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IAB, CMR, fRDB, GEP, WIFO, wiiw**

**Labour mobility within the EU in the context of enlargement and the functioning  
of the transitional arrangements**

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**Country Study: Bulgaria**

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**Abstract**

This study presents an overview of labour mobility in Bulgaria in the context of the significant socio-economic transformation after 1990 and the enlargement process. It describes the steps in the institutional setting of labour migration and its main patterns, outlining the changes in the stocks and flows of migration before and after the enlargement. Based on the existing literature the study summarizes the effects of migration on the national economy and labour market. The study emphasized that the design of an effective national migration policy needs a clear distinction between the short-term impacts of labour emigration and its long-term effects on the socio-economic development.

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## **1 Introduction**

The degree of labour mobility and migration in Bulgaria has varied depending on the period under observation. As free movement of people was limited in the period 1944-1989, there were no significant migration processes. Several emigration flows due to ethnic-political factors occurred in the period 1986-1990. With the progress of the reforms undertaken to move from the planned to a market economy, economic factors began to dominate as a push factor for emigration. Since the country's accession to the EU in 2007, mainly socio-economic factors have been predetermining people's intentions to change their place of residence.

### **1.1 Overview of the Bulgarian labour market**

#### **1.1.1 The macroeconomic environment**

Quite contradictory economic and social processes occurred in Bulgaria in the period 1990-2006. Starting the transition with radical changes of the economic environment – such as the liberalization of prices and trade, privatization of large state enterprises and liquidation of existing cooperatives in the agricultural sector – the speed of the reform slowed down significantly after 1994. As a consequence there was no constructive process following the economic destruction. The massive job cuts due to the privatization of the large state enterprises was not compensated by new job creation. Foreign investments by that time were incidental, the development of small and medium-sized business was in its dawn, and the land restoration in the agricultural sector had just started. The latter is still an ongoing process, limiting the sector's capacity to create employment. All this caused exceptionally high unemployment, affecting more than half a million people and remaining stable at this level up to 2003. The unemployment rate was over 13% in the period 1995-2000, and employment decrease continued, going down by 300 thousand people. This unfavourable economic development forced people to look for employment alternatives outside the country and stimulated emigration. According to some information sources, in the period 1993-2000 emigration amounted to 221 thousand people or an average of 22 thousand per year.

In late 1996 the country experienced a crisis in the banking system and hyperinflation. The latter eradicated the savings of the population and contributed to its further impoverishment. In mid-1997 the country introduced a Currency Board regime. The effects of the financial restraints were positive and the economy was stabilized. After 1998 GDP resumed growth. The growth of employment followed that of GDP with a lag of two to three years. However, the collapse of all incomes (wages, pensions, benefits, etc.) as well as the exhausted household and state financial resources had an impact on social developments. The polarization of society has increased.

The improved macroeconomic environment after 1998 was more favourable for social and labour market developments. The upward economic growth after 2000 (by an average

5%) contributed to an rise in employment by nearly 3% per year on average (after 2002). Economic growth and the increased job opportunities absorbed unemployment, which was halved to 9.6% in 2006. Today, the country even faces labour shortages in several branches and skills and is looking for imported labour.

**Table 1: Main economic indicators in Bulgaria, 1995-2006 (growth rate in %)**

Years	GDP	Inflation	Real wage	Employment	Unemployment*	Direct foreign investment (million euro)**	Trade balance deficit (export-import) % of GDP
1995	2.9	-	-	1.0	11.4	-	-0,2
1996	-10.1	121.5	-18.7	-0.2	11.1	137.3	-1,7
1997	-6.9	1058.9	-17.2	-3.8	14.0	570.2	5.5
1998	4.0	18.7	23.4	-0.1	12.2	605.1	-2.9
1999	2.3	2.6	6.9	-2.9	13.8	866.0	-7.7
2000	5.4	10.3	1.0	-3.5	18.2	1103.3	-5.5
2001	4.1	7.4	-0.2	-0.4	17.5	903.4	-7.5
2002	4.9	5.8	1.6	0.4	17.3	980.0	-6.6
2003	4.5	2.3	3.4	6.3	14.3	1850.5	-10.8
2004	5.6	6.1	0.9	1.9	12.7	2735.9	-11.5
2005	6.2	5.0	5.4	1.5	11.4	3103.3	-16.2
2006	6.0	7.3	2.1	3.9	9.6	4364.0	-19.0

\*Registered unemployment

\*\*www.bnb.bg

Source: Statistical Yearbook for the respective years.

