

## **Dynamic Historical Analysis of Longer Term Migratory, Labour Market and Human Capital Processes in Bulgaria**

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## Executive Summary

The present analysis aims to present a short description of the demographic and economic developments in Bulgaria in the period 1950-2011.

The analysis focuses on basic issues connected to the population change, tendencies in fertility and mortality and their influence on the population number and structures. Special attention is given to the development of international migration and its influence on population structures. In addition, the present economic situation in the country, as well as the situation at the labour market is analysed.

The analysis is conducted by experts from the National Statistical Institute (NSI) of the Republic of Bulgaria. According to the country legislation, the NSI is the institution responsible for production and dissemination of statistical data on the country social and economic development.

In this report is also given a special place for the case study of the District administration of Montana. Montana is the name of city, which is an administrative district in the Republic of Bulgaria. Data sources for the Montana region are: NSI, Regional strategy for development of Montana 2014-2020, updated document for implementation of Regional development plan of North-West planning region for 2007-2013 (Ministry of Regional Development), <http://www.regionalprofiles.bg/bg/data/>.

In the period 1950-1989 the country was part of the so called socialist camp. The economy was planned and governed by the communist party.

Demographic processes within this period were favourable as a whole, the labour market was stable and full employment of persons in working age was ensured.

Migration processes were strongly limited and were expressed mainly through emigration of Bulgarian citizens from Turkish origin. The last was arranged by bilateral agreements between the Bulgarian and Turkish governments. An exception was the emigration wave registered in 1989 due to forcible change of the names of Bulgarian citizens of Turkish origin (according to an administrative decision, the Turkish names of these persons were replaced by Bulgarian ones).

The change of political system in the country done in 1989 strongly influenced not only the economy, the situation at labour market but the overall demographic development also and the number and directions of emigration flows in particular.

### *Demographic development*

During the period 1950-1965 the population number increased although at a decreasing rates. Fertility was relatively high and mortality - moderate. High positive values of natural increase were registered accompanied by tendency of decrease. Infant mortality decreased considerably.

The period 1965-1989 was characterised by decreasing fertility and increasing mortality. As a result, a stable decrease of the natural increase was registered. The population number continued to increase. The infant mortality decreased more than twice.

Characteristic for the period 1989-2011 were the decreasing fertility and increasing mortality. The natural increase of population since 1990 onwards is negative and number of population decreases. Population number and structures were strongly influenced by intensive emigration. Tendency of intensive population ageing is observed.

### *International migration*

As there was no detailed data existing on the international migration up to 2007, the population censuses were used in order to estimate the volume of international migration. In addition, representative sample surveys were used for estimation of the migration behaviour and attitude of population, as well as the profile of migrants.

According to the census data, the country population has decreased by 461,000 persons in the period 1985 - 1992. The decrease was almost fully due to the negative migration growth and particularly to the 1989 migration wave to Turkey.

For the second time a decrease of population by 554,000 persons was registered between the 1992 - 2001 censuses. Over 203,000 or 36.4% of the total decrease was due to the negative migration growth.

Between the 2001 and 2011 censuses, the country population decreased by 564,331 persons. 2/3 of the decrease (68.9%) was due to the negative natural increase and almost 1/3 (31.1%) - to the net migration growth, estimated to 175,244 persons.

Since 2007, NSI of Bulgaria started reporting of the documented migration. Calculations are based on the Information System "Demography", used for production of all demographic data in the country. For the period 2007-2011 the country was left by 61,334 persons and 13,347 persons immigrated to Bulgaria.

Economic development in the conditions and rules of the Monetary Board in mid-1997, and achieved financial stability in recent years have led to sustained growth and macroeconomic stability in the economic system, but the process of impoverishment of the population is not fully controlled.

Labour market trends in Bulgaria over the 2003 - 2008 period were characterised by a continuous increase of the labour force participation rate (aged 15 - 64 years) and the employment rate (aged 15 and over), and by drop of the unemployment rate respectively. In the following years (2009 - 2011) the opposed trend is observed.

Over the 2003 - 2011 period the employment rate (aged 15 and over) for both men and women were changed in the same way as the total employment rate. For the same period employment rates were higher for men than for women.

For the period concerned the highest fall in the unemployment was between 2006 and 2007, and the highest rise was between 2009 and 2010. For the period observed the youth unemployment rate was higher in comparison with the total unemployment rate and in 2011 this difference was the highest.

## 1. INTRODUCTION

### 1.1. Methodology

The present report is prepared by experts from the National Statistical Institute of Bulgaria. The information presented is based on official statistical data. Part of data and especially figures on recent years are published on the NSI web site ([www.nsi.bg](http://www.nsi.bg)) or specialised volumes and the rest originates from the NSI information data bases and information systems.

The National Statistical System (NSS) carries out activities related to collecting, processing, analyzing and storing of statistical data, as well as provision and dissemination of official statistical information in the country. Its mission is to provide objective, timely and accurate information about the state and directions for development of the economic, social, demographic and environmental issues (life). In the preface to the Fundamental Principles of Official Statistics, adopted by the UN Statistical Commission, it is stated that “Official statistics provide an indispensable element in the information system of a democratic society”.

The National Statistical Institute (NSI) plays the leading methodological and coordinating role in the NSS. The NSS includes also other Bodies of Statistics (specified in Art. 2, par. 3 of the Law on Statistics) – the respective structural units within ministries, institutions and other central and territorial bodies of the executive power, which carry out statistical activities.

Data on population, demographic events and international migration is based on Information System “Demography” (ISD), the official source for production of population and migration data in the country.

Migration data is based on registered according to the national and European legislation emigration and immigration flows and stocks and the respective calculations on length of stay.

### 1.2. Definitions

*Age-dependency ratios:* the number of individuals that are likely to be “dependent” on the support of others for their daily living – youths and the elderly – to the number of those individuals who are capable of providing such support

*Crude birth rate:* the number of live births occurring among the population during a given year, per 1,000 mid-year total population during the same year

*Crude death rate:* the number of deaths occurring among the population during a given year, per 1,000 mid-year total population during the same year

*Emigrant:* person undertaking an emigration Regulation (EC) No 862/2007

*Emigration:* the action by which a person, having previously been usually-resident in the territory of a state, ceases to have his or her usual residence in that state for a period that is, or is expected to be, of at least 12 months. Regulation (EC) No 862/2007

*Immigrant:* a person undertaking immigration. Regulation (EC) No 862/2007

*Immigration:* the action by which a person establishes his or her usual residence in the territory of a state for a period that is, or is expected to be, of at least 12 months, having previously been usually resident in another state. Regulation (EC) No 862/2007

*Infant mortality rate:* Probability of dying between birth and exactly one year of age expressed per 1,000 live births.

*Net migration:* the difference between immigration into and emigration from the area during the year

*Total fertility rate:* the number of children that would be born to each woman if she were to live to the end of her childbearing years and if the likelihood of her giving birth to children at each age was the currently prevailing age-specific fertility rates

*Government Debt:* includes all financial liabilities incurred by and on behalf of the state. General government consolidated gross debt (Maastricht debt) is presented in nominal value of total and by financial instruments categories, and it is due at the end of each year.

*GDP at market prices:* measured by the total gross value added (GVA) at basic prices generated by all resident producers of goods and services plus net taxes on products. Value added is a balancing item of the production account between the gross output and the intermediate consumption.

*GVA by region:* calculated, using the conceptual sequence of the production approach for the industry sector; separately calculating Gross Output and Intermediate Consumption by region and receiving GVA as a difference and using a regional key for GVA in agriculture and services.

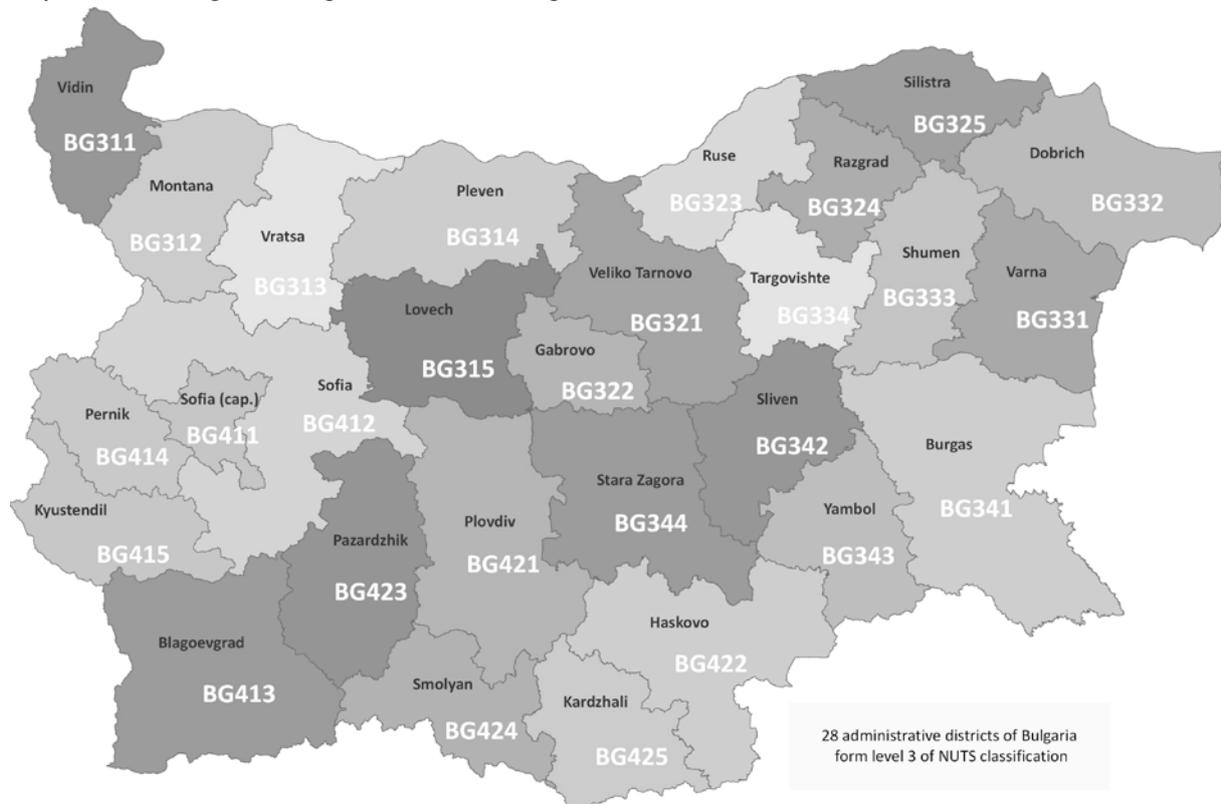
*At-risk-of-poverty rate:* represents 60% of the median equivalised disposable income.

## 2. HISTORIC-DYNAMIC ANALYSIS OF LABOUR MARKET, HUMAN CAPITAL AND MIGRATION DEVELOPMENTS

### 2.1. Political and Socio-Economic Overview

The Republic of Bulgaria is situated in Southeast Europe and occupies the eastern part of the Balkan Peninsula. On the north it has a common boundary with Romania and on the west with Serbia. On the South-West it is conterminous with Macedonia while on the South-East it is contiguous to Turkey. In the East the country is bounded by the Black Sea.

**Map 1. Statistical regions in Bulgaria - level 3 according to the NUTS classification**



For the purposes of present analysis the development of Bulgaria since 1950 to 2011 is reviewed in two large periods - up to 1989 and 1990 -2011.

In the period 1950-1989 the country was part of the so called socialist camp. The economy was planned and governed by the communist party. Demographic processes within this period were favourable, the labour market was stable and full employment of persons in working age was ensured.

Migration processes were strongly limited and were expressed mainly through emigration of Bulgarian citizens from Turkish origin. The last was arranged by bilateral agreements between the Bulgarian and Turkish governments. An exception was the emigration wave registered in 1989 due to forcible change of the names of Bulgarian citizens of Turkish origin (according to an administrative decision, the Turkish names of these persons were replaced by Bulgarian ones).

In 1989, change of the political system in the country was done - from totalitarian to democratic one, which led to development of market economy, growing of private enterprise, and creation of

possibilities for free movement of population. These phenomena strongly influenced not only the economy, but the overall demographic development and the number and directions of emigration flows in particular. Change of the political, economic and social systems led to considerable changes at the labour market - from a situation of full employment up to 1989, the country entered into period of availability of unemployment and lack of employment opportunities especially for certain population categories - low educated persons, young people, persons just before the retirement age.

### **Population development**

The development of population in Bulgaria within the period 1950 - 2011 can be divided in three stages:

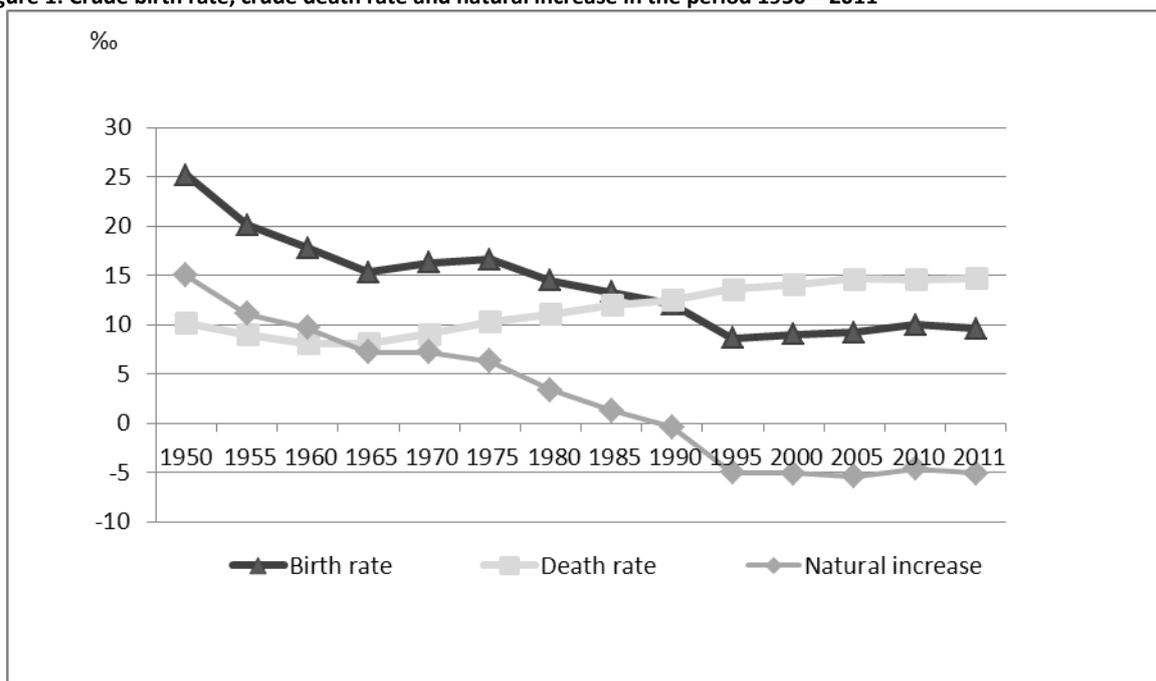
#### **1. Period 1950 - 1965**

During this stage the population number increased although at a decreasing rates. This stage was characterized by relatively high fertility and moderate mortality. Although decreasing, the crude birth rate remained high - between 25.2‰ and 20.0‰ in the period 1950 - 1955. After that, a stable decrease was observed and in 1965 a value of 15.3‰ was reached. The mortality during the period remained relatively low and varied between 10.2‰ in 1950 to 8.1‰ in 1965. The natural increase for the whole period was over 8.0‰, but a stable tendency of decrease was observed. As a result, the population number during the period increased by almost 1 million persons. The infant mortality during the period decreased considerably - from 94.5‰ in 1950 to 30.8‰ in 1965.

