bulgaria in the light of ageing workforce and the challenge to overcome labour shortages. The objective of implacement foundations is to offer training and placement services to companies that are facing skills shortages in the local labour market (one typical sector would be health care and elderly care). Implacement foundation services and measures include staff selection processes, training and further education, possibly practical training (internship) and, if employment in the company does not materialise, active job search.

The details for the implementation of the scheme are defined at regional level. In the example of the *Implacementstiftung Oberösterreich* (implacement foundation Upper Austria), the measure is financed jointly by the AMS, the Austrian PES, and the regional governments. The participating company commits to provide the practical part of the training and has to pay a monthly contribution of around EUR 500 per participant. The company commits itself to employ the participant after successful completion of the training measure. Seventy-five percent of VET training costs are covered by the regional Government of Upper Austria up to EUR 2 000 per participant, which is a higher contribution than in other Austrian regions where implacement foundations exist.

A company can only participate in the foundation if it can be foreseen that it will not be possible to fill certain number of vacancies through regular placement support through the Austrian public employment service (PES) within the next one to two years, due to labour shortages. The participants receive a training allowance from the PES and a stipend from the foundation. Earlier evaluations had shown a positive impact of implacement foundations.

Source: Wagner et al. (2005) "Arbeitsstiftungen als Instrument im Strukturwandel", Research Report for the Wiener ArbeitnehmerInnen Förderungsfonds, Vienna, http://www.equi.at/dateien/Arbeitsstiftungen-Endbericht.pdf; AMS (2021), "Implacementstiftung Oberösterreich", https://www.ams.at/unternehmen/service-zur-personalsuche/foerderungen/implacementstiftung-oberoesterreich; information provided by the regional PES office in Upper Austria.

Employment incentives should be streamlined and scaled up to effectively support the hiring of disadvantaged groups

Employment incentives provide subsidies to employers for "open market jobs" for wages and social security contributions. If time-limited, well-designed and targeted, such employment incentives can be a cost-effective way to support jobseekers back into employment and strengthening their employability (Kluve, 2010[41]; Brown, 2015[42]). In Bulgaria, the Employment Promotion Act (EPA) provides the possibility to grant subsidies to support wages and social security contributions for specific target groups. The level of the subsidy is determined in the National Employment Action Plan. Usually it equals the minimum wage level, but it is higher for unemployed people with higher education. After the amendment of the Act on Employment Promotion in 2016, two state aid schemes were implemented. One of the schemes grants subsidies to support 50% of wages and social contributions for the employment of unemployed persons who meet specific characteristics. In particular, they are available for unemployed people with a continuous registration with the NEA for at least six months, for unemployed under 24 years old, for unemployed over 50 and for unemployed with lower secondary education or below. The second scheme subsidises 75% of the wage costs for employed people with permanent disabilities. (Ministry of Labour and Social Policy, 2019[43]).

The largest employment incentives programme in terms of the number of participants is the programme "Parents in employment" (see Annex Table 6.A.1), funded under HRD OP, which started in 2017 and replaced previous programmes which offered comparable support. Employers get wage costs subsidies for a period of 18 months and pays for the childcare support of the participants. It targets unemployed and inactive people aged below 29 years with children aged up to five years and not attending nurseries, kindergarten or pre-school.[12] The babysitter chosen by the parents is appointed under an employment contract for a maximum period of 18 months or for the period up to five years until the beginning of pre-school education of the child / children. The project is foreseen to last until 2023. Since its start in September 2017, 7 801 employment contracts have been concluded with babysitters.

In terms of budget spent in 2019, the "Youth Employment Scheme", implemented under the Youth Employment Initiative, is the largest employment incentive programme (see Annex 6.A).[13] It is targeted at young people below the age of 29 outside the capital Sofia, who have no income from other economic activities and are not enrolled in education. The central element of the programme are internships and on-the-job training (the latter are classified as training programmes). A requirement for internships is that the young people have completed secondary or higher school and are lacking work experience.[14]

Another employment incentive programme – "Training and employment of disabled persons" – is targeted at registered unemployed people with permanent disabilities[15] or jobseekers who have successfully passed a course of treatment for drug addiction. The employer is required to offer a job for a period of 24 months. Employment incentives are also used to promote the employment of older workers. The programme "Support in retirement", provides wage subsidies for employing older unemployed aged 58 and over in order to bridge the time to early retirement. Employers are required to offer employment contracts for a period of not less than three months and not more than 24 months. In parallel a smaller programme for older workers ("Incentives for employer to hire older unemployed") provides wage cost subsidies for older workers aged 55 years and above for a period of 12 months.

As in the case of training programmes, merging different employment incentives programmes targeted at overlapping groups of registered unemployed could be considered for further streamlining Bulgaria's ALMPs. This was manifested, on the one hand, in the large amount of documents that employers need to prepare both when applying under a certain programme and during the monthly reporting submission, and, on the other hand, in the delay of approving recruited job candidates "labour contracts" by the NEA central office. However, stakeholders also raised the importance of using employment incentives for hiring older workers, which are seen to produce positive outcomes also after the end of the subsidised period, which, however, sometimes was assessed as too short. Given the low hiring rates of older workers in comparison to their younger peers and the demographic pressure, additional efforts are needed to retain older workers in the work force and re-connect them quickly with the labour market, once they become unemployed.

In addition to the before mentioned larger schemes, there are some smaller scale employment incentive programmes. One employment incentive called, "Subsidies for new jobs in micro-enterprises", is targeted at micro-enterprises. In this case employment incentives can be received for a period of 18 months, for the first five employees the micro-enterprise hires. Another small-scale programme is targeted at promoting employment in green jobs (Duell, Anghel and Ziminiene, 2021[44]). These programmes are relevant, but have probably little impact on the stabilisation and growth of micro enterprises and the greening of the economy, as they are too small.