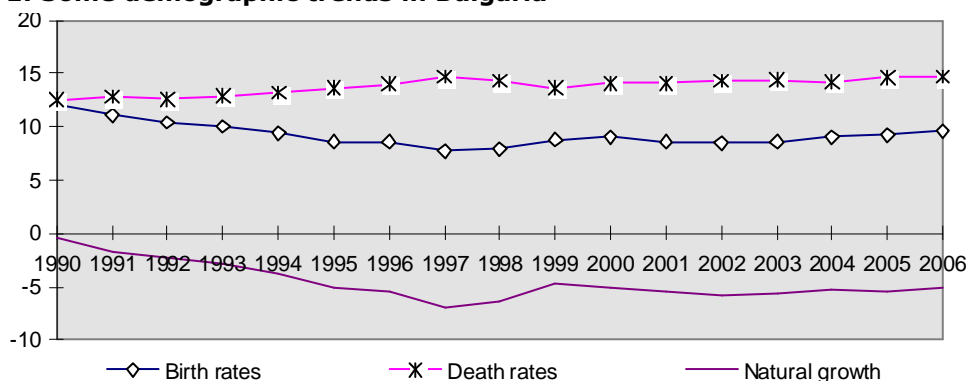
Macroeconomic stability created a favourable climate for foreign investments, and their volume increased about 4 times after 2000. The newly opened jobs contributed to the employment increase, as well as to the introduction of new management practices. Another positive aspect was that the stability of the economic development made it more predictable, so that employers could have more strategic views on the business development and respective needs of labour. The positive economic features contributed to some extent to changes in the pattern of labour mobility – emigration decreased and stabilized at about 14-20 thousand per year, while the number of immigrants increased from 18,000 in 2001 to 55,600 in 2006.

### 1.1.2 Demographic trends

Alongside the macroeconomic context, there is also another important factor that has negatively influenced the social and labour market developments during the period observed – the demographic factor.

The demographic trends show a stable long downturn tendency and clearly outline the decreasing inflows to the labour market and the ageing of the Bulgarian population (Fig. 1).

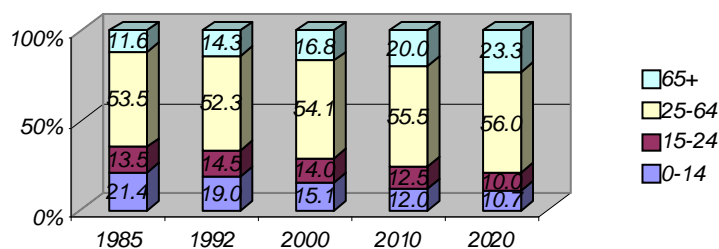
**Figure 1: Some demographic trends in Bulgaria**



Source: Statistical Reference Book for respective years, NSI, Sofia.

The ageing of the population in Bulgaria, as in many European countries, presupposes changes in the labour force structure in the medium and long run, as well as changes in the pattern of consumption and public services. Policy-makers should not neglect this fact, since the adjustment to the new demographic conditions needs time and relevant preparatory economic and social reforms. Several steps were undertaken in Bulgaria after 2005 in reaction to the negative impacts of the demographic development on the social and economic ones: public debates on the issue, social and economic analysis, and the preparation of a National Strategy for Demographic Development (2006-2020)<sup>1</sup>, supplemented with relevant operational documents, such as annual action plans.

**Figure 2: Population trends by age groups in Bulgaria (1985-2020)**



Source: National Demographic Strategy of the Republic of Bulgaria 2006-2020.

According to some studies, the negative demographic trends may be even more serious, taking into consideration the dimensions of external emigration and its structure.<sup>2</sup> Data show that for the period 1989-2001 the balance of external migration flows was negative

<sup>1</sup> National Demographic Strategy of the Republic of Bulgaria 2006-2020, <http://www.mlsp.government.bg/bg/docs/demography/Dem>

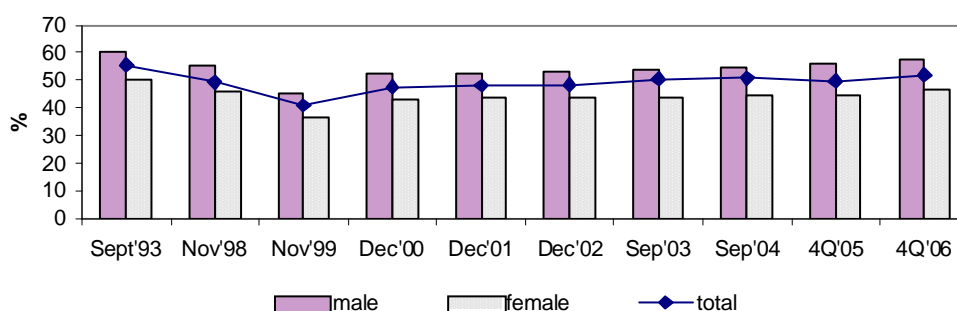
<sup>2</sup> Demographic Development of Republic of Bulgaria, Bulgarian Academy of Science, National Statistical Institute, UN Population Fund, Sofia, 2005, pp. 113-117.

by 670,000 people. Nearly half of the potential emigrants were young, well-educated people. Additionally, the long-term negative effects of emigration will be accelerated by the fact that through emigration Bulgaria is experiencing an 'export' of women of fertile age, which will lead to a lower level of the birth rate in the future.<sup>3</sup>

### 1.1.3 Labour market parameters

**Activity rate:** The improved economic environment and the newly introduced policies stimulated labour force participation. The level of economic activity of both men and women in the period observed increased, reaching 51.8% in 2006 (57.4% for men and 46.8% for women); nevertheless, this is still below the level of 1993.

