

LABOR MARKET AND WAGE DEVELOPMENTS IN THE EU AND BULGARIA

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Abstract: Labor plays an important role in the functioning of the economy. From an enterprise perspective, it represents a cost (labor cost) that includes not only wages and salaries paid to employees, but also indirect labor costs - mainly social security contributions paid by the employer. Therefore, labor is a key factor in the competitiveness of enterprises, although it is also influenced by the cost of capital (for example, interest on loans and dividends on equity) and from non-price elements such as entrepreneurship, skills and productivity, innovation and positioning. brand / products on the market. Labor costs are formed by wage and salary costs plus indirect labor costs, such as employers' social security contributions. Over the last 10 years, improvements in the EU labor market have continued at a steady pace. Employment plays a fundamental role in every society. People are often determined and define themselves by what they do. Employment is called "the glue that holds our society together." The number of employees in the Eurozone and across the Union already exceeds pre-crisis levels, Eurostat data show. The statistics show a sharp decline in employment at the end of 2008, which then continues with varying intensity for 4 years, and at the end of 2013 begins a rapid recovery - then the peak of post-crisis unemployment in Bulgaria. While the EU has reached pre-crisis levels already in 2016, this process has been slower in the Eurozone, whose labor market has been outperforming since 2008. A number of sociological and economic surveys highlight the fact that employment is not only the main source of social status in any country, but it is also important in securing the purpose, income, social security, structure and instruments for participation in society. Market incentives to increase investment in education and professional development may play a specific role in mitigating the increasing inequality between working capacity and pay and the resulting potential poverty. If people are hired, they are less likely to be poor.

Keywords: labor market, employment, unemployment

4. INTRODUCTION

Labor plays an important role in the functioning of the economy. From an enterprise perspective, it represents a cost (labor cost) that includes not only wages and salaries paid to employees, but also indirect labor costs - mainly social security contributions paid by the employer. Therefore, labor is a key factor in the competitiveness of enterprises, although it is also influenced by the cost of capital (for example, interest on loans and dividends on equity) and from non-price elements such as entrepreneurship, skills and productivity, innovation and positioning. brand / products on the market¹¹⁶.

Over the last 10 years, improvements in the EU labor market have continued at a steady pace. Employment plays a fundamental role in every society. People are often determined and define themselves by what they do. Employment is called "the glue that holds our society together"¹¹⁷. The number of employees in the Eurozone and across the Union is already outstripping crisis levels, Eurostat data show. The statistics show a sharp decline in employment at the end of 2008, which then continues with varying intensity for 4 years, and at the end of 2013 begins a rapid recovery - then the peak of post-crisis unemployment in Bulgaria. While the EU has reached pre-crisis levels already in 2016, this process has been slower in the Eurozone, whose labor market has been outperforming since 2008. A number of sociological and economic surveys highlight the fact that employment is not only the main source of social status in any country, but it is also important in securing the purpose, income, social security, structure and instruments for participation in society¹¹⁸. Market incentives to increase investment in education and professional development may play a specific role in mitigating the increasing inequality between working capacity and pay and the resulting potential poverty. If people are hired, they are less likely to be poor¹¹⁹.

¹¹⁶ Naydenov Kl. (2017) The demographic deficit in the economic development of the Republic of Bulgaria - consequences and decisions, 4th International Multidisciplinary Scientific Conference on Social Sciences and Arts SGEM

¹¹⁷ Smith, Richard (1987) Unemployment and health: a disaster and a challenge, Oxford: Oxford University Press.

¹¹⁸ Найденов Кл., Т. Трайков (2016) Застаряване на населението в България - тенденции, особености и регионални различия, Научна конференция "Географски аспекти на планирането и използването на територията в условията на глобални промени", стр.286-292 <http://geography.bg/news/nkmu/item/80-demografiya-i-regionalno-razvitiie>

¹¹⁹ Беякович П., Ж. Мриявац, (2015) Моделът гаранция за младежта в Хърватия: изход от безработицата или просто помощ?