Furthermore, the NEA also runs a small-scale programme to support mobility for the unemployed, which has been in place for a number of years. In 2019, only 134 unemployed benefitted from the measure.[16] Support for commuting and relocation are in place in a number of OECD countries. Evaluations have shown that they tend to reduce reservation wages and increase the regional radius for job-search (Guglielminetti et al., 2010[45]). A recent evaluation of measures supporting distant job-search activities, commuting and relocation in Germany has shown that the existence of these measures shifts individuals' search effort from local to distant regions without affecting the total number of job applications. The

increase in search radius causes a higher geographical mobility and hence higher employment probabilities and wages (Caliendo, Künn and Mahlstedt, 2017[46]). A recent evaluation of Latvia's regional mobility programme which offers support with taking up distant job offers (at least 20 km from the current residence) or with attending distant training measures, by reimbursing costs for transport or housing, has found positive effects on job-related mobility of unemployed (OECD, 2019[47]).

Direct job creation programmes still carry a big weight in Bulgaria

Across OECD countries, direct job creation programmes are targeted at disadvantaged groups. These jobs are created under the assumption that the jobseekers would not find employment in the regular labour market. The effectiveness of direct job creation programmes in bringing participants back to open market jobs is questionable. A meta analysis of evaluations of ALMPs by Card et al. (2018[48]) finds that these direct job creations programmes are generally ineffective in the short, medium and longer term. A number of OECD countries therefore do not use these programmes anymore, e.g. Denmark, Estonia, Israel, Norway and Switzerland. Over the past decade, many other countries have shifted spending from these programmes towards ALMPs which they deem more effective, such as training and employment incentives (OECD, 2021[10]). In contrast, Bulgaria still spends two-thirds of its active labour market programme expenditure on direct job creation (Figure 6.9).

One of the largest direct job creation programmes is the employment component of the "Training and employment Scheme – Providing employment/training to unemployed people -project under HRD OP", targeted at inactive and registered unemployed persons over the age of 29 (over 30 years of age) and people with disabilities. Subsidies under this scheme can be received by private employers or institutions of local government. Training should be provided according to the needs of employers. The programme "Jobs in Public administration for youth (<30)" is targeted at young people under the age of 29 without relevant work experience and who have graduated from higher education. Another comparatively large programme is "Training and employment for LTU – Providing employment to unemployed people". Target groups of this programme also includes young unemployed, older unemployed (50+) and people receiving social assistance[17] (see Annex Table 6.A.1 for participant stock figures and expenditure of the programmes). The effectiveness of direct job creation measures depends on the way they are implemented. Key success factors are the type of work that is carried out and the counselling and coaching of programme participants with the objective to make them ready for the regular labour market after the end of the programme. For example, the French pilot project "local areas with zero long-term unemployment" (*Territoires zéro chômeur de longue durée*), which has been implemented in small municipalities in rural areas and economically weak urban areas, puts a strong focus on identifying and defining the "useful activities" that are carried out by subsidised employment. Such "useful activities" must address an unmet need, may not be in direct competition with the private market and have to take account of the competencies of participants (TZCLD, 2021[49]). To this end, local committees are set up, which consist of a variety of key actors at the local labour market. Intermediary evaluations suggest that the programme is effective in supporting jobseekers to take up employment (see Chapter 4). In Austria, social enterprises offer subsidised fixed-term "transition jobs" to vulnerable groups, as well as targeted skills training and a holistic care and support package. Each participant's time with a social enterprise is structured in the following phases: preparatory phase, introduction phase, training and employment phase, job seeking phase, concluding phase and follow-up (AMS, 2018[50]). In Bulgaria, impact evaluations of the programmes and measures which are funded by the State budget (thus excluding many direct job creation measures funded through HRD OP) were carried out in 2015, 2017 and 2019. They suggest that most of state funded ALMPs have positive net effects on employment (MLSP, 2019[51]).

Direct job creation measures should be strictly targeted at long-term unemployed jobseekers that have no prospect of integration in the primary labour market. For young people, the priority should be to find employment in the primary labour market through support in the form of wage subsidies, if necessary. This is why many OECD and EU countries expanded the use of employment incentives rather than direct job

creation measures also in response to the COVID-19 crisis. Twelve countries use these measures especially to support the employment of young jobseekers (Australia, Chile, France, Greece, Hungary, Ireland, Korea, Luxembourg, New Zealand, Portugal, Romania and the United Kingdom) and six countries to support the long-term unemployed (Flanders and Wallonia regions of Belgium, Greece, Hungary, Korea, Portugal and Sweden) (OECD, 2021[10])).

In Bulgaria, unemployed persons participating in direct job creation programmes are no longer on the unemployment register. As a result, during participation, they are not referred to jobs in the primary labour market by NEA counsellors (even though they might register again with the NEA after the end of the programme). This rule should be revised because it creates lock-in effects and reduces the effectiveness of direct job creation measures, as placement into "open market" jobs should always be the priority.

Beyond direct job creation measures that are seen as ALMPs, Social Assistance (SA) recipients also have a "public works" obligation. While the aim of the public works is to support SA recipients registered at the labour offices to develop work habits and discipline as set out in their individual action plan, the requirement may hinder participants from finding employment in the open market economy and could create a disincentive to claim SA assistance, thus reducing the likelihood of disadvantaged groups being activated through the benefit system (see Chapter 3).