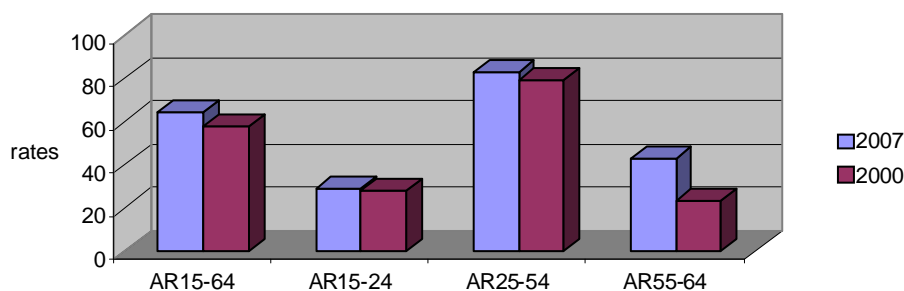
**Figure 3: Economic activity – total and by gender**



Source: LFS for respective years, NSI.

**Employment rate:** The better employment opportunities resulted in a significant increase in the employment rate, by 6.8 percentage points in 2000-2007.

**Figure 4: Employment trend – total and by age groups**



Source: LFS for respective years, NSI.

As outlined in Figure 4, the rising trends differed among the age groups, being highest for the age group 55-64 and lowest for young people (15-24). These trends reflect the policy measures aimed at motivating employers to hire people of pre-retirement age (55-64), while for the youngest age group the efforts are for increasing their quality by furthering

<sup>3</sup> National Demographic Strategy of the Republic of Bulgaria 2006-2020, p. 11.

their education. The upward labour demand has eliminated the lack of employment opportunities as a factor of emigration. Today, there is even a shortage of labour supply.

### **Unemployment:**

The most impressive feature of the labour market is the decrease of unemployment by over 10 percentage points from 16.4% in 2000 (536,700 people) to 6.1% (215,300 people) in the third quarter of 2007. However, among the unemployed the share of long-term unemployed is still high (63% of total unemployment), as well as that of youth unemployed (20%). Nevertheless, today unemployment can no longer be considered as a factor pushing emigration, as it was during the period 1990-2000.

**Wage level:** One factor that continues to be of high importance regarding emigration is the price of labour. Labour in Bulgaria is still being paid at a relatively low level as compared with the EU level, although since 2000 the income policy has been consistent and focused on a gradual increase of labour incomes. Some of these policies include regular increases of minimum payments, increases of social insurance thresholds, further the development of social protection policy by improvements of the pension system and social assistance. The better economic environment is also reflected in the rate of real wage growth. The significant erosion of real incomes, and wages in particular, was one of the main negative features of transition.

Thus, although the wage level in Bulgaria continues to be one of the lowest in the EU, during the past five years there has been a stable upward tendency. This increase can be regarded as a result of the quite consistent income policy of the governments in force since 2000. At the micro level, the growth in real wages reflected the changes in employers' attitudes who had become aware of the fact that the wage level is an important tool to keep the workforce. This awareness was strongly provoked by the processes of liberalization of labour migration (e.g. waiving visa regimes) and especially after the country's accession to EU.

**Illegal employment:** Increasing wages are in many cases not accompanied by relevant social insurance. Illegal employment appears in many forms, but the most popular are envelop money employment, no contract employment, social insurance paid at minimum level or not paid at all, etc.<sup>4</sup> Thus the lack of decent work conditions should be considered a push emigration factor.

## **1.2 Institutional setting for labour migration**

### **1.2.1 Regulations of migration**

The legal framework regulating migration includes a number of documents, namely:

- *Bulgarian Citizenship Act*, stipulates the conditions and procedure of acquisition, loss and reinstatement of Bulgarian citizenship.
- *Civil Registration Act*, stipulates the conditions and rules for civil registration of physical persons living in the Republic of Bulgaria. Civil registration of the physical persons in Bulgaria is based on the data in their civil status records and the data in other records specified by the law.
- *Employment Promotion Act*, governs the public sphere along with employment promotion and professional provision, as well as the mediation and provision of information on employment of Bulgarian citizens in foreign countries, and employment of Bulgarian and foreign citizens in the Republic of Bulgaria.
- *Regulation of the procedure for providing mediation services to foreign employers*, stipulates the procedure for providing mediation services by the Employment Agency to foreign employers in case of employment of Bulgarian citizens, the content of the mediator and labour contract, as well as the contracting procedure.
- *Mutual Employment Agreements* with other countries<sup>5</sup>, etc.

### 1.2.2 Labour market institutions

The institutional and legal background of migration policy develops alongside the creation of new institutional and legal framework of the state and the economy.

The institutional framework includes **ministries** (Ministry of Internal Affairs, Ministry of Labour and Social Policy), **agencies** (Employment Agency, State Agency for the Refugees), **committees** (Committee for Bulgarians living abroad), as well as other institutions.

In May 2007 an **Inter-Institutional Working Group** was established, dealing with migration problems and headed by the Deputy Prime Minister. The social partners are included through the National Tripartite Council and the working groups within it. The non-government organizations are also involved in the whole net of institutions by participating in projects and programmes and in the public discussions on the topic.