#### **2. Period 1965-1989**

This stage was characterised by decreasing fertility and increasing mortality. As a result, a stable decrease of the natural increase was registered. At the end of this stage the natural increase of population was only just 0.7‰. No matter these tendencies, the population number continued to increase and its highest number was reached in 1988 - 8 981,500 persons. After that year the country population decreased gradually. The infant mortality during this period decreased more than twice - from 30.8‰ in 1965 to 14.4‰ in 1989.

**Figure 1: Crude birth rate, crude death rate and natural increase in the period 1950 – 2011**



Source: NSI

The international migration in the period 1950 - 1989 was strongly limited and was expressed mainly by emigration of ethnic Turks, under bilateral agreements between the Bulgarian and Turkish governments on reunification of families. According to official data, about 100,000 persons emigrated from Bulgaria under these agreements.

### *3. Period 1989 - 2011*

This stage was characterized by a decreasing fertility and increasing mortality. The tendencies in fertility and mortality led to a negative natural increase of population since 1990 onwards, reaching its lowest value in 1997 - minus 7.0‰.

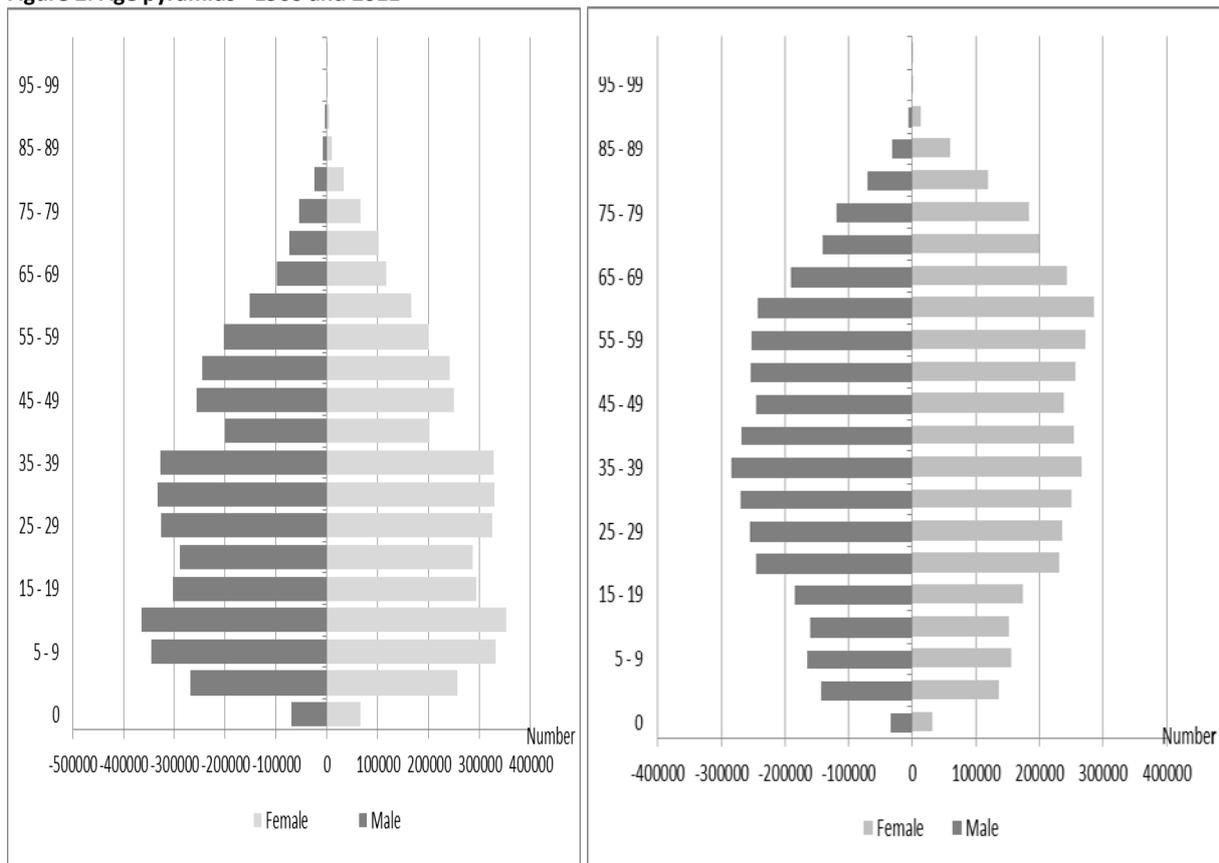
Population number and structures within this stage were influenced by intensive emigration. Highest was the number of emigrants in 1989, when 218,000 persons left the country to reside in Turkey. This emigration had mainly political origin, based on ethnicity. During the next years, the emigration was determined by conditions and factors of economic nature. The size and intensity of emigration decreased and new destinations appeared at the same time. According to calculations based on the population censuses data for the period 1989 - 2011 the total number of emigrants who left the country and did not return was about 830,000 persons.

As a result, the number of population in Bulgaria increased from 7 273,100 persons in 1950 to 8 986,600 in 1988, decreased stably after that and reached 7 327,200 persons in 2011 or only 54,000 more compared to 1950. At the same time, considerable changes are observed in the population structure. The last are expressed mainly by the clear tendency of population ageing – characterised by a decrease of share of population up to 15 years of age and increase of population aged 65 and more.

In the beginning of 2012, there were 979,956 persons aged up to 15 years or 13.4% of the total population number. Compared to 1956, this share decreased by more than 13.0 percentage points and compared to 2001 - by 1.6 percentage points. At the same time, number of persons aged 65 and more was 1 381,079 or 18.8% of the total population. Compared to 1956, the share of population over 65 years of age increased by more than 11.0 percentage points and compared to 2001 - by 1.9 percentage points.

The ageing of population was more intensive amongst females. Share of females aged 65 and more was 21.8%, compared to 15.7% - males. The difference is due to the higher mortality amongst males and as a consequence - lower life expectancy.

Figure 2: Age pyramids - 1960 and 2011

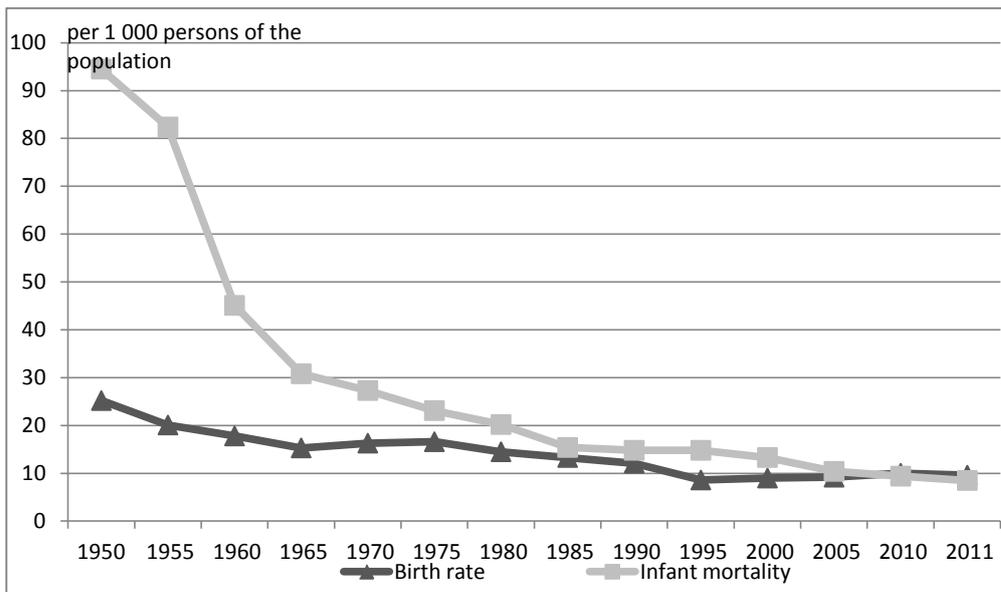


Source: NSI

Table 1: Natural increase within the period 1950 - 2011

Years	Average annual population	Live births	Deaths	of which: infants under 1 year	Natural increase	Birth rate	Death rate	Natural increase rate	Infant mortality
1950	7250500	182571	74134	17254	108437	25.2	10.2	15.0	94.5
1955	7499400	150978	67960	12447	83018	20.1	9.0	11.1	82.4
1960	7867400	140082	63665	6315	76417	17.8	8.1	9.7	45.1
1965	8204100	125791	66970	3880	58821	15.3	8.1	7.2	30.8
1970	8489600	138745	77095	3788	61650	16.3	9.1	7.2	27.3
1975	8720700	144668	89974	3335	54694	16.6	10.3	6.3	23.1
1980	8861500	128190	97950	2594	30240	14.5	11.1	3.4	20.2
1985	8960500	118955	107485	1831	11470	13.3	12.0	1.3	15.4
1990	8718300	105180	108608	1554	-3428	12.1	12.5	-0.4	14.8
1995	8406100	71967	114670	1065	-42703	8.6	13.6	-5.0	14.8
2000	8170200	73679	115087	981	-41408	9.0	14.1	-5.1	13.3
2005	7739900	71075	113374	739	-42299	9.2	14.6	-5.4	10.4
2010	7534300	75513	110165	708	-34652	10.0	14.6	-4.6	9.4
2011	7348300	70846	108258	601	-37412	9.6	14.7	-5.1	8.5

Source: NSI

**Figure 3: Infant mortality and crude birth rate within the period 1950 – 2011**

Source: NSI

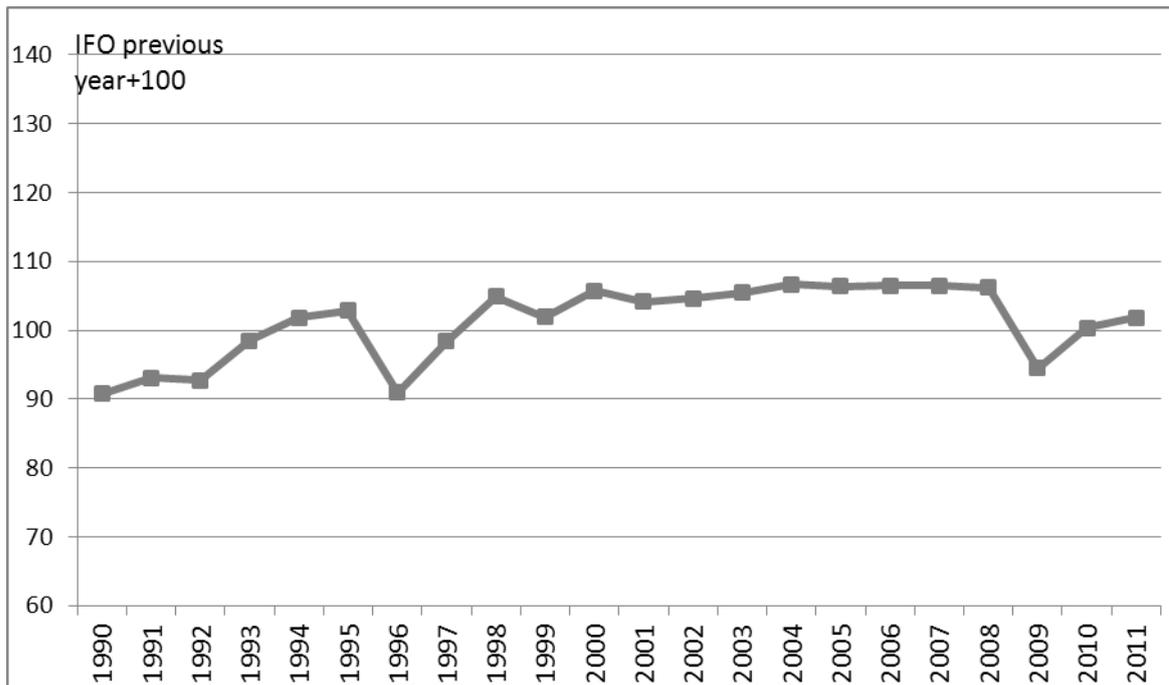
Considerable decrease of the infant mortality was observed within the 60-years period. The number of dead children under 1 year in 1950 was 17,254 or 94.5‰. In the course of years, the number of dead children under 1 year decreased stably and reached 601 children or 8.5‰ in 2011. No matter the considerable decrease of the number, the infant mortality rate remained relatively high compared to the developed countries. To a certain extent this is due to the considerable decrease of the total number of live born children.

### ***Economic development***

During the period 1989 - 1991 in Bulgaria were carried out significant changes in the overall political, economic and social life. Transition started from a centrally planned to a market economy. This created the need to develop new legislation to ensure the privatization of property and means of establishing private property, joint ventures and partnerships, and elimination of the state monopoly on the import and export of goods. Since 1991, came into force a new law on accounting and a new set of accounts in accordance with international accounting standards.

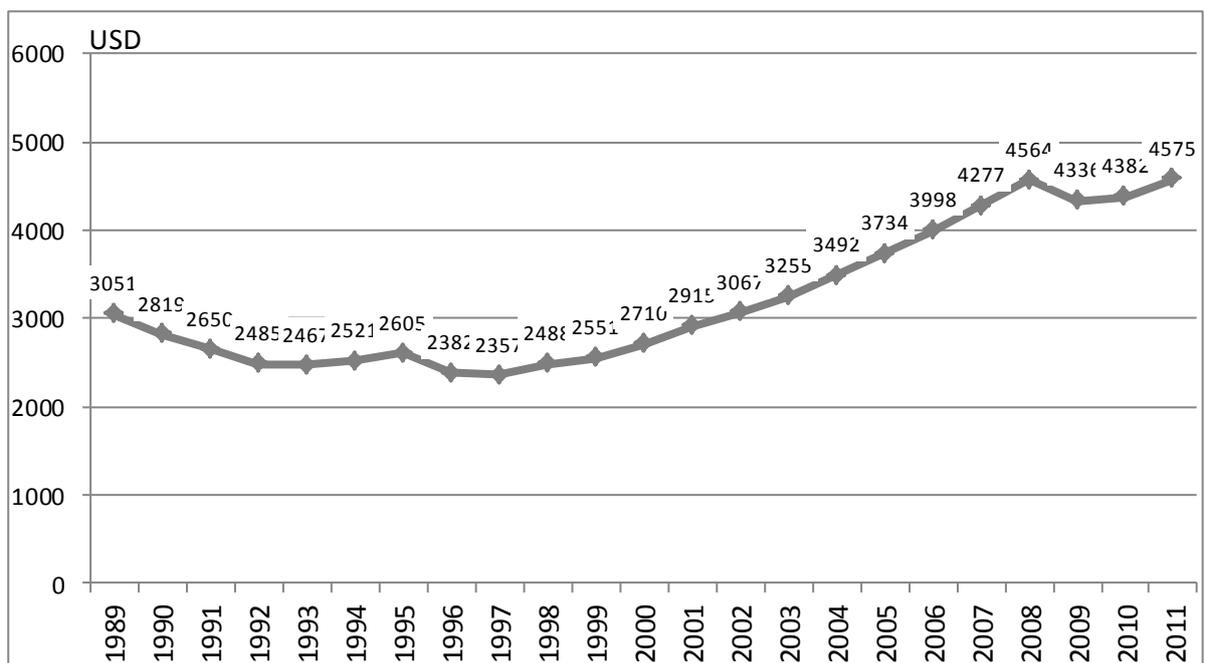
GDP calculated in dollar at 2005 year prices actually increased in value in the period 1989 - 2011 by about 24 percentage points. In the first years of the period, the economic and social variables such as GDP declined and lowest level was reached in 1997 - BGN 19,589 million. The largest negative growth rate over the previous year (-9 %) was recorded in 1996 compared to 1995. From 1998 to 2009, the growth rates were positive. The highest growth rate was registered in 2004. That same year, the GDP reached the level of 1989.

Figure 4: GDP growth rate in the period 1990-2011



Source: NSI

Figure 5: Real GDP per capita in the period 1989-2011



Source: NSI

## 2.2. Development of international migration

International migration in the country during the period 1950 - 2011 can be generally studied within two large time periods:

### 1. Period 1947 - 1988

Due to the restrictions imposed by the political system existing in the country till 1989, the international migration within this period was low. It was mainly based on economic agreements between the Council for Economic Development member-states or limited number of marriages of Bulgarian and foreign citizens. Exceptions were the bilateral agreements signed between Bulgaria and Turkey.