Младежка безработица в България и страните от Централна и Югоизточна Европа, **Институт за икономическа политика, София**

5. RESULTS AND DISCUSSION

In 2018, average hourly labor costs are estimated at EUR 27.4 in the EU-28 and EUR 30.6 in the euro area (EA-19). However, this average hides significant differences between EU Member States, as hourly labor costs range from EUR 5.4 in Bulgaria to EUR 43.5 in Denmark, and even higher are the average (50, 0 EUR) in Norway.

Labor costs are formed by wage and salary costs plus indirect labor costs, such as employers' social security contributions. In 2018, the share of indirect costs from total labor costs for the whole economy is 23.7% in the EU-28 and in the euro area - 25.6%. In addition, the share of indirect labor costs varies considerably across EU Member States: it is highest in France (32.6%), Sweden (32.3%), Lithuania (29.2%) and Italy (28.4%) and the lowest in Malta (6.1%), Luxembourg (11.1%), Denmark (14.1%), Croatia (15.3%) and Ireland (15.4%).

In 2018, 3.1 were created. millions of jobs (almost 2.4 in the euro area). In 2019, tensions in trade escalated, redistributing industrial production and trade flows. In the first half of 2019, employment in the EU increased by 1%, against 1.3% for the euro area. This increase is due in large part to the policies pursued by governments following the crisis. In view of the crisis and the negative development of the labor market, EU Member States have actively engaged in the preparation and implementation of policy measures aimed at increasing the employability and full participation of young people in the labor market. While these policy initiatives are primarily focused on enhancing the employability of young people by facilitating the transition from education to work, there is general agreement among almost all Member States that timely support for young people is fundamental to ensuring their integration into the labor market. In this regard, policy measures such as the Youth Guarantee model, which aims to reduce the time that young people waste in being unemployed, not studying and not studying, have begun to gain political attention in the last few years and in it is currently being debated at European level in order to ensure the success of the support that young people receive as they enter the labor market. In fact, the Scandinavian countries have been trying to implement schemes such as the Youth Guarantee for many years¹²⁰. In 1984, Sweden introduced the first Youth Guarantee, followed by Denmark in 1990, Norway in 1993 and Finland in 1996. Initially in Denmark it targeted 18-19 year old youth who are unemployed and have no access to benefits. for the unemployed, but is gradually spreading to all young people under 30. As the implementation and maintenance of these schemes have encountered some difficulties during the recession since the early 1990s, these measures have been periodically modified throughout the last decade. In Sweden, a new Youth Guarantee Scheme was introduced in 2007, while the previous Finnish Youth Guarantee was introduced in 2005 and revised in 2010 and then again in 2013.

One of the problems related to the labor market is unemployment. To address this multifaceted problem in society, a coordinated policy is needed between all countries relevant to the labor market, including the legislature and the executive, employers and trade unions, the education system and, last but not least, young people. The impact of public policies, including deregulation of the labor market, labor market programs, professionalisation of education and apprenticeships, has also been found to be an important factor in improving the positioning of young people in the labor market¹²¹. The job crisis has hit the young more severely than any other age group. This is most felt in terms of unemployment, longer periods of employment, discouragement and prolonged inactivity¹²². Long periods of unemployment lead to long-term effects on future employment and the salaries of young people entering the labor market during a recession¹²³. Unemployment in 19 member states after the end of 2017 has decreased by 8.7% from 8.8% through the end of January. This level of the visitor was the most recent since January 2009. The Eurozone (EA19) seasonally adjusted unemployment rate is 7.6% in April 2019, down from 7.7% in March 2019 and from 8.4% in April 2018¹²⁴. This is the lowest rate recorded in the euro area since August 2008. Unemployment in the EU (all 28 bloc countries) is 6.4% in April 2019, stable compared to March 2019 and up from 7.0% in April 2018. This is the lowest rate recorded in the EU-28 since the start of monthly unemployment statistics in the EU in January 2000. Data are from Eurostat, the European Union's statistics office. Eurostat estimates that 15,802 million men and women in the EU-28, 12,529 million of whom are in the euro area, have been unemployed. Compared to March 2019, the number of unemployed is down by 108,000 in the EU-28 and by 64,000 in the euro area. In comparison