In cooperation with the Ministry of Labour and Social Policy, the **International Organization for Migration (IOM) Bulgaria** seeks to establish mechanisms to regulate labour migration and to guarantee the rights of Bulgarian migrants abroad. IOM Bulgaria supports the establishment of strategies for diminishing irregular labour migration and trafficking of people, as well as for the comprehensive reintegration of returning Bulgarian labour migrants. IOM Bulgaria's labour migration policies are based on the

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<sup>4</sup> Styefanov, R., Hidden Employment Index, Round table 'The gray economy in Bulgaria – trends and challenges', May 2008, <http://www.csd.bg/bg/fileSrc.php?id>.

<sup>5</sup> The Czech Republic, France, Germany, Spain, Luxemburg, Portugal and Switzerland.



assumption that regulated migration may serve as an effective response to the migration challenges resulting from traditional labour imbalances and from new trends emerging in consequence of the increasingly globalizing world.

IOM Bulgaria supports the selection of qualified labour migrants seeking employment in the Czech Republic<sup>6</sup> through providing information and guidance for meeting the selection criteria and through clarifying the conditions for staying and working in the country.

Through the established network of Information Consultancy Migration Centres<sup>7</sup> IOM offers up-to-date information on the regimes regulating the freedom of movement, rules and regulations and opportunities for regular labour migration and the risks of irregular migration to potential migrants and vulnerable groups.

## **2 Patterns of labour mobility in (to) Bulgaria**

### **2.1 Relevant data sources and limitations**

Data sources on emigration from and immigration to Bulgaria are quite limited. One of the main sources is the **census**, conducted periodically in the country. The National Statistical Institute publishes data on migration based on the collected census information. Two censuses were been conducted after 1989 – in 1992 and in 2001. The latest census contains the relatively richest information in the studied field as compared to the preceding censuses.

The Agency for Refugees provides information on immigrants in Bulgaria.

The monitoring of the International Organization for Migration (IOM) for 1992, 2001 and 2003 was a source of information for the respective period.

Some surveys of the UN Population Fund are also a source of information, since they are dedicated to the opportunities for adoption concerning refugees in the Bulgarian socio-economic environment.

Certain scientific studies and sociological surveys should be mentioned here as well. In many cases the information they present comes from non-reprehensive sociological observations on particular problems of migration movements and thus is used mostly as complementary information.<sup>8</sup>

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<sup>6</sup> <http://www.imigrace.mpsv.cz/?lang=bg&article=home>

<sup>7</sup> [www.iom.bg](http://www.iom.bg)

<sup>8</sup> Beleva, I., Kotzeva, M., Bulgaria – Country Study of International Skilled Migration, 2001, ILO, background paper; Vladimirov, Katzarski, Baszhakov, Todorov, Bulgaria after 1997: Current Situation and Development Tendencies, Sofia, 2001; The migration – the European Integration and the Brain Drain from Bulgaria, 1996,

The balance of payments provides information on the transactions entering the country but does not distinguish among remittances.

## **2.2 Stocks and flows of New Member States (NMS) migrants before and after EU enlargement**

As Bulgaria joined the EU only in 2007, we are able to present more information on stocks and flows before the accession, since there are no available data for the years 2007-2008.

## **2.3 Characteristics of NMS migrants**

Bulgarian emigrants after 1989 numbered between 500,000 and 700,000 according to some information sources.<sup>9</sup> Most of the emigrants within Europe keep their Bulgarian citizenship. The distribution of Bulgarian emigrants within Europe is as follows: UK 80,000; Spain 120,000; Germany 50,000; Greece about 120,000; Austria 30,000; the Czech Republic 10,000; Italy 50,000; France 15,000; Portugal 12,000. Bulgarians emigrating to the US and keeping their Bulgarian citizenship numbered about 200,000, in Canada 45,000. Approximately 15,000 to 20,000 Bulgarian emigrants live in Australia and in South Africa.

### **2.3.1 Emigrants: number of people and destinations**

According to a 2007 survey<sup>10</sup> the number of potential emigrants (migrants intending to re-settle, and short-term – for less than a year) is 12.1% as compared with 14.8% in 2001 (population census survey). The National Migration and Integration Strategy states that in 2006 the intention for long-term emigration decreased by about 50% as against 2001. The present number of people (16-60 years) who intend to stay abroad for a period of up to five years is about 35,000.

The preferred destinations are Spain and Germany, next come the USA, Greece, the UK, Canada, France and Italy.

### **2.3.2 Profile of the Bulgarian potential emigrant**

**Gender:** The 2007 survey data<sup>11</sup> show that the number of potential *male emigrants is higher* than female migration. This is particularly true for long-term labour migrants:

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Centre for Study of the Democracy, Sofia; Minchev, V., Bulgarian Emigration at the Beginning of the 21st Century: Estimations and Profiles, Economic Thought, 2004, No. 5, Sofia; Kalchev, Totev, Emigration Processes and the Social-Economic Development in Bulgaria, Migration Studies, Estratto, Rome, 2000.

<sup>9</sup> National Migration and Integration Strategy of the Republic of Bulgaria, May 2008, Draft, p. 8.