Based on such an agreement, the first significant emigration wave was registered in 1950 and 1951 when nearly 154,000 Bulgarian Turks emigrated from the country. Reasons for this emigration wave were mainly of ethnic and political origin<sup>1</sup>. There is no detailed statistical data on the demographic and economic characteristics of emigrants. Having in mind that whole families have left the country under such agreements, it could be only supposed that these were people at different ages, residing in the North-East and South-Central part of the country, where the majority of population of Turkish origin is concentrated.

The second major emigration wave was based on an agreement signed in March 1968 on migration of Bulgarian citizens of Turkish origin, whose relatives have migrated in Turkey up to 1952. Between 1969 and 1978, 130,000 persons emigrated from the country under this agreement.

The third emigration wave was registered in 1989 and was directly connected with the consequences of the forcible renaming of the Bulgarian citizens from Turkish origin in 1984 and 1985. The exact number of people who have left the country was not registered. The number of emigrants was estimated based on the 1992 census results.

As there is no detailed statistical data on the number of immigrants and emigrants in the country during the period 1947 - 1988, the figures below present an overall estimation of the international migration for the period **1878 - 1988**.

The following numbers of persons have emigrated from Bulgaria within this period: 820,000 Turks and Bulgarian Moslems, 222,000 Bulgarians, 62,000 Greeks, 40,000 Jewish, 5,000 Armenians, 4,000 Checks and Slovaks and others<sup>2</sup>.

Within the same period, 698,000 Bulgarians and 108,000 persons from another nationality have immigrated to Bulgaria. Amongst the Bulgarians who have immigrated to Bulgaria, 203,000 were from Turkish and Greek Trakia, 308,000 from Greek and Serbian Macedonia, 98,000 from Dobrudja, 15,000 from Western outlands (Timok, Caribrod, Bossilegrad), 21,000 from Bessarabia, 44,000 from Rumania (including 6,000 - from Banat), 11,000 from Turkey<sup>3</sup>. Besides Bulgarians, 29,000 Russians have immigrated to the country, 20,000 Armenians and 59,000 persons from other nationalities.

### 2. Period 1989 – 2011

During the last two decades of the 20<sup>th</sup> century and after the change of political system in the country, the size and directions of international migration in Bulgaria are estimated based on the population censuses results, as well as on representative surveys on migration.

<sup>1</sup> National report on the Frame Convention for Protection of National Minorities, 2001.

<sup>2</sup> Statistical yearbooks of the Kingdom of Bulgaria, Statistical yearbooks of the Republic of Bulgaria

<sup>3</sup> Totev, A., Internal and international migration of population in Bulgaria, magazine Statistics, book 2, 1968

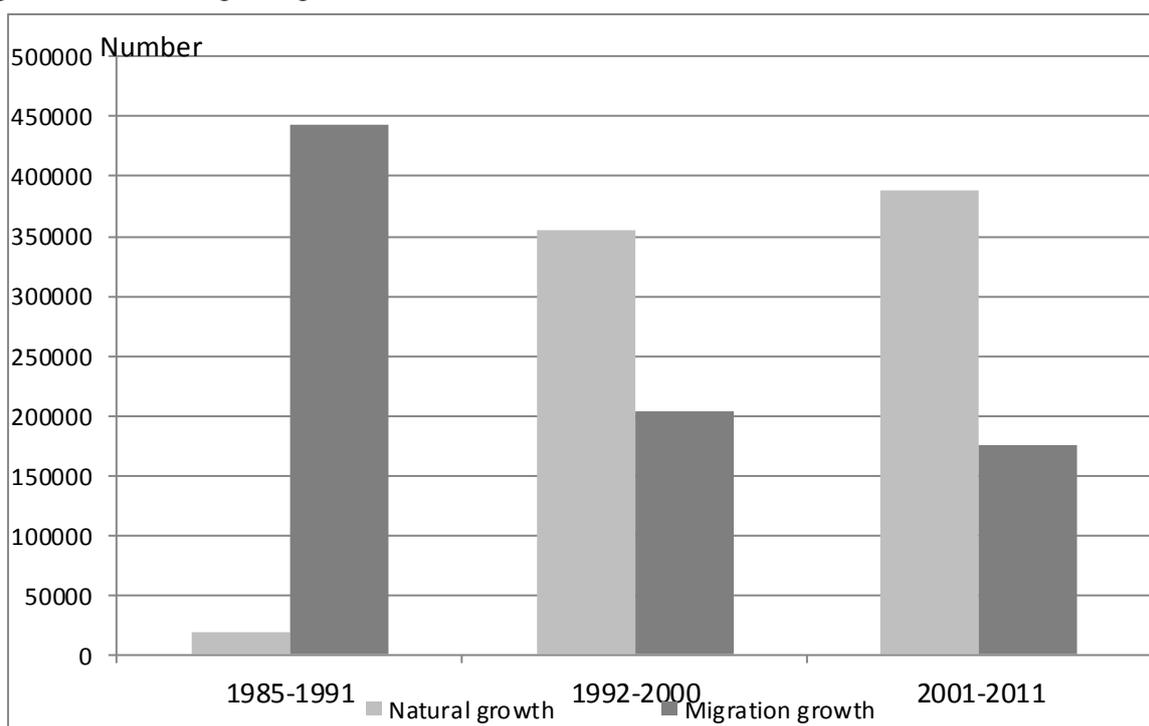
The population censuses are a traditional source of data on migration. According to the census data, in the period 1985 - 1992, the country population has decreased by 461,000 persons. The decrease was almost fully due to the negative migration growth, as the natural increase for the whole period is positive. At the end of 1990 and 1991 only, negative natural increase was registered in the country for the first time (minus 18,000). The negative migration growth was mainly due to the third migration wave to Turkey in 1989.

Decrease of population was registered for second time between the censuses 1992 - 2001 - 554,000 persons. Over 355,000 or 63.6% of the decrease is due to the negative natural increase within this 9-years period. The difference of over 203,000 or 36.4% of the total decrease was due to the negative migration growth or the difference between emigrants and immigrants.

Between the 2001 and 2011 censuses, the country population decreased by 564,331 persons. 2/3 of the decrease - 389,087 persons or 68.9% was due to the negative natural increase. Almost 1/3 of the decrease (31.1%) was due to the net migration growth, estimated to 175,244 persons.

Estimates of the emigration between the censuses are fully based on the censuses data. On the other hand, the censuses do not gather data on persons who have left the country and respectively on the main destination countries. Based on Eurostat data, at the beginning of 2012 highest was the number of Bulgarian citizens residing in Spain - 174 388, followed by Germany - 100 302, Italy - 55 378 and Netherlands - 16 760.

**Figure 6: Natural and migration growth between the censuses**



Source: NSI

### **2.3. Evolution of the Migration Policy and Legal System**

As already mentioned in the previous chapter, the international migration in Bulgaria in the period 1950 - 1989, except the emigration of ethnic Turks, based on bilateral agreements between the Bulgarian and Turkish governments, was quite limited. The intensive emigration processes that started after 1989 and the accession to the EU imposed elaboration of a national strategy on the international migration. The strategy aim is to create an effective and unified national policy on management of the migration processes. The strategy is underlying that as an external border of the EU, Republic of Bulgaria should put permanent efforts on achieving long-term and explicit policy on the European border security, combating illegal migration and human traffic.

The strategy goal is not only to create complex and sustainable framework for prevention and combating illegal migration, but also to guarantee the successful management of the legal migration and integration. In this respect, the specific purposes of the National Strategy are the following:

- Elaboration of an effective mechanism for coordination of all concerned institutions and organisations in order to achieve more effective management of the migration processes;
- Optimisation of the administrative capacity of institutions working in the field;
- Informational and statistical provision of the migration processes aiming development of migration policy.

### 3. NATIONAL POLICIES AND PERSPECTIVES REGARDING INTERNATIONAL MIGRATION

#### 3.1. Legal and Policy Framework on International Migration

The legislative frame for regulation of the international migration at present days includes:

- Law on Bulgarian Citizenship;
- Law on the Asylum and the Refugees;
- Law for the Foreigners in the Republic of Bulgaria ;
- Law on Entering, Residing and Leaving the Republic of Bulgaria of European Union Citizens and Members of Their Families.
- Law on the Civil Registration and Administrative Service of Population;

Law on Bulgarian citizenship regulates conditions and procedure of acquisition of Bulgarian citizenship, revocation of naturalization, reinstatement, release from and deprivation of Bulgarian citizenship.

Law on the Asylum and the Refugees regulates matters of special protection provided by the Republic of Bulgaria to foreigners (asylum, refugee status, humanitarian status and temporary protection).

Law for the Foreigners in the Republic of Bulgaria regulates issues connected to issuance of residence permits to foreigners and registration of foreigners residing in the country. Foreigner in the sense of the Law is considered a person who is not a Bulgarian citizen or is not a citizen of another Member State of the European Union, of a state, party to the Agreement on European Economic Area, or of the Swiss Confederation. Since 2011, foreigners (third - country nationals) who are highly qualified workers within the meaning of the Employment Promotion Act may obtain a residence and work permit "EU Blue Card" type. Holder of "EU Blue Card" may obtain a long-term residence permit in Bulgaria. Holder of "EU Blue Card" who has obtained a long-term residence permit in Bulgaria is issued a residence permit according to Regulation (EO) N 1030/2002.

Law on Entering, Residing and Leaving the Republic of Bulgaria of European Union Citizens and Members of Their Families regulates issues connected to EU citizens' residence in the country. EU citizen in the sense of the Law is considered a person who is a citizen of a Member State of the European Union. The Law is also applied to the citizens of countries - parties to the European Economic Area Agreement, the citizens of confederation Switzerland and the members of their families, who are not citizens of the European Union, the European Economic Area and confederation Switzerland, who, by virtue of international agreements concluded with the European Union, are entitled to free movement.

Law on Civil Registration regulates issues connected to operation of the Population Register (PR). According to the Law provisions (art. 3) the following are subject of registration in the PR:

- Bulgarian citizens;
- Foreign citizens granted permission for long-term stay (the initial period of stay authorised is 5 years, with a possibility existing for renewal after the submission of an application);
- Foreign citizens granted permission for permanent stay in the Republic of Bulgaria (the period of stay authorised is unlimited);

- Persons granted refugee or humanitarian status or asylum.

Within the period from the accession of Bulgaria to the EU up to now all these laws have undergone a number of changes aiming transposition of the EU legislation into the national one. At present, the legislation in the country is fully compliant to the European requirements regarding regulation and provision of information on international migration.

There is a specialised institution at the Council of Ministers dealing with problems of Bulgarian citizens residing abroad - State Agency for Bulgarians Residing Abroad. Its functions are to preserve the Bulgarian ethnic and cultural heritage outside the Bulgaria as well as the unity of all Bulgarians no matter their place of residence. The Agency maintains contacts with different Bulgarian organisations abroad (societies, clubs, associations, church communities, libraries, schools) and supports their creation and recognition. It also investigates the past and present situation of the Bulgarian communities abroad and prepares programmes for joint work.

## 4. RECENT SITUATION AND DEVELOPMENTS ON LABOUR MARKET, HUMAN CAPITAL AND INTERNATIONAL MIGRATION

### 4.1. Social and Economic Development

#### 4.1.1 Economic development

Gross Domestic Product (GDP) is a key indicator for the development of the national economy. Another major indicator characterizing the welfare of a country is GDP per capita. General definitions and concepts are used in GDP calculations according to standard system of national accounts for the country and form the basis of the European System of Accounts (ESA '95). Trends in these indicators are analysed hereafter.

Development of the economy under the currency board<sup>4</sup> led to a sustained GDP growth. GDP dynamics calculated in dollars for the period 2001 - 2011 year shows gradual acceleration of economic growth by 2008. Recalculated in dollars of 2005 GDP of 23,064 million dollars in 2001 reached 34,791 million dollars in 2008 and actually increased in value by more than 50 per cent.

The highest rate to GDP produced (base preceding year = 100) was recorded in 2004 - 6.7%. The global economic crisis has had an impact on the Bulgarian economy in 2009, a decrease compared to 2008 - 5.5%. Over the next two years there is a slight growth in 2011 as compared to 2010 growth of GDP was 1.8%, indicating that in the coming years is expected to come from Bulgaria cyclical crisis.

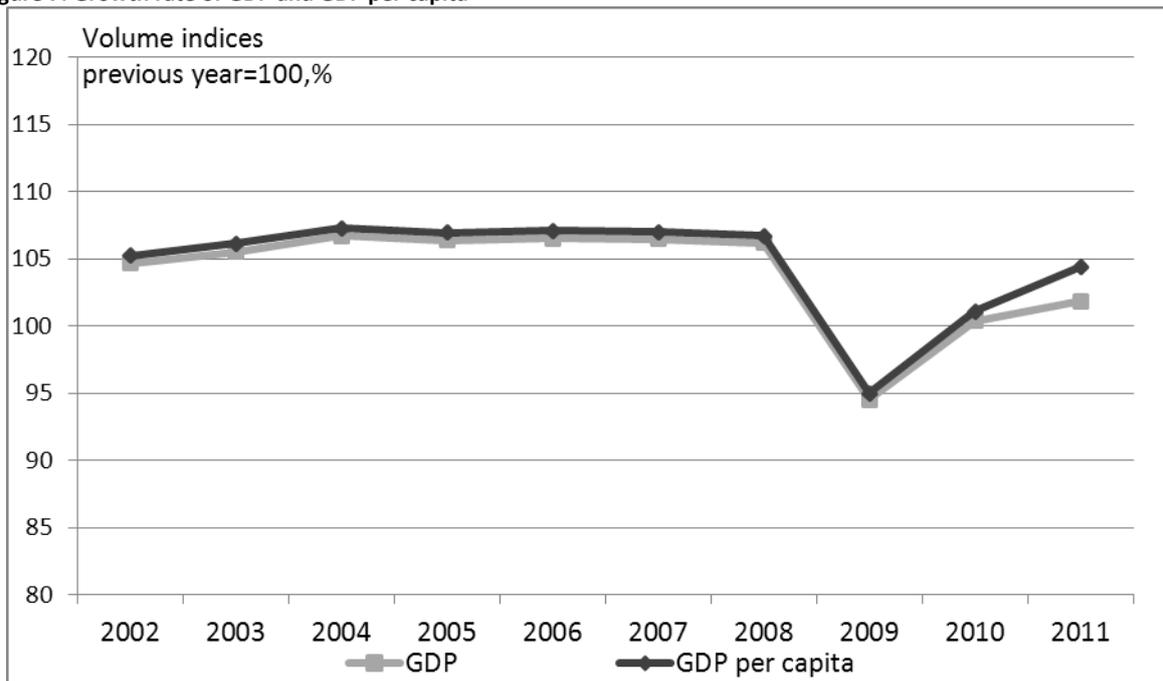
During the reporting period, GDP per capita in dollar significantly increases its volume. GDP per capita (based on previous year = 100) actually growing more rapidly than the rate of GDP. The higher rate of GDP per person is due to the growth of nominal GDP, and reducing the average annual population and the average exchange rate.

Share of the gross value added in the sectors of industry and services in total value added over the years increased at the expense of that created in the agriculture, forestry and fisheries. During the period 2001 - 2011 the value added of the business of agriculture significantly reduced its level and its relative share in the total value added nearly cut in half. In the same time, the service sector accelerated progressive development; the area value added in this area is more than 60% of the value added in economy.

