



# Employment and labour market policies for an ageing workforce and initiatives at the workplace

## National overview report: Bulgaria

**Introduction**

**Situation of older workers in Bulgaria**

**Role of public actors in fostering active ageing**

**Public initiatives for fostering active ageing**

**Measures and initiatives implemented at individual  
company/organisation level**

**Conclusions**

**Bibliography**

**Appendices**

This report is available in electronic format only and has not been submitted to the standard Foundation editorial procedures.

## Introduction

During the last years Bulgarian employment policies developed a specific approach to the labour market reintegration of the older unemployed and the prolongation of the professional life of older employed. The actions undertaken are a response to the demographic situation in the country, namely the increase of the population share of the age group of 50 - 65 and the necessity to mobilise the non-utilised workforce for the sustainability of the social security system (based on the solidarity among generations).

The age structure of the Bulgarian population has changed considerably in the last 15 years. The decrease of birth rates and emigration (9 % of the population has left the country since 1998) led to a constant trend of a population decrease and ageing. Increased social burden with respect to care for retired people and limited demographic potential of reproduction of the labour force put the issue of a more active use of the ageing population on the public agenda.

The new pension scheme adopted in 1999 by the Social Security Code envisaged a higher retirement age (based on the achievement of defined 'points' which are calculated taking into consideration the length of services and the age), which increased the share of population in formal working age. During the last years, an increasing level of employment of older people has been observed which is due to legislative changes regarding retirement as well as the revitalisation of the economy. Nevertheless, job opportunities become more and more limited for persons over 50 years old. In general, this age group is not attractive as a labour force due to a number of reasons, such as less flexibility, a lack of dynamics and initiative, a low level of foreign languages skills, reluctance to training, low adaptability to the new working conditions, a lack of knowledge of new technologies, statutory supplements to salaries which employers should pay for the length of service, a higher number of days of sickness leave, the perception that these people used to work in a different environment (they are considered to be representatives of the 'socialist economic model') etc. Furthermore, older employees are more demanding in respect to the observance of labour rights which is another reason to be neglected by employers. The older labour force, however, also provides advantages such as loyalty and responsibility, working habits and discipline or the ability to work in a team. Therefore, the lower activity of the workforce aged 50+ leads to the loss of valuable experience in some economic sectors like heavy industry and machinery.

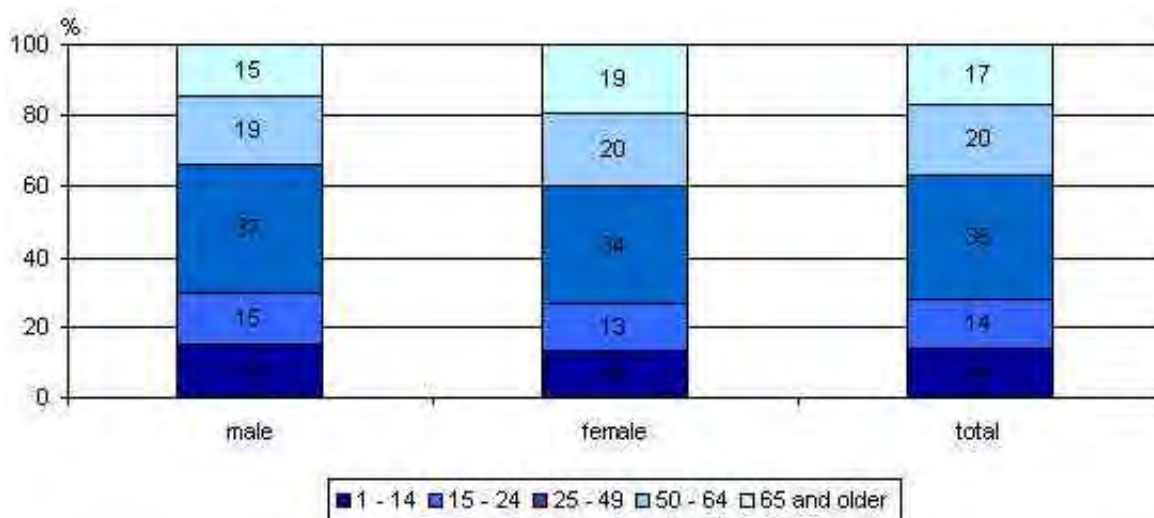
In general, employers have not yet realised the importance of the issue of an ageing workforce and deal with it mainly in cases of restructuring of their enterprises (e.g. under the pressure of external factors). During the period of privatisation and re-structuring this issue had to be tackled at a micro level and each enterprise tried to solve the problem according to its company culture and traditions. A general trend was an initial drastic decrease of personnel (starting with the retirement of people in retirement or pre-retirement age) and, subsequently, employment of new staff. Employers preferred younger people with a potential to be trained according to the company (sometimes international) standards and in this sense hiring older people was widely considered as an inefficient investment.

As regards trade unions it can be observed that although the issue of an ageing workforce is on their agenda since the beginning of the transition to a market economy after 1989, distinct actions were taken only during the last 4 - 5 years. In 2000, the first governmental National Employment Action Plan (NEAP) after the transition to the market economy was developed on the basis of the EU Employment Strategy and good EU practices. Since then, each year such plans are discussed with social partners and adopted by the Government. In 2002, the NEAP made an analysis of the employment and unemployment in the context of an ageing workforce and proposed measures for the alleviation of the situation.

## Situation of older workers in Bulgaria

Bulgaria is characterised by a population that is comparatively older than that of the EU-25. 37 % of the inhabitants were aged 50+ in 2004, where, in particular, the share of persons aged 65+ is much higher for women than for men (see Figure 1). Between 1991 and 2004 the share of the older population (50+) increased by about 5 %-points which is due to a decreasing number of young people.

Figure 1: Share of the population of Bulgaria by age group and gender in %, 2004



Source: Eurostat

As regards the educational attainments of the Bulgarian population, the younger generations on average have a higher level of formal qualification than the older ones. While, for example among the population aged 65+ the share of those having only completed (pre-)primary and basic education amounted to 69 % in 2004 and as few as 10 % were academics, more than one fifth of the population aged 24 - 49 have completed tertiary education and a further 55 % left the formal education system after (post-)secondary education. There are clear differences by gender: whereas women below 65 years of age are better educated than men (e.g. the share of academics among the 25 - 49 year old women is about 12 %-points higher than that of men), considerably lower educational attainments of women can be found in the age group 65+. As can be seen from a time series analysis, overall, a constant level of educational attainment can be found for the last three years (2002 - 2004).

