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Labour market and employment sources in rural areas of Bulgaria

Abstract: *The theory of path dependency reveals that in the territories, where the population is characterized with worsened structure, the infrastructure is affected by underdeveloped problems and the amenities are not enough evinced, it is difficult to expect designation of activities, creating new employment. The appearance of innovative and knowledge based job in the rural areas is very hard challenge because the prepositions providing and creating them are missing. The lack of appropriate infrastructure, the demographic problems and the affected pattern of working force in the rural areas in terms of education, qualification and abilities deprive the reliance on the endogenous resources to create new employment directions. It is found that significant resources for successful development of the rural parts are available in the realm of natural and cultural capital. The main challenge is to make a mechanism, which will utilize the natural and cultural capital of the rural areas, hence will mobilize local people and will create a new and more jobs. This is the only way to shape regional identity, bring a change in the life of people from these areas, and form stabile balance between urban and rural poles.*

Keywords: *rural areas, labour market, employment, unemployment rate, rural-urban relations, drivers, socio-economic situation, sources of employment, strategies of orientation*

Introduction

The main objective of the paper is to investigate the labour market in rural areas and to identify which are the opportunities and drivers for new employment. The new sources of employment are reckoned as employment created in the sectors apart from traditional agricultural production. For the sake of implementing this objective, a case study in a reliable rural region is done and the labour market, demographic and economic trends are identified. The employment aspects as available human capital, skills and adaptability as well as demand for labour and existence of top-down and bottom-up constraints

are elaborated as well. The selected pilot area for case study implementation corresponds with particular criteria, complied either with the specifics of the country and importance of the rural area type.

The criteria for selection of the pilot area are:

- Rural area with a population density below 150 inhabitants/km² (OECD Classification)
- Intermediate region, where between 15% and 50% live in rural local units
- Accessible - half of its residents can drive to the centre of a city of at least 50 000 inhabitants within 45 minutes
- Low GDP
- Specified labour market



Fig. 1 Map of South-central Planning Region

Source: Ministry of Regional Development and Public Work

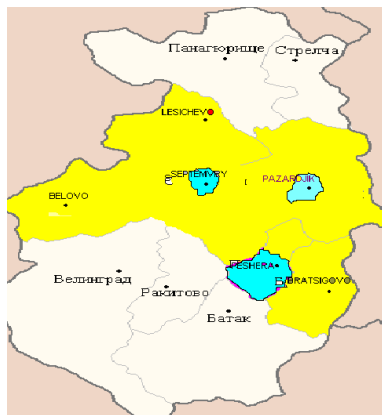


Fig. 2 Map of the urban and rural territories in the pilot area

Source: Pazardjik Region and own processing

Generally, this area is composed of 6 LAU1 municipalities - Belovo, Bratzigovo, Lesichevo, Pazardjik, Peshera, Septemvri, which are part of all 11 municipalities involved in Pazardjik region (Oblast), as the total number of all LAU 2 settlements is 73. As a result of the applied methodology, the rural settlements

are defined as ones that have a population less than 5 000 people and are part of the area, matching the above-mentioned criteria. As regards this criteria, as rural must be defined all 70 settlements, whereas other Septemvry and Peshera must be classified as small urban centres and Pazardjik as big urban place.

Methodology

The main method used to explore the problem is the case study. The case study approach is complex and includes a variety of other, quantitative and qualitative methods. As for the methodological approach, the secondary analysis of statistical data and relevant literature about the pilot area (reports, monographs), semi-structured / in-depth interviews with 20 key informants and structured interviews for recording information about successful initiatives for employment creation are done. Based on these results, a SWOT analysis is conducted, followed by Strategic Orientation Round analysis to evaluate the employment development potential of the pilot area.

The main model and hypothesis is depicted as DPSIR, i.e. driving force, pressure, state, impact and response (Fig. 3) to show the link between 'driving forces' which affect employment and economic prosperity, and policy responses. This model has been widely used with environmentally oriented researches but has not previously been applied to rural employment researches. The driving forces (or 'needs'), which influence the demand for workers and the supply of the workforce, and which catalyse different process can be 'endogenous' (human, social, financial, natural or physical capitals) or (neo-) 'exogenous' (investors, market, knowledge centres, governmental policy and cultural assets). They act on the labour market or employment ('state') through the 'pressures' of economy (economic activities) and people (well-being). In turn, the employment rate (jobs per person) and associated parameters influence the 'impact' (economic prosperity, change of the state and improvement of the socio-economic life). 'Responses' are responses of the local people and of the other agents evincing as commuting, migration and business relocation.