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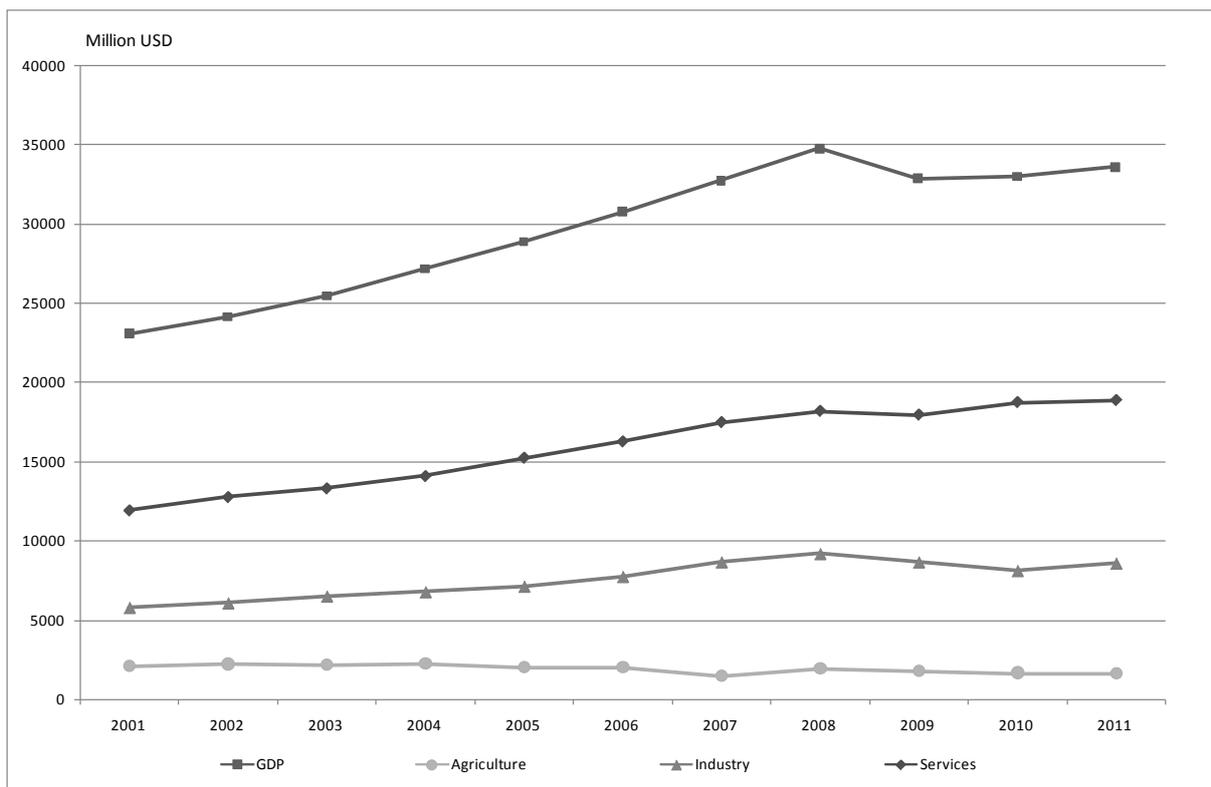
<sup>4</sup> A currency board is a specific long-term form of a monetary regime based on full convertibility of local currency to a reserve one by fixed exchange rate and 100 % coverage of the monetary supply with foreign currency reserves. Such a form of exchange rate arrangement has been introduced in Bulgaria in July 1997 after a period of deep economic and political crisis. The Bulgarian currency board differs from the orthodox form so as to address the particularities of Bulgarian economy.

Figure 7: Growth rate of GDP and GDP per capita



Source: NSI

Figure 8: GDP by economic sectors



Source: NSI

The efforts in the recent years, aimed at achieving progress in the fiscal area, have set as a priority the effective management of the government debt. The favourable development of the main macroeconomic indicators and the pursued prudent fiscal policy on the one hand, and the outlined long-term objectives in the economic processes area, related to Bulgaria’s accession to the European

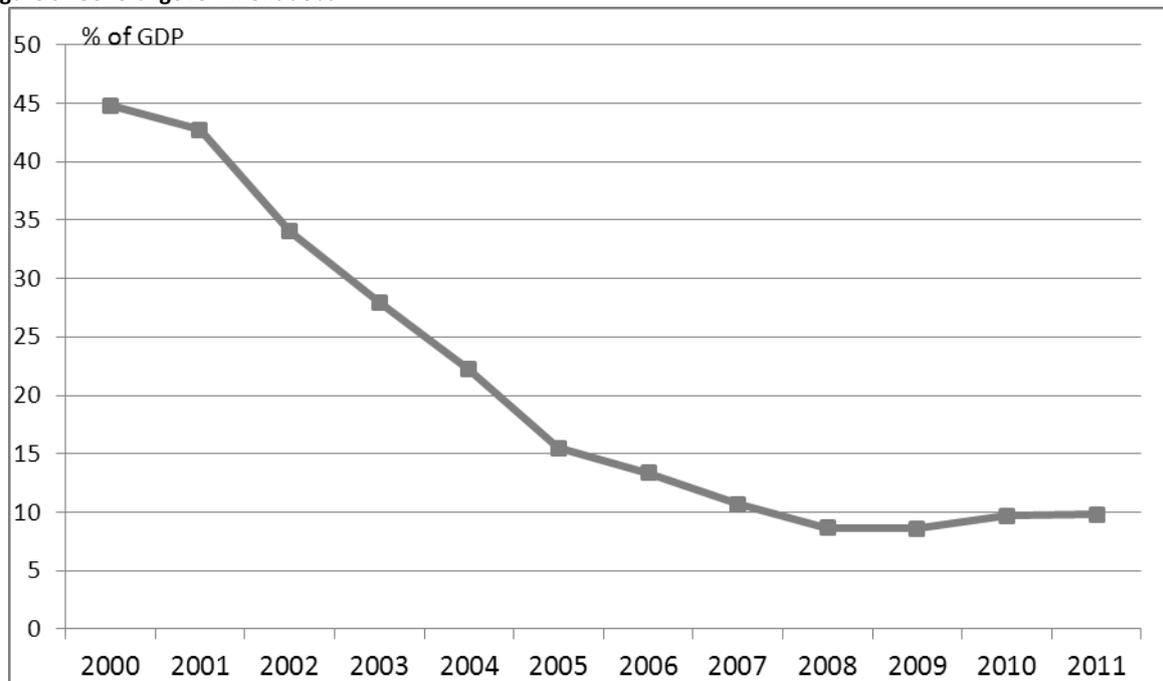
Union on the other hand are the factors that have the largest contribution to the strengthening of the key lines and priorities of the policy on government debt management pursued by the Ministry of Finance<sup>5</sup>.

Taking into consideration the best practices in the area of debt management, the MoF debt policy is implemented in compliance with the existing legislation in the country, in particular the Government Debt Law, the State Budget of the Republic of Bulgaria Law for the relevant year, the Government Debt Management Strategy in force for the respective three-year period and other laws.

On the basis of final data of the National Statistical Institute, the debt of General Government Sector in 2011 amounted to BGN 12,290 million or 16.3% of GDP. By categories BGN 7,392 million are from financial instrument “Securities other than shares, exc. financial derivatives” and 4,899 from Loans.

During the period 2000 - 2008, the category “Securities other than shares, exc. financial derivatives” of the General Government Consolidated Gross Debt shows a constant decrease - from 44.8% in 2000 to 8.7% in 2008 from GDP. The next period, 2009 - 2011, is characterized with a minimal increase by 8.6%, 9.7% and 9.8% respectively.

**Figure 9: General government debt**



Source: NSI

<sup>5</sup> Source: Ministry of finance.

#### 4.1.2. Social development

##### Infant mortality

In Bulgaria the infant mortality decreased continuously since 2001. In 2001 there were 982 children who die under 1 year of age or 14.4‰. After 2006, the infant mortality rate remained below 10.0 ‰. The value registered in 2011 was 8.5‰ and the respective absolute number - 601. No matter the positive tendency of decrease, the infant mortality in Bulgaria is higher compared to the European countries. Romania is the only country where a higher infant mortality was registered in 2011 (9.4‰), compared to infant mortality rate below 5.0‰ in most European countries and below 3.0‰ in Sweden, Finland, Estonia and Check republic.

A potential regarding the decrease of infant mortality is seen in its decrease in some country regions, where it is still higher compared to the country average, and among rural population.

Table 2: Infant mortality within the period 2001-2011

Years	Deaths of infants under 1 year			Infant mortality		
	total	urban	rural	total	urban	rural
	number			per 1000 live born		
2001	982	625	357	14.4	12.9	18.2
2002	887	571	316	13.3	12.0	16.9
2003	831	522	309	12.3	10.7	16.5
2004	814	516	298	11.6	10.2	15.3
2005	739	464	275	10.4	8.9	14.6
2006	720	472	248	9.7	8.6	13.1
2007	690	447	243	9.2	7.9	12.7
2008	668	444	224	8.6	7.6	11.6
2009	729	468	261	9.0	7.7	12.9
2010	708	461	247	9.4	8.1	13.4
2011	601	412	189	8.5	7.7	10.8

Source: NSI

##### Income distribution

Stable tendency of increase of the household nominal income has been observed since 2000. The total average income per capita in 2011 compared to 2000 increased 2.4 times, and compared to 2010 - from BGN 3,648 to BGN 3,782 or by 3.7%. Real household income decreased by 0.5% in 2011 compared to 2010. In comparison to 2001, the index of real income in 2011 was higher by 37.5%.

The more important changes with respect to the sources of total average income per household member observed during the 2000 - 2011 period are as follows:

- To a great extend, the nominal income from wages and salaries follows the changes in the total household income during the last 12 years. Income from wages and salaries in 2011 was BGN 1,960 per capita and increased more than 3 times compared to 2000 and by 5.5% compared to 2010.

The index of real income from wages and salaries increased in 2011 compared to 2010 by 1.3%. This index was higher in 2011 compared to 2001 - 179.5%, but was under 100% compared to 2008 and 2009. The relative share of income from wages and salaries within the total income was 51.8%, compared to 38.9% in 2000 or an increase of 12.9 percentage points was observed. Compared to 2010 it increased by 0.9 percentage points.

- Social transfers (benefits, pensions, social assistance payments and child allowances) provided in 2011 increased nominally more than three times compared to 2000 and their share within the total income increased by 8.8 pp. Pensions are dominating amongst the social transfers. Compared to 2000, the average income from pension per capita increased from 337 to BGN 1,140 in 2011 or more than three times. Compared to 2010, the average income from pension per capita increased from 1,128 to 1,140 BGN in 2011 or by 1.1% and the relative share decreased from 30.9% to 30.1% or by 0.8 percentage points.

The nominal income from entrepreneurship increased during the last 12 years. The average income from entrepreneurship per household member in 2011 was BGN 241 or by 38.5% higher compared to 2010. A tendency of increase of the relative share of income from entrepreneurship during the surveyed years was also observed despite fluctuations.

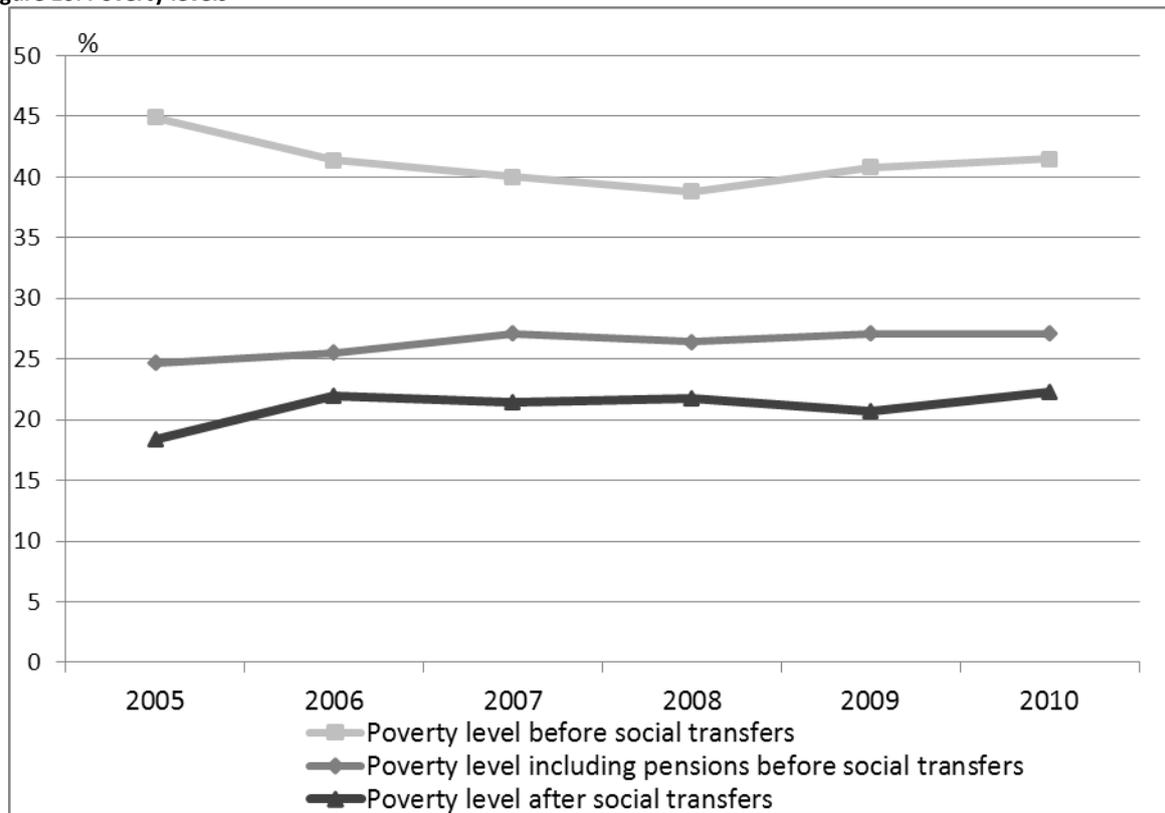
The household expenditure followed the tendency of dynamic changes of the income during the period 2000 - 2011. The total household expenditure in 2011 was 2.5 times higher than in 2000 and 6.6% lower than in 2010.

### ***Poverty estimation***

Clear trend of increase of the poverty line (monthly average per equivalent person) was observed during the period 2005 - 2009 - from BGN 135.3 in 2005 to BGN 295.0 in 2009 or it increased by more than two times. According to final data from the 2011 survey, the average monthly poverty line in 2010 was BGN 283.75 per person. The number of persons who were below this line was 1 673,500 representing 22.3% of the population in Bulgaria.

Social transfers and pensions are of great importance for the poverty level. If the social transfers are excluded but pensions remain as a source of income, share of the poor during the period 2005 - 2010 would grow from 24.7 to 27.1%, or by 2.4 percentage points. The elimination of social transfers and pension could significantly increase the poverty level. In this case, the poverty level in 2010 would rise to 41.5%. These indicators reflect the impact of the conducted social policy. It may be concluded that pensions are of essential importance for reducing the poor groups of the population in the country.