<sup>10</sup> Family Patterns and Migration, National Representative Survey, 2007, MLSP, UNFPA, CCS, ASA, Sofia.

<sup>11</sup> Ibid.

here the share of men in total emigrants is 60%. Concerning emigrants who intended to re-settle and short-term emigrants, the gender proportion is more balanced. The survey also shows that *women dominate among the people willing to continue their education abroad* (69.2% of all people willing to study abroad).

**Education:** As for the educational level of potential emigrants, we distinguish among the following educational categories: primary or lower, secondary general, secondary vocational, and higher education including doctoral degrees. According to survey data, potential long-term labour emigration is *highest among people with primary and lower education*. The intensity of emigration among people with secondary vocational education is also high as far as long-term emigrants are concerned. However, their share among short-term emigrants is particularly high – every 10<sup>th</sup> person with secondary education declared that he/she would seek for opportunities for short-term employment abroad. Among the potential long-term labour emigrants, those with primary or lower education (27.7%) and with secondary vocational education (27.7%) dominate. Within the structure of short-term labour emigrants, people with secondary vocational education have the highest share (34.1%).

### **Skills and occupations:**

The following table presents the most specific skill and occupational features of the different groups of potential emigrants.

The data in the table show several interesting features:

- People with no particular occupation have declared the highest intention to emigrate.
- However, there are also qualified people who intend to emigrate – 6.6% of the operators of machines, equipment and transport vehicles, nearly 5% of qualified workers, 4% among the applied specialists.
- There are also about 10% of qualified industrial workers, 9% of workers in the public sector and applied specialists who are 'somewhat likely' to emigrate.

According to some authors, not more than 10% of the people who state migration intentions in the current year would actually realize them. This conclusion is based on evidence from the first empirical studies of the National Statistical Institute in the early 1990s, when observations were conducted at border checkpoints with several years intervals in between.<sup>12</sup>

***Other features: dependent family members, etc.***

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<sup>12</sup> Jekova, V. External and Internal Migration of the population in Bulgaria. – Economic Studies, N 2, 2006, p. 193.

The survey points out that the emigration intensity depends on the presence/absence of children and their number in the family: the highest number of people with the intention to re-settle comes from the group with one child – 42% of the cases. The survey's outcomes did not show any differences depending on the number of children among long-term labour migrants – about 37% of the respondents in the groups with no child and with one child stated the respective intention. The share of people without children dominated among those stating short-term emigration intentions (40.5%).

**Table 2: Migration intention by occupations and skills**

Occupations	Total	Not likely to emigrate	Somewhat not likely	Somewhat likely	Very likely
Managerial personnel	100.0	79,6	10,8	7,5	2,2
Analytical specialists	100.0	82,1	8,3	7,1	2,4
Applied experts	100.0	72,8	14,1	9,1	4,0
Subsidiary personnel	100.0	77,2	11,4	8,9	2,5
Workers in public services, security, trade	100.0	75,1	11,1	9,3	4,4
Producers in agriculture, forest, industry, fishing	100.0	88,5	7,7	0,0	3,8
Qualified industrial workers	100.0	72,7	12,8	9,9	4,6
Operators of machines, equipment	100.0	68,9	16,4	8,2	6,6
Low-qualified workers	100.0	77,8	12,4	6,0	3,8
No particular occupation	100.0	67,0	12,4	7,2	13,4

Source: Family patterns and migration, p. 87.

## 2.4 Balance of payments as a source of information on illegal NMS migrants

The balance of payments is a source of information as far as remittances are concerned. However, it should be emphasized that from a methodological point of view this source of information is not exact, since it contains not only the volume of remittances but also some other transfers to the country (government programmes, in the near past the EU subsidies under the Phare Programme, etc.).

**Table 3: Balance of payments – standard form**

Periods	2000	2001	2002	2003	2004	2005	2006	2007
(BGN million)	598.3	924.1	1039.9	1198.9	1601.6	1775.3	1382.4	1281.3

Source: <http://www.bnb.bg/bnb/home.nsf/>

The data in Table 3 present the dynamic of the transfers, including remittances. In the period 2000-2007 the transfers doubled. Considering the above-mentioned

methodological specificity and assuming that state transfers have not changed significantly, either the number of emigrants abroad has increased, or the amounts of money they could afford to send home has increased, or people's belief in the banking system has increased.

### **3 Effects of migration on the national labour market and economy**

First of all, it should be pointed that research on the effects of migration on the national labour market and the economy has been very limited. What is more, the existing studies are focused on a different aspect: they examine the factors which influence people's inclination to emigrate. This approach is understandable since the main aim is how to stimulate people not to emigrate. Nevertheless such an aim has to be based on existing expertise on the negative effects of emigration. The latter have not been investigated so far and only experts' opinions about the effects (based on assumptions and not on estimates) could be cited.

#### **3.1 Migration effects on LMF**

In Bulgaria, the high unemployment during a relatively long period of time was relieved through labour emigration. In other words, high unemployment and the lack of enough job opportunities stimulated emigration. Thus, as an instrument to relieve labour market tensions, emigration had a positive effect on the labour market, but only in the short run. In the medium and long run, negative impacts have already appeared. Together with demographic fluctuations migration has been the most important contributor to shortages in labour supply in the long run. The lack of skilled professionals and highly educated people limits the possibilities for economic development and growth.