Start-up incentives are limited in Bulgaria

The MLSP and the NEA are responsible for the entrepreneurship policy of both unemployed and some minority groups such as Roma (OECD, 2020[52]). Although entrepreneurship support is an objective fixed in the NEAPs, there is very little support offered to unemployed and inactive people to boost entrepreneurship and business creation. The start-up incentive measure Employment Through Business Support JOBS (which was not financed through state budget) was terminated in 2010. More recently, the HRD OP has offered measures to support self-employment and entrepreneurship, but take up has been very low. The NEA grants financial support to unemployed people who have entrepreneurial intentions. The start-up of a business activity can be financially supported on the basis of an approved business plan where the unemployment benefits are received at once, or a lump sum is provided for starting a business, which in 2020 was increased to up to BGN 4 000. Funding can also be provided for other activities such as entrepreneurship training and/or counselling and training for managing an approved business project. Unemployed persons entitled to unemployment benefits who wish to set up a business either individually or together with others may receive additional funds provided that they employ another unemployed person with no entitlement on benefits, and can receive further support such as external advisory services and a credit for training (OECD, 2020[52]). In parallel to this possibility, there has been for years the option for unemployed people to get support for setting up a private economic activity such a micro-enterprise under the SME Law with the requirement that the business project is approved by the territorial division of the NEA. Beneficiaries are also granted means for external advisory services, additional resources for qualification, as well as means to cover the insurance costs for 12 months.

Apart from these programmes, entrepreneurship support is mainly provided through NGOs, which play a substantial role in stimulating entrepreneurship for women, youth, and unemployed in Bulgaria (OECD, 2020[52]).

6.1.3. ALMPs are targeted at disadvantaged and vulnerable groups, but not at the most disadvantaged

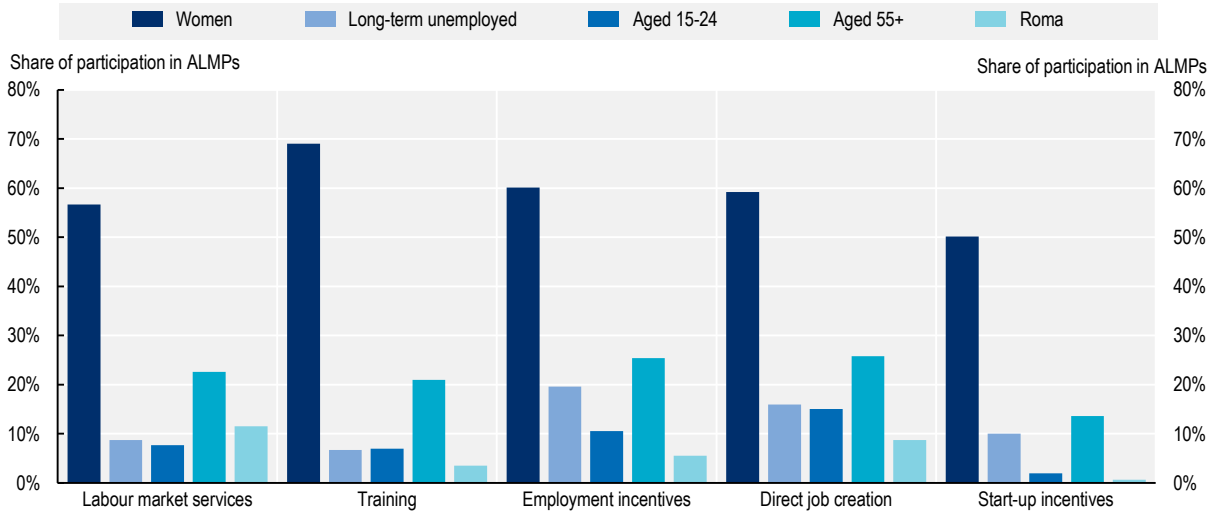
More women than men participate in ALMPs, and the share of female participants has increased over time reaching around 60% in 2019, while the share of women among registered unemployed decreased from 62.5% in 2008 to 55.9% in 2018 (Ministry of Labour and Social Policy, 2019[43])). Thus the likelihood for women to be referred to an ALMP has slightly increased over time. Women participate more often in

training measures (69%), employment incentives (60%) and direct job creation programmes (59%) than men, which may be warranted to address higher employment barriers (Figure 6.10).

The share of registered unemployed young people under the age of 25 was 5.1% in 2018, down from 9.9% in 2012. In contrast, their share among participants in ALMPs was twice as high in 2019, reflecting the ALMPs targeting young people (Ministry of Labour and Social Policy, 2021[32]).

The share of long-term unemployed among LFS unemployed (i.e. not registered jobseekers as above, but people who do not work, but are available for work and look for employment) in Bulgaria was 56.6% in 2019, well above OECD average of 25.7% (OECD, 2021[53]). Among jobseekers who were registered with the NEA at the end of 2019, 24.8% had been registered for at least one year. The share of long-term unemployed people among ALMP participants is lower, at 19.3% in 2018. While it is desirable that people are referred to ALMPs before they become long-term unemployed, the overall comparatively low participation rate in ALMPs implies that the long-term unemployed are rarely referred to ALMPs.

Figure 6.10. Participants in ALMPs by socio-demographic characteristics in Bulgaria, 2020



ALMPs: Active Labour Market Programmes.
Note: Socio-demographic groups shown here overlap; hence, the percentages in each category do not add up to 100%. Long-term unemployment: persons unemployed over 12 months.
Source: National Employment Agency.

StatLink https://stat.link/4e69o0

While people belonging to Roma communities represent 15% of registered jobseekers (see Chapter 2), their share among participants in training measures (3.5%), employment incentives (5.5%), direct job creation measures (8.7%) and start-up incentives (0.6%) is significantly lower (Figure 6.10). In the view of Roma organisations interviewed by the OECD team in the Montana region, the subsidised employment measures available to Roma are mainly provided in sectors that require low qualification, such as waste collection, maintenance, etc. While many unemployed Roma have a low education, the interviews indicate that also unemployed Roma with higher education are in many cases not referred to other types of ALMPs. Participation in these measures does not contribute to a sustainable labour market integration of Roma, as the same people are repeatedly beneficiaries of such employment support programmes.