Figure 10: Poverty levels



Source: NSI

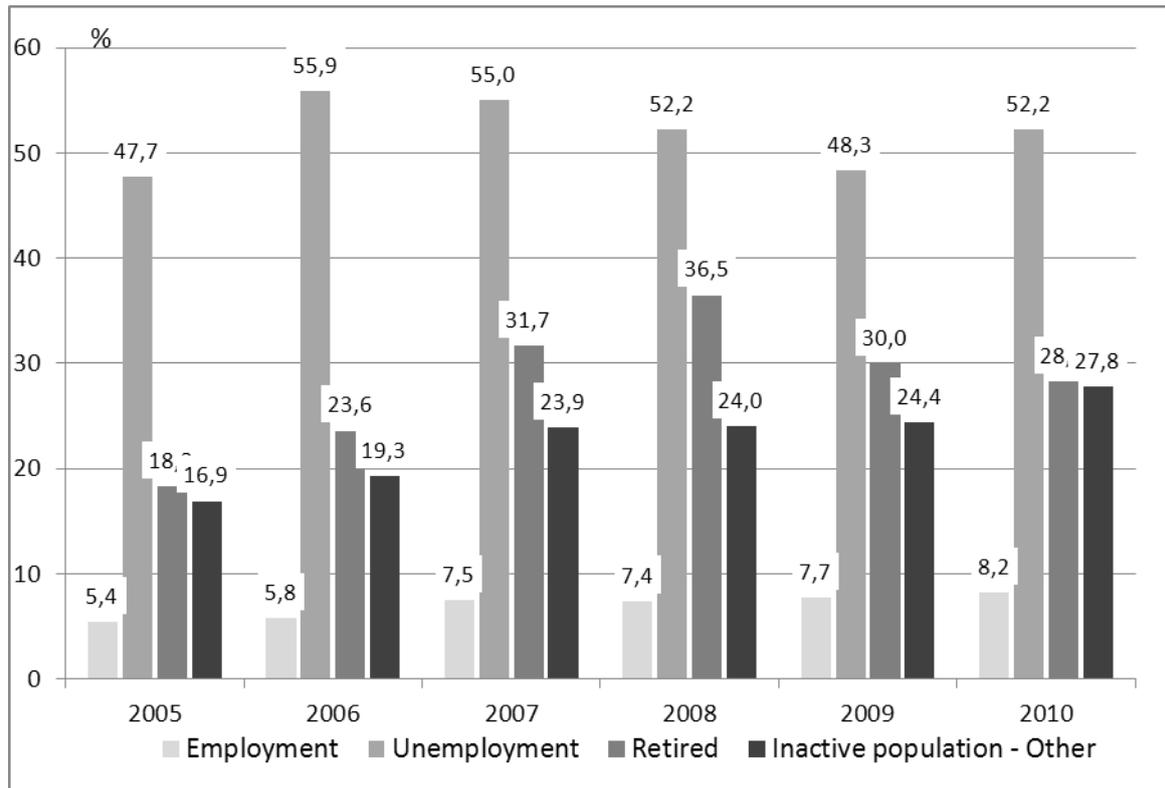
Table 3: Main poverty indicators

Survey year	2006	2007	2008	2009	2010	2011
Reference year	2005	2006	2007	2008	2009	2010
At-risk-of-poverty threshold (monthly average in BGN)	135.3	144.8	212.3	276.5	295.0	283.8
Number of persons below at-risk-of-poverty threshold (in,000)	1 417	1 691	1 632	1 657	1 565	1 674
At-risk-of-poverty rate (% of the population)	18.4	22.0	21.4	21.8	20.7	22.3
At-risk-of-poverty rate before social transfers (% of the population)	44.9	41.4	40	38.8	40.8	41.5
At-risk-of-poverty rate before social transfers with pensions included (% of the population)	24.7	25.5	27.1	26.4	27.1	27.1
Inequality of income distribution (S80/20)	5.1	7.0	6.5	5.9	5.9	6.5
Gini coefficient	31.2	35.3	35.9	33.5	33.2	35.1

Source: NSI

The main factor influencing the risk of poverty for the prevailing part of population was the economic activity and participation in the labour market. Share of the poor was highest among the unemployed and retired persons for the observed period. Compared to the previous year, the highest increase of the risk of poverty in 2010 was observed among unemployed - 3.9 percentage points and among inactive persons - 3.4 percentage points. The risk of poverty among pensioners decreased by 1.7 percentage points compared to the previous year.

Figure 11: At-risk-of-poverty rate by activity status



Source: NSI

Share of the poor among employed in 2010 increased to 8.2% or by 0.5 percentage points. Risk of poverty was nearly 5 times higher for the part-time employed compared to the full-time employed. The risk of poverty among working females was lower by 1.3 percentage points than among working males.

During the period 2005 – 2008, the poverty level for the age group 65 years and over continuously increased. In 2009, the value of indicator started to decrease and in 2010 was 30.9%. In comparison with the other age groups, the risk of poverty was higher for persons aged 65 years and over.

#### 4.1.3. Social Policy

In 2010 Bulgaria has spent BGN 12 732,60 million for social protection which represented around 18.1% of the gross domestic product. Share of expenditure on social benefits remained highest in the total expenditure (97.2%). Administration costs and other expenditure amounted respectively for 2.1 and 0.6% of total expenditure.

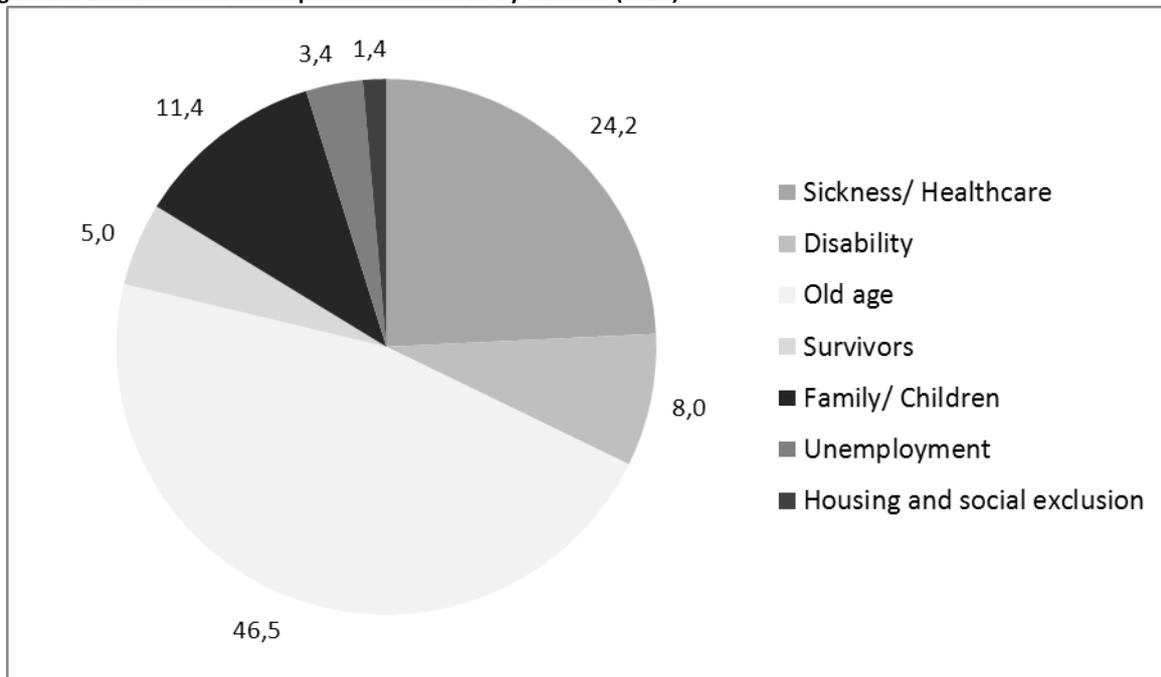
Table 4 : Expenditure

Year	2005		2006		2007		2008		2009		2010	
	Millions BGN	%	Millions BGN	%	Millions BGN	%	Millions BGN	%	Millions BGN	%	Millions BGN	%
<b>Total expenditures</b>	<b>6870.0</b>		<b>7359.0</b>		<b>8614.3</b>		<b>10914.2</b>		<b>11757.6</b>		<b>12732.6</b>	
Social protection benefits	6632.4	96.5	7132.8	96.9	8332.7	96.7	10549.7	96.7	11383.4	96.8	12378.9	97.2
Administration costs	169.9	2.5	177.5	2.4	212.4	2.5	267.7	2.5	281.9	2.4	271.2	2.1
Other expenditure	65.2	0.9	48.8	0.7	69.2	0.8	96.8	0.9	92.3	0.8	82.5	0.6

Source: NSI

The function “Old age” with its major component “expenditure for pensions” has the highest share in total expenditures. The function “Sickness/Healthcare” also has a significant share of total expenditure.

Figure 12: Distribution of social protection benefits by function (2010)



Source: NSI

### Social protection benefits

The predominant form of receipt of social benefits is the payment of cash benefits (periodic or lump sum). In 2010 the share of cash benefits decreased slightly compared to the previous year – by 1.3 percentage points.

Over 60% of the cash benefits were paid under the function “Old age” and most of them were not associated with the requirement to cover any additional conditions on their receipt (i.e. they were non-means tested). Benefits paid under functions “Disability” and “Family/Children” also represented a big part of total expenditure on social protection benefits.

Highest (over 75%) was the share of benefits in kind under “Sickness/ Healthcare” function. A steady trend of increase was observed in the share of social protection benefits in kind under “Family/Children” function.

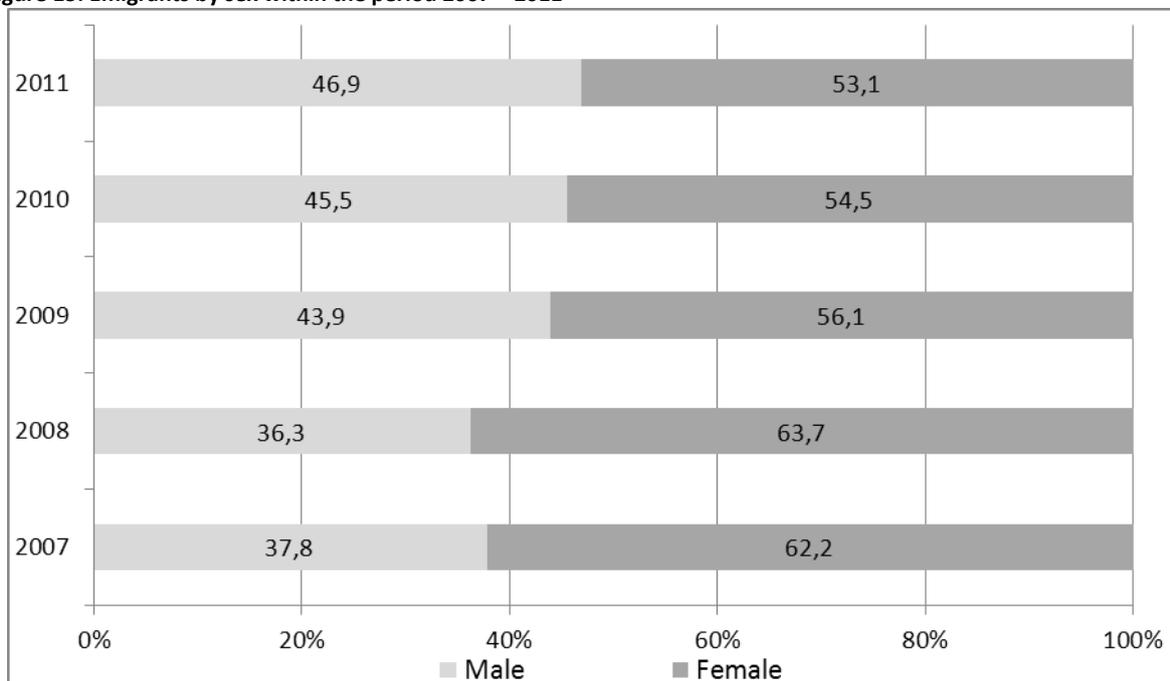
## 4.2. Main international migration trends and characteristics of migrants

### 4.2.1. International Migration Flows

#### 4.2.1.1. General trends

Since 2007, NSI of Bulgaria started reporting of the documented migration. Calculations are based on the Information System “Demography”, used for production of all demographic data in the country. For the period 2007-2011 the country was left by 61,334 persons. Female prevailed among emigrants – 34,029, or 55.5% of the total emigrants’ number. Female remained more mobile during each year of the period.

Figure 13: Emigrants by sex within the period 2007 – 2011



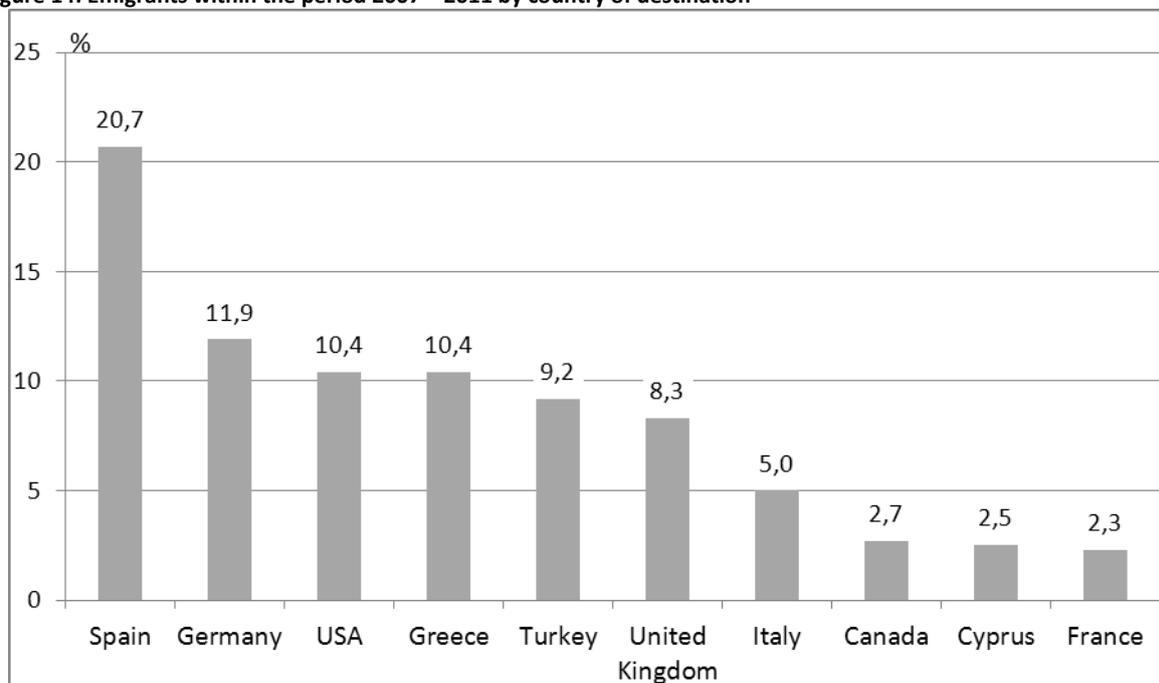
Source: NSI

Each second emigrant was aged 20 - 39 years, 26.9% were aged 40 - 59 years and 17.5% of emigrants were between 0 and 19 years. In parallel to the increase of age, the number of emigrants decreased. Figures above are quite alarming, because it is obvious that young people and female in fertile age

are most likely to leave the country, thus contributing to worsening of demographic situation in the country.

Each fifth emigrant (20.7% of the persons who have left the country) has settled in Spain, followed by Germany - 11.9%, the USA and Greece - 10.4% each of them and Turkey - 9.2% of the persons who have left Bulgaria within the pointed period.