The employment rate (i.e. the share of employed persons aged 15 and over in the total population of the same age) of Bulgaria is generally lower than on European average, which is particularly true for the 15 - 24 year old persons (see Table 1). For older age groups the differences are at least partly to be attributed to the lower average exit age from the labour market (Bulgaria: 58.7 years vs. EU-25: 61.0 years in 2003). The employment rate of the 50 - 64 year old Bulgarians has been increasing for the last decade for both men and women which is mainly to be attributed to persons aged over 55 years. The highest incidence of older employees can be found in agriculture (one third of the employees of this sector were aged 50+ in 2004), followed by public administration, education, health and other services (27 %). Comparatively few older employees are active in tourism and trade.

Table 1: *Employment rate (i.e. share of employed persons aged 15 and over in the total population of the same age) of Bulgaria and the EU-25 by age group and gender, 2004*

	Male		Female		Total	
	BG	EU25	BG	EU25	BG	EU25
15-24	25.0	39.2	19.5	33.4	22.3	36.4
25-49	75.0	85.9	70.7	69.4	72.9	77.7
50-64	52.4	61.4	39.7	42.8	45.7	51.9
65+	5.7	5.7	1.8	2.2	3.5	3.7
Total	49.1	59.6	40.2	43.6	44.5	51.3

Source: Eurostat

In line with the lower employment rate, Bulgaria is characterised by a higher unemployment rate (i.e. unemployed persons as a percentage of the active population of the same age) than the European average (11.9 % vs. 9 % in 2004) which holds true for all age groups (see Table 2). About one fifth of the Bulgarian unemployed are aged 50 - 64 whereby this share was rather constant between 2001 and 2004. The main part of the group of unemployed aged 50+ are those with primary and lower education. In general, the duration of unemployment increases with age.

Table 2: *Unemployment rate (i.e. unemployed persons as a percentage of the active population of the same age) of Bulgaria and the EU-25 by age group and gender, 2004*

	Male		Female		Total	
	BG	EU25	BG	EU25	BG	EU25
15-24	25.0	18.4	23.8	18.7	24.5	18.5
25-49	11.4	7.5	10.9	9.5	11.2	8.4
50-64	10.7	7.1	9.6	7.3	10.2	7.2

Source: Eurostat

## Role of public actors in fostering active ageing

### Major public stakeholders in the field of employment

In Bulgaria, the Ministry of Labour and Social Policy (MLSP) is responsible for the development, co-ordination and implementation of the state policy in the field of labour, professional qualification, income and living standards, industrial relations, health and safety at work, social security and social assistance. The MLSP implements the state policy through its specialised units, namely the Employment Agency, General Labour Inspectorate, Social Assistance Agency and their regional structures.

Among the functions of the MLSP in the field of labour market and professional qualification are the assessment of forecasts of labour resources for social security, unemployment protection and employment promotion, the regulation of the activity of labour market institutions at national and regional level, executing out the state policy in the field of (pre-) qualification of the work force, proposing measures for regulation of labour migration and for protection of the national labour market etc. The MLSP also carries out the state supervision for compliance of the legislation in the field of employment relationships, health and safety at work, employment and professional qualification, payment of work, social security and social assistance, the implementation of and compliance with international agreements in the field of labour market, social policy and social security.

Another important function of the MLSP is the co-ordination and organisation of scientific studies in the field of labour market and social policy. The MLSP undertakes the task of putting on the agenda identified problems and co-ordinating the efforts of different government institutions, the civil sector, social partners and scholars dealing with issues of ageing in order to reach a common position and a satisfactory solution for problems related to the ageing of the population and the workforce in particular. Regional programmes for employment are a good example of co-ordination between government institutions and the civic sector. Tripartite committees approve business projects which are subsidised through the NEAP. Councils of Co-operation (composed on tripartite base in accordance with the Employment Promotion Law) provide opinions on the implementation of the employment programmes. The feedback received from cooperation councils is used for the evaluation of the impact of programmes.

The Employment Agency (EA) is an executive agency of the Minister of Labour and Social Policy for the implementation of government policy on employment promotion. Its functions include the registration of unemployed actively seeking employment and available vacancies, the provision of employment mediation services, working with municipalities and employers in developing mutually beneficial action plans, the participation in the development and implementation of programmes and measures for employment and training aimed at designated groups of unemployed who due to various reasons find it hard to integrate into the labour market. The Agency implements projects and programmes in the field of employment, professional qualification and training as well as social integration, funded by the European Union or/and other international donors (including Bulgarian contributions). The agency carries out the overall monitoring of the implementation of the programmes, draws general conclusions and reports to the MLSP. Special attention is paid to the identification of risk groups in the labour market as a basis for better targeting of employment policies. The priorities of measures are towards youth, long-term unemployed, older workforce and people with disabilities.

### **Institutionalised forms of social dialogue**

The government carries out the regulation of labour relations, social security relations and living standard issues after consultations and through dialogue with the employees' and the employers' representative organisations. The co-operation and consultations at national level are undertaken by the National Council for Tripartite Co-operation having permanent committees on income and living standards, social security relations, labour legislation, social consequences of restructuring and privatisation etc. and providing feedback on bills, drafts of secondary legislation and decisions of the government. The co-operation between social partners and the state is also carried out at industry and municipality level through respective councils for tripartite co-operation.

Trade unions actively put issues of the ageing workforce on the agenda of the National Council for Tripartite Co-operation, but not all of their recommendations are taken into consideration. According to trade union experts problems related to the ageing workforce might be included and solved by collective bargaining at industry level - which is done, but not to the necessary extent. Often, the analysis and discussions do not lead to concrete solutions of problems. This is mainly due to the lack of experience of social partners, low development of the system of collecting bargaining and the situation in the labour market (supply of workforce considerably exceeds demand). Employers' organisations, in contrast, are not very active on this topic. They introduced a proposal for abolishment of the additional payments to wages based on the length of service<sup>1</sup>. According to employers' organisations the additional payment for the length of service is contradictory to EU practice and ILO Convention 111 about discrimination in labour and professions (ratified by Bulgaria in 1997). From the employers' point of view there is no sense in keeping a uniform privilege for everybody which is not based on objective criteria. The issue is related to the introduction of an entirely new system of payment of labour which might include as an indicator the length of professional experience, which so far is missing. For the time being there is no solution to this debate which is on the public agenda for several years already.