6.5. Key findings

Pre-pandemic economic growth and increased labour demand in Bulgaria have enhanced the employment opportunities also for those furthest from the labour market. However, opportunities for the most vulnerable have increased only slightly. Since the start of the COVID-19 pandemic unemployment and inactivity have increased again, contributing to a substantial increase in the NEA's caseload. International evidence suggests that early and frequent meetings with jobseekers can support an effective (re-)integration of jobseekers into the labour market. With a higher caseload, there is, however, a risk that the NEA cannot support more vulnerable jobseekers with comprehensive support and services. NEA data also shows that NEA counsellors meet the most disadvantaged clients less frequently already before the pandemic.

Bulgaria divides clients into three categories of job-readiness, which guide service provision. While the NEA has an IT tool to help support segmenting its clients, the IT tool recommendations are often not followed by case workers. Furthermore, the IT tool was designed about a decade ago and does not use have the same level of sophistication as profiling tools used in other countries. Many PES across the EU now make extensive use of digital tools, also to free up staff time to provide more intensive counselling to harder-to-place clients. Bulgaria has recently introduced new digital services and the use of pre-existing digital tools increased in the wake of COVID-19. Some other countries, however, go further and have a "digital-first" approach for jobseekers with sufficient digital skills who initially mostly self-manage their job search, while reserving more intensive and costly face-to-face services for jobseekers who are more difficult to place.

Active labour market programmes – including, training, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives – can play an important role in re-integrating unemployed into employment, when they do not find employment early in the unemployment spell. International evidence, suggests that not all types of programmes are effective and some types of programmes are more suitable than others to support different types of jobseekers. In an international comparison, Bulgaria spends relatively little on active labour market measures and spending is highly dependent on EU funding. With regard to the mix of different types of measures, Bulgaria puts lots of emphasis on direct job creation measures and less on training than other OECD/EU countries do. Evidence from international evaluations, however, suggest that the effectiveness of direct job creation programmes, in bringing participants back to open market jobs is questionable. Such programmes are also unlikely to address existing skills shortages in Bulgaria. Furthermore, specialised programmes that provide supported employment and rehabilitation for jobseekers with disabilities and health issues are limited in Bulgaria. Bulgaria runs a high number of ALMPs, many of which have a small number of participants. It is questionable whether running very small programmes is efficient, as it induces administrative costs and potential participants may not be aware of the programmes. A consolidation of small programmes would be worthwhile.

References

Abbring, J., G. Berg and J. Ours (2005), "The Effect of Unemployment Insurance Sanctions on the Transition Rate from Unemployment to Employment", *The Economic Journal*, Vol. 115/505, pp. 602-630, http://dx.doi.org/10.1111/j.1468-0297.2005.01011.x. [16]

Algan, Y., B. Crépon and D. Glover (2020), *Are active labor market policies directed at firms effective? Evidence from a randomized evaluation with local employment agencies*, J-PAL, Working paper. [30]

AMS (2018), *Bundesrichtline für die Förderung Sozialökonomischer Betriebe (SÖB)*, https://sozialplattform.at/files/inhalte/downloads/richtlinien/AMF%2015-2018_BRL%20S%C3%96B_oN.pdf. [50]

Arni, P., R. Lalive and J. Van Ours (2012), "HOW EFFECTIVE ARE UNEMPLOYMENT BENEFIT SANCTIONS? LOOKING BEYOND UNEMPLOYMENT EXIT", *Journal of Applied Econometrics*, Vol. 28/7, pp. 1153-1178, http://dx.doi.org/10.1002/jae.2289. [19]

Böheim, R., R. Eppel and H. Mahringer (2017), *Die Auswirkungen einer Verbesserung der Betreuungsrelation für Arbeitslose in der Arbeitsvermittlung des AMS. Ergebnisse eines kontrollierten Experiments des AMS Österreich in der Beratungszone der RGS Esteplatz in Wien (The Effects of Raising the Number of Caseworkers for the Unemployed. Evidence from a Randomised Controlled Trial of the AMS Austria in the Counselling Zone of the Regional AMS Office Vienna, Esteplatz)*, Österreichisches Institut für Wirtschaftsforschung, http://www.wifo.ac.at/wwa/pubid/61297. [8]

Brown, A. (2015), "Can hiring subsidies benefit the unemployed?", http://dx.doi.org/10.15185/izawol.163. [42]

Bundesagentur für Arbeit (2021), *Merkblatt 12 - Förderung der Teilhabe am Arbeitsleben für Arbeitnehmerinnen und Arbeitnehmer*, https://www.arbeitsagentur.de/datei/merkblatt-12-teilhabe_ba015371.pdf. [35]

Caliendo, M., S. Künn and R. Mahlstedt (2017), "Mobility Assistance Programmes for Unemployed Workers, Job Search Behaviour and Labour Market Outcomes", *IZA Discussion Paper*, Vol. 11169, https://www.iza.org/publications/dp/11169/mobility-assistance-programmes-for-unemployed-workers-job-search-behaviour-and-labour-market-outcomes. [46]

Card, D., J. Kluve and A. Weber (2018), "What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations", *Journal of the European Economic Association*, Vol. 16/3, pp. 894-931. [48]

Crépon, B., M. Dejemeppe and M. Gurgand (2005), "Counseling the Unemployed: Does It Lower Unemployment Duration and Recurrence?", *IZA Discussion Papers*, No. 1796, IZA, https://www.iza.org/publications/dp. [7]

Desiere, S., K. Langenbucher and L. Struyven (2019), "Statistical profiling in public employment services: An international comparison", *OECD Social, Employment and Migration Working Papers*, No. 224, OECD Publishing, Paris, https://dx.doi.org/10.1787/b5e5f16e-en. [3]

Duell, N., L. Anghel and N. Ziminiene (2021), *Greening of the labour market – impacts for the Public Employment Services - Small scale study*, European Network of Public Employment Services, https://op.europa.eu/en/publication-detail/-/publication/a5ce471b-f0dd-11eb-a71c-01aa75ed71a1/language-en. [44]