**Figure 14: Emigrants within the period 2007 – 2011 by country of destination**



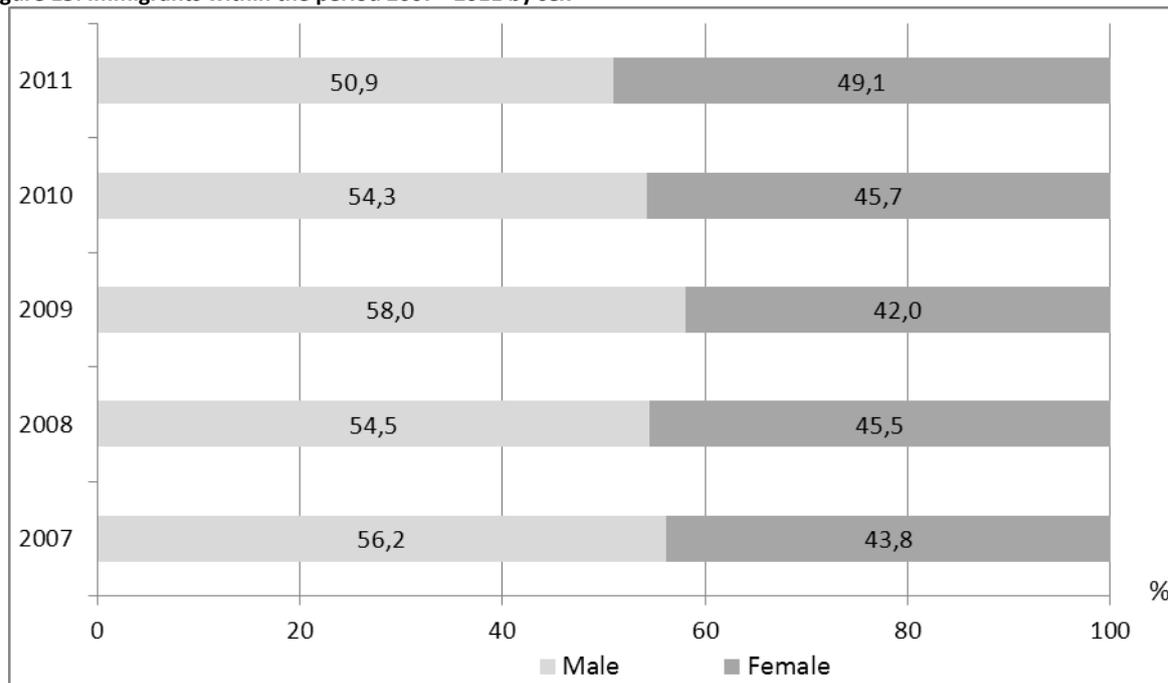
Source: NSI

Within the period 2007-2011, 13,347 persons immigrated to Bulgaria. These were Bulgarian citizens who returned after a stay abroad and foreign citizens granted residence permits. Male were 7,784 or 54.3% of all immigrants and their number prevailed for each year of the pointed period.

Highest was the share of immigrants aged 20 to 39 years – 37.8%, 28.8% were between 40 and 59 years and 20.6% were aged 0 to 19 years.

Highest was the number of immigrants from Turkey - 39.4% of the total number of immigrants within the observed period, followed by immigrants from the FIROM – 5.7%, Greece – 5.0% and Moldova – 4.9%.

Figure 15: Immigrants within the period 2007 - 2011 by sex



Source: NSI

#### 4.2.2. Characteristics of the migrant stock

##### 4.2.2.1. Immigrant Stock

There were 36,723 persons with foreign citizenship permanently living in Bulgaria at 1.02.2011 representing 0.5% of the country population. The bigger part (83%) was living in urban areas and 56% of the foreign citizens were women.

Each second person with foreign citizenship permanently living in the country was from a European country out of the European Union. Persons with Russian citizenship prevailed - 11,991 (65.1%), followed by citizens of Ukraine - 3,064 (16.6%), Republic of Macedonia - 1,091 (5.9%), Moldova - 893 (4.8%), and Serbia - 569 (3.1%).

There were 8,444 citizens of the European Union permanently living in Bulgaria at the census moment or 23% of all foreign citizens. Prevailing was the number of citizens of the United Kingdom 2,605 (30.9%), followed by citizens of Greece - 1,253 (14.8%), Germany - 848 (10%), Poland - 819 (9.7%), and Italy - 456 (5.4%). 22.9% of the foreigners were citizens of countries in Asia. Amongst them, highest was the share of Turkish citizens - 32.6%, followed by citizens of Armenia - 13.9%, and China - 8.9%.

Persons who have declared double citizenship at the census moment – Bulgarian and other were 22,152 or 0.3% of the country population. Amongst them, highest was the share of persons with Bulgarian and Russian citizenship - 5,257 (23.7%), followed by persons with Bulgarian and Turkish citizenship - 4,282 (19.3%), Bulgarian and citizenship of the USA - 1,725 (7.8%).

#### 4.2.2.2. Emigrant Stock

As there was no detailed data existing on the international migration up to 2007, the representative sample surveys conducted in parallel to the censuses were used in order to estimate mainly the migration behavior and attitude of population, as well as the profile of migrants.

The 2001 migration survey covered population aged 15 - 60 years. According to the weighted survey data, about 8% of the population had an intention to emigrate for a long period due to employment or educational reasons. 57% of the last were male.

Most frequent was the wish for emigration among persons aged 20 – 29 years - 37% of the population in the respective age group. Among people aged 40- 49 years, the same share was 15%, and among those aged 50 and more – 8%.

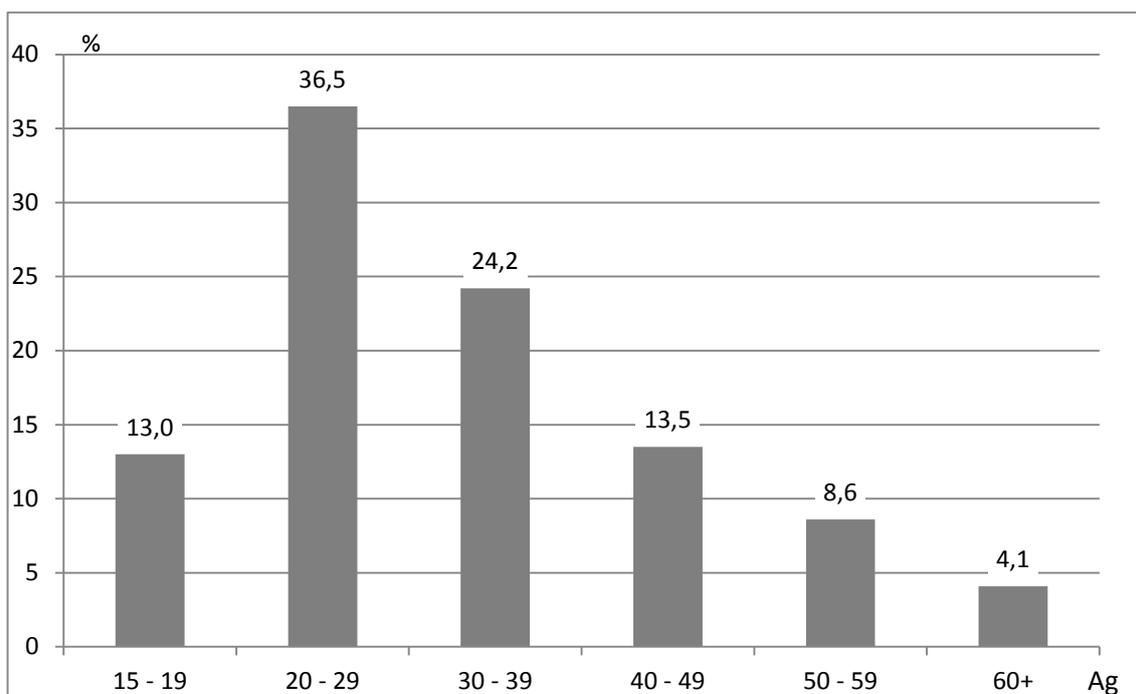
The most preferred destinations for people wishing to emigrate were the USA (19%), Greece and Spain –8% each, the United Kingdom – 6%.

Objects of the 2011 migration survey were persons aged 15 years and more. Survey data showed that 10.1% of the population aged 15 years and more had declared willingness to reside on a permanent basis in another country during the next few years. For 48.1% of them, the main purpose for leaving the country was “to solve financial and material problems”, 19.1% were citing a better career development and 6.5% - better education. Highest was the share of potential emigrants aged 20 – 29 (36.5%).

54.6% of the potential emigrants have secondary education, 28.5% - tertiary, and lower than secondary education - 17.1%.

The most preferred destinations were the United Kingdom (17.3%), Germany (15.9%), the USA (14.0%), Spain (9.0) % and Italy (8.9%).

Figure 16: Potential emigrants by age



Source: NSI

### 4.3. Demography and Human Capital

#### 4.2.3. Population change

Changes in population numbers and structure are mainly due to the decreasing fertility and increasing mortality. For the whole period 2001 - 2011, the natural increase of population was negative. Due to the negative natural increase only, the country “losses” were about 39,000 persons at average per year.

In this respect, the increase of mortality is quite important. While the decrease of fertility that started after the political and economic changes in 1989 shows some fluctuations in direction of increase in years of economic growth, the mortality remains high during the period. Crucial for the increase of mortality are the ageing of population and emigration processes. Admittedly, the population ageing inevitably leads to increase of mortality due to the physiological characteristics of each individual. On the other hand, the still intensive emigration processes influence the mortality, because the youngest and middle-age people emigrate most frequently. Therefore, even if the fertility remains unchanged, the ageing of population will continue if the intensity and structure of emigration do not change. At the same time, mortality will stay at relatively high level due to the population ageing and all these will lead to decrease of population number. According to the NSI population projections, in 2025 the population number will reach 6 734,989 persons and in 1950 - 5748,061 or a decrease of almost 1 million persons is expected.

**Table 5: Fertility and mortality within the period 2001-2011**

Years	Average annual population	Live births		Deaths	
		number	‰	number	‰
2001	7913300	68180	8.6	112368	14.2
2002	7868900	66499	8.5	112617	14.3
2003	7823500	67359	8.6	111927	14.3
2004	7781100	69886	9.0	110110	14.2
2005	7739900	71075	9.2	113374	14.6
2006	7699000	73978	9.6	113438	14.7
2007	7659800	75349	9.8	113004	14.8
2008	7623400	77712	10.2	110523	14.5
2009	7585100	80956	10.7	108068	14.2
2010	7534300	75513	10.0	110165	14.6
2011	7348300	70846	9.6	108258	14.7

Source: NSI

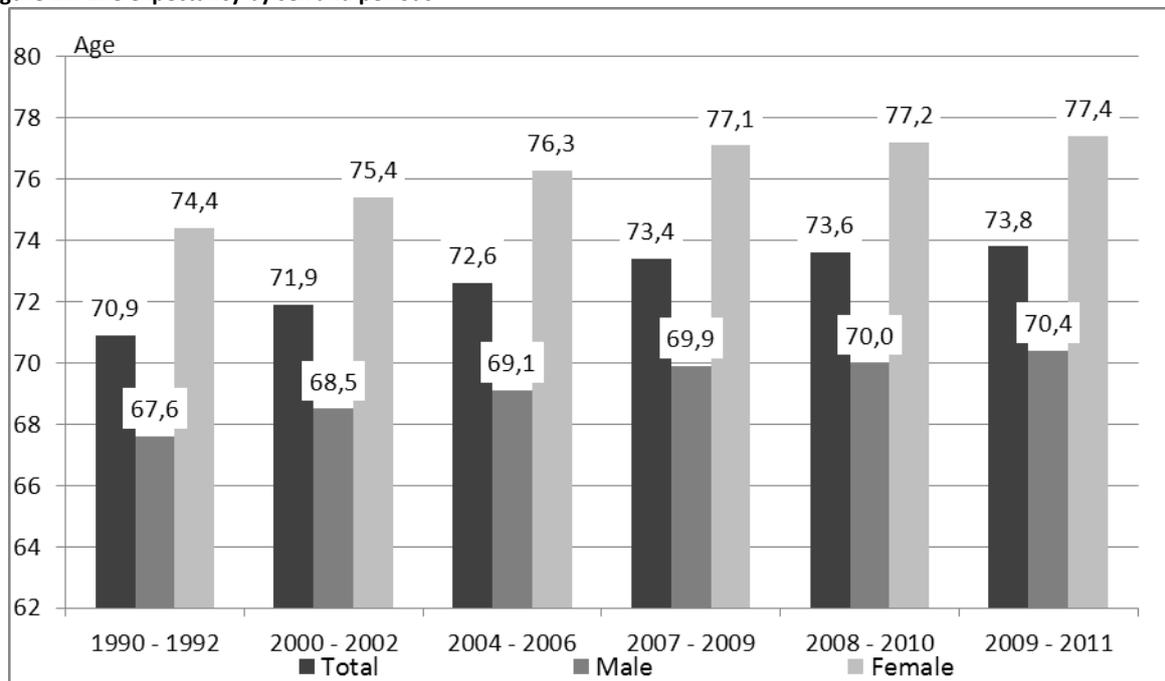
Certainly, the increase of fertility is a good reserve for improvement of population age structure. In a long term perspective, if higher number of young generations is achieved, the population age structure will be improved considerably. Besides the direct increase of share of young population within the total population, the increase of fertility would lead to increase of the fertile contingent and thence prerequisites for future higher fertility will be created. Data on the dynamics of TFR at present are not optimistic. Within the period 2001-2011, the TFR remained quite below the necessary for simple reproduction of the population - 2.1 children.

**Table 6: Total fertility rate within the period 2001 - 2011**

Years	TFR		
	Total	Urban	Rural
2001	1.24	1.15	1.55
2002	1.21	1.13	1.50
2003	1.23	1.15	1.53
2004	1.29	1.19	1.61
2005	1.31	1.24	1.56
2006	1.38	1.31	1.60
2007	1.42	1.35	1.62
2008	1.48	1.42	1.65
2009	1.57	1.49	1.77
2010	1.49	1.43	1.64
2011	1.51	1.43	1.74

Source: NSI

Life expectancy for the country, calculated for the period 2009 - 2011 was 73.8 years. Within the period 2000 - 2002, the life expectancy was 71.9 years. Thereafter it increased by 1.9 years for males and 2.0 years for females. Life expectancy for males was 70.4 years within the period 2009 – 2011, whereas for females it was 7 years higher or 77.4 years. Life expectancy for the urban population (74.6 years) was by 2.6 years higher than for the rural (72.0 years).

**Figure 17: Life expectancy by sex and periods**

Source: NSI

#### 4.2.4. Population structure and spatial distribution

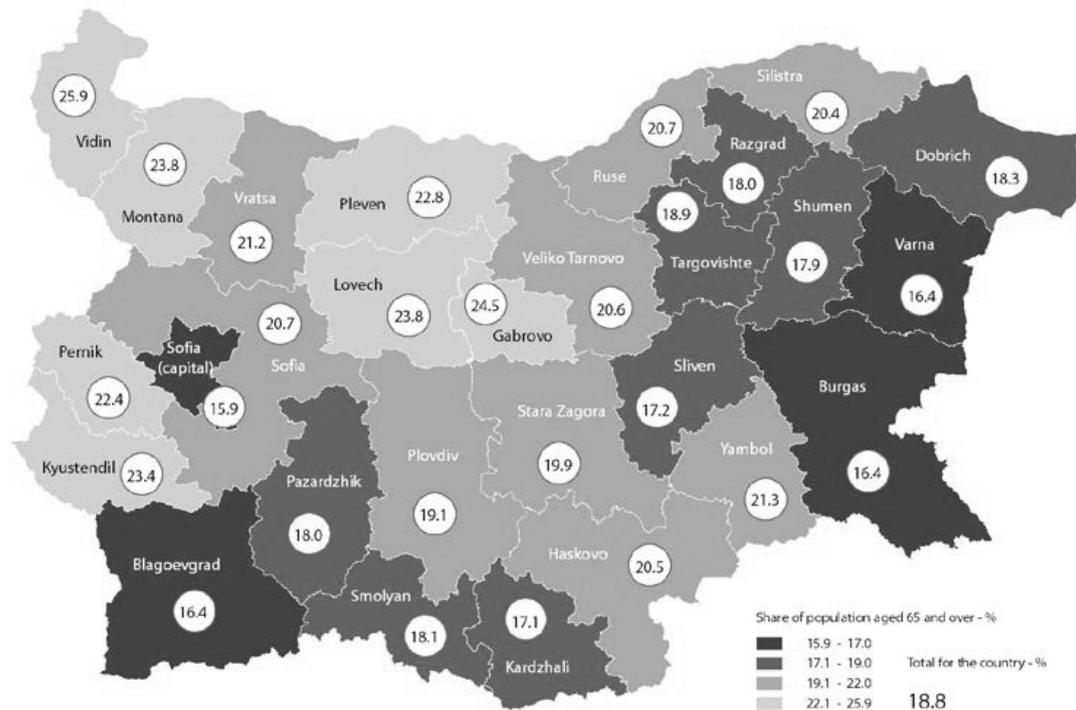
##### Age structure

As a result of the tendencies observed in fertility and mortality and the intensive emigration, the population age structure also changed. At the end of 2011 the age dependency ratio - ratio between persons under 15 and 65 and more per 100 persons aged 15-64 completed years was 47.5%. The same ratio in 2001 was 46.8%. The ratio was more favourable in urban areas - 42.2% than in rural - 63.9%. In 14 country districts the ratio was over 50%.

