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## **The Employment Crisis in the Rural Regions of Bulgaria**

### **Introduction**

The institutional and perceptual political changes in Bulgaria took place quickly after 1989. The economic system has been transforming with much greater inertia. The intentions are swinging in the opposite direction to those of socialism but till now they have not gone very far. Substantial hopes are projected towards the western market economy that has been idealized by most theorists and by the people. During the seven years of restructuring another trend has been developing which expresses the frustration with the reforms and a deep pessimism about the success of the macroeconomic restructuring in the foreseeable future.

The main basis for the changes in Bulgaria was the inefficiency of its economy. After 1989 the idea associated with the post-socialist economy is grounded mainly on liberal ideology. In reality a paradoxical circle develops uniting elitist and democratic, authoritarian and populist, naive and radical approaches. As a result, the changes are leading to an economic disequilibrium.

The transformation of the Bulgarian economy since 1989 has been facing difficulties as many simultaneous tasks have to be realized — regulation, marketization, privatization, stabilization and modernization. Of course, the attempt to solve one problem consequently aggravates others — stabilization influences the emergence of unemployment, marketization affects inflation and privatization encourages the economic survival of the old socialist elite.

In theory, transition is allowing many choices in the process of selection of a definite economic type. In practice, there are two possibilities — totally or partially to change the existing system adapting it to new circumstances.

In that respect, in macroeconomic terms, continuity has a stronger expression within the frame of the economic system in Bulgaria in comparison with the change.

## The Employment crisis

Since the beginning of the 1990s Bulgaria has been characterized by a deep crisis in employment. At the beginning of the process it was not a restructuring of the economy that led to the massive lay-off of people, but the collapse of employment relations which had been regulated by the state until the breakdown of communist rule. In this respect the employment crisis in Bulgaria is not only a result of the economic change, but it has appeared as a consequence of the political, social, legal and cultural changes taking place in the country.

The basic condition for the emergence of the crisis in employment in the country is the coincidence of a deep economic crisis and the realization of reforms, going on with the aim of changing the command socialist society into a market and pluralistic one.

The crisis in the economy is the main cause of the crisis in employment in all areas.

The economic outlook of Bulgaria in the 1990s shows a change in the importance of the basic sectors in the economy. The portion of agriculture was, for example, during 1991 in the gross domestic product (GDP) 15.3%, while in 1994 it decreased to 12.6%. The part of industry decreased from 39.4% to 35.7% and the only increase in the portion is realized in the services — from 45.3% to 51.7% [9, p. 7]. The deep crisis in the economy is not due to the diversification of the significance of the major sectors within the gross domestic production, but to the enormous decrease of the total production in the country with about a fourth in the period 1989–1994 [9, p. 6]. Since the beginning of the changes (1989) in 1994 for the first time an increase has been realized in the production with 1.5% in comparison with 1993. This was mainly due to the increase of the plant production in agriculture and the transport and communication activities in the services. The same trend of an increase of the production of these branches in comparison with the previous year was realized in 1995 [2, p. 189].

The portion of the private sector within the gross domestic product of the main economic sectors involves from 34.6% in 1991 to 79% in 1994 in agriculture, from 5.8% in 1991 to 18% in 1994 in industry and from 8.2% in 1991 to 27% in 1994 — in the services [9, p. 9]. Although there is a significant increase in the private sector in the country and in 1994 it included 33.3% of the gross domestic product, its portion is still lower in comparison with that of the Czech Republic, Poland and Hungary, where it is creating a half of the GDP [9, p. 9].

The transition from a command to a market economy reveals that under the socialist regime financial, labour, resources, etc. interrelations were artificially regulated in the economy and in society as a whole. The moves of

profits from the efficient branches and enterprises to firms with low productivity could not continue in the transition when processes such as property change and restructuring of industry, agriculture and services are taking place. In the time of transition the cuts in state subsidies require high production efficiency and that determines the release of numbers of workers and employees.

A significant factor for the high rate of unemployment in the country is the changing philosophy of employment. The necessity for everyone to be employed despite personal abilities and the needs of the production unit collapsed with the transition to a free market. The hidden unemployment under socialism has become a threatening reality of real unemployment for a number of people.