The effects of emigration on the labour force can be studied both from the viewpoint of their positive and negative impacts. The negative impact is related to the labour force decrease. This negative effect for Bulgaria is undisputable: the decrease of available labour force during the period 1992-2001 is calculated to be 22 thousand people per year according to census data. However, in the short run the emigration by that time decreased the pressure of labour supply since the demand for labour was very low. But in the long run, as seen at present, the impact is quite negative, since there is a shortage of labour in the country. It was assumed that emigrants might return when the economy revived. This hypothesis, however, has been confirmed only partially: some people have returned, but the majority of Bulgarian emigrants have settled abroad or intend to come back when they retire, which means that these people are completely lost for the labour market.

Immigration could balance the demand and supply of labour. Therefore the present government intends to use a number of instruments to stimulate the immigration of people of working age, in particular those living abroad and defining their nationality as Bulgarian.

The positive effects of migration on the labour force are related to the quality of the labour force and the incomes earned. The quality of emigrants as labour force improves only in case they find a job relevant to their qualification and good conditions for work prosperity. This case is more relevant for highly educated young emigrants. In the case of Bulgaria, the mass emigration due to lack of jobs in the country and high unemployment induced well-educated middle-aged people to emigrate and in many cases to accept jobs below their qualification level. The work in these low-qualified positions has led to a deterioration of the labour force quality.

The remittances, of course, are a positive aspect of emigration. Many families (particularly in small towns and villages, where job shortage still exists) have been surviving on these incomes.

### **3.2 Migration effects on the economy**

These effects can also be separated into positive and negative ones. One positive aspect is pointed out below.

- Generating foreign exchange remittances, increasing the rate of savings and using them as an investment capital – although this effect can be found only in the medium term. According to some recent evaluations (Vladimirov et al., 2000), 43% of emigrants who have returned invested their savings in an own business and 31% of them in buying real estate.<sup>13</sup> The authors underlined that these estimates may be too optimistic, thus supporting the view that remittances were beneficial for emigrants' families but had no strategic significance for the home country. The individuals who return home do not become agents of modernization; their goal is to guarantee for themselves a relatively safe well-being and material situation. They gradually lose their experience and qualifications gained abroad because of the lack of conditions for their implementation in the home country. Many examples from our own life experience maybe provided in this context.

According to some authors the main problem with remittances in Bulgaria is that they tend to avoid the banking system, as happened especially during the first 12 years of transition.<sup>14</sup> Sharing this opinion the authors made some recommendations related to that fact. The current account of Bulgaria's balance of payments for the last three years shows increasing tendencies of net current transfers, from USD 230.1 million in 1998 to 299.7 million in 1999, 289.7 million in 2000 and over 1200 million in 2007.<sup>15</sup> The problem is that the net current transfers include also other transfers, and it is unclear what is actually the amount of remittances. Anyway, even if some of the remittances avoid the banking system, they can be calculated at over

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<sup>13</sup> Vladimirov et al., Bulgaria after 1997: Current situation and developmental tendencies, Sofia 2000, pp. 98-9.

<sup>14</sup> August Gachter, Bulgarian Emigration and Immigration, June 2001, paper presented at the international ILO conference 'The return of qualified emigrants to Bulgaria', held in Sofia, June 2001, p. 26.

<sup>15</sup> Statisticheski spravochnik, 2001, National Statistical Institute, Sofia, p. 90.

USD 120 million per year. In case there is an annual inflow of such an amount of money (this is one tenth of the foreign investment in the county in 2000) the question is whether such inflows supported economic development. Bulgaria experienced economic decline and the highest unemployment among the Central and East European countries for nearly ten years after the transition started. However, with the stability of the economic development after 2000 it may be assumed that the positive effects of the remittances have increased. In any case, we agree with the view that 'remittances have been beneficial for emigrants' families, but have no **strategic** significance for the home country<sup>16</sup>.

### **3.3 Impact of the brain drain/brain waste**

#### **▫ Positive and negative aspects of the brain drain impact**

Undoubtedly, international skilled migration has proved to have economic consequences for both the host and sending countries. Despite the consensus existing in recent years on the view that net effects have been more favourable for host countries, it is still difficult to evaluate the overall effect of skilled migration on the sending countries – positive, negative or strongly negative. The peculiarities of the undertaken reforms in transition economies make some of the effects more influential or less influential compared to other developing countries. In general, the costs of acquiring a professional qualification are quite substantial for the society due to the strong element of state subsidization in the Bulgarian educational system. By migrating, the young university graduates or scientists remove the opportunity for the government to realize any return on the investment it had made in their education. For this reason the issue continues to attract public debate. Therefore one should consider the whole spectrum of possible impacts of skilled migration on the country in the short, medium and long term.