Old-age dependency ratio (ratio between persons aged 65 and more per 100 persons aged 15-64 years) for 2011 was 27.8% compared to 24.9% in 2001.

Ageing of population resulted in increase of the population mean age. It increased from 31.6 years in 1956 to 40.4 years in 2001 and reached 42.7 years at the end of 2011. Ageing of population was observed both in urban and rural areas, but the mean age of the rural population was 4.3 years higher than of urban one. In urban areas the mean age of population was 41.5 years, compared to 45.8 years in rural.

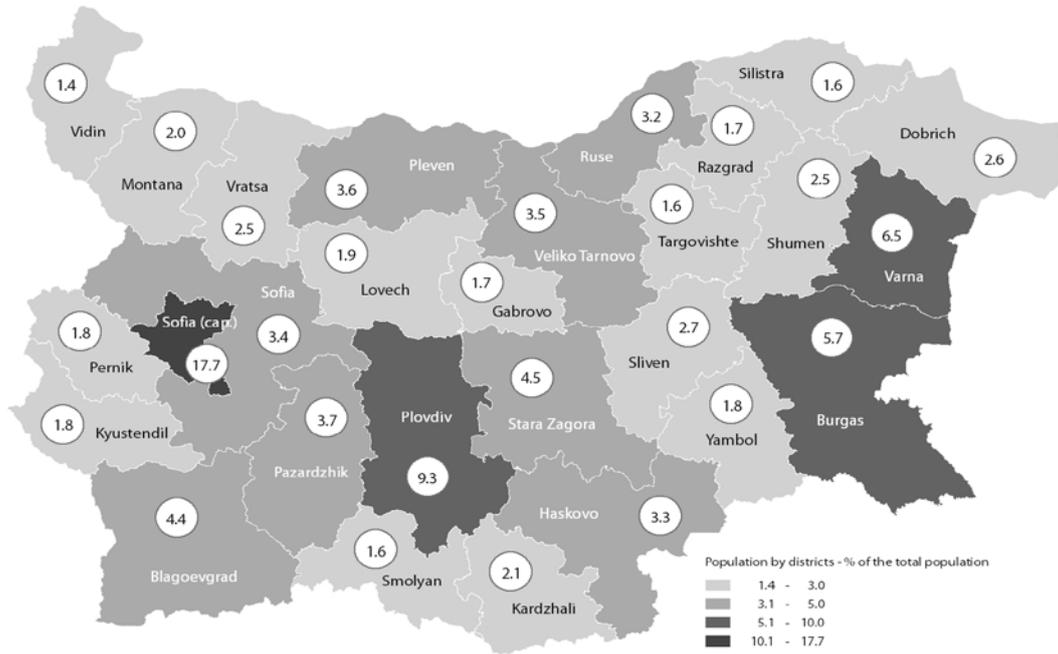
Map 2: Population aged 65 and more at 31.12.2011 by districts



Source: NSI

Changes of the demographic tendencies resulted in changes in the territorial distribution of population. The last were expressed by concentration of the population in the capital and two-three of the bigger country regions.

Map 3: Population at 31.12.2011 by districts



Source: NSI

The number of population at working age at the end of 2011 was 4 523,000 persons or 61.7% of the total population. The number of population over working age was 1 760,000 persons or 24.0% and under working age were 1 045,000 persons or 14.3% of the country population. Compared to 2001, the share of population at working age increased by 7.5% and the shares of population under and over working age decreased by 2.0% and 5.0% respectively.

Table 7: Population under, at and over working age

Year	Age groups		
	under working age - %	at working age - %	over working age - %
2001	16.3	59.2	24.5
2002	15.9	60.1	24.1
2003	15.5	60.8	23.7
2004	15.1	61.6	23.3
2005	14.8	62.4	22.8
2006	14.6	62.8	22.6
2007	14.5	63.0	22.5
2008	14.5	63.2	22.3
2009	14.5	63.1	22.4
2010	14.6	62.7	22.7
2011	14.3	61.7	24.0

The reproduction of population at working age is characterized by the coefficient of demographic replacement, showing the ratio between the number of persons entering working age (15-19 years) and number of persons exiting it (60-64 years). At the end of 2011 the ratio was 68. For comparison - in 2001 each 100 persons exiting working age were replaced by 124 young persons.

### ***Ethnic composition***

Ethnic composition of population remained almost unchanged within the period 2001-2011. According to the 2011 census data, the Bulgarian ethnic group comprised 5 664,624 persons, or 84.8% of persons who answered voluntarily to the question on ethnic group. The share of Bulgarian ethnic group increased by 0.9 points compared to the 2001 census. At the beginning of the 20<sup>th</sup> century the Bulgarian ethnic group represented 77.1% of the whole population and since 1910 till present it remains over 80% (highest was the share of Bulgarian ethnic group in 1975 - 90.9%).

Second was the Turkish ethnic group – 588,318 persons determined themselves as ethnic Turks at 1.02.2011 or 8.8%. The share of Turkish ethnic group decreased by 0.6 percentage points compared to 2001. During the censuses from 1900 to 1926, the share of Turkish ethnic group was over 10% and since 1934 it was from 9.7% in 1934 to 8.4% in 1975.

Roma ethnic group took the third place by tradition. At 1.02.2011 it numbered 325,343 persons according to the person's self-declaration with a share of 4.9% or 0.2 percentage points more than in 2001.

49,304 persons or 0.7% determined themselves to other ethnic groups. The following are included: Russian ethnic group - 9,978 persons, Armenian - 6,552, Vlashka - 3,684, Greek - 1,379, Jewish - 1,162, Karakachanska - 2,556, Macedonian - 1,654, Romanian - 891, Ukrainian - 1,789 and others - 19,659 persons. Persons who did not state their ethnic group were 53 391 - 0.8%.

### **4.2.5. Education**

Surveying of the population educational status started with the 1934 census. Up to 2011 the educational structure of population aged seven and more improved considerably. A clear tendency of increase of the number and share of population with tertiary and upper secondary education and decrease of the number of people with lower secondary or lower education was observed.

At 1.02.2011 there are 1 348.7 thousand persons with tertiary education or each fifth person (19.6%) has tertiary education. The share of persons with tertiary education increases by 5.5 percentage points compared to the previous census. With upper secondary education are 2 990.4 thousand persons (43.4%) and for the last ten years an increase of 5.5 percentage points is observed.

For the first time during the 2011 census the category "school never attended" was included. The number of persons who have never visited school was 81.0 thousand or 1.2% of the population over seven years of age.

Generally, the education of male population is a little bit higher compared to female - share of males with upper secondary and higher education is 63.6 % compared to 62.4% for females. In return for it, the females complete tertiary education more often than the males and at the census moment there are 791,800 thousand females (22.3%) with tertiary education, compared to 556,900 males (16.7%). Considerable discrepancies are observed in the educational structure by place of residence - nearly 3/4 of the female population in urban areas (71.6%) has at least upper secondary education completed, compared to hardly 40.3% in the rural areas.

Table 8: Population aged 7 years and more by education as of 01.02.2011

Place of residence	Total	Tertiary education	Upper secondary education	Lower secondary education	Primary education	Uncompleted primary education	School never attended	Child
<b>Age groups</b>								
<b>Total</b>	<b>100.0</b>	<b>19.6</b>	<b>43.4</b>	<b>23.1</b>	<b>7.8</b>	<b>4.8</b>	<b>1.2</b>	<b>0.2</b>
7-9	100.0	-	-	-	-	91.1	1.2	7.7
10-14	100.0	-	-	12.4	60.2	26.3	1.0	-
15 - 19	100.0	-	17.9	71.7	7.4	1.7	1.2	-
20 - 24	100.0	10.5	69.7	12.6	4.1	1.5	1.5	-
25 - 29	100.0	30.7	47.7	14.0	4.4	1.6	1.6	-
30 - 34	100.0	31.4	47.4	15.2	3.9	1.2	1.0	-
35 - 39	100.0	29.0	51.2	15.4	2.6	0.8	0.9	-
40 - 44	100.0	26.6	55.2	14.5	2.4	0.7	0.7	-
45 - 49	100.0	24.2	56.9	15.2	2.4	0.7	0.7	-
50 - 54	100.0	24.4	54.9	16.5	2.7	0.7	0.7	-
55 - 59	100.0	23.8	50.6	21.3	3.0	0.7	0.6	-
60 - 64	100.0	19.5	49.7	25.6	3.5	0.8	0.8	-
65 - 69	100.0	18.8	38.8	34.1	6.0	1.1	1.2	-
70 - 74	100.0	16.2	33.7	37.2	9.6	1.6	1.8	-
75 - 79	100.0	13.0	28.4	39.1	14.9	2.1	2.5	-
80 - 84	100.0	12.4	25.6	37.2	19.9	2.4	2.5	-
85+	100.0	10.5	18.5	39.0	25.9	3.1	3.1	-

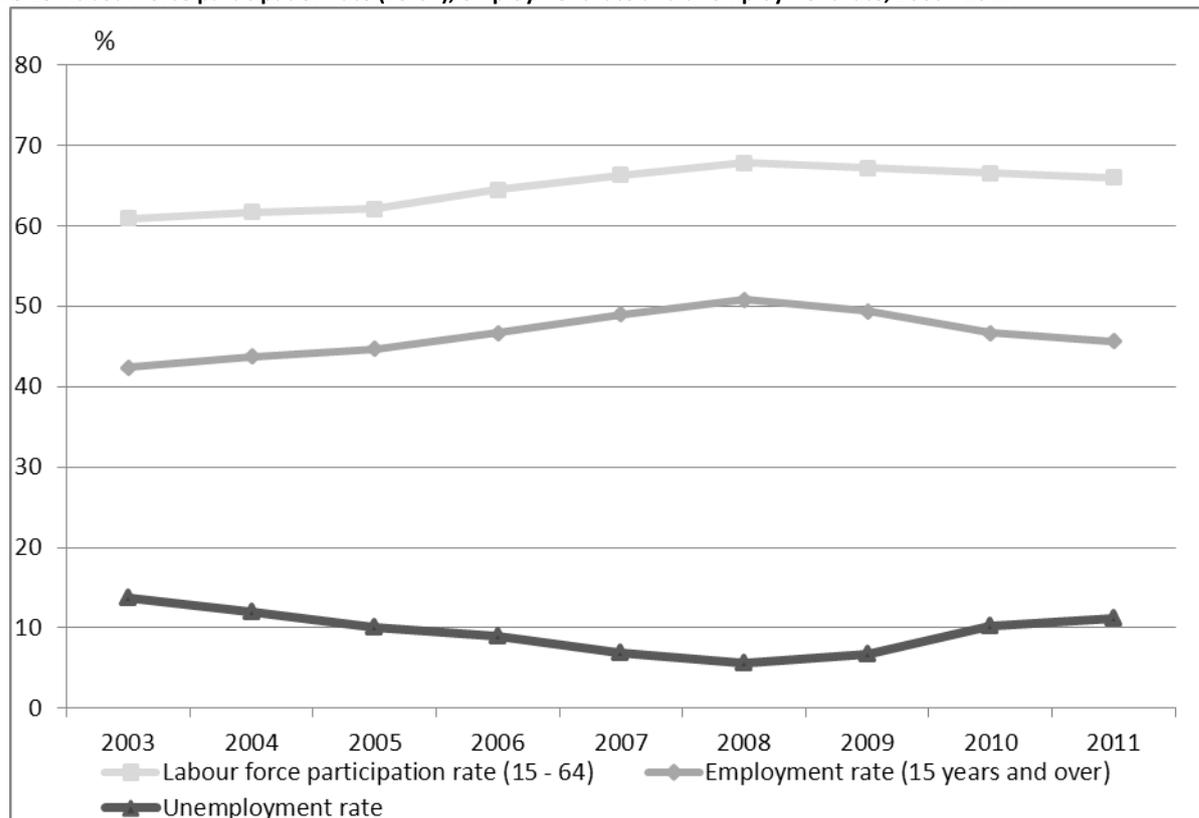
Source: NSI

### 4.3. Labour Market

#### 4.3.1. General characteristics of the labour market

Labour market trends in Bulgaria over the 2003 - 2008 period were characterised by a continuous increase of the labour force participation rate (aged 15 - 64 years) and the employment rate (aged 15 and over), and by drop of the unemployment rate respectively. In the following years (2009 - 2011) the opposed trend is observed (Figure 15).

Figure 18: Labour force participation rate (15-64), employment rate and unemployment rate, 2003 - 2011



Source: Labour Force Survey, NSI

#### 4.4.1.1 Labour force participation

In 2003 the labour force participation rate (aged 15 - 64 years) was 60.9% and was going up until 2008. This rate started to drop from a level of 67.8% in 2008 to 66.0% in 2011. For the period concerned changes in the labour force participation rate (15 - 64 years) for both men and women followed the same trend as the total rate as this rate was higher for men than for women (between 7.2 and 9.6 percentage points). In 2011 the labour force participation rate was 69.6% for men and 62.4% for women.

**Table 9: Labour force participation rate of population aged 15 - 64 years**

	(Per cent)								
Sex	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Total</b>	<b>60.9</b>	<b>61.7</b>	<b>62.1</b>	<b>64.5</b>	<b>66.3</b>	<b>67.8</b>	<b>67.2</b>	<b>66.5</b>	<b>66.0</b>
Male	65.4	66.4	66.9	68.8	70.6	72.5	72.0	70.8	69.6
Female	56.5	57.2	57.3	60.2	62.1	63.1	62.5	62.3	62.4

Source: Labour Force Survey, NSI

Among the districts in 2011 the highest labour force participation rate (aged 15 - 64 years) was observed in Sofia capital (73.6%), Shumen (72.7%), Blagoevgrad (70.7%), and the lowest rate in Kardzhali (53.0%) and Silistra (56.2%).

#### **4.4.1.2 Employment**

Started from a value of 42.4% in 2003 the total employment rate (aged 15 and over) reached its high point in 2008 - 50.8% and decreased in the following years (Figure 1). In 2011 this rate was 45.6%, by 5.2 percentage points lower compared to 2008. Over the 2003 - 2011 period the employment rate (aged 15 and over) for both men and women was changed in the same way as the total employment rate. The fall in the employment rate between 2008 and 2011 was higher for men than for women, 6.9 and 3.6 percentage points respectively. In 2011 male employment rate stood at 49.6% and female employment rate at 41.9% (Table 12).

**Table 10: Employment rates of population aged 15 and over**

	(Per cent)								
Sex	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Total</b>	<b>42.4</b>	<b>43.7</b>	<b>44.7</b>	<b>46.7</b>	<b>49.0</b>	<b>50.8</b>	<b>49.4</b>	<b>46.7</b>	<b>45.6</b>
Male	46.8	48.4	49.7	51.8	54.4	56.5	54.9	51.3	49.6
Female	38.4	39.5	40.0	42.0	44.0	45.5	44.4	42.4	41.9

Source: Labour Force Survey, NSI

Among the districts in 2011 only five districts recorded employment rates (aged 15 and over) higher in comparison with the total employment rate. The highest rate was observed in Sofia capital (55.7%) and Blagoevgrad (53.8%). Nine districts recorded rates about or below 40.0% as the lowest rate was in Vidin (33.6%).

Of the total number of employed persons 83.6% worked in the same settlements that live. In another settlement in the country worked 15.7% of employed persons, of which 17.7% had a job in another district (not in the district that live). Having in mind that only persons, temporary absent from the country, respectively from their homes, who leave the country within the period less than 1 year are considered household members, share of working abroad was low.

In 2011 the total number of employed persons was 2 949 600, of which 1 811 200 (61.4%) had job or business in services, 937 900 (31.8%) worked in industries and 200 500 (6.8%) - in agriculture, forestry and fishing. The period observed (2003 - 2011) is characterised by a continuous decrease of the share of employed persons in agriculture, forestry and fishing sector. The share of employed persons in industry was going up weakly until 2008 followed by decline in employment in this sector as the share of employed in industry in 2011 was lower compared to 2003. The share of employed persons in services remained relatively stable until 2009 (between 56.1 - 57.7%) followed by an increase in 2010 and 2011.