Another very influential factor for the appearance of unemployment is the implementation of a highly restrictive budget policy, which is forcing the budget financed units to reduce their staff. This first affected the administration in all units. Till 1993 this was the field with the highest rate of lay-offs.

The centralized system of wage bargaining for the state units and the limitations of the wage funds are an additional factor accounting for staff reduction.

Unemployment in the country is of a general character, involving labour from the whole spectrum of economic activities. In production and services, agriculture and culture, sciences and arts the number of employed people is reduced.

The decrease in employment has influenced the distribution of employed people within the different sectors. It has been reorganized with regard to the needs of the transformation on the principles of the market. However, industry and agriculture are the sectors involving a higher portion of employed people (Table 1).

These data show that the structure of employment in Bulgaria is significantly different from that of the developed countries, where the portion of the services is the dominating employment sector. Despite the higher portion in the GDP of the services, their portion in labour involvement is lower than that in industry and agriculture. This shows that the process of modernization in the Bulgarian economy is slow and the high level of unemployment in the first years of the transformation is mainly due to the change in employment philosophy and the restructuring of the economy on a private and market basis.

In the first years of the transition, the appearance and the constant increase in unemployment has been a result of the transformation of an inefficient, very strongly centralized economy to a deregulated mixed economy which is losing a great deal of its international markets and is tending to adapt to global market principles. During this period less emphasis has

Table 1

Employment 1989–1994, according to the sector (in %)

Sector	1989	1994
Industry	37.7	29.6
Construction	8.3	5.9
Agriculture	18.1	21.7
Forestry	0.6	0.4
Transport	5.7	5.9
Communications	1.0	1.4
Services	11.3	3.8
Science	2.2	1.0
Education	6.3	8.2
Culture	1.0	1.3
Health	4.9	6.3
Finances	0.6	1.3
Management	1.4	2.1
All	100.0	100.0

Source: *Social and Economic Development of Bulgaria in 1990–1994*, National Statistical Institute, Sofia 1995, p. 18

been put on the technological and management style changes, but rather on the survival of state firms through massive lay-offs of employees.

Unemployment, involving 520,800 people in 1995 according to the National Labour Bureau data and reaching the rate of unemployment of 12.8% [10, p. 74], has its influence on the deepening of the economic and social crisis in the country.

Firstly, because the number of employed people is reduced. The latter were 31% of the total population in 1995 and they have to provide for the needs of the young and pensioners, employed and unemployed. It is very difficult as the economy is still in a deep crisis. That creates a lot of uncertainties on both the national and the individual levels.

Secondly, unemployment leads not only to enormous material suffering of the people concerned, but it consequently leads to professional disqualification and great psychological tension and life dissatisfaction.

Although, unemployment is a new element in post-socialist societies, for the short period since its emergence, its characteristics are large-scale involvement of people, increasing in time and involving all branches of the economy. After a year from the start of the economic reform in Bulgaria in January, 1991 the number of unemployed people was 205,950 according to the data from the National Labour Bureau [8, p. 1]. In the first three years of the restructuring the number of employed people in the country decreased by 1,091,300. The yearly unemployment rate at the beginning

was 2.3%, in 1991 it was 13.0%. Since 1992 the rate has slowly begun to decrease, but there is still a negative trend of the employment rate. In 1994 the number of employed people was 3,157,900 which was with 2% or 64,000 people less than in 1993. The decrease is due mainly to the decrease of the employed people in the public sector. For the period 1989–1994 the decrease of the labour force in the state sectors is 2,060,700 people. The number of employed in the private sector increased from 238,600 in 1989 to 1,097,200 in 1994. The portion of employed people in the private sphere increased from 5.5% in 1989 to 14.1% in 1992 and nearly to a third (34.7%) in 1994 [9, p. 17]. In this respect the change in agriculture and in the services is especially significant. The portion of employed people in the agrarian private sector involves 78.8% of all employed people in this sphere. In the services this part is 68.5%.