¹²⁰ Mascherini, Massimiliano (2012) *Experiences from Finland and Sweden*, Dublin: European Foundation for the Improvement of Living and Working Conditions, <http://www.eurofound.europa.eu/publications/htmlfiles/ef1242.htm>

¹²¹ Ryan, Paul (2001) The School-to-Work Transition: A Cross-National Perspective. *Journal of Economic Literature* 39 (1): 34–92.

¹²² Naydenov Kl. T. Traykov. (2015) Demographic situation in urban areas of republic of Bulgaria in the last 25 years, 1st International Scientific Conference Geobalcanica, <http://geobalcanica.org/wp-content/uploads/GBP/2015/GBP.2015.27.pdf>

¹²³ Найденов Кл., М. Иванов (2016) Управление на демографския риск в Р България – тенденции и перспективи, Годишник на минно-геоложкия университет “Св. Иван Рилски”, Том 59, Св. IV, Хуманитарни и стопански науки

¹²⁴ Lopes J.S., S. Quaresma, M. Moura (2018) Labour market attractiveness in the EU, ISBN 978-92-79-80731-2 ISSN 2315-0807 doi: 10.2785/252238 KS-TC-18-002-EN-N

with April 2018, unemployment has decreased by 1.394 million people in the EU-28 and by 1.147 million in the euro area. In September 2019, the EU unemployment rate reached 6.3%, the lowest level since January 2000 and 7.5% for the euro area, close to the pre-crisis lows. Tax and benefit reforms are changing the at-risk-of-poverty rate as they affect the median income and poverty lines. For the unemployed in Germany, there is a much greater risk of poverty than in any other EU country. Eurostat data for 2018 shows that 70.8 percent of Germany's unemployed are at risk of real poverty, at an average of 48.7 percent in Europe. Lithuania and Latvia follow, followed by Bulgaria, where 55% of the unemployed are at risk of poverty. At the other end of the scale are France, Cyprus and Finland - with less than 40 percent risk of poverty among the unemployed. In eight countries (Belgium, Bulgaria, Denmark, Estonia, Luxembourg, Poland, Romania and Sweden), changes in the respective policies have led to a decrease in the number of people at risk of poverty and an increase in the poverty line. Although a poor man in Germany may live better than, for example, a poor Bulgarian, he is exposed to significant risks - including being rejected by society, being marginalized¹²⁵. In other words - not be able to afford many of the things that are normal for other people - for example, to be a member of a sports club or his children to take music lessons. "In several countries, including Germany and Slovakia, the poverty line. In other countries, policy changes have led to a decline in the median income, ie in the poverty line, but the proportion of people at risk of poverty has decreased. Eurostat, persons at risk of poverty are those whose income is below 60 The jobless Germans initially receive unemployment benefits - 60 percent of the last wage or 67 percent if they have children - a condition for having been contributing social security over the last 12 months. Depending on how long they worked before losing their jobs, the unemployed may eventually receive social security benefits, also known as Harz-4, and there is significant evidence that long-term unemployment further diminishes job prospects¹²⁶. Among the Member States, the lowest unemployment rates in April 2019 were registered in the Czech Republic (2.1%), Germany (3.2%) and the Netherlands (3.3%). The highest unemployment rates are observed in Greece (18.5% in February 2019), Spain (13.8%) and Italy (10.2%). The table shows that the level for Bulgaria in April 2019 is 4.5%, which is well below the EU average. Compared to a year ago, the unemployment rate is falling in all Member States except Luxembourg and Poland, where it remains at the same level, while in Denmark it has increased (from 5.2% to 5.3%). The largest decrease was registered in Greece (from 20.6% to 18.5% between February 2018 and February 2019), Estonia (from 6.0% to 4.1% between March 2018 and March 2019).) and Spain (from 15.6% to 13.8%). In April 2019, the US unemployment rate was 3.6%, down from 3.8% in March 2019 and from 3.9% in April 2018. In April 2019, 3.213 million young people (under 25 years) unemployed in the EU-28, of which 2.308 million are in the euro area. Compared to April 2018, youth unemployment has fallen by 246,000 in the EU-28 and by 151,000 in the area. In April 2019, youth unemployment was 14.2% in the EU-28 and 15.8% in the euro area, compared to 15.4% and 17.2% in April 2018 respectively. In April 2019, the lowest youth unemployment rates were observed in Germany (5.3%) and the Netherlands (6.2%), while the highest were recorded in Greece (38.8% in February 2019), Spain (32.7%) and Italy (31.4 %) ¹²⁷.