EC (2020), *Operational Programme Human Resources Development: Bulgaria*, https://ec.europa.eu/regional_policy/en/atlas/programmes/2014-2020/bulgaria/2014bg05m9op001. [34]

European Commission (2020), *Towards an inclusive labour market: ambitions of the Dutch Public Employment Service . Host Country Discussion Paper - the Netherlands*, https://ec.europa.eu/social/main.jsp?langId=en&catId=1047&newsId=9528&tableName=news&moreDocuments=yes. [37]

European Commission (2018), *Promising PES Practice: PES Offices for employers*, Publication Office of the European Union, Luxembourg, https://ec.europa.eu/social/BlobServlet?docId=19258&langId=en. [29]

European Commission (2014), *Blended service delivery for jobseekers, Peer review comparative paper by Willem Pieterson*, European Commission, Brussels, https://ec.europa.eu/social/BlobServlet?docId=11833&langId=en. [13]

European Parliament (2017), *Bulgaria: Recent Developments in Employment and Social Affairs. In-depth Analysis*, https://www.europarl.europa.eu/committees/en/supporting-analyses/sa-highlights. [38]

Gray, D. (2003), "National versus regional financing and management of unemployment and related benefits: The casse of Canada", *OECD Social, Employment and Migration Working*, Vol. 14, http://dx.doi.org/10.1787/023874261242. [26]

Grubb, D. (2000), "Eligibility criteria for unemployment benefits", *OECD Economic Studies*, No. 31, https://www.oecd.org/social/labour/2724341.pdf. [54]

Guglielminetti, E. et al. (2010), *Home Sweet Home? Job Search with Commuting and Unemployment Insurance*, https://www.eui.eu/Documents/DepartmentsCentres/Economics/Seminarsevents/Lalive-Commuting-Revision-Sept10.pdf. [45]

Hainmueller, J. et al. (2016), "Do Lower Caseloads Improve the Performance of Public Employment Services? New Evidence from German Employment Offices", *Scandinavian Journal of Economics*, http://dx.doi.org/10.1111/sjoe.12166. [9]

Immervoll, H. and C. Knotz (2018), "How demanding are activation requirements for jobseekers", *OECD Social, Employment and Migration Working Papers*, No. 215, OECD Publishing, Paris, https://dx.doi.org/10.1787/2bdfecca-en. [2]

Immervoll, H., C. Knotz and I. Otmani (2020), *Results 2020: Activity-related eligibility conditions for receiving unemployment benefits*, OECD, Paris, https://www.oecd.org/els/soc/Activity-related%20eligibility%20conditions_2020.pdf. [14]

Kluve, J. (2010), "The effectiveness of European active labor market programs", *Labour Economics*, http://dx.doi.org/10.1016/j.labeco.2010.02.004. [41]

Knotz, C. (2020), "Does Demanding Activation Work? A Comparative Analysis of the Effects of Unemployment Benefit Conditionality on Employment in 21 Advanced Economies", *European Sociological Review*, Vol. 36/1, pp. 121-135, http://dx.doi.org/10.1093/esr/jcz041. [28]

Kroft, K., F. Lange and M. Notowidigdo (2013), "Duration dependence and labor market conditions: Evidence from a field experiment", *The Quarterly Journal of Economics*, Vol. 128/3, pp. 1123-1167, http://dx.doi.org/10.1093/qje/qjt015. [5]

Lalive, R., J. van Ours and J. Zweimüller (2005), "The Effect of Benefit Sanctions on the Duration of Unemployment", *Journal of the European Economic Association*, Vol. 3/6, pp. 1386-1417, http://dx.doi.org/10.1162/154247605775012879. [17]

Langenbucher, K. and M. Vodopivec (2022), "Paying for results: Contracting out employment services through outcome-based payment schemes in OECD countries", *OECD Social, Employment and Migration Working Papers*, No. 267, OECD Publishing, Paris, https://dx.doi.org/10.1787/c6392a59-en. [11]

Le Barbanchon, T. (2016), "The effect of the potential duration of unemployment benefits on unemployment exits to work and match quality in France", *Labour Economics*, Vol. 42, pp. 16-29, http://dx.doi.org/10.1016/j.labeco.2016.06.003. [22]

Loopstra, R. et al. (2018), "Impact of Welfare Benefits Sanctioning on Food Insecurity: a Dynamic Cross-Area Study of Food Bank Usage in the UK", *Journal of Social Policy*, Vol. 47/3, pp. 437-457, https://doi.org/10.1017/S0047279417000915. [25]

Maibom, J., M. Rosholm and M. Svarer (2017), "Experimental Evidence on the Effects of Early Meetings and Activation", *The Scandinavian Journal of Economics*, Vol. 119/3, pp. 541-570, http://dx.doi.org/10.1111/sjoe.12180. [6]

Ministry of Labour and Social Policy (2021), *Национални планове за действие по заетостта ("National employment action plans")*, https://www.mlsp.government.bg/natsionalni-planove-za-deystvie-po-zaetostta. [32]

Ministry of Labour and Social Policy (2019), *Elaboration of a subsequent assessment of the effect of the active labour market policy financed by state budget resources at individual level (net effect) of the programs and measures, included in the national employment action plan for 2017*, E-Research Consortium, European Commission, European Social Fund. [43]

MLSP (2021), *ОТЧЕТЕН ДОКЛАД ЗА ДЕЙНОСТТА НА АГЕНЦИЯ ЗА ХОРАТА С УВРЕЖДАНИЯ ЗА 2020 Г.*, https://ahu.mlsp.government.bg/home/. [33]

MLSP (2019), *Elaboration of a Subsequent Assessment of the Effect of the Active Labour Market Policy financed by State Budget Resources at Individual Level (net effect) of the Programs and Measures, including in the National Employment Action Plan for 2017*, https://www.mlsp.government.bg/uploads/1/net-effect-final-report-en1.pdf. [51]