---

<sup>1</sup> The obligatory (provided by law) increase of the salary is by 0.6 % for each year of length of service.

The National Employment Promotion Council (NEPC) with the Minister of Labour and Social Policy consists of an equal number of representatives of the government, trade unions and employers' organisations. It prepares opinions about the employment policy and the NEAP, informs about the situation of the labour market, gives opinions about draft legislative acts in the field of employment and recommends adoption of such, evaluates and recommends adoption of policy measures etc. In March 2004, the NEPC has adopted a Concept for Life Long Learning. In 2006, a Strategy for Life Long Learning will be approved where the concept for active ageing will be developed. The idea is to provide a chance to older people to maintain the quality of their labour capabilities. The Ministry of Education has adopted a Strategy for Continuous Vocational Training (CVT) for the period 2005 - 2010. One of the priorities of the Strategy includes development and implementation of programmes concerned with motivation for CVT focused on disadvantaged groups in the labour market.

There is a serious achievement with respect to the training of older people. This is done through the specific design of programmes based on individualised needs of different sub-groups of the groups of the older workforce (qualification, re-qualification, entrepreneurship training for self-employment, motivation etc.) VET programmes become more focussed on the disadvantaged groups in the labour market and their motivation and there is a trend of taking into account regional specificities.

An ad hoc Working Group for Labour Market Policies was established with the MLSP which has the task to create data bases in line with the methodology of Eurostat for monitoring and evaluation of active labour market programmes and measures. The Working Group is responsible for the synchronization of the collection of Labour Market data by introducing the EU methodology. In this sense the Group is guided by tasks directed by Eurostat and the EC Directorate dealing with employment and social policy. The group is involved in the preparation of the national report on the progress made by the country on the joint assessment of employment priorities. The Group for the time being has not developed recommendations with respect to the ageing workforce.

The Economic and Social Council (ESC) was established as an institutional forum for consulting and social dialogue on economic and social policy to be held between the government and the organised civil society. The Council started its activities in September 2003. The ESC is a forum enabling socio-economic groups and civil society organisations to express their opinions, statements and proposals on legal and policy issues to legislative and executive authorities. The Economic and Social Council provides opinions on different issues (legal acts, policy measures etc.) of the social and economic life on its own initiative or on a request of the President of the Republic, the Chairman of the Parliament and the Government. One of the standing commissions of the Council is the Commission of labour, income, living standards and industrial relations. It elaborates opinions and investigations relevant to the problems of employment and labour market, conditions of work, professional education, and life long learning, industrial relations etc. The Council published in March 2005 a report called 'The problems of demographic development and the challenges for demographic policy of Bulgaria'. The report is focused mainly on the issue of emigration and the situation of the young workforce. Ageing of workforce is mentioned as a problem only in the context of insufficiency of labour supply. A conclusion is drawn that there is no authorised governmental institution that can analyse, evaluate and develop respective policies for the solution of demographic problems.

The Social and Investment Fund (SIF) was established by law in 2001. The fund is managed on a tripartite principle. Its Board of Managers consists of 12 members composed of an equal number of representatives of the Council of Ministers, employers' and employees' organisations to be appointed by the Prime Minister. In July 2002, the Social Investment Fund started to work on the fulfilment of the 'Social Investment and Stimulation of the Employment'-project of the World Bank and the MLSP. The basic aim of the project is to strengthen the already existing system for social security in order to solve the problems connected with unemployment and poverty. Practically, the SIF provides grants for two types of micro projects: initiatives for development of municipal infrastructure and active services in the labour market.



One type of projects relevant for the older workforce consists of qualification and skills development courses attended by about 40,000 persons so far<sup>2</sup>.

### Collective bargaining

Collective labour contracts (CLC) deal with issues of the ageing workforce in their sections 'Employment'. The most common form of protection is the prohibition of dismissal (or its permission under particular conditions) of employees during a specified period before the retirement age. Some examples illustrate such provisions of CLCs:

- Prohibition of dismissal of those workers who need 1 year to reach retirement age and are the only money earner in the family (agriculture)
- Three months advanced written notice is requested for dismissal of persons who have 3 years of working left before retirement (forestry, cellulose & paper industry)

Another form of protection is the negotiation of compensation in case of early retirement. Such financial compensations are much higher than those which are envisaged by the Labour Code.

In general, however, the collective labour contracts do deal sufficiently with issues of qualification and re-qualification of staff. Re-qualification and opening of new jobs are subject to regulation mainly from the point of view of the creation of employment for redundant staff.

### Major policy documents

The major policy documents in the field of employment include the national Employment Strategy for the period 2004 - 2010 (in line with the EU Employment Strategy) adopted by the government in 2003 after consultation with social partners and the Employment Promotion Law (adopted in 2001). In the Strategy the actions and the priorities have been determined in a medium-term perspective for the period 2004 to 2007 (with reference to Bulgaria's accession to the EU) and in a long-term perspective until 2010 (with reference to the European Employment Strategy). The vision of the Strategy includes conditions and opportunities ensuring the choice of employment to every person at working age. According to the Strategy the stimulation and the increase of the working life of the older population is one of the major directions of labour market development. The fulfilment of such objectives requires, on the one part, the development of vocational training activities and, on the other part, the introduction of flexible forms of employment of persons in pre-retirement age together with suitable financial stimulus.

According to the Employment Promotion Law the government, the MLSP, the Agency for Employment, the line ministries, regional authorities and social partners may develop and submit a financing programme for employment creation, related to the priorities set in the National Economic Development Plan, the National Regional Development Plan and the National Employment Action Plan. These institutions may also apply for financing of programmes for employment, literacy and vocational training of vulnerable groups on the labour market. The MLSP and the Employment Agency are responsible for the development of national programmes, line ministries for the sector programmes and the employment committee with the Regional Councils for regional programmes. Regional programmes are supposed to specify the instruments and measures/projects for employment policy implementation.

---

<sup>2</sup> This is a measure envisaged by the NEAP.

The amendments to the Employment Promotion Act, made in 2003, allowed an increase in the incentives and the opportunities for continuing education of adults – both, employed and unemployed. The employers are encouraged to create new jobs for apprenticeship, provide qualification upgrading through practice (work experience) as well as to maintain and upgrade the qualification of the employed workers and employees.