Between 2002 and 2018, the share of average paid jobs in the EU decreased by 13%, with some differences between countries. The largest share is for France, Luxembourg, Ireland and Portugal and the smallest for Poland, Estonia, Slovakia and Bulgaria. In the EU as a whole, employment is largely targeted at high-paying professions. However, in some Member States (eg Bulgaria, Slovakia, the Netherlands, Romania, Spain and Greece), employment is increasing more in low-paid jobs. After the crisis, only a few countries (Bulgaria, the Czech Republic, Finland and the Netherlands) continued to experience job polarization; the opposite trend is observed in Germany, Greece, Romania and Slovenia. The introduction of technologies that replace human labor in routine tasks is one explanation for the polarization of work. Most countries have had considerable experience moving from routine to non-routine tasks¹²⁸.

In 2018, the employment rate has increased in all Member States. The fastest increases were reported in Cyprus (3.0%), Malta (2.2%), Finland (2.1%) and Lithuania (2.0%) compared to the EU. Compared to 2013, the employment rate in the EU increased by 4.5%, with the largest increase being registered in Ireland (11.1%), Malta (9.2%), Portugal (9.1%) and Lithuania. (8.7%). Increases continued into the first half of 2019. They were

¹²⁵ Ivanov, M. (2017) Integration models for interregional cooperation, Knowledge international journal, vol. 17.2, Skopje

¹²⁶ Европейска комисија, 2015

¹²⁷ Labour Market and Wage Developments in Europe - Annual Review 2019, EU, ISBN: 978-92-76-11010-1

¹²⁸ Ivanov, M. (2017) Influence of the instruments which reflecting regional differences in socio-economic development of regions , 4th International Multidisciplinary Scientific Conference, Book 1, Volume IV, p.423-431, doi:10.5593/sgemsocial2017/14

particularly strong in Belgium, Bulgaria, Luxembourg and Malta, with slight negative developments only in Denmark, Estonia, Sweden and Latvia¹²⁹.

Greater participation of women and their education are the main drivers of employment growth. Changes in employment are mainly due to changes in socio-demographic factors in Belgium, Bulgaria, Cyprus, Greece, Ireland, Italy, Lithuania, Latvia, Poland, Portugal, Slovakia and the United Kingdom. Higher education has a significant impact, while the impact of aging is less and ambiguous. On the other hand, changes and the likelihood of being active in different socio-demographic groups - especially women - have played a major role in Denmark, the Netherlands, Germany, France, Luxembourg, Austria and Spain. As the recovery from the economic crisis progressed, more and more people started looking for work. In the five years to 2018, the number of people not looking for work dropped significantly from 16.5 to 14.4 million. Their numbers have fallen mainly in the UK, Romania, Poland, Spain and Italy, while increasing in several countries, including France, Ireland and Bulgaria.

The end of the economic and financial crisis marks a qualitatively new period in the development of the Bulgarian labor market. Lack of manpower severely restricts economic growth both in the present and in the future. In the post-crisis recovery period, employers commented for the first time that, even in times of crisis and employment cuts, they were unable to find the skilled professionals and managers they sought. There is a shortage of workforce both in certain economic sectors and within certain professions. The European Labor Force Survey conducted in 2015 for Bulgaria identifies the following sectors with shortages: manufacturing, hotels, services, food, information and communication technologies, healthcare¹³⁰.

