THE CHALLENGES OF DEMOGRAPHIC AGING AND MIGRATION OF POPULATION IN BULGARIA

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Abstract: The study addresses some of the most topical issues of the economic and social development from the viewpoint of globalization, European integration and the prerequisites for Bulgaria’s efficient participation in these processes – competitive economy and social security. Based on some state-of-the-art concepts of economic development and the European policies and strategies of economic and social progress the paper poses a number of questions of methodological, and mainly of political and strategic nature with regard to the openings of achieving tangible economic results for the people of Bulgaria.

Keywords: demographic aging and migration of population in Bulgaria

INTRODUCTION

The opposite trend of the relatively fast growth of the population in Bulgaria is a reverse trend: a halt to growth and a reduction process that started in 1989 and accelerated significantly in the 1990s. Population development and reproduction have low birth rates, accelerated aging and high emigration. They all limit the amount of human factor and lead to structural changes that increase the economic burden on the employed and the dependence of the inactive population. Otherwise, this also leads to future constraints on economic development, labor supply and the quality of human resources.

The dynamically developing processes of globalization and integration in the condominium continue to be accompanied by poverty and unemployment, deepening disparities between poor and rich, difficult access to education, employment and social security for a large number of people. Significant human potential remains untapped for economic growth and income growth. For many, access to richer wealth, financial
resources and labor and social rights remains limited. So social expectations of globalization and integration are hard to justify.

The Bulgarian concept of economic and social development needs to be adapted to the new trends and processes of global and European development, to growing competition, but also to achieving a fuller integration into the European social model. The need for this stems from ongoing integration processes and from the need for a more fruitful European dialogue and effective inclusion.

**METHODOLOGY AND PRACTICE OF MEASURING EMPLOYMENT, PRODUCTIVITY AND PARTICIPATION IN THE BULGARIAN ECONOMY**

The level and scale of employment of the active population in the country is measured by the number of people employed in the various economic activities of the national economy. This is officially registered employment in our legitimate economy. Different studies in the country on the scale of the gray, illegitimate economy show a high share of this economy and its employment, but in practice they are not included in official statistics. This allows us to claim that employment is higher and unemployment and economic activity lower. This is one problem with the measurement of employment and other indicators related to it. The other is working time, actually worked time. There is an officially defined working time (under standard work conditions it is 8 hours a day or 40 hours a week). On this basis, the number of employees should be determined and the labor productivity calculated. Surveys show that in practice, a lot of people work on a much longer working day and week. Thus employment remains lower, as part-time or part-time employment in our country remains at a very low level. On the other hand, labor productivity, measured by production (value) and number of employees, is higher and leads to misconduct for competitiveness. Therefore, the practice of calculating hourly labor productivity (based on the actual time worked by the employed) should be adopted in Bulgaria. Measured as such, labor productivity would be comparable to other countries and companies (especially competitors), it would give a more realistic assessment of the level of competitiveness of companies and industries, as well as of the organization of work, of effective working time. In other words, information on the extent of the resources used in the production or on the existing opportunities for increasing productivity and competitiveness.

The use of hourly labor productivity would also make a more accurate comparison of labor outcomes with labor remuneration, higher motivation and greater fairness could be achieved in distributing the wealth created by human labor.

The slower employment growth in the country has many reasons, including the possibility of working longer with the working day and week. This is also one of the ways to reduce the cost of labor for business, thus making it more competitive. For employed persons, the hourly wage per hour with higher working hours decreases in practice in cases where salary is not proportional to the time worked. Could it be that employers did not compensate for prolonged working hours and poor organization of work (stays and breaks, low work intensity, low qualification and / or inadequate professional training and qualification)? In all these cases, we have untapped resources and potential for economic development, higher productivity and competitiveness or, in other words, missed opportunities for more income - for businesses and for employees. This long-standing, well-established policy of many companies does not encourage them to innovate and new technologies, is strategically harmful to the development of competitiveness. The mass of labor replaces investment in innovation. This can also be seen in the policies of the employers' organizations within the social cooperation institutions. They are mainly aimed at lowering the labor cost (legislative introduction of work for extended working hours.
alongside extraordinary work, eradication or reduction of payments for harmful work and work with longer duration, legislative abolition of school leaves, very low number and share of qualifying and others).