MyCompetence (2019), *MyCompetence*, http://www.mycompetence.bg/en/ (accessed on 23/06/2021). [12]

OECD (2021), *Career Guidance for Adults in a Changing World of Work*, Getting Skills Right, OECD Publishing, Paris, https://dx.doi.org/10.1787/9a94bfad-en. [39]

OECD (2021), *How demanding are activation requirements for jobseekers?*, OECD, Paris, https://www.oecd.org/social/strictness-benefit-eligibility.htm. [15]

OECD (2021), *OECD Economic Surveys: Bulgaria 2021: Economic Assessment*, OECD Publishing, Paris, https://dx.doi.org/10.1787/1fe2940d-en. [23]

OECD (2021), *OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery*, OECD Publishing, Paris, https://dx.doi.org/10.1787/5a700c4b-en. [10]

OECD (2021), *OECD Labour Force Statistics*, https://data.oecd.org/unemp/long-term-unemployment-rate.htm. [53]

OECD (2020), *Inclusive Entrepreneurship Policies, Country Assessment Notes, Bulgaria 2020*, OECD, Paris, https://www.oecd.org/cfe/smes/Inclusive-Entrepreneurship-Policies-Country-Assessment-Notes.htm. [52]

OECD (2019), *Evaluating Latvia's Active Labour Market Policies, Connecting People with Jobs*, OECD Publishing, Paris, https://doi.org/10.1787/6037200a-en. [47]

OECD (2019), "LMP interventions for the long-term unemployed: In-depth evaluation", OECD, Paris, https://www.oecd.org/els/emp/LMP%20interventions%20for%20LTU%20-%20in-depth%20evaluation.pdf. [31]

OECD (2018), "Profiling tools for early identification of jobseekers who need extra support", *Policy Brief on Activation Policies*, OECD, Paris, https://www.oecd.org/els/emp/OECD-Profiling-policy-brief-DEC-18.pdf. [4]

OECD (2016), "Investing in the employability of jobseekers in Slovenia", in *Connecting People with Jobs: The Labour Market, Activation Policies and Disadvantaged Workers in Slovenia*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264265349-8-en. [27]

OECD (2015), *OECD Employment Outlook 2015*, OECD Publishing, Paris, https://dx.doi.org/10.1787/empl_outlook-2015-en. [1]

rehapro (2021), *Modellvorhaben rehapro*, https://www.modellvorhaben-rehapro.de/DE/Home/home_node.html. [36]

Tatsiramos, K. and J. van Ours (2012), "Labor market effects of unemployment insurance design", *Journal of Economic Surveys*, Vol. 28/2, pp. 284-311, http://dx.doi.org/10.1111/joes.12005. [21]

TZCLD (2021), *Territoire zéro chômeur de longue durée*, https://www.tzcld.fr/. [49]

van den Berg, G. and B. van der Klaauw (2006), "Counseling and monitoring of unemployed workers: Theory and evidence from a controlled social experiment*", *International Economic Review*, Vol. 47/3, pp. 895-936, http://dx.doi.org/10.1111/j.1468-2354.2006.00399.x. [18]

van den Berg, G. and J. Vikström (2014), "Monitoring Job Offer Decisions, Punishments, Exit to Work, and Job Quality", *The Scandinavian Journal of Economics*, Vol. 116/2, pp. 284-334, http://dx.doi.org/10.1111/sjoe.12051. [20]

Williams, E. (2021), "Unemployment, sanctions and mental health: the relationship between benefit sanctions and antidepressant prescribing", *Journal of Social Policy*, Vol. 50/1, pp. 1-20, https://doi.org/10.1017/S0047279419000783. [24]

Windisch, H. (2015), "Adults with low literacy and numeracy skills - A literature review on policy intervention", *OECD Education Working Papers*. [40]

Annex 6.A. Additional information on Bulgaria's active labour market measures

This Annex provides additional information on expenditure and participants in Bulgaria's active labour market measures in 2019 (Annex Table 6.A.1), as well as a more detailed description of the major programmes (Annex Box 6.A.1). Annex Table 6.A.2 provides supplementary information on the targets groups of the National Employment Action Plans.

Annex Table 6.A.1. Overview of Bulgaria's active labour market programmes

Expenditures and stock of participants in national programmes and EU co-financed programmes, 2019

Category	Programme	Expenditure in EUR million	Stock of participants
21_BG10	Back to work		
21_BG44_2	- Beautiful Bulgaria – Providing training to unemployed people	0.09	32
21-BG5	PES vocational training courses	0.17	390
21_BG73_2	- Job opportunity project – Training	0.60	271
21_BG74_2	- Realization Project – Providing training to unemployed people	0.59	268
21_BG79	Vocational training for unemployed	1.83	310
21_BG80_2	- Chance for success Project – Training	0.69	315
21_BG85_2	- Training to employment programme – Training	0.62	203
21_BG93-2	- Training and apprenticeships for vulnerable groups (KLIPS) – Providing training to unemployed	0.50	267
21_BG94_2	- Training and employment for youth (<30) – Providing training to unemployed young people	0	399
21_BG95_2	-Training and employment of unemployed – Providing training to unemployed people	0.14	20
21_BG96_1	- New Perspective Project – Providing training to unemployed people	0.51	268
21_BG97_2	- Job programme – Vocational training in a training institution with vouchers	0.18	68
22_BG88	Apprenticeships for young unemployed (<29)	0.04	11
22_BG90_2	- Youth Employment Scheme – Providing training to unemployed people	0.97	1 742
22_BG99_2	- Labor Activity Project – Providing training to unemployed people	0.65	199
24_BG14	Subsidised internships for young unemployed (<29)	0.03	10
24_BG15	Subsidised internships for unemployed	0.04	15
24_BG60	Apprenticeships for low-skilled unemployed	0.13	28
24_BG94_1	Training and employment for youth (<30) – Providing apprenticeship to unemployed young people	0.04	712
4_BG100	Parents in employment	6.02	1 568
41_BG18	Recruitment incentives for young unemployed (<29)	0.38	201
41_BG19	Recruitment incentives for long-term unemployment	0.50	133
41_BG_20	Subsidies for new jobs in micro-enterprises	0.78	328
41_BG21	Recruitment incentives for unemployed	0.90	361
41_BG23	Recruitment incentives for older unemployed (women 50+, men 55+)	0.45	149
41_BG24	Recruitment incentives to assist in the accrual of pension rights	3.14	793
41_BG27	Recruitment incentives for unemployed with disabilities	0.72	288
41_BG46	Training and employment of people with disabilities	4.77	1 215
41_BG48	Mobility benefit for unemployed	0.01	70