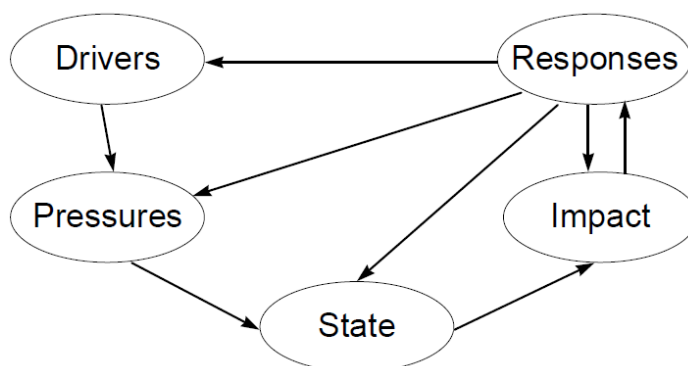


Fig. 3 The DPSIR framework for reporting on environmental issues
Source: Smeets and Weterings, 1999

The Logical Framework Approach is afterwards implemented to operationalise the DPSIR model and to identify the opportunities for creation of employment in the selected pilot area, representing a widespread rural type in Bulgaria. The LFA is thought as an “aid to thinking”. The LFA is facilitated by the local stakeholders pooled in groups. The LFA is staged is divided of several stages, as the key milestones are the identification of the problems (weaknesses in the state, drivers and undesirable responses) and achievement of propitious objective (propelling of the strengths to create opportunities and prosperous impact).

Demographic structure

The population of the pilot area enumerates 205 537 people, 101 380 of which men (42.32%) and 104 157 (50.68%) women in the beginning of this century. In 2007, the pilot area population ran to 198 055 inhabitants, 97 151 of which men – (49.05%) and 100 904 (50.95%) women.

The data by the Directorate General for Civil Registration and Administrative Services (DG CRAS) concerning the registered inhabitants shows that for the period 2000 – 2007 the population number has decreased with 3.4%. For the three towns in the region with population over 5 000 people – Pazardzhic, Peshtera and Septemvri this decrease is 2.5%, while for the villages territory it numbers nearly 5%. The number of municipalities’ inhabitants, the administrative centre of which has less than 5 000 people decreases with a rather higher rate. The percentage of the population living the rural area in the region is about 45% out of whole population dispersed around 70 town and village units.

The differences between levels of the indicator pertaining to the natural growth of the population in the urban and rural parts of the pilot area are significant during the period 2000-2007 and continue to exacerbate. At the beginning of this period, the respective figures are -0.87‰ and - 0.42‰, while at the end of the period - 0.13‰ and - 4.57‰. This development is determined from the population aging, especially notable occurred in the rural territories and the persistent migration of young people to the urban zones. On the other hand, the reasons for such cases are the economic crisis beleaguered the rural areas in relation to the main sector agriculture and to the public service sector (education, health cares). The loss of jobs in agriculture is not compensated by the substantial spread of the other economic activities, as secondary industrial sectors and services.

Economic characteristics

As far as the 1990s might be described as years with immense economic, social and political changes that redounded to the interception of the connections between the former economic structures and a huge destroy of the former industries and services with the beginning of the new millennium were found some signals spelling for a normalization and socio-economic adjustment. Economic recovery and thriving emerged with the inception of the new millennium pertained to

the pilot area as well. The evidence this is noted in the growth of the GDP and GVA, which for the period 2002-2007 increased almost twice and in 2007, GDP amounts up to 2771 EUR. However, this level of GDP ranks the pilot area at just 73% of the country average and merely 11% out of the EU middle.

The dominant sector in the pilot area is industry, which is major activity for the municipalities: Belovo, Bratsigovo, Peshera and Septemvry. Especially for Peshera, GDP and GVA of these municipalities are predominated by the light industry and food manufacturing. Regarding the light industry, the main sub-sectors are sewing and shoe and paper production, which are found mainly in the towns and bigger villages of the pilot area. Food manufacturing is led by baking, wine production, milk and meat processing. As for Pazardjik and Lesichevo, GDP are dominated by services, as the district centre Pazardjik is one of the cities in Bulgaria with the greatest investments in trade chains, which is a paradox, taking into account the slight economic activity and low living standards of the people. The relative macro stability, investment costs and income livelihood in the pilot area are significantly contributed by the remittances of emigrants.