The frame for policy measures implemented in accordance with the above strategic documents is the National Employment Action Plan (NEAP). The plan is drafted by the Ministry of Labour and Social Policy in consultation with social partners. Each year the NEAP is redrafted by a working group of experts of the government, trade unions and employers' organisations. After a discussion in the NEPC the draft is presented to the National Council for Tripartite Cooperation for approval and is consulted with all ministries. The plan is presented to the Government for taking a decision of its implementation. The NEAP envisages a very broad institutional frame for the implementation of its measures, which includes ministries, government agencies and NGOs.

In the 2002 NEAP a section on 'Development of Active Ageing Policy' was included. It was decided that a strategy for vocational training of older people is to be developed. Since 2004 the national plans envisage measures and projects targeted to the increase of employment and labour activity of ageing population. Such measures are included in the section 'Increase the labour supply and encouragement of labour activity in case of ageing'. According to the NEAP, the institutions involved in the implementation of these measures are the Ministry of Labour and Social Policy, the Ministry of Education, the Employment Agency, the National Agency for Vocational Training and Education and nationally represented employers' and employees' organisations.

The NEAP 2005 was developed on the basis of the priorities of the European Employment Strategy adopted in 2003 and the current European Commission recommendations in respect to the issues of employment and achievement of the Lisbon targets of the EU. The structure of the NEAP is the same as those of the employment plans of the EU countries. NEAP is divided into two parts: the first one presents the situation of the labour market and the implementation of the active labour market policy and the second one is structured into ten main directions following the main activity directions of the European Employment Strategy. The NEAP 2005 continues the realisation of the National Employment Strategy and reflects the recommendations of the Joint Assessment of Employment Priorities in Bulgaria (a joint document of the European Commission and the Bulgarian Government).

It should be noted that the monitoring of the NEAP programmes is done on a tripartite principle at local, regional and national level. The programmes are flexible and if the NEPC approves any change, the Minister of Labour and Social Policy gives its formal approval, e.g. during the respective year, adjustments are possible.

In October 2002, a document called Joint Assessment of Employment Priorities in Bulgaria (JAP) was prepared by the MLSP in co-operation with the European Commission, Directorate General for Employment and Social Affairs. This document evaluates Bulgaria's short-term employment and labour market policy priorities. It presents an agreed set of employment and labour market objectives necessary to advance the country's labour market transformation, to make progress in adapting the employment system to be able to implement the European Employment Strategy and to prepare it for accession to the European Union. Progress in the implementation of these policies shall be regularly assessed. The JAP priority issues include coping with the declining activity rate combined with the demographic developments, the high unemployment rate, the substantial long-term unemployment, the high youth unemployment and high regional variations.

The first report (Report on the Progress Made by the Republic of Bulgaria on the Joint Assessment of Employment Priorities) on the implementation of the recommendations of the JAP was prepared by the MLSP in 2004 and the second one was prepared in the autumn of 2005. In the process of drafting the progress reports, the National Employment



Promotion Council took an active role. All institutions and organisations participating in the NEPC provided their opinions. The progress reports have been drafted by an interdepartmental working group consisting of experts of all ministries, agencies and other institutions involved in the preparation of the JAP and in the implementation of the recommendations laid down.

### Public initiatives for fostering active ageing

Since 2000, each year an annual National Employment Action Plan is developed. They provide a detailed and concise frame of government policy measures in the field of employment. A differentiated approach of active employment policy, implying orientation of specific programmes and measures on various target groups of unemployed, has been applied since the beginning of 2003. The emphasis is laid on the preventive intervention of the state in order to avoid long-term unemployment and social isolation by means of enhanced employability. The implementation of active programmes and measures is also linked to pursuing increased employment opportunities for people in disadvantaged positions in the labour market. Therefore, national employment action plans started to include special measures targeted at the older workforce.

### Specific national programmes focusing on the ageing workforce

In 2002, the national programme Assistance for Retirement was launched, being a special programme for persons in pre-retirement age. The programme is a response to the negative trend of an increasing share of long-term unemployed (over 1 year) aged 55 or over. The main objective of the programme is the provision of employment for persons having reached the age of retirement, but lack the requested length of services. Therefore, a specific objective of the programme is the provision of jobs to people who need 10 'points' (calculated on the basis of length of service and age) in order to enable them to retire. Subsidised employment is of duration between 3 and 60 months. The state budget covers employers' costs for salaries (equal to the minimum statutory salary) and social security and health insurance contributions for the period of employment.

In 2003, 780 persons have worked under this programme and in 2004 the number already reached 2,944. For the period January until September 2005 more than 3,000 persons were employed under the 'Assistance for Retirement' programme and the funds spent amounted to more than 4.8 mln BGN.

For the programme "Assistance for Retirement" the subsidy for the salary is equal to the minimum statutory salary – 150 BGN (approximately € 80.- per month). On this basis other labour costs (social security and health insurance contributions) are calculated and are also covered by the subsidy. The employer pays for the rest of the salary and the respective ratio of other labour costs. Obviously the programme is more attractive for lower paid positions.

Another specific project targeted at the older workforce is the project 'Back to Work'. The project has 2 target groups: unemployed women over 50 years old and women who have interrupted their employment because of maternity leave. In the frame of the project women receive motivation and support for active labour market behaviour, professional orientation and consulting and training in accordance with their professional status and experience. In 2005, the NEAP envisaged 200 persons to be trained under the programme (until September 2005 115 women have been trained). The state budget of the project for 2005 amounted to 120,000 EUR.

## Programmes for vulnerable groups relevant for the older workforce

### *Programme 'Overcoming the Poverty'*

This programme has been implemented in the poorest Bulgarian municipalities<sup>3</sup>. Its aim is the promotion of employment through literacy courses and professional qualification and the provision of subsidised employment and self-employment. Target groups of the programme are long-term unemployed and unemployed who are illiterate or have primary education without any qualification. The focus is put on unemployed women in pre-retirement age (over 50 years old) and men over 55 years old as well as youths (up to 29 years old). Employment is sought in agriculture and processing of agricultural production, services, tourism, environmental activities, social services and manufacturing.

Employers who wish to participate in the programme should provide employment to persons of the above target groups for a period of at least 6 months. Employers are entitled to state subsidies covering a part of the salary and respective social security and health insurance contributions for a period of up to 12 months. Local authorities may provide land and other facilities for the realisation of employment and qualification projects.

Preliminary selection of projects is done at local level by councils co-operating with local labour offices (these councils are recruited on a tripartite principle), and the final approval for financing is done by the Employment Agency.

The state funds allocated for 2005 is about 2 million BGN and the number of expected new jobs amounts to more than 680. The envisaged number of persons to be trained under the project is 520.