The information from the National Labour Bureau shows that the majority of unemployed people come from firms where production is reduced or they have totally closed down. This concerns about 60% of the unemployed people, 7–9% have been working on temporary contracts and about 30% of the unemployed have just finished their education. As a whole, the less educated people form the prevailing part of all unemployed people in the country and they are characterized by long term unemployment. About 60% of all the unemployed have had this status for more than a year. As a comparison this group includes about 40% of the unemployed in Hungary and Poland [9, p. 22].

### **Agricultural development — tendencies in the 1990s**

The period 1990–1994 is characterized on the whole by a decrease in agricultural production. In 1994 there was an increase of 2.5% in comparison with the production of 1993. The data in Table 2 show this tendency. The increase in 1994 was due to the increase of the plant production in the country. Its portion from the agricultural production in 1994 comprised 51%.

The area of cultivated lands in 1994 was 4.64 mil. hectares. Private farms were cultivating 42.7% of the whole amount of cultivated land and this represents an increase of 13.6% in comparison with 1993.

There is a continuous negative tendency in the increase of the amount of non-cultivated lands. The main reason is that land reprivatization is not going smoothly. Many of the owners receiving their land back do not plan to cultivate it themselves. They are town dwellers and have different professions from agriculture. The lack of an organization — a coop, or a private farmer, who leases the land from the land owners is leading to the non-cultivation of the land.

Despite that, the bigger crisis of agricultural development is in the sector of animal production. In comparison with 1988 in 1994 the number of cows

Table 2

## Indices of agricultural production

Year	Year accepted as a basis				
	1989	1990	1991	1992	1993
1989	100.0				
1990	93.4	100.0			
1991	97.6	40.5	100.0		
1992	85.0	91.0	87.1	100.0	
1993	69.4	74.3	71.2	81.7	100.0
1994	71.1	76.2	73.0	83.7	102.5

Source: *Social and Economic Development in Bulgaria in 1990–1994*, National Statistical Institute, Sofia, Statistical Press 1995, p. 33

and pigs decreased by 50%, while the number of sheep and chickens — by about 60% [9, p. 36]. The data from 1995 and 1996 show the continuation of this negative trend [10, p. 138].

The process of reprivatization of agriculture in Bulgaria is leading to a significant transfer of animal cultivation from collective to individual farms. The greater portion of cows — 79.8%, of pigs — 53.5%, of sheep — 92.3%, of goats — 100.0, of chickens — 71.1% is in private hands [10, p. 138]. However, this increase of private animal cultivation does not compensate the significant decrease in animal cultivation in the country.

### Unemployment in agriculture

The agrarian reform in Bulgaria started with the acceptance of the Law for ownership and the use of the agricultural lands, approved by parliament in March, 1991 [5], subsequently changed in 1992 [6] and 1995 [7]. The objectives of the transformation in agriculture are:

- those lands which were collectivized in 1946 should be returned to the original owners in the state they were in at that time;
- liquidation of the existing socialist collectives, and:
- creation of new production structures in agriculture based on private ownership.

The reprivatization of land is a slow process for various reasons. An important one is the accepted approach for the return of the lands. It is very complicated and expensive — in many cases there is a lack of necessary documents proving ownership. In such cases possession has to be proved on the basis of the words of the owner of land or of his neighbours. This creates many contradictions between owners. The created regional land commissions, which are responsible for the return of land, do not always consist of competent people, quite often the clientelistic relations are a more important basis for land reprivatization than the papers for ownership.

A very important reason for the slow realization of the agrarian reform is the frequent change of the ruling political forces in the country. The land law changes according to whether the socialists or democrats are in power. These circumstances burden the agrarian reform and bring a lot of uncertainties in the agrarian activity.

Employment in agriculture decreased in the last seven years by 187,200 people [2, p. 45]. The highest rates of lay-offs were after 1992. The main reason for that has been the liquidation of the collectives [2, p. 80]. The collectives were liquidated with a change in the land law from March, 1992 [6]. According to this change the so-called liquidation councils were created with the aim of liquidating the existing socialist collectives in the country. Animal production was liquidated first. The main reason for that was the easy division of the animals between land owners and the employees legitimate to receive back animals. Another significant reason proclaimed by the liquidation councils is the unprofitability of animal production in the years of transition.

These processes of transformation of animal production from the collectives to the private owners led to the redundancy of many people working in this branch of agriculture.