By the stakeholders' opinion, about 8-10% of the population in the active age has left the country and work abroad mainly in Spain, Greece and Italy. This circumstance subserves for the slackening of the unemployment pressure during the last 7-8 years and conduces for the improvement of the living standard and consumers' demand. However, the pilot area, which represents the approximately 2/3 of the economic and human potential of the Pazardjik (NUTS 2) region does not manage to entice key and structural investments, which inhibits the favourable development of the labour market and stability of the regional economy. The major part of the investments have been concentrated on Sofia and Plovdiv, which has transformed them as poles of growth and has engendered other investments to embark there, forming investment clusters. Such scenarios are reinforced by the path dependency theory, as far as Adam Smith (A. Smith, 1776 [edition 1977]) has noted that businesses of a certain type tend to congregate geographically, attracting workers with skills in that business, which draw in more businesses looking for employees with experience.

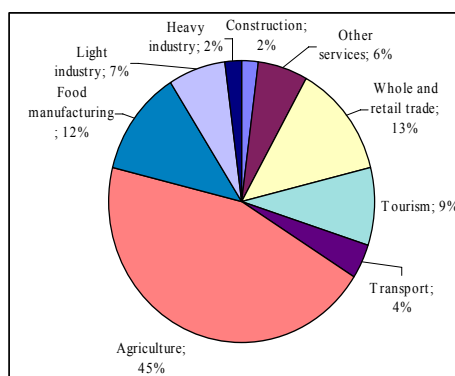


Fig. 4 Sector pattern in rural areas, 2007

Source: Field survey data

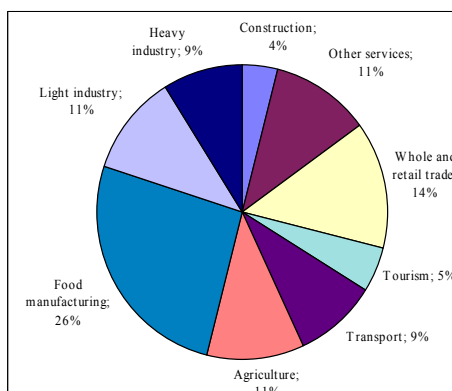


Fig. 5 Whole area pattern of sectors, 2007
Source: NSI and Municipal Development Plans

The economic situation in rural areas is strongly dominated by agriculture (Fig. 4) and the diversification process is heavily hindered. The most significant decline collated with the whole area data is scored in food manufacturing. It testifies that the rural areas are mainly suppliers of raw outputs, whereas the processing is concentrated in urban places. A rise is noted regarding tourism, manifesting the perspectives for its development. The main sub-sector in the pilot area is food and beverage manufacturing (Fig. 5). It is explicable that even though this production is appropriate to exist in the rural areas, in case of pilot area, a major part is located in the urban centres.

Employment and unemployment

The average unemployment level significantly decreases from 22.4% (2000) to 8.1% (2007), which is a national feature, as this indicator is a bit higher than the country average, which in 2007 is less than 7.5%. The high unemployment percentages are observed in all rural areas characterized as remote from the urban centres, aging and depopulating processes are strong. These factors are very pressing and the poly-centricity is transformed in concentricity, where both biggest cities (Pazardjik and Peshera) siphon up the human and labour resources from outside. The lowest unemployment rate is noted for Peshera and Pazardjik (about 4.5%) and it encourages many unemployed people to move into these centres.

In the rural parts, the unemployment by the survey data is estimated up to 16% (2007), which is significantly higher than the average unemployment in the urban areas. Besides, the participation rate in the rural parts is also over than the counterpart participation in urban centers, as between 24-25% of the working active population there does not partake in the labour market. Thus, it is estimated that the actual unemployment in rural areas might reach up to 40% out of the economic active population.

Another feature is that both urban centres perform as engines of some growth and they manage to bear out positive externalities on other neighbouring rural places. It means that the labour force from the villages located adjacent to both centres indicate higher employment rates than the remote and less accessible places. The data from the pilot study clearly demonstrate that there is a high correlation between the size of the population and unemployment state, as places with bigger labour potential and better demographic indicators fulfil a better performance. Thus, in a zero sum game, the centres with better performance swallow up the labour, human and social resources from other centres and determine their affected path dependency.