Lack of a job or seeking a better job opportunities, increase of unemployment, particularly during the crisis, are among reasons that can stimulate international migration. In 2011 according to Eurostat data (<http://epp.eurostat.ec.europa.eu>) 171 618 Bulgarian citizens resident in Spain, followed by Germany - 80 440, Italy - 51 134, Belgium - 20 791, Netherlands - 14 110. According to the 2011 data published by the Office for National Statistics (<http://www.ons.gov.uk>) estimated population with Bulgarian nationality resident in the United Kingdom is 42 000.

**Table 11: Structure of employment by economic sector**

Year	Structure - %				
	Total	Agriculture, forestry and fishing	Industry	Services	Unknown
2003	100.0	10.1	32.8	57.1	0.1
2004	100.0	9.7	33.1	57.1	0.1
2005	100.0	8.9	34.2	56.8	0.1
2006	100.0	8.1	34.5	57.4	-
2007	100.0	7.5	35.5	57.0	-
2008	100.0	7.5	36.4	56.1	-
2009	100.0	7.1	35.2	57.7	-
2010	100.0	6.8	33.3	59.9	-
2011	100.0	6.8	31.8	61.4	-

Source: Labour Force Survey, NSI

#### 4.4.1.3 Unemployment

The highest level of unemployment was in the beginning of the 2003 - 2011 period. The unemployment rate started to decrease continuously from a value of 13.7% in 2003 and stood at 5.6% in 2008 (more than twice lower compared to 2003) as the highest fall in the unemployment was between 2006 and 2007. In the following years the unemployment rate was going up and reached 11.2% in 2011. The highest rise in the unemployment rate was between 2009 and 2010, by 3.4 percentage points (3.9 percentage points for men and 2.9 percentage points for women). Male unemployment rate was 12.3% in 2011, more than twice higher than in 2008 (5.5%). Female unemployment rate was 10.0% in 2011, by 4.2 percentage points more than in 2008 (5.8%). (Table 14).

**Table 12: Unemployment rates**

Sex	(Per cent)								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Total</b>	<b>13.7</b>	<b>12.0</b>	<b>10.1</b>	<b>9.0</b>	<b>6.9</b>	<b>5.6</b>	<b>6.8</b>	<b>10.2</b>	<b>11.2</b>
Male	14.1	12.5	10.3	8.6	6.5	5.5	7.0	10.9	12.3
Female	13.2	11.5	9.8	9.3	7.3	5.8	6.6	9.5	10.0

Source: Labour Force Survey, NSI

Among the districts in 2011 unemployment rates below the level of the total unemployment rate were registered in ten districts as the lowest were in Kardzhali (5.1%) and Sofia capital (5.9%). District of Shumen and district of Smolyan recorded the highest unemployment rates (twice higher compared to the total rate), 26.5 and 23.8% respectively. In 2011 unemployment rate was high (20.3%) in Razgrad and Vidin as well.

Over the 2003 - 2011 period changes in the youth unemployment rate were analogous to changes in the total unemployment rate - decrease from 2003 to 2008 followed by rise in the following years. In 2011 the youth unemployment rate was 20.1% (20.8% for men and 19.2% for women). (Table 15). For the period observed the youth unemployment rate was higher in comparison with the total unemployment rate and in 2011 this difference was the highest - 8.9 percentage points.

**Table 13: Youth unemployment rates**

Sex	(Per cent)								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total	21.1	19.2	16.0	14.5	11.0	9.4	11.9	17.6	20.1
Male	22.5	19.7	16.2	13.7	10.7	10.1	12.5	18.7	20.8
Female	19.5	18.7	15.7	15.4	11.4	8.3	11.0	16.0	19.2

Source: Labour Force Survey, NSI

#### **4.4.2. Integration of immigrants on the labour market**

Due to a small sample data for smaller groups (in this instance immigrants) obtained from the Labour force survey are burdened with a high stochastic error and are not reliable even at national level. Figures at regional level cannot be published. Because of that it is not correct to use these data for analysis on economic activity of immigrants and for comparison with economic activity of national population.

#### **4.4.3. Effects of emigration on labour markets**

According to the LFS methodology persons living the country before a period of 1 year and more, as well as persons who permanently live abroad, no matter the period of migration and citizenship are not considered household members. Therefore they are not the object of the survey and LFS do not provide data on the characteristics of emigrants: age, sex, education, labour status, etc.

In general emigration of young people could have negative effect on demographic situation in the country - on the age structure of population, on the ratio between working age population and population over working age, etc. Emigration of qualified persons could lead to lack of skilled labour force on the labour market or could cause workforce deficit in certain professions.

The main problem to cover non-nationals in Bulgarian LFS results from the small number of non-nationals in the sampling frame (Population Census). According to the 2001 Population Census (the base for the LFS sample for 2001 - 2011 period) their number is 25.6 thousand, representing 0.3% of the total population. Due to the small number of non-nationals in the population they could be not well represented in the LFS sample and consequently LFS does not provide reliable data (the total number of non-nationals is 8.4 thousand for 2011).

## 5. CASE STUDY OF DISTRICT MONTANA

Both internal and external migration processes contributed to the small municipalities depopulation in most cases in Montana region.

According to the data, associated with regional economic and social development Montana region significantly lags behind the other Bulgarian regions in terms of its socio-economic development. In terms of number of population, economic potential and Gross Domestic Product the region occupies one of the places at the end of comparisons in the country.

Regional demographic situation is extremely disadvantageous. During the last couple of years population's number decreases rapidly mainly because of its age structure which is determined by an increasing number of people growing old and a lower birth rate. The region is very much influenced by migration, caused by the unfavorable economic situation.

Montana region is facing many complicated problems such as hard demographic situation, high level of negative natural growth, low incomes, sustainable labour migratory rates, lack of investments, bad condition of the transport and technical infrastructure and last but not least a high level of criminal activity, especially in the smaller areas.

Montana District occupies the central part of North Bulgaria with a total area of 3635 square kilometers, which is 3.2 percent of the territory of Bulgaria. Northern boundary of the area is the Danube, which is the state border with Romania. Southwest area bordered by Serbia to the south is bounded by the northern slopes of Stara Planina. The area is divided into eleven administrative municipalities: Berkovitsa Boychinovtsi, Brusartsi, Varshets Valchedram, George Damyanovo, Lom, Medkovets Montana Chiprovtsi and Yakimovo.

Contiguous area in a westerly direction is Vidin, in the east - Vratsa District and the South – Sofia. The area is divided into eleven administrative municipalities: Berkovitsa Boychinovtsi, Brusartsi, Varshets Valchedram, George Damyanovo, Lom, Medkovets Montana Chiprovtsi and Yakimovo.

An important advantage of areas related to its location, is the fact that it passes through two European transport corridors network TINA - Corridor № 4 (road E 79) Vidin-Montana-Vratsa-Sofia-Tower (FP I-1) and corridor № 7 (Danube).

### **Economic development**

#### *General characteristic of Montana region's economic development*

Montana region's Gross domestic product in 2001 is 1 792.46 million USD (BGN 2 661 million) or 1.06% of the country's total value. The region is characterized by one of the lowest values of Gross domestic product per capita with a total amount of 3 268 USD (BGN 4 894).

Low level of the investment expenditures in the country during the last decade affected negatively the regional investment activity which on the other hand had its negative impact on the level of the production renovation.

In 2001 and 2011 the values of the long-lasting material assets of the regional economy are respectively 45 169 thousand USD (BGN 67 644 thousand) and 396 017 USD (BGN 593 069 thousand).

Montana region is characterized by low level of economic and investment activities, accompanied by a lack of significant investment intentions. Crisis and recession deteriorated economic activity not only in the region, but also in the country as a whole.

The level of the regional entrepreneurship (30 companies per 1 000 people in 2011) is significantly lower than the country's value for the respective year (51 companies in 2011).

The region suffers from a lack of investment intentions not only from internal, but also from external entrepreneurs.

Northwestern planning region has the lowest level of foreign investments in the country - 2,58% in 2003 as less than 15% of them are in Montana region. In 2009 the amount of the foreign investments is 33 403.52 USD (25 628.0 thousand euro) while in 2010 it is reduced to 32 132.19 thousand USD (24 652.6 thousand euro). Processing industry is the field which is characterized by the highest level of investment activity – 85% of the direct foreign investments.

### **Social development**

A specific characteristic of all regional municipalities, including their municipal centers as well as the regional center (the city of Montana), is their population's negative natural reproduction rate. In 2001-2011 regional population's number decreased by 34 160 people.

The decrease of Montana region's population is determined not only by negative natural reproduction (more dead than born people), but also by migration (more people moving out of the country than people settling in).

In 2001 Montana region's children death-rate coefficient is 23.3‰ while the national respective rate is 14.4‰. In 2011 regional death-rate value goes down to 7,9 ‰ while the national respective rate is 13.3‰. The value of children's death –rate in 2011 is 11,2 ‰.

In 2011 mechanical movement's intensity diminishes as the number of people settling in is 2082, while the number of people moving out is 2550 and the mechanical growth is 468.

Various socio-economic factors influence the formation of the streams of people settling in and moving out.

The percentage of the poor people before social transfers (social support) in 2011 is 48,1%,(28,1%, with pensions included) while the respective average value of the country is 41,5% (27,1%. with pensions included).

The value of the regional line of poverty is BGN 2 400 while the national respective value is 3405 leva per capita. The value of the regional line of poverty for two adults with children whose age is no more than 14 is BGN 5 040, as the respective national values is BGN 7 150.

Salaries and pensions are the basic sources of income for the regional population. The share of salaries in the structure of the regional population's incomes is 33,2%. In comparison with the average incomes of the country's population in 2011 (BGN 8 826 per household) Montana region can be positioned among regions with the lowest incomes of population per household.

The value of the annual salary of people under labour agreement in 2001 is BGN 2 337 while the same value in 2011 is BGN 6 289.

## **Demography and Human Capital**

### **Population structure and territorial distribution**

According to the 01.02.2011 census of the population, conducted by the NSI , population of Montana region is 148 098 people which forms 2.0% of the country's population (7 364 570 people). The number of women is 75 257 as it forms 50.8% of the regional population's number while the number of men is 72 841, forming 49.2% of the regional population's number.

Since the average number of population per NUTS2 level in Bulgaria is 263 020 people, 8 of 28 regions are above the country's average number in terms of population, the remaining 20, however, including Montana, are below the country's NUTS2 average number. In 2001 population of Montana region is 182 258 people as 89 025 are men and 93 233 are women.

The values of the age dependence coefficient, formed by the number of people above 65 years and people between 0 and 14 years gradually grows from 157.32% in 2001 to 175.25% in 2011 as growth

is caused predominantly by the higher share of people in the above 65 years age group. The values of the age dependence coefficient, formed by the number of people above 65 years and people between 15 and 64 years is respectively 36.22% in 2001 and 37.70% in 2011.

### **Education**

The percentage of people between 25 and 64 years, with tertiary education amounted to 15.8% in 2001 and 15.4% in 2011.

Educational structure of the population in 2011 shows that Montana region falls behind in terms of population's education rates, even the municipality of Montana has even 3 % lower share of highly educated population in comparison with country average. The share of people with tertiary education on a regional level was about 7% lower than the country average.

**Table 14: Structure of the population over 7 years according to the educational level accomplished in Montana region**

Year s	Total	Education						Illiterate	Never visited school	Child	Non- identifie d
		Tertiary	Colleg e	Secondar y	Primary	Elementary	Unfinished elementary				
200	17211										
1	8	8863	7374	63041	54914	23936	11042	1930	-	345	673
201	13963										
1	4	12036	5032	63538	38595	12128	6922	-	1115	268	-

### **General characteristics of the labour market**

The average annual unemployment coefficient of population aged 15 years and over is respectively 18.35% in 2001 and 13.60% in 2011.

The average annual coefficient of employed population aged 15 years and over is respectively 37.20% in 2001 and 38.10% in 2011.

Less than a half of the population whose age is over 15 years, namely 93 874 in 2001 and 60 803 in 2011 are registered as economically active in Montana region and the vast majority of the municipalities.

Unemployed young people, whose age is 29 years or less, form 21.4% of all unemployed in 2011. In 2001 their number is 7 735 people while in 2011 they are 4 225 people.

According to the statistical data from 2001 and 2011 Census of the population, economically active population of Montana region is as follows: the general number in 2001 is 60 015 people, while in 2011 it is 47 485 people. The number of people, occupied in agriculture is 18 437 in 2001 while in 2011 it is 47 485. The number of people, occupied in industry is 15 377 in 2001 while in 2011 it is 15 634. The number of people, occupied in industry is 15 377 in 2001 while in 2011 it is 15 634. The number of people, occupied in service sector is 26 201 in 2001 while in 2011 it is 27 828.

### **Integration of immigrants on the labour market**

The average annual coefficient of employed population whose age is 15 years and over is respectively 37.20% in 2001 and 38.10% in 2011.

**Table 15: Structure of employed people in terms of gender and citizenship according to the 01.02.2011 census of the population in Montana region**

(Number)

	<b>Total</b>	<b>Male</b>	<b>Female</b>
<b>Population - total</b>	<b>148098</b>	<b>72841</b>	<b>75257</b>
Economically active	60803	32947	27856
Economically active – employed	47485	24994	22491
Economically active - unemployed	13318	7953	5365

## 6. OUTLOOK AND CONCLUSIONS

Based on the analysis of demographic development of Bulgaria since 1950 and especially during the years after the change of political system in the country, the following conclusions can be done:

- the fertility in the country, no matter some fluctuation, remains at a low level. It shows signs of increase in years of economic growth, but is still quite lower than the necessary for simple reproduction.
- the mortality stays at relatively high level, which to a great extent is due to the ageing of population;
- the natural increase remains negative since 1990 and the tendency of decrease intensifies;
- the ageing of population became more and more intensive due not only to the worsened fertility and mortality indicators, but to the considerable “contribution” of intensive emigration processes as well;
- despite the decrease of the intensity of emigration, it is still crucial for the country demographic situation. More than 60% of emigrants are aged 20-59 years, of which more than 50% are female. Or, emigrate persons in most creative and fertile ages;
- the population number decreases gradually since 1989 and the decrease is expected to continue. Population projections show an expected decrease of more than 1 million up to 2050;

Present demographic situation in Bulgaria may cause serious problems in respect future economic and human development and the labour market in the country. That’s why numbers of priority areas are defined and concrete measures directed to overcoming of negative tendencies are provided in the National Demographic Strategy, most important of which are the following:

1. Delay of the negative demographic processes and the decrease of population number
  - encouragement of fertility and creation of an environment favourable for bringing up and education of children - provision of financial incentives for bringing up children; reconciliation of parenthood and labour participation; better education, health care and social condition for children;
  - improvement of the population reproductive health;
  - improvement of awareness on the demographic situation and the population reproductive culture;
  - improvement of the population health status and decrease of mortality incl. maternity, infant, premature mortality;
  - decrease of morbidity and prevention of socially significant diseases;
  - elaboration of adequate migration policy;
  - improvement of information supply and creation of an administrative register of migrants;
  - considerable decrease of the number of emigrants in reproductive age - provision of employment and decrease of unemployment among young people;

- improvement of the working conditions, remuneration and quality of employment.
2. Overcoming of the negative consequences of population ageing and improvement of the quality of human potential
    - elaboration and implementation of National Conception for active ageing;
    - adaptation of the social insurance system and the system of social services to the population ageing;
    - adaptation of health care system to the population ageing;
    - adaptation of education system to the population ageing;
  3. Minimising the disproportions in the territorial distribution of population and depopulation of some country regions
  4. Adaptation and synchronization of the legislation with the necessities for balanced demographic development and quality of human capital.