Furthermore, since 2003 the following new programmes and incentives targeting at disadvantaged groups on the labour market were launched:

- Project on Encouragement for Women's Start-ups in the Services of Raising Children (for unemployed women)
- National Programme for Employment and Vocational Training of People with Permanent Disability (unemployed disabled) - provides accessible working environment and employment to people with permanent disability
- Programme for employment promotion and vocational training in agriculture, which provides advisory services, training, access to low-interest credits and to financial leasing in order to start own agricultural businesses in the field of bee-keeping
- Preferential treatment of agricultural producers to promote entrepreneurship of persons aged over 50/55 years, as well as provision of training according to the concept of life long learning
- Introduction of tax relief for employers who hire unemployed persons over 50 years old for a period of not less than 12 months; salaries and social security and health insurance contributions paid are to be deducted from the taxable profit
- Programme for financing of farmers – in a pilot phase in the region of Vidin training and stable employment to unemployed in agriculture is provided. The unemployed receive funding after approval of agricultural business plans by the subdivisions of the Employment Agency to cover costs of land cultivation, for seeds and seedlings, fertilisers and plant protection chemicals. They are given additional financial support for vocational training on the subject of their activity and/or its management as per the approved business plans.

---

<sup>3</sup> 13 municipalities

### Other programmes in the framework of the NEAPs

The National Employment Action Plan of 2004 identified human capital development and life-long learning<sup>4</sup> as the major guidelines for the development of the employment policy. A number of programmes and projects are underway<sup>5</sup> to upgrade the quality of the labour force.

The National Employment Action Plan for 2005 launched new specific programmes:

- Programme 'Increase of adaptability of women' - the target group of the programme are unemployed women, priority is given to women over 50 and women in maternity leave. The programme provided motivation and training courses to 2,000 women; the budget was 160,000 BGN.
- Programme 'Promotion of vocational training for older people and employment' - it is envisaged that 200 persons receive training; the funds are 0.2 million BGN. Training is organised by the Employment Agency and includes predominantly development of PC skills and entrepreneurship.
- The project SANE (BUL/02/001) has as an objective the development of a new scheme for extension of employment of people in pre-retirement age through their involvement in delivery of social services to vulnerable people. Unemployed over 50 years have a priority. The total budget of the project is 3,931 903 million USD of which 96 % are provided by the national budget and 4 % - by UNDP.

### Programme 'Active Services at Labour Market'

The programme 'Active Services at Labour Market' (managed by the Ministry of Labour and Social Policy and the Employment Agency) is a sub-component of the Component 2 of the Project Social Investments for Employment Promotion (financed by the national government with a World Bank loan (Credit Agreement BUL #4681).

A main goal of the programme is to provide support for the re-integration of unemployed into the labour market, to increase productivity and to decrease the number of people dependent on social assistance. Unemployed aged 50 or over and long-term unemployed are specific target groups of the programme. Active labour market services financed by the programme include different forms of support with respect to finding jobs, provision of qualification (re-qualification services), and planning of local economic development.

### Promotion of entrepreneurship among vulnerable groups

Measures targeted at the promotion of entrepreneurship - although not specifically focusing on the ageing workforce - include the following projects:

- The Micro Credits Guarantee Fund was established by the government in 2001. The overall objective is new job creation through alleviation of the access of SMEs or start ups and physical persons to financial resources necessary for the expansion of their economic activities. Among the main objectives is the creation of favourable conditions for development of own business for disabled and other vulnerable groups promoting their economic and social integration. Long-term unemployed (a considerable part of which are older people) are among the eligible beneficiaries of the guarantee scheme. Since its operation the fund has supported over 3,000 projects with a total value of 30 million BGN which resulted in 6,200 new jobs.

---

<sup>4</sup> In this context, the NEPC has approved a Strategy on Life-long Learning (see above).

<sup>5</sup> Project for the vocational training and social adaptation of dropouts of the education system; Project for the renewal of vocational training institutions; Project for life-long learning and vocational training and education; Project for vocational training of the middle class in evening and weekend courses in Bulgaria etc.

- The programme 'Job Opportunities through Business Support' provides micro financing and leasing schemes for promotion of employment. This is a programme financed by the state budget and managed by the MLSP/UNDP. It is envisaged that 4,700 jobs are to be created and 3,259 persons are to be trained in entrepreneurship in 2005. The funds allocated from the state budget are approximately 3.1 million BGN.
- The project 'Alternative employment' (under the Programme Phare Economic and Social Cohesion 2003) envisages that more than 2,000 persons receive vocational training and 650 new jobs are created. The project has a regional scope – it covers North-East and North-West planning regions of the country characterised by highest unemployment.

### Measures under the Employment Promotion Law

Section VIII of the Employment Promotion Law regulates programmes and measures providing equal opportunities through social and economic integration of risk groups in the labour market. According to Article 55a, employers shall receive subsidies (covering salaries and social security as well as health contributions) for each unemployed woman aged 50 or over and man aged 55 or over<sup>6</sup> through the offices of the Employment Agency for the period of employment, but not for more than 12 months. Subsidies for employers include the amount of the minimum salary (provided by law) and other additional payments / compensations due by the employer. Employers are obliged to open new jobs over the average number of staff for the last six months. The new job/s should be maintained for at least 24 months. For the period January-September 2005 over 2,000 persons have been employed accordingly and the budget spent for the same period was around 2 588 000 BGN.

Employment subsidies under the Employment Promotion Act are defined each year by the National Employment Action Plan. The subsidies are different for the different programmes, which are about 80.

### Measures and initiatives implemented at individual company/organisation level

#### Carlsberg Bulgaria PLC, Bulgaria

##### *Organisational Background*

Carlsberg Bulgaria PLC, Sofia produces and distributes alcoholic drinks. The company was the most dynamically developing company on the local market in 2004 with a sales growth of 37 % compared to the previous year.

The company was established after the privatisation of two big Bulgarian breweries - one in Shoumen (North-East Bulgaria) - Shoumensko Pivo, and the other in Blagoevgrad (South-West Bulgaria), called Pirinsko Pivo. As both breweries were bought by the Danish-Swedish company Carlsberg (in 2003 and in 2002, respectively) in 2004 they merged into one joint stock company under the name Carlsberg Bulgaria. Nowadays the majority of shares of Carlsberg Bulgaria belong to the Investment Fund for Central and Eastern Europe.