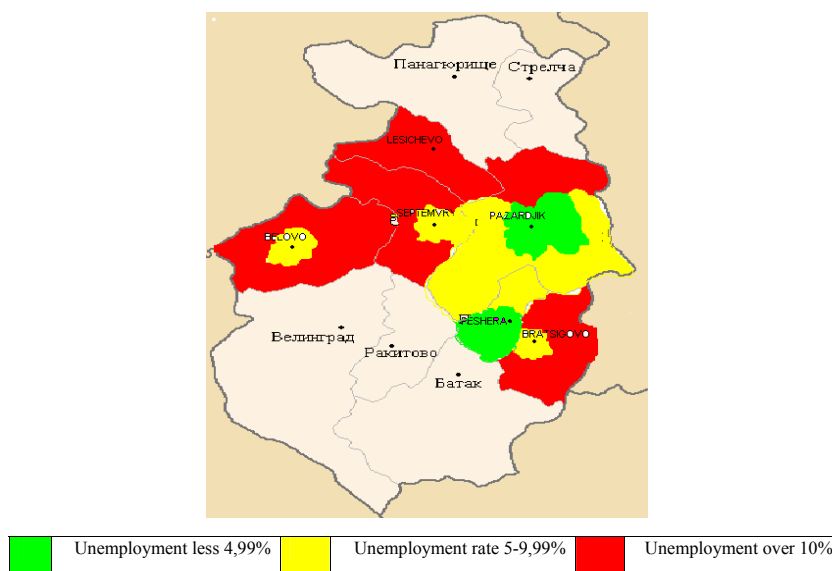


Fig. 6 Map of unemployment intensity

Source: Pazardjik Region and Pazardjik Region and own processing

There is a special category of labour force, without education, with lack of vocational skills and with defective working habits, which is inflexible and falls to permanent unemployment. It is ascertained that the significant part of the permanent unemployed are people with decadent personality, observed as specific of human capital in the rural areas. There is a strong correlation between long-term unemployment and feasibility to find some job, as persistent unemployment almost determines the jobless and decreased chances these people to get employment. The labour demand, it significantly retards behind the supply, as 23 unemployed are available per each vacant place.

The average salaries of the employment in pilot area are some of the lowest throughout the country. They account for scarcely 74% of the average salaries earned by labour contracting nationwide. The urban-rural differences are found far in the historical development of the whole country, when with the beginning of industrialization and urbanization, the labour force from the vil-

lages had been pulled out and designated into the urban industrial enterprises. The political and economic changes of the 1990 affected to a greater extent the economies and welfare of the rural areas due to the structure of agricultural and food chain predominantly deployed there. With the decomposition of the former agricultural cooperatives, where were engaged over 50% of the working force in the rural areas, all of these people lost their jobs and their salaries and reoriented either to private household production or moved to the urban centres. Altogether, the economy of the pilot area with few exceptions proves not to be resistant to the new conditions and a major fraction of the industrial sector was destroyed, the unemployment soared up, and respectively the salaries and incomes went down.

The economic performance in rural areas in terms of lower incomes and remuneration and impediments to get employment forced a significant part of working population to resort to permanent emigration. For instance, during socialism, the urban-rural relationships in terms of commuting and living were encouraged by subsidised transport fares, which encouraged a lot of people to live in rural areas and to work in the urban ones. However, with the end of the previous system, such policies ceased and people were provoked to migrate to places with bigger feasibility to get employment and higher incomes.

Strengths and weaknesses

Weak sides of the area have been examined as challenges: entrepreneurs put on first place the conditions for economic initiatives' financing. The problem is attributed not so much in the credit institutions' development and their products' rather than in the lack of active entrepreneurship and people distrust in the bank behaviour. The procedures are estimated as heavy. Especially burdensome problem create the compensations' requirements. There is a lack of venture capital and consulting services in this sphere. The credit access and the banks' attitude are determined by the general economic situation and the institutional environment. Another disadvantage is the administrative barriers and the administrative service as a whole. They are exaggerated and insufficiently effective. The administration is not accepted and apprehended as necessary and useful factor for the economic development.

The demographic collapse in the area is placed also among the weak sides. The population's aging and the labour force lost, as a result of migration and immigration, deprive the area from new modern economic activities development. The lack of occupation is also a weak side of the region. The truth is that in some villages in the periphery, economic activity is reduced to farms producing for their own consumption and some trade services. The lack of income sources puts these regions in the marginal area.

The factor "uncompetitive agriculture" deserves special attention. The structural and institutional problems in the sector and the low support level define the weak production competitiveness and profitability. In these conditions the agriculture could not retain and attract labour force and investment. Although the young inhabitants of the area are related to agriculture, they prefer secure and high-salary positions in the town centres or abroad. The crisis of the leading economic sector is accepted also as a consequence from the weakness of the local economy and society.