The increasing number and share of elderly people (65+) poses serious challenges to the social security system, the social assistance system and health care: the reform of the social security system, the amount of social security contributions and income and related income of the business and the population, but also the security for the development of the different insurance systems and institutions. The social security reform since the mid-1990s has increased security in the long run with regard to pensions and other social security payments, but has borrowed social security contributions from the official insurers: businesses and employees. The development of occupational and universal insurance funds and voluntary insurance has allowed the accumulation of significant investment resources that are used to develop the economy. The development of public and private insurance institutions and other related industries has, in turn, created many jobs in the country that require mainly skilled labor and generate stable employment and relatively high pay for labor.

**QUANTITATIVE AND STRUCTURAL LIMITATIONS IN THE DEVELOPMENT OF THE COUNTRY'S HUMAN RESOURCES**

One of the most significant demographic challenges for the economy is the aging of the population, which requires, to a certain extent, economic restructuring and a change in employment and human resources management policies. The aging process of the population deepens as a direct consequence of the "demographic transition" in the country. There are and are expected significant structural changes in the share of the three age groups below, at and above working age, of the population up to 15, 15-60 / 64, over 65 but also over 80, which has direct impact on the economic and social spheres. It is expected that the proportion of the working age population will continue to increase by 2010 due to the effect of the many generations born immediately after the Second World War. Once this effect has been exhausted, a rapid decline in the share of the working population is expected. The age dependency ratio (population aged under 15 and above for the population aged 15-64) for 2006 is 44.3% . The economic effects of aging are in many areas. The first place is the impact on the labor market and its effective functioning: it reduces the quantity and quality of work; the impact on and its price, and hence on the competitiveness, quality and productivity of labor: educational level; professional competencies and adaptability to changes in the stability of the social security system. In less than 20 years, the ratio between young (under 15) and those aged over 65 is expected to deteriorate by 18 percentage points (from 85.6% to 67% according to the UN Population Survey, middle variant). Secondly, there is the negative impact of aging on the budget: the income from economic activity and the costs of social assistance and demographic policy.

The question whether current accounts play a major role for economic stability has become particularly urgent in the course of the European Monetary Union (EMU). Before that, it was an issue of minor concern since imbalances were supposed in theory to be – and in practice usually were – effectively constrained by appropriate exchange rate adjustments. Depending on the exchange rate regime, these adjustments were dramatic at times. A strong adjustment happened in particular when it had been temporarily suppressed by a pegged exchange rate regime. Such a regime requires exchange rates to be provisionally fixed (within very tight limits), but they may be subject to discretionary adjustments. Until the decision to adjust is taken any movement is suppressed. The emergence of current account imbalances is one major reason to take such a decision, but the pressure can be exacerbated by speculation on financial markets. All major pegged
currency systems like the Exchange Rate Mechanism within the European Monetary System in the eighties and early nineties worked like this.

By permanently fixing exchange rates, the EMU avoids all this. But the problem of imbalanced current accounts within the EMU is not addressed. As it turned out, this negligence proved a major problem for the internal stability of the EMU. As will be shown below in more detail, imbalances widened sharply in the run-up to the crisis. To ensure a stable development, current account imbalances have to be limited. For, again as will be discussed in more detail, it is not the case that a current account imbalance between Euro Area countries is as inconsequential as that between two regions of a nation state. The Macroeconomic Imbalance Procedure (MIP) established in response to the crisis already states thresholds for deficits as well as surpluses that should not be trespassed (EU Commission 2017a). It is flawed, however, not least in being asymmetric: surpluses are treated with much more leniency than deficits. Moreover, the procedure that is supposed to ensure compliance and sanction violations has not proven effective so far.

Consequently an inappropriate wage formation process and outcomes are seen as the major driver behind the emergence of current account imbalances (e.g. Allsopp/Watt 2003, Horn et al. 2005, Stockhammer 2011, Bibow 2012, Watt 2012, Fllassbeck/Lapavitsas 2013, Bofinger 2015, Wren-Lewis 2015). According to this reasoning wages have moved in a way that changed real exchange rates dramatically leading to diverging export and import performances in the different member countries. To avoid this, the real exchange rate should remain more or less unchanged from its equilibrium value. All other things equal that requires ULC movements to be the same over the medium run across all member states. The question is, at which growth rate. The benchmark is the inflation target of the ECB of close to but not higher than 2% in the medium run. This implies that, in the longer run ULCs rise by the same value as inflation. This stabilises the functional income distribution while assisting the central bank in achieving its main policy goal, increasing its scope to focus on the subsidiary aims of growth and employment.