Privatisation and merger led to a centralisation of the management, i.e. the functional departments are centralised in Sofia.

The total number of staff is about 600. The average age of employees is 39 years and the ratio of women to men is 30 : 70. In general, the company prefers to hire young people because of presumed better qualifications.

Although the owner is a multinational company the corporate culture of Carlsberg Bulgaria takes into consideration the characteristics of the local workforce and the local labour market.

<sup>6</sup> These groups are considered by law as 'groups in less favoured position on the labour market'.

There is no works council in the company. In the frame of social dialogue, issues related to the ageing workforce are not discussed directly. The collective labour contract envisaged protection from dismissal of employees who need up to 2 years in order to be able to retire.

### *Practice today*

The company has implemented two initiatives related to the re-qualification of older personnel. Both initiatives have been connected with the organisational restructuring which led to the necessity to decrease the number of staff members. The initiatives were developed by the human resource (HR) manager in co-operation with the line managers. No distinction based on gender has been made during the implementation of the initiative.

The first initiative focused on the re-structuring of the accounting department in the factory in Shoumen. Part of the staff (5 persons - all of them over 55 years old) have been trained to work with the accounting system SAP together with other employees. The former accountants showed considerable interest and made good advancements in a short period of time. The training lasted for 2 months and was provided by internal trainers. After the completion of training the employees have been placed in the department 'Logistics', due to two reasons - there were nobody acquainted with this software in the department and in the meantime the accounting department had been moved to the head quarter in Sofia. The strengthening of the department Logistics by transfer of qualified staff led to an increased efficiency. In the company, the experiment is considered as successful.

The other initiative concerns the re-qualification of technical staff (9 persons - of an average age of 50 years). Instead of being dismissed it was decided to train them to become drivers of the inter-company transportation system. The workers had a 4 month qualification course held by a company which issues certificates. After this course organised outside their working place, they had on the job training in order to acquire practical skills. During this training they did not show sufficient learning skills. The results have not been satisfactory as too much training time was needed for the achievement of the desired results.

The evaluation of both initiatives shows that people with higher qualifications are much more motivated to get acquainted to novelties in their field or related fields of work. By and large, the observations of the company's HR manager show that people over 45 years are not too enthusiastic with respect to training. They rather adhere to old forms of professional behaviour which hampers their flexible employability in a dynamic manufacturing company applying new technologies and facing continuous changes in framework conditions.

These initiatives with respect to the older workforce were inspired by the business needs of the company and a lack of people with appropriate qualification available on the labour market. Such a situation, particularly severe in the country side, drives companies to strongly use on-the-job training. So, the main motivation of the company was not the age issue as such, but the immediate business demands of the enterprise.

### *Hitherto development of the case study*

Bulgarian entrepreneurs prefer a younger workforce. This trend is especially typical for companies owned or controlled by foreign investors and multinationals. However, the ageing of the workforce and the lack of qualified personnel gradually changes the attitudes towards older employees. Under the pressure of HR departments, managers are more inclined to invest in vocational training and re-qualification of this group of staff.

The initiatives have brought about controversial results due to various difficulties in the company's and the employees' sphere. Short term views and the desire to achieve efficiency gains as the company's management sometimes is far from reality. Older employees face more difficulties in working with new technologies. On the other hand, older employees do not sufficiently recognise the need for making efforts in order to increase their value to the company and to become

irreplaceable personnel. The initiatives show that much depends on the attitudes of the older workforce and that their behaviour can change the attitudes towards themselves.

### **Further information**

Contact person:

Mrs. Silvia Stoyanova, HR Manager

Phone: ( 00359 2) 917 92 65

e-mail: sylvia.stoyanova@carlsberg.bg

Sources: interview with the HR manager

### **Paper Factory Stamboliiski PLC**

#### *Organisational Background*

Stamboliiski is a joint stock company with foreign shareholders. Almost the entire production of the factory is exported. The factory is located in the central part of south Bulgaria and is the biggest paper factory in the Balkan countries.

The company went through intensive restructuring after its privatisation in 1997. In 2002, the ownership of the factory was acquired from the initial Turkish holding by EBRD and IFC which concluded a contract of management with a Polish-Swedish company 'Intersell'. This led to considerable changes in the organisational and staff structure of the enterprise.

When the financial institutions acquired the factory they faced the problem of poor education and qualification - 22% of the staff had no secondary education – while, at the same time the equipment was very modern and advanced. Therefore, the management financed qualification programmes.

The company has about 900 employees. The age structure of the employees is as follows:

- between 18 - 30 years – 14 %
- between 31 - 40 years – 26 %
- between 41 - 50 years – 35 %
- over 51 years – 24 %

7 % of the staff are white collar employees, 93 % are blue collar workers. The staff is predominantly male (65 %). Fluctuation of labour in the company is very low (3.8 % per year).

There is no works council in the enterprise. The company does not practice a social dialogue with respect to ageing workforce issues; the collective labour contract does not envisage specific respective clauses.

#### *Practice today*

Stamboliiski PLC pursues a number of policies favouring older employees and utilising their capabilities and know-how. The company has introduced such practices without any advocacy on the part of trade unions. The company has a positive attitude towards the employment of people over 55 years. Age is not a factor for defining the salary - the remuneration is determined by the job requirements, not by age. Older employees are highly valued by the management, mainly because of their experience and knowledge.



One of the company's initiatives envisages the preservation of employment for several years after the retirement for managerial positions, for 6 months for experts and for 3 months for workers. The initiative is based on the tradition of the company to use the knowledge of older workers and the transfer of their experience to younger workers. For this purpose older managers and qualified workers are included in long term apprenticeship programmes. This is done in the forefront of the retirement of such persons and their successors have to be trained in the specificity of the job. The retired person is employed for a trial period at another position (up to 6 months) in order to transfer skills and knowledge to his/her successor.

Unfortunately temporary employment contracts may be used by employers as an exemption only and that is why the retired employees may continue to work only under contracts for a trial period.

Furthermore, the company offers higher compensations to its staff than those regulated by law. For example, the compensation for retirement amounts to seven monthly salaries instead of six monthly salaries (as foreseen by law).

Another policy towards older workers and employees is that in the last 6 - 12 months before their retirement their salaries are increased in order to secure better pensions and compensations.

The above measures have been introduced in the company because of internal organisational reasons: the specificity of the manufacturing processes, characterised by use of high technologies, requires a comprehensive transfer of know how. Women participate in all of these options on an equal basis.