#### **In particular the positive impacts of skilled emigration maybe attributed to:**

- The opening of Bulgarian science towards the latest scientific achievements and integrating Bulgarian scientists into the world scientific community. Empirical studies show that a substantial part of academic staff considers the brain drain as a fee that Bulgaria has to pay in the process of globalization and integration.
- The possible return of part of skilled emigrants that will positively influence the country's future development through the implementation of their professional, organizational and managerial experience accumulated while staying abroad. Moreover, a 1996 survey showed that 20% of those who had left the country after 1989 had returned. The most recent studies on emigration intentions of youths have shown that the majority of those who have been planning to leave the country will stay abroad for some period. They do not reveal a firm intention to live permanently in the potential

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<sup>16</sup> Vladimirov et al., Bulgaria after 1997, ....

host countries. Emigration seems to be a temporary solution and appears as a response to the adverse economic conditions in the transition period in Bulgaria.

- The increasing share of students leaving the country to study abroad has to be appreciated positively since it is expected to enhance the human capital of the labour force and in long run to contribute to the country's economic prosperity. However, increasing evidence exists that a substantial part of Bulgarians studying abroad do not return home and find jobs in the destination country. Since most young people go to obtain their tertiary education or to get a PhD degree, this process has resulted in depleting the nation's productive capacity. The students going abroad have very often been attracted not only by the higher living standards but also by the better communication and the access to new technologies and the latest achievements in their fields of interest – issues that seem to be of increasing importance for young people.

**Negative impacts** of skilled emigration may be associated with:

- *Negative impact on the labour supply in the long run.* Since the beginning of the transition, demographic change and skilled emigration have been the two main contributors to the changes in the size and composition of the population of working age. Bulgaria has recently experienced, and is projected to continue to experience, a reduction in the rate of increase in the population of working age. The main cause of this decline has been both the reduction in birth rates during the past three decades and the increase, although modest, in the death rate. These quite unfavourable demographic trends combined with the net migration are expected to negatively affect the labour supply in the long run. Kalchev and Totev (2000) point out that in 1997 Bulgaria reported the lowest natural increase (-7.0 per 1000 persons of the population); the lowest birth rate (7.7 per 1000 persons of population); the second highest death rate (14.7 per 1000 persons of population) and the lowest total fertility rate of 1.09, among the 20 main European countries.<sup>17</sup> While in mid-1960s the birth rate in Bulgaria was around 16.0 births per 1000 of population, by the mid-1990s it had fallen by almost 50% to less than 9 births per 1000 of population. The death rate displayed a modest decline compared to the birth rate. As a result, a slowdown in the growth of the population of working age and of the labour force was observed. There was a decline in the inflow of young people to the working-age population and a larger outflow of older people from the same population. These developments have been accompanied by substantial changes in the demographic composition of the Labour Force. The proportion of young people decreased from 29.2% in 1992 to 20.1% in 2000. Having in mind that in recent years the share of young people in the total emigration flow has been steadily increasing, a further deterioration in the age structure of the labour force can be expected.

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<sup>17</sup> Data used in the comparison were taken from the publication 'Recent demographic Development in Europe', issued by the Council of Europe, 1998.



- *The problem of 'sunk costs' and depriving the country of the opportunity for further development of some strategic and prosperous scientific fields.* It is of particular interest to obtain quantitative estimates of the investment costs spent on education in the country. Unfortunately such estimates do not exist for Bulgaria. Total expenditures on science and education, amounting to 0.4% and 4.3% of the budget in 1999, were relatively low compared to the developed countries. At the same time the brain drain affected those fields where the training of skilled professionals is the most expensive (such as medicine, biology, IT technologies). The implication is that the opportunity cost of preparing a student is higher in less developed than in the developed countries. Preparation of 'scarce-skills' specialists is a bigger effort for developing countries where society is facing hardships related to limited financial resources and widespread poverty than for the developed ones. Scarce-skills emigration generates not only the problem of 'sunk costs' but also of depriving the sending countries of the opportunity for further development of some strategic and prosperous scientific fields.
- *The detrimental influence of the brain drain on the network of institutions and in particular on their capacity for further development.* During the first years of transition, R&D institutions had virtually been depleted of their staff. About 60% of the total outflow in Bulgarian science are accounted for by the employees of these institutions. R&D institutions were specialized in doing research in the most advanced areas of technological innovations. With their collapse Bulgaria has been deprived of the possibility to develop those strategic areas. The departure of the outstanding scientists has not been followed by any sizable inflow of young people into research institutions. The low compensation, lack of interest in research output and the diminished prestige of the profession have been preventing young skilled specialists from joining the research and academic staff. As a result the ageing of Bulgarian science has emerged to be a major challenge for the government that needs to be addressed. The tremendous decline in the total number of scientific and academic staff and the changes in its composition are detailed in Table 12 and Graph 4.