Economic development has so far been assessed mainly by the level and rate of development of Gross Domestic Product (GDP), and for comparison with other countries, per capita GDP per capita purchasing power parity (PPP) in dollars (albeit less frequently in euro). In this way, it is the most synthetic and it is possible to compare not only the achieved level in the development of the country's economy but also its ability to change the standard of living of the population for whose prosperity the economy ultimately develops. In the last 10-15 years internationally in theoretical, methodological and practical aspects are sought more precise indicators and measures of the standard of living of the population and the contribution of the economic development for this. GDP per head of the PPP population is insufficient and inaccurate to measure and assess the population's development, its potential capacities and the extent of its productive realization, the opportunities created for development and participation in the economic and social achievements generally. Last but not least, the benefits and benefits of developing processes of globalization, regional integration and civil society. In this respect, the developments under the auspices of the UN regarding the concept of sustainable economic and social development, human development and the methodology and indicators built for this purpose can be highlighted. For the most synthesized meter we offer the so-called Index of Human Potential Development (Human Development Index), which includes not only GDP per capita GDP, but also the development and level of education (level and extent of education), life expectancy and other (to 200) indicators to assess the economic development and changes in the welfare of the population of 183 countries in the world.
POLICY PROGRESS ON THE EU’S SUSTAINABLE DEVELOPMENT STRATEGY

This section provides an overview of the progress made at EU level on the seven key challenges and cross-cutting themes since the last report in October 2007. It does not set out to be a comprehensive list of the action taken but merely to highlight the main initiatives in each field. The Eurostat indicator report, based on the EU set of Sustainable Development Indicators (SDIs) to be published later in autumn 2009, will shed more light
on progress on the ground. Some preliminary results from this report\textsuperscript{4} are already included in this review.

**Climate change and clean energy**

Although EU greenhouse gas emissions grew over the period from 2000 to 2004, the trend over the last three years has been favourable and the EU is on track to meet its Kyoto Protocol target. However, if global climate change policies are not applied quickly, global greenhouse gas emissions will be in 2020 at least 60\% higher than in 1990. Even though the share of renewables in gross inland energy consumption has been growing faster since 2002, it is still far from the 2010 target of 12\%.

In recent years, the EU has been at the forefront of the fight against climate change. In December 2008, the EU legislator agreed on a Climate and Energy Package that sets ambitious targets for the EU. The EU committed itself unilaterally to reducing its overall emissions by 20\% below 1990 levels by 2020, and to upgrading this effort to a 30\% emissions reduction in the event of a comprehensive international climate agreement in Copenhagen in December 2009. It also set itself the target of increasing the share of renewables in energy use to 20\% by 2020. As part of the package, the directive on the EU Emission Trading System (ETS) was amended and directives on carbon capture and storage (CCS) and on renewable energy sources were adopted. The Energy Efficiency Package reinforces the key energy efficiency legislation on buildings and energy-using products. Additional energy savings will be provided by the extension of the Ecodesign Directive to energy-related products, in accordance with the sustainable consumption and production/sustainable industrial production (SCP/SIP) Action Plan. The rules governing the European Regional Development Fund (ERDF) have been amended\textsuperscript{14} to support sustainable energy in the housing sector, providing a further boost to investment in this sector. The European Strategic Energy Technology Plan (SET-Plan) accelerates the development and deployment of cost-effective low-carbon technologies. Similarly, a Communication on mobilising information and communication technologies (ICT) to improve energy efficiency was adopted in 2009.

Agreement on the climate and energy package was a major achievement in the light of the economic crisis and provides a significant contribution by the EU to the efforts for achieving a comprehensive climate change agreement in Copenhagen. However, EU greenhouse gas emissions make up only a limited share of global emissions. While the EU is on track to achieve its greenhouse gas emission reduction targets resulting from the Kyoto protocol, global CO\textsubscript{2} emissions are today some 40\% higher than they were in 1990, the Kyoto base year. It is estimated that in order to limit the average global temperature increase to less than 2\degree C compared to pre-industrial levels, global greenhouse gas emissions must be reduced to less than 50\% of 1990 levels by 2050. Successful conclusion of the international climate change negotiations in Copenhagen will be key to achieving a long-term sustainable future for our planet.