The measures are jointly realised by the HR department and the company management. The cost of implementation of these initiatives is about 50,000 BGN so far.

The company has not made an analysis of strengths and weaknesses of the particular practices.

### *Hitherto development of the case study*

A considerable part of population over 45 years is employed in the paper industry. Therefore, it is not surprising that more than half of the workers and employees of the paper factory are aged 40+. The main issue for the 'Human Resources Management' is the smooth transfer of professional knowledge and skills among the staff. This is an important issue especially when having in mind the specificity of production process.

The practice of using workers for a certain period after their retirement to provide practical skills to their successors is regularly used. It is a very effective one and helps older people to feel valued and to have a balanced transition to retirement.

The company continues to employ people aged 45 or older, but mainly for low qualified positions. This practice is in line with the widespread attitude towards this age group. According to managers such people lack sufficient qualification and knowledge, especially if manufacturing processes depend on new technologies, or they lack motivation for development and willingness for change.

### **Further information**

Paper Factory Stamboliiski PLC

Phone: +359 32 909 432

E-Mail: kkalinkov@pfs.bg

Web: www.pfs.bg

Eugenia Peckage, 'Human Resources' Manager

Sources: interview with the HR manager

## Danone Serdika, PLC

### *Organisational Background*

Danone Serdika is a joint stock company located in Sofia, processing milk and producing milk products. It was privatised 10 years ago and taken over by the multinational Groupe Danone.

The company has 372 employees. 300 staff members are aged 40 or younger, 70 employees are 41 - 60 years and only 2 persons are over 60. The older group of employees shows a high share of non or low qualified (52 out of 70 are workers without qualification). Regarding the managers only 11 out of 65 are over 40 years old. According to the HR Manager the age profile of the company is a result of the specificity and dynamics of the work processes (younger people adapt better to new technologies and to the company culture as a whole).

After the privatisation of the enterprise in 1994 all staff maintained their jobs and received the necessary training.

Age, gender or other socio-demographic criteria are not critical for the selection and the recruitment of personnel. Highly valued are applicants whose professional experience and education fit the job, who share common corporate values and seek a long-term perspective in a multinational company. Atmospheric aspects (organisational climate) are respected as well.

The main factor which influences the policy towards the ageing workforce is the company culture. A special Committee on improving working and living conditions in the company was created with a representation of workers and the employer. This committee plans the measures needed as well as the respective budgets.

### *Practice today*

The Collective Labour Agreement of the company envisages special measures for persons in pre-retired age: Those who have worked in Serdika and its successor Danone Serdika over 20 years may receive a bonus of 20 monthly salaries after retirement.

All employees and workers receive health services for free and have a voluntary life insurance paid by the employer.

Some of the employees are invited to continue to work with the company after retirement. However, this is not a trend, but simply depends on the need for labour force.

A common practice is the shifting and transformation of job positions within the company depending on the length of professional experience, age and wishes of the employees.

The company plans to start a new initiative (called 'Voluntary Pension Social Security Contribution') in 2006 which is targeted to older workers. The employer will pay 30 BGN for a voluntary pension fund per month for each employee in case she / he participates in the fund with the same amount of money.

### *Hitherto development of the case study*

The company's policy towards older workers is not a matter of a campaign or a result of the arrangements in the context of the privatisation deal. Therefore, all initiatives described above are regularly used by the company management. According to the HR Manager it is a continuation of long traditions of the company. In general, there is no differentiation regarding social measures based on age and gender. Training and promotion depend on performance only.

Due to the special attention paid to the well-being of the staff the company has a lower rate of paid leave due to illness than the average for the country.

### **Further information**

Danone Serdika PLC

Mrs. Emilia Foteva

HR Manager

Phone: +359 32 93 00 458

e-mail: emilia.foteva@danone.com

www.danone.com

Sources: interview with the HR manager

### **Bulgarian Telecommunications Company PLC**

#### *Organisational Background*

The Bulgarian Telecommunications Company (BTC) is a large enterprise, 65 % of which is owned by Viva Ventures (Advent International Fund). The sector of activity is telecommunications. The personnel of the company amounts to about 20,000 with an average age of employees of approx. 40 years. Over 65 % of the staff have professional experience of more than 11 years.

After its privatisation and restructuring in 2004 (the company is not a monopolist for some services anymore as it was in the past) the company adopted - after consultation with trade unions - three programmes for the reduction of personnel: for voluntary termination on the part of employees, for entrepreneurship and for new professional realisation (related to re-qualification of staff). The first two programmes, especially in their interconnection, are predominantly relevant for older employees. The entrepreneurship programme was open for persons eligible to benefit from the voluntary leaving programme – e.g. employees with over 10 years employment with the company.

In 2004 BTC signed a collective labour contract with all five organisations of trade unions in the system of the company. The programme for the voluntary termination of employment relations is an inseparable part of the collective labour contract.

#### *Practice today*

In the framework of the programme of voluntary termination, 7,831 employees left the company in 2004 and received as compensations in total 41 093 000 BGN. Depending on the length of their services in BTC each of them was entitled to up to 16 gross salaries as compensation under the form of 'social support' (such is not taxable). The entrepreneurship programme was available to those employees which decided to voluntarily terminate their contracts with the company. It was the most advantageous for people in pre-retirement age, because its target group referred to employees who hadworked in the company for at least 10 years.

BTC provided the opportunities to all those who were interested in the entrepreneurship programme to receive a short entrepreneurship training organised by the regional chambers of commerce and industry as well as support in respect of the preparation of business plans. A condition for the selection of business plans to be subsidised was the usefulness of the plan for the specific region of implementation and the creation of new jobs for the former employee and his/her family members.

In the entrepreneurship programme, 429 employees participated. In total 14 projects were financed with a total budget of 345 000 BGN of which 11 approved applicants are aged over 50 years. The activities envisaged by the awarded

business projects are as follows: production and marketing of vegetables, diagnostic medical services, accountancy services, café bar, small shop for beverages and snacks, IT services, bee keeping (2), production of paper packages, cultural tourism, agricultural services, cars maintenance, production of small furniture. Each financed project receives support and supervision of the ProCredit Bank branches (the bank is specialised in the provision of micro credits).

#### *Hitherto development of the case study*

The company has no programme targeted only at older employees. However, the company considers young people as a more attractive labour force mainly because of their better qualifications. According to observations of trainers of regional chambers of commerce, younger former employees were more active in training and optimistic about business opportunities while those in pre-retirement age were as a whole more pessimistic.