The redundancy of the work force in the villages is significantly higher than the portion of job losers in the towns. The portion of fired workers among all unemployed in 1995 in the towns was 55.0%, while in the villages — 63.0%.

There is a stable tendency of higher unemployment rates in the villages in comparison with the towns. In 1992 the number of unemployed people was 217,863 in the rural areas, while at the same time the number of unemployed people in the urban areas had increased to the number of 420,396. Having in mind that less than a fifth of the people of working age are employed in rural areas it is clear that the rural population is facing a very high level of unemployment. The data in Table 3 give a detailed picture of the professional structure of the unemployed people at the time.

The data show some significant differences between the urban and the rural areas. The percentage of educated, unemployed people in the urban areas is significantly higher than in the rural areas. However, the portion of professionals in the rural areas in 1992 is very high. The dynamics of this process show that there is a tendency of a decrease of the number of the unemployed professionals in the rural areas. The data for 1994 [2, p. 78] indicate that. The statistical information shows as well that the very high rates of unemployment in the rural areas in 1992 began to slow down in 1995. The number of unemployed people in 1995 is 187,200, comprising 36% of all unemployed in the country. The very disturbing situation is that only 30.8% have been unemployed for less than a year and 33.1% —

Table 3

## Professional structure of unemployed people, 4.12.1992

Professional group	Urban area	Rural area
Engineers	56 031	7 589
Agriculturists	13 557	10 306
Economists	21 509	3 599
Health employees	3 906	439
Education employees	10 408	1 056
Arts	4 353	383
Other specialists	111 843	45 412
No specialization	198 708	149 079

Source: *The Unemployed in Bulgaria at 4.12.1992*, National Statistical Institute, Sofia, Statistical Press, 1993, p. 357

for more than three years. In this respect, the rural and the urban areas are very similar [1, p. 95].

As a whole, unemployment in rural areas is significantly higher than in the urban ones. The activity rate in the rural areas is below the average for the country and it is 44.3%. As a comparison, it is necessary to show that in the urban areas the activity rate is 56.1%. The ratio between the number of employed people and the rural population in the rural areas is 35.5% which is significantly lower than in the urban regions, where it is 48.2%. In correspondence with that the unemployment rate in the villages is very high — 19.8% at the beginning of 1995 and 23.9% at the end of 1995. In the urban areas these rates are 14.1% and 14.8% [1, p. 106; 2, p. 44–45].

The empirical data show that people mainly rely on themselves when looking for a job, or on their relatives and friends. The second important resource for job information and help are the job centres. However, the economic crisis in the country is reducing the chances of unemployed rural people to easily find jobs. The data from 1995 show that a third of the unemployed in the villages can find work within a year after becoming unemployed, but another third look for employment for more than three years [2, p. 71].

It is clear that in the rural areas of Bulgaria the radical nature of economic restructuring means a sharp rise in insecurity in employment and in the rates of unemployment. Given the relatively underdeveloped welfare system, there are grounds for suspecting that this may have had a harsh impact on the living standards of the unemployed. This, in turn may have led to high levels of psychological distress.



## Perception of unemployment by the unemployed people

The data from a sociological survey will be the basis for the analyses of the effects of unemployment on the people concerned. The research is representative for the urban and rural population in the country and on this ground the specific attitudes and perceptions of the unemployed in the rural areas will be discussed [3].

With regard to the high level of unemployment in agriculture and simultaneously the possibility of working privately on the reprivatized lands, the question of interest is the motivation of people to be employed. An expectation of the political elite at the beginning of the transition has been the idea of a re-establishing agriculture on private principles in the way it existed before World War Two [4]. For Bulgaria that means agrarian development on the basis of small possession and cultivation of land. The data from the empirical study shows that 67.2% of the unemployed people in the villages would prefer to be employed. This very strong employment orientation is confirmed by other data connected with the job search. The strong motivation to work is supported by the reality that 89.7% of the unemployed people in the villages are actively looking for jobs. The data show that a third of the villagers do not possess land, but this is not the only reason for the unemployed to look for employment. People have a very realistic estimation of the lack of the possibility of having efficient production on the small pieces of land they own. However, all unemployed people rely on their land possession. On the question on what they rely most of all in a situation of long unemployment and spending of all accumulated resources, 67.2% of them answer that this is the farming of their lands. It appears that people in the villages would rather have permanent employment and use their lands as an additional source of income than to deal predominantly with private farming.