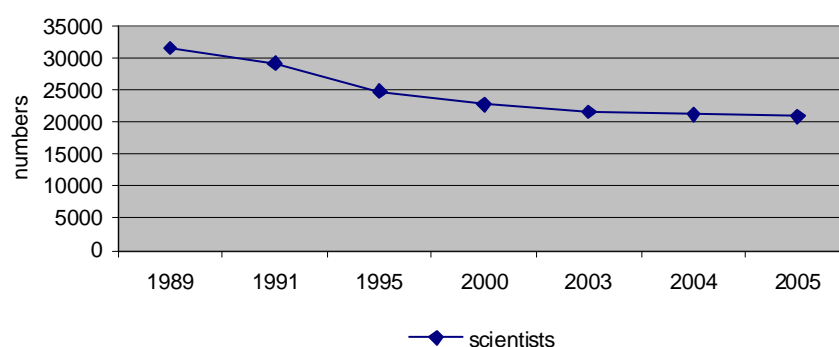
During the past decade Bulgaria has increasingly become an exporter of computer programmers and other types of IT specialists to the huge international market of Information and Communication Technologies (ICT skills). In the long run this trend would eventually have a negative impact on the future development of strategic economic branches and the implementation of new technologies in industrial restructuring.

**Table 4: Composition of Bulgarian scientists by subject**

	1996	1997	1998	1999	2005
	25853	25871	25192	23906	20874
Natural science	5101	5054	5069	4868	4476
Technical science	7421	7255	6813	6001	4455
Medical science	4817	4760	4673	4417	3451
Agricultural science	1653	1767	1576	1422	1147
Human science	6861	7035	7061	7198	7345

Source: Statisticheski spravochnik,2000, National Statistical Institute, p.36, 2007,p.50

**Graph 4: Dynamic of Bulgarian scientists as of 31.12.**



Source: Statisticheski spravochnik for the respective years, NSI, Sofia.

Finally, when the impact of the brain drain on the home economy is considered, it has to be taken into account that its adverse impact is additionally aggravated by the existing 'brain waste' within the country. Under hard budget constraints, science and education have experienced a loss of human capital in the shape of skilled professionals who had been trained at considerable costs and later on switched to another field.

## **4 Conclusion**

Globalization and close economic and social integration act as a strong incentive for people's mobility. Bulgaria has been facing migration problems along with the political, economical and social transformation since 1990, which completely changed the labour mobility environment. As a result, migration flows have increased significantly. This fact raises new problems as well as the need for new policies.

Migration flows consist of emigrants, immigrants and refugees. Bulgaria is a net exporter of people, since the number of emigrants prevails, while that of immigrants and refugees is still negligible.

Emigration has become a serious **problem for Bulgaria due to its negative impact on population growth and the present shortage of labour that occurred along with the economic revival since 2000.**

According to the 2001 census the main characteristics of potential long-term emigrants were well-educated young people, including women of fertile age, while low-qualified people declared their intention for short-term, seasonal labour emigration. The volume of the migration potential changed insignificantly over the years, from 19.4% in 2001 to 20.2% in 2007.

There was a shift in the time horizon of the emigration model – the intention for short-term mobility in the respective year increased from 26% in 2001 to 42.4% in 2007.<sup>18</sup> As far as the destination is concerned, potential emigrants prefer Spain, Italy, the USA, Turkey and Germany.

The total number of **immigrants**, according to latest census data, was 18,688 (2001). The statistics on permanently resident foreigners show an increase to 55,653 in 2006. There is an upward trend, which is however determined by people coming from less developed countries. Among those there are certain groups of immigrants who regard Bulgaria just as a transit country in their emigration 'journey'. This fact multiplies the problems for the policy-makers since the effects of the applied measures and programmes for economic and social integration of immigrants meet no relevant returns.

At present the government undertakes more systematic steps for developing a consistent policy in the field of migration, including the elaboration of strategic documents and action plans related to emigration and immigration. These steps have been provoked by widespread debates concerning demographic trends and labour shortages. The aim of the elaborated policy is to reduce and stabilize emigration flows and to stimulate immigration as a possible instrument for improving the demographic balance and increasing labour supply.

The core of the emigration policy is to prevent young people from future emigration. The particular measures and tasks for reducing the number of emigrating young people includes measures to promote employment and reduce unemployment among young people, and to improve working conditions, remuneration and quality of employment.<sup>19</sup>

By expecting that the present upward immigration trends in the country will continue, the National Emigration and Immigration Strategy of the Republic of Bulgaria (May 2008) underlines the need for: (a) intensive public debates about the socio-economic role of

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<sup>18</sup> Family patterns and migration, National Representative Survey, 2007, p. 87.

<sup>19</sup> There are also policies for ensuring equal access to quality education; relief in crediting for the purchase of housing, furnishing and improving dwelling conditions; creating conditions for overcoming poverty and social isolation among disadvantages youngsters; stimulating family formation, child rising and upbringing; easing the transition from school to employment; increasing the knowledge of youths about their labour/insurance rights and obligations; elaborating relevant policy for encouraging the return of young people, who have graduated from universities abroad as well as employers to hire such people to work.

immigration; (b) developing an immigration policy that stimulates Bulgarians living abroad to settle in the country; (c) improving the existing legislation so as to unify the legal norms concerning immigration problems; (d) further developing the information system for immigrants and creating an administrative register of immigrants in the country; (e) spreading knowledge among the population about the manners, customs, traditions and culture of immigrants by conducting information campaigns; (f) regulating the procedures for granting legal recognition of the education and professional qualification of immigrants, etc.

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