BTC co-operates with the Employment Agency with respect to qualification courses offered under the state programmes. The company made a survey among employees to see if they were interested to be included in vocational training courses in case they join the programme for voluntary leaving. The most attractive for employees were PC and foreign language courses.

#### **Further information**

Sources: [www.btc.bg](http://www.btc.bg); 'Dnevnik Newspaper, 28.07.2004; Trud' Newspaper, 27.07.2005

## **Conclusions**

In general, it should be noted that among the vulnerable groups on the labour market (which are defined/addressed by a number of regulations) the group of older employees is not in the worst position. This group is not a homogeneous one and the most vulnerable segments are supported by other specific programmes (not especially for older persons, but for example addressing people with low education and/or no qualification, Roma or poor people).

Although the existing national employment strategies, policies and programmes for an ageing workforce are in compliance with the EU Employment Strategy, there is no coherent and comprehensive national employment policy with respect to the whole ageing population. The existing programmes and policies are focused on the most marginalised groups of the population.

In 2005, a decreasing unemployment level can be observed which is attributed to the active government programmes and measures on the labour market. A survey<sup>7</sup> made under the assignment of the Employment Agency revealed that one fourth of interviewed employers have used the governmental programmes of subsidised employment and only one third of them would offer such jobs if not subsidised.

Although subsidising the high social security contributions is welcomed by employers, there are other negative factors which hamper the use of subsidy programmes. The labour legislation is still rather rigid, and flexibility with respect to employment relations is very limited, which prevents employers from utilising the older workforce.

The issue of an ageing workforce is not on the agenda of Bulgarian employers – mostly because labour supply exceeds demand on local markets. Furthermore, a lack of resources for personnel development is a typical problem for SMEs which traditionally do not have long-term planning in this area.

---

<sup>7</sup> Employers Needs for Labour with Specific Qualification, Alpha Research, June 2004

Inadequate qualification is the major problem for the older workforce which makes them non competitive. As a general trend Bulgarian companies prefer to invest in the training of younger employees; re-qualification of older workers is not a priority and common practice. The available programmes for early retirement due to the re-structuring of privatised firms, which include the training of older staff, seem reasonably effective, but there is no data available showing that they indeed create sustainable employment. However, as a whole, results of training of older employees or unemployed are not seen to be satisfactory from the point of view of employers: new knowledge is acquired slowly and the effectiveness of the training is debatable. It is anecdotal evidence that in the directory of the socially responsible businesses in Bulgaria for 2005 (description of 70 best practices in Bulgaria in this area) there is not even one case of good practice referring to active ageing, but all of them have a broad description of investing in young employees and training youths.

To improve the employment situation of the older population and to foster active ageing, the following may be called for:

- A regulatory framework with respect to flexible forms of work, self-employment, hourly based remuneration and staff leasing (such are missing) needs to be developed and made popular.
- New programmes for smooth transition from economic activity to retirement are necessary. There is also a need to develop mechanisms for utilising, with the support of civil sector, the potential of highly qualified professionals, such as associations and groups of retired managers, consultants etc.
- Existing stereotypes and underestimation in respect to older workforce might be changed. This is a task which might be attributed mainly to social partners, NGOs and media.
- There was no governmental institution in charge of the analysis, evaluation and development of policies with respect to demographic problems. Only in October 2005 a Directorate 'Demographic policy, social investments and equal opportunities' with the Ministry of Labour and Social Policy was created.
- A comprehensive evaluation of the effects of applied policies and measures is lacking and an introduction of regulatory impact analysis is needed.
- More generally, there is an urgent need to develop policies targeted at the improvement of the employees' qualifications in order to contribute to strengthening the competitiveness of Bulgarian businesses. This includes training and re-training of people in pre-retirement age.

## Bibliography

Compliance between Educational and Vocational Characteristics of Workforce and Labour Demand in Bulgaria, Bulgarian Academy of Science, 2004

Directory of Socially Responsible Businesses, Bulgarian Business Leaders Forum & UNDP, 2005

Education and Labour Market, survey made by Alpha Research under the assignment of the MLSP

Employment Promotion Law

Employment Strategy, Council of Ministers, 2003

Joint Assessment of Employment Priorities in Bulgaria, MLSP and EC, Directorate General for Employment and Social Affairs, 2002

Multinational Companies: Challenges before Industrial Relations and Trade Unions, Institute for Social and Syndicate Surveys of CITUB, 2004

National Employment Development Plans (from 2002 to 2005), Ministry of Labour and Social Policy

Opinion on Problems of Demographic Developments and Challenges before the Demographic Policy of Bulgaria, Economic and Social Council, 2005

Prof. Katya Vladimirova, University for National and World Economy, Men and Women on the Labour Market in Bulgaria

Report on the Progress Made by the Republic of Bulgaria on the Joint Assessment of Employment Priorities, MLSP, 2004

Social Security Code



## Appendix 1

### List of interviewed persons:

Nikolay Nenkov, Deputy Chairman of Confederation of Independent Trade Unions in Bulgaria (CITUB)  
Emilia Markova, Collective Bargaining Department, CITUB  
Bojidar Arsovs, Institute for Social and Syndicate Surveys  
Prof. Katya Vladimirova, University for National and World Economy  
Elka Dimitrova, Chief of Labour Market Policy Directorate, MLSP  
Plamena Markova, ILO Representative in Bulgaria  
Michail Velkov, Executive Director, Association of Milk Processors in Bulgaria.  
Ass. Prof. Zapryan Zapryanov, National Centre for Public Health Protection  
Dycran Tebejan, Deputy Chairman of the Bulgarian Industrial Association  
Ass. Prof. Svetlana Alexandrova, New Bulgarian University, expert with the Social and Economic Council,

## Appendix 2

### List of Abbreviations:

CLC	Collective labour contracts
CVT	Continuous Vocational Training
EA	Employment Agency
EC	European Commission
ESC	Economic and Social Council
EU	European Union
JAP	Joint Assessment of Employment Priorities in Bulgaria
HR	Human Resources
MLSP	Ministry of Labour and Social Policy
NEAP	National Employment Action Plan
NEPC	National Employment Promotion Council
RBC	Regional Business Centre
SIF	Social and Investment Fund
SME	Small and medium sized enterprises
VET	Vocational Education and Training
UNDP	United Nations Development Programme

**Author:** Foundation for Entrepreneurship Development

**Project management:** Austrian Institute for SME Research