Open contracts remain the predominant form of employment. In Luxembourg, Hungary, the Baltic States and two of the Nordic countries, the share of total employment is highest - ranging from about 82% to 89%. Temporary contracts, on the other hand, are most widespread in Spain (21.9%), Poland (19.2%), Portugal (17.9%) and Croatia (17.3%). Finally, for five countries (Greece, Bulgaria, Romania and Italy, Poland), self-employment remains at a significantly high rate - over 20%.

The link between unemployment and the tightness of the labor market implies a simultaneous decline in structural unemployment and a tightening labor market. Since the end of 2016, the labor market tightness indicator has been increasing rapidly. In some cases, such as the Czech Republic, Germany, Slovakia and Spain, it peaked in 2018.

6. CONCLUSION

Labor shortages can be measured either through the Beaverridge curves or through business surveys. Beaverridge's curve outlines unemployment against job vacancies. The high share of job vacancies combined with low unemployment is an indicator of quantitative shortage of labor, probably of a cyclical nature. On the other hand, high-unemployment jobs are an indicator of quality labor shortages. Business surveys can identify job vacancies and job vacancies and differentiate employers' views for reasons that hinder recruitment. In the southern Member States, such as Greece, Italy, Portugal and Spain, the shape of the Beveridge curve remains flat for a long time. However, this changed and in Greece and Spain the indicator increased. In other countries, mainly in Central and Eastern Europe (including Bulgaria, Poland, Slovenia and Slovakia), the labor market has been tightening since 2013. With economic slowdown, unemployment continued to decline, suggesting a decline in structural unemployment. Long-term unemployment has fallen significantly. In 2018, the number of long-term unemployed - those seeking work for at least more than a year - dropped from 8.3 to 7.2 million, with notable decreases in Spain, France, Greece, Poland and Italy. The overall decrease from 2013 is significant, more than 5 million in the EU (3.3 in the euro area), mainly from the decrease in Spain (1.5 million), Poland, the United Kingdom, Germany and Portugal. In some countries, the duration of unemployment remains high. In 2018, the average unemployment rate increased in Belgium, Bulgaria, Estonia, Latvia, Romania and the United Kingdom - thus remaining higher (7.6 months) than before the crisis (7.1 months).¹³¹ In some Member States (ie Poland, Czech Republic, Croatia, Romania, Slovakia, Lithuania and Germany), significant improvements have been recorded compared to their original high values (2005-2007), others (Greece, Spain and Italy). are still far from their pre-crisis values. In 2018, the Scandinavian countries also have much lower unemployment rates and long-term unemployment. On the other hand, Bulgaria, Greece, Italy and Slovakia have significantly higher values for both indicators. The most recent data (2019Q2) indicate an overall decrease in duration, especially in Slovakia, Belgium, the Netherlands and Croatia. The latest Joint Employment

¹²⁹ Lopes J.S., S. Quaresma, M. Moura (2018) Labour market attractiveness in the EU, ISBN 978-92-79-80731-2 ISSN 2315-0807 doi: 10.2785/252238 KS-TC-18-002-EN-N

¹³⁰ Directorate General for Internal Policies (2015) Labour market shortages in the European Union. Study for the EMPL Committee. Table 5. P. 47. Достъпно на:

http://www.europarl.europa.eu/RegData/etudes/STUD/2015/542202/IPOL_STU%282015%29542202_EN.pdf

¹³¹ Labour Market and Wage Developments in Europe - Annual Review (2019), EU, ISBN: 978-92-76-11010-1

Report for 2017, adopted at European level, assesses Member States' employment and social progress. Bulgaria is placed in the second most complex group together with the newly acceded Croatia and Lithuania, Latvia and Romania¹³².

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¹³² European Commission (2017) Joint employment report. 2017. Social Europe. Достъпно на: ec.europa.eu/social/BlobServlet?docId=17224&langId=en