Category	Programme	Expenditure in EUR million	Stock of participants
41_BG50_1	- Promotion of entrepreneurship – Providing employment to unemployed people	0.01	
84	Incentives to hire unemployed parents with young children	0.25	81
41_BG87	Part-time recruitment incentives for young unemployed (<29)	0.02	9
41_BG89	Incentives to hire unemployed into green jobs	0.07	26
41_BG90_1	- Youth Employment Scheme – Providing employment to unemployed people	6.72	30
41_BG98_2	- Dual training for unemployed – Recruitment incentives	0.14	13
6_BG12_1	- Regional employment programmes – Providing subsidised employment to unemployed people	4.26	1 208
6_BG28	Jobs in Public administration for youth (<30)	2.19	521
6_BG29	Jobs in public theatres		0.87
6_BG44_1	- Beautiful Bulgaria – Providing direct job creation	0.37	76
6_BG54	Jobs for personal assistants for persons with disabilities	3.78	1 683
6_BG62_2	- National programme for the activation of inactive persons – Roma mediator	1.53	393
6_BG73_1	- Job opportunity project – Employment	0.12	36
6_BG74_1	- Realization Project – Providing employment to unemployed people	0.1	30
6_BG80_1	- Chance for success Project – Employment	0.03	9
6_BG85_1	- Training to employment programme – Employment	0.09	24
6_BG86_1	- Training and employment for long-term unemployment – Providing employment to unemployed people	2.79	642
6_BG92	Training and employment of refugees	0.22	56
6_BG93_1	- Training and apprenticeships for vulnerable groups (KLIPS) – Providing employment to unemployed		5
6_BG95_1	- Training and employment of unemployed – Providing employment to unemployed people	25.81	2 574
6_BG-96_2	- New Perspective Project – Providing employment to unemployed people	0.2	28
6_BG97-3	- Job programme – Provision of subsidised jobs	22.62	5 549
6_BG99_1	- Labour Activity Project – Providing employment to unemployed people	0.06	16
7_BG50-2	- Promotion of entrepreneurship – Business start-up	0.15	

Source European Commission Labour Market Policies Database: https://webgate.ec.europa.eu/empl/redisstat/databrowser/explore/all/all_themes

StatLink https://stat.link/ti4vwc

Annex Box 6.A.1. Major active labour market programmes in Bulgaria

This box provides a short description of the seven largest active labour market programmes (ALMPs) in Bulgaria.

1. Job programme – Provision of subsidised jobs (also called "Work" Programme)

By a decision of the Council of Ministers No. 452 of 10.08.2017. "The Work" Programme was approved and included for implementation in the National Employment Action Plan for 2017. The programme is aimed at providing employment to unemployed persons from municipalities with high unemployment rates.

2. National programme for Employment and Training of Persons with Permanent Disabilities

The main purposes of the programme is to increase the employability and employment of registered unemployed persons with permanent disabilities or successfully undergoing treatment for dependence on narcotic substances of working age as a prerequisite for overcoming their social isolation and for their full integration in society.

The target group of the programme includes unemployed persons with permanent disabilities in working age and unemployed persons who have successfully treated their dependence on narcotics. The activities of the programme are aimed at providing subsidised employment for up to 24 months.

3. "Assistants of People with Disabilities" National Program

The main purposes of the programme is to provide care in a family environment to people with permanent disabilities by providing employment to unemployed persons as personal assistants.

The target group of the programme includes unemployed persons and the activities are of the type of "personal assistant" – providing employment to unemployed persons to alleviate the situation of families in which there is a person with permanent disability in need of permanent care.

4. "Support for retirement" National programme

The main objective of the programme is to support the transition from unemployment to work and retirement. The target group of the programme is unemployed persons over 58 who are actively looking for a job and are registered at the Labour Office. In order to use their expertise, individuals from this group with high educational status and qualifications may be appointed as consultants to assist employers and to pass on the experience gained across generations. The programme provides employment to persons involved in it for a period of three to 24 months.

5. Programme for training and employment of long-term unemployed persons

The main objective of the programme is to provide employment for long-term unemployed registered at Labour Offices, and to increase the employability of the persons subject to the programme through their inclusion in trainings leading to improvement of their knowledge and skills. The target group of the programme includes long-term unemployed persons of working age, registered at Labour Office Directorates (LOD), with priority being those who are subject to monthly social assistance, persons over the age of 50, and persons under 29 years of age.

6. Training and employment for youth (<30) (also called "'Career Start"' programme)

The main purpose of the programme is to provide opportunities to young people with higher education to acquire work experience in order to facilitate the transition between education and the labour market. The target group of the programme consists of young people up to the age of 29 who are graduates, registered at the LOD, and have no acquired professional experience in their specialty.

Programme activities include providing employment in public administration, ensuring correspondence between declared vacancies and young people's education profile.

7. "Activation of Inactive Persons" National Programme

The main purposes of the programme is to activate and include inactive persons on the labour market, including discouraged persons and young people up to 29 years of age who do not work and do not study through individual and group application of tools and services to attract and motivate them to register at the LOD and encourage them to be included in training and return to the education system and/or employment.