The long tradition of permanent and obligatory employment for all people established during socialism created a very strong employment habit. For 93.1% of researched villagers to be unemployed is the worst thing in life, for 86.2% life becomes useless without employment. It is clear that the employment commitment of the unemployed people in the rural areas of Bulgaria is substantial. However, the majority of the people (84.5%) are not thinking of becoming self-employed. It is obvious that the conditions for success in agricultural self-employment are not very encouraging in the country at this moment.

In this case it is worthy analysing the flexibility of the unemployed in their job search. How willing are people to find jobs which are different to those they are accustomed to? How willing are they to trade down in terms of skill level, pay and desirable working conditions? The results are striking. A very substantial number of unemployed people in the villages are ready to

take a job with lower educational requirement than the one they had when they were employed (77.6%). Very similar are the results concerning the willingness of the unemployed to have a job requiring other than their own qualification (72.4%), in worse working conditions (69.0%) and with a lower salary (67.2%). Having in mind the perceived reality that only 5.2% of the unemployed people consider they have a substantial choice in finding a job, explains the great compromise the Bulgarian country unemployed people are ready to make to be in paid employment. The analysis of the empirical data shows that almost half of the spouses of the researched unemployed people are also in unemployment. Considering the low welfare protection in the country, the employment anxiety is a result of a strong existential need.

This can be illustrated by the decreased consumption by unemployed people. Being unemployed 37.9% of them have decreased their number of meals, 82.8% — the amount of consumed food and 74.1% — the heating of their houses.

The data reveal that there is a strong tendency for the unemployed to associate with other unemployed people. This tendency for social isolation leads to economic deprivation and relative atomization of the people concerned. As a consequence, unemployment is associated with high levels of psychological distress. The Bulgarian example in the villages suggests that the combination of high sustained unemployment and weak welfare provision imposes very high social and psychological costs on those without work.

### Perspectives

It is quite risky to forecast the rural development and employment in a country, which is in the process of transition and deep economic crisis. According to the analysis of a group of economists from the Institute of Economics at the Bulgarian Academy of Sciences the restructuring of the pre-crisis situation of the economy at a national level can be expected in about 2015-2020.

Firstly, the productivity of labour will be re-established. It will be followed by the restructuring of the gross national production and at a later stage the consumption of the population will reach the indices from the period before the crisis.

In this scenario agricultural activity involves a substantial portion of the population of working age. However, there will be significant differentiation in the forms of land and animal cultivation. The corn production areas will develop on the principle of accumulation and rent of the small pieces of land either by private farm entrepreneurs or small coops. In the mountain regions where the possession of land is in small pieces, the agrarian activity

will remain a secondary work for the land owners, realized in the free time and acting as an additional source of income and products. In the vegetable and fruit production regions the models will be mixed — for some people it will be the main labour activity, for others it will be additional work. Many pensioners who still possess a house in the villages are going back there in the summer months to cultivate small pieces of land and gardens to help themselves with products and some additional income from the sale of some of their production. Many families who live in small towns and villages already have some animals, many of them cultivate small pieces of land in their free time, but this is not their permanent and professional job.

The expectation of some political leaders that the reprivatization of land will encourage many land owners to come back to the villages and begin to deal with agriculture is quite utopian. The number of newcomers to agriculture will remain very low.

Rural unemployment will not decrease in amount, it will rather become of a temporary type — in the periods of active land cultivation many people will work on temporary contracts for farm entrepreneurs or for coops. If they possess some land they will combine the land cultivation on their small pieces with animal production as a survival strategy in the difficult years of transition.

The cost of the reform in agriculture is very high and it generates high levels of unemployment in a society which has few institutional means of handling the problems of the unemployed. Faced by an inadequate system of job placement and facing severe financial deprivation due to the lack of a long-term unemployment benefit system, the unemployed suffer severe psychological distress leading to demotivation and lack of desire to support the reforms.

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