How to estimate the opportunities for the new employment sources' development? In the first place, they have relation to the assimilation of the EU development funds, which has been influenced by SAPARD application. In second place is the food-processing sector development. The business and the other interested persons understand that the profitable and stable production could be realized only by products having higher added value. The local human capital use is estimated to have the same positive force. A conception has been supported about the availability of persons with the necessary qualification, willing to work responsibly and effectively, making efforts for their own development, at the same time. The fourth factor, revealing opportunities, is the business support. The local entrepreneurs need partners, the banks, but also they need state and municipal support. The business requires politic answer to the defiance in front of it, by the strictly formulated policy and with the aid of the state institutions (administration, tribunal etc.). In last place, because of the local economy state, the RES were not examined as important source of new labour positions. As a whole, the development opportunities were estimated in traditional branches and activities' restitution, conforming to the changed conditions. The menaces for the development are related to the market access, i.e. the low competitiveness and the weak marketing; the incapacity to assimilate EU funds, which is real and confirmed by the facts, and the social services access – education and health, which diminishes the chances for progress.

The mineral water's availability has been evaluated as a strong side and development's precondition. There are some necessary conditions – available financial resource, entrepreneurs' experience and behaviour and qualified labour force. In combination with the changing life model and the proximity to big town centres, the complete utilization of this natural resource could give a relatively fast result and realize a spa-resort model, based on unique natural availabilities. To these arguments we can add the archaeological heritage, which would expose the Bulgarian historical past value.

Among the area's strong sides, human resources are the most important. The general estimation is that the necessary labour force for economic development is available. In the conditions of fast structural and technological changes, new forms for education and qualification acquisition are necessary.

Opportunities and threats

Organic and eco agriculture

The structure of agricultural production in the region as well as countrywide is propitious for expansion of the organic and eco-based production schemes. Nowadays, about 35% of producers use organic-like practices. However, due to different reasons and mostly to the cost certification procedures and unclear effects from the certification brand, only a minor part of the producers have a right to brand by label their production as organic. Another obstacle for the enlargement of the producers applying organic-bound production schemes is the dual production structures in the majority of farms, wherein only half is designated to the market, whereas the rest of the output is for internal consumption.

Agriculture is still a very important sector in the rural area of Bulgaria and for the short and medium time terms will be very difficult to neglect and to seek for employment outside this production. About 21% of the working active population in the pilot area is occupied in agriculture and their possibility is to

bend into production of qualitative fresh vegetables and fruits that have bigger additional value. The imminent changes in the CAP alleged to phase out direct payments under I pillar and to adopt payments for public goods also may encourage producers to shift into such supported agriculture.

Added value in food processing

The food processing industry has a rich history in the area, as the collapse of this production occurred with the political and economic transformation and the dissolution of the Committee of Mutual Economic Assistance. Nowadays, the pilot area lacks serious and working food enterprises from the can and manufacturing industry and producers are cumbered to realize their production. The appearance of processing enterprises will not only redound to employment growth but will increase the added value from the agricultural activities and will incite agricultural producers eventually to dilate their farming.

The pilot area is dominated by vegetable and fruit-growing, as these activities are much more labour-intensive than the cereal and meat productions thus the employment as now as in future will be more or less based on farming and food processing. Particularly, food processing will not significantly increase employment rather it will promote the incomes of rural people that is a factor for fulfilling this activity and to stay in rural areas. For the sake to achieve the merits from the food industry in terms of more employment and higher incomes, the measures for overcoming the great barriers connected with the not loyal import of agricultural input. Another crucial need is providing public funding for projects integrating local producers, as the built up food processing enterprises should be linked with the local producers to provide the input.

Logistic and storage sector

The pilot area has propitious geographic location and comparatively well-developed transport infrastructure, which should be used for employment growth. It is the most convenient and appropriate portal for the resource provisioning in relation to the agricultural input and forest materials coming from the mountainous areas. The pilot area provides inherent possibilities for establishment of warehouses, distributive centres, packaging enterprises and logistic centres trading with agricultural output that will stimulate employment and will promote the overall importance of the region.

Employment might be increased by building, maintaining and working in such centres, which will lead to creation of more jobs outside agriculture. The profile of jobs will be also diversified and enriched, as in these centres may work not only serving personnel but qualified staff. The development of such centres and sectors is principally suitable for rural areas, where the price of the land is cheaper, they are closer to the resource sources and the logistic is more appropriate. To valorise such development and to prop up the appearance of such businesses is very important to provide attractive conditions to companies and to concentrate the resource supply to the suitable points in the rural area.