The target groups of the programme includes:

- Inactive, including discouraged persons and young people up to 29 who do not work, do not study and are not registered at the Labour Office Directorates.
- Registered unemployed persons self-identified as Roma (with at least upper secondary education) appointed under the Program as Roma mediators at the Labour Office Directorates.
- Registered unemployed young people up to 35 years of age. with tertiary education. appointed under the Programme as youth mediators.
- Registered unemployed persons with a university degree in psychology, appointed as psychologists at the Labour Office Directorates and registered unemployed persons, with a university degree in the field of pedagogical, humanitarian, social, economic, and legal sciences, appointed as case managers at LODs.

As the purpose of the programme is to activate and integrate inactive and discouraged persons into the labour market and not to provide employment for the mediators, psychologists and case managers involved, the results of this programme are not directly comparable with the results of other programmes and measures, which is why it is excluded from the assessment.

Source: MLSP. NEAP 2017 evaluation.

Annex Table 6.A.2. Target groups of active labour market programmes in Bulgaria

Target groups defined in the National Employment Actions Plans of 2019 and 2020

High-level target group	Detailed target group
Long-term unemployed	without qualification and with low education. incl. of Roma origin; unemployed receiving social assistance.
Unemployed young people under the age of 29	unemployed up to 25 years; young people who are neither studying nor employed (NEET's); early school leavers
Unemployed without a vocational qualification or with vocational qualifications not in demand on the labour market	unemployed persons without qualification from districts with an unemployment rate above the national average; unemployed who lack key competencies; unemployed with low general education (including of Roma origin); unemployed receiving social assistance.
Unemployed aged 50 and above	without qualification and with a low general educational level; in pre-retirement age; with qualifications not in demand
Unemployed persons with permanent disabilities	unemployed people with qualifications but with activation needs; unemployed persons without qualifications.
Inactive persons wishing to work. incl. discouraged people	from districts with an unemployment rate above the national average; without qualification and with low general educational level; with a period of inactivity of more than two years.

Source: National Employment Agency.

Notes

[1] This calculation takes into the average number of labour mediators over this period of 631 plus a further 583 employees appointed on contracts through the National HRD OP programme.

[2] Böheim, Eppel and Mahringer (2017[8]) provide a cost-benefit analysis that shows how hiring costs for additional caseworkers are off-set by benefit savings and increased revenues from tax and social security.

[3] This approach compares countries statutory rules though actual enforcement may differ for countries with the same rules (Grubb, 2000[54]).

[4] These data are for 2020 except for Iceland, Ireland, Norway, and Portugal, which are from the 2017 survey.

[5] In almost all cases the reason given for termination is "failure to comply with the Individual Action Plan" making it difficult to understand the precise offence.

[6] Active labour market measures refer to programmes included in categories 2-7 in the OECD/EC LMP database, including training (Cat. 2), employment incentives (Cat. 4), sheltered and supported employment and rehabilitation (Cat. 5), direct job creation (Cat. 6) and start-up incentives (Cat. 7).

[7] The share of state budget in ALMP spending was only 20.8% in 2013, when the ALMP spending was at its highest level since 2004. Subsequently, as overall expenditure fell because of lower EU funding, the share of state financing increased to 46.5% in 2016 (EUR 68.4 million) (European Parliament, 2017[38]). Since then, the share of national budget has decreased and the share of ESF funding increased.

[8] The different elements are individually captured in the corresponding ALMP categories of the European Commission/OECD labour market policy data base (mainly category 2 "training measures" and category 6 "direct job creation measure").

[9] In 2019, the largest programmes were: the regional employment programmes funded from the national budget, the national programme for employment and training of people with permanent disabilities, the national Program "Assistants to People with Disabilities", the National Retirement Assistance Program; the training and employment programme for the long-term unemployed, the Training and employment for youth (<30) (or "Career Start" programme) and the National programme "Activation of inactive persons".

[10] The Minister of Labour and Social Policy together with the Minister of Education and Science develops and co-ordinates the state policy for adult education. The activities related to adult education are carried out by NEA, National Agency for Vocational Education and Training, the vocational training centres, other institutions specified in a law or an act of the Council of Ministers. Vocational training is provided by vocational high schools, vocational colleges, art schools and vocational training centres (VTCs).

[11] Information collected as part of fact-finding meetings in the Montana region.

[12] The programmes also includes families with children attending a childcare facility up to the age of 12 in case of large families with at least 3 children.

[13] The Youth Employment Scheme is implemented in the whole country, but in the South-western region its financing is not under the Youth Employment Initiative, but from ESF.

[14] Supported internships in the public administration under this programme are only available for high-skilled. In contrast, there are no educational level requirements for the on-the-job training component.

[15] This includes those with 71% of reduced work capacity, military invalids with 50% or more work incapacity, people with sensory disabilities and people with mental disabilities.

[16] The 134 refer to the total inflow of participants into the programme over the course of 2019. Annex Table 6.A.1 in contrast shows the annual average participant stock for programmes, which would be misleading for this type of measure.

[17] The programme is a mixed measure and also has a training component. However, since 2018 the training component has not been used anymore.

Connecting People with Jobs

Reaching Out and Activating Inactive and Unemployed Persons in Bulgaria

This report on Bulgaria is the eighth country study published in a series of reports looking into how policies connect people with jobs. It provides a detailed analysis of Bulgaria's inactive and unemployed population and identifies groups of people who would benefit from measures and services provided by Bulgaria's Public Employment Service. In addition, the report assesses Bulgaria's labour market policies to reach out to inactive people and help them integrate in the labour market, and offers recommendations for improvement.

Co-funded by the **European Union** via the **Structural Reform Support Programme**

PRINT ISBN 978-92-64-43180-5
PDF ISBN 978-92-64-32002-4