Renewable Energy Sources (RES)

Renewable energy sources are another prospective field where rural areas may look for development. The area enclosed in Pazardjik-Plovdiv valley is noted as having the most sunshine and favourable for solar parks and the investment interest is significant, as these projects might be implemented by the financial support of Operative Programmes and Rural Development Programme. Nowadays problems accompanying the expansion of RES are identified in the relatively long investment return span and the price of generated electricity, which requires the State warranty for prices and electricity procurement. The RES in the broad view are assumed to be one part from the so-called 'green economy', which will create the possibility for setting up new economic cycles in rural areas. Due to the features of rural areas (landscape, open space, natural resources), they possess notable advantages in the development of RES and to achieve structural change of their labour market. The RES engage quite a number of people in the establishment period and vice versa few jobs during the exploitation period but attract people with special skills to stay in rural areas.

Cultural and natural-based tourism

The pilot area disposes with different and attractive cultural and natural favours that are not yet well developed and do not contribute to the employment and diversification of jobs. Utilization of mineral water sources is a considerable possibility for the rural places as Bratsigovo, Belovo, Varnava (Septemvri municipality), etc to take advantage by development of recreation tourism and commercial enterprises.

Abreast with thermo resources, the rural parts of the pilot area are available with sites with ancient historical value (ruins from Roman and Thracian age, old-architectural neighborhoods, etc), which also might generate new employment and income sources for local people. It is assumed that animation of cultural-based tourism might be attained by significant exogenous support to aid for revelation, amelioration and promotion. The public-private partnership together with alleviation of the procedure for concession and public investment is the verified formula for the operation and utilization of these tourism activities.

Consultancy and service sectors

The consultancy sector is one of the most dynamic businesses developing after the accession of Bulgaria to the EU. It is noted that usually the projects fulfilled in the rural areas of the pilot region are consulted by experts living in urban centres. However, with the start of RDP 2007-2013 and especially the LEADER approach, the number of the consultants and experts originating from the rural area increases. Abreast with that, the number of the initiations implemented in the rural areas for establishment of the tourism centres, centres for serving the local people and guest visitors, Internet and information bureaus, etc is going up too. It ensures the possibility for educated and more qualified working people either to get employment or to set up their own busi-

nesses. The development of such services in rural areas and creation of more jobs might be achieved ultimately by the external financial support, which to exhort people that is better to stay “first in the rural area rather than to be last in the urban places”.

Conclusions

The solution of the governance problems of the development of the pilot area should be sought in the following directions:

1. The integral analysis shows that for overcoming the backwardness are necessary investments, which in their prevailing part could be exogenous for the region. It pertains not only to public investments for the improvement of the main social services, but to private investments in business projects as well. Because of this, a key significance is the increase of the administrative efficiency at municipal level in order to manage social projects and business initiatives, as well as to create and maintain the functioning of social centres of development, supporting especially new founded business and innovations.
2. It is necessary to reinforce the possibilities for financing of local projects by own financial sources, which implies financial decentralization. This would allow to take decisions at the nearest to the concerned level of management and will contribute for more complete absorption of the EU funds for development (creating opportunities for co financing).
3. Creating at municipal level capacity for business and innovation support. The experience demonstrates that in the majority of cases the local entrepreneurs initiatives are the drivers of economic development. The support for the business by the local authority, through a rational utilization of municipal resources (land, buildings, etc.), the improvement of the administrative services and the processing of the regulatory frame are from a considerable importance for the achievement of a sustainable economic growth.
4. The full-bodied participation of the concerned parties - business associations, non government organizations and the local authority in the process of taking management decisions is essential for the formulation and implementation of vital policies and strategies of development. Related to this is particularly important to carry out LEADER type projects using a “bottom-top” approach.
5. The improvement of institutional efficiency at regional level. According to the actually acting regulation the planning and coordinating functions of governors are weak and inefficient. They achieve control functions upon the local authorities but at the same time are not an elected body and may interfere the activities of the municipalities (LAU 1).
6. The governments and other political decision makers should launch more cardinal measures for facing the challenges in the rural areas, not only by providing public funds to these areas but also by providing additional benefits and privileges for innovative and high-tech investors, whenever they start initiatives in rural areas with serious problems and doldrums.
7. Improving the access of rural inhabitants to social services and working positions in the municipal and urban centres developing transport links and communications.

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