On Green Public Procurement (GPP), important policy initiatives include the Energy Star Regulation and a Communication on public procurement for a better environment, which proposes a voluntary 50\% GPP target for Member States to be reached as from 2010. The Commission services have developed GPP criteria for ten priority product and service groups (such as transport, food, construction and office equipment), which Member States have been invited to endorse.

Implementation of the Environmental Technologies Action Plan (ETAP) has progressed, as has work on eco-innovation measurement. The revised environmental State Aid Guidelines provide a 10\% bonus on maximum aid intensity on eco-innovation
investments. The Integrated Pollution Prevention and Control (IPPC) Directive is a key tool towards sustainable production and eco-innovation, which will be further strengthened with the proposal of a Directive on Industrial Emissions.

In 2008, the EU's flagship chemicals legislation REACH became operational with the new European Chemicals Agency (ECHA) taking up its work. New rules on classification, labelling and packaging of chemicals have also come into force.

**Conservation and management of natural resources**

Whilst there have been positive developments in the status and use of water and air, human activity continues to threaten biodiversity and areas of natural land.

Global demand for natural resources is growing fast, and will continue to increase due to the growth of the population, which is expected to reach 9 billion people by 2050. Measured by the ecological footprint, it is estimated that this would be 30% more than the planet can sustain in the long term.

Biodiversity is in decline globally and there is no sign of a reversal or slowing down of this trend. The EU is unlikely to meet its 2010 target of halting biodiversity loss. European fish stocks have been overfished for decades. The annual loss of ecosystem services is estimated equivalent to €50 billion, while by 2050 the cumulated welfare losses were estimated equivalent to 7% of GDP.

Compared to previous years, forest ecosystems in the EU are stable but increasingly exposed to challenges, such as storms, fires, pests and other harmful impacts related to climate change. Soil quality continues to deteriorate with climate change. In general, ecosystem services are important in this context as they also help to moderate weather extremes and lessen the impacts of weather and to maintain biodiversity.

EU initiatives include the EU Raw Materials Initiative, which proposed an integrated strategy to deal with the various challenges related to access to raw materials, including secondary raw materials that can be obtained in the EU through more and better recycling. The International Panel for Sustainable Resource Management was inaugurated in November 2007 by UNEP and the Commission. New legislation on marketing seed and propagating material has been prepared to contribute to halting the loss of biodiversity.

The revised Waste Framework Directive is an important stepping stone to help the EU move towards better management of material resources and improved resource efficiency. It clarifies the basic concepts such as the waste hierarchy, the prevention of waste, and the incorporation of life-cycle thinking. The Directive lays down important targets for the recycling of waste for the year 2020: 50% for household waste recycling and 70% for construction and demolition waste.

Member States have taken specific actions to protect biodiversity through the implementation of the Birds and Habitats directives. However, the completing of the Natura 2000 network is pending, as well as appropriate management for species and habitats.

**Social inclusion, demography and migration**

The number of jobless households, income inequality and long-term unemployment have all been reduced, but the number of working poor and the overall risk of poverty have not changed. The target of having at least half of older workers in employment by 2010 is likely to be achieved but the target of delaying the average age of retirement to 65 years by 2010 is unlikely to be achieved. Demographic trends indicate that the working-age population in the EU-27 will start to fall by 2013, and will decrease by around 39 million (12%) by 2050 compared to 2008.
An important challenge remains to make the most of Europe’s demographic potential: raising employment rates, productivity and successful integration of migrants. Further efforts are needed to combat discrimination against migrants.

Policy progress includes a Commission Recommendation on the active inclusion of people excluded from the labour market in October 2008. Member States’ reforms in the fields of social inclusion and social protection have been promoted within the Open Method of Coordination. The EU Structural Funds support Member States in their efforts to tackle poverty and social exclusion. Over the 2007-2013 period, some €10 billion is being allocated for this purpose.

The second Demography Report was published in conjunction with the European Demographic Forum in 2008. A European Alliance for Families and a new government advisory group on demographic issues were created.

As part of the Action Plan on Ageing Well in the Information Society, an Action Programme for Research in Ambient Assisted Living (AAL) has been adopted. Some €150 million has been allocated to the programme.

On migration, the EU is also working to improve the management of migration flows, to coordinate national integration policies and to combat illegal migration. As part of the implementation of the policy plan on legal migration, legislative proposals have been presented to harmonise the admission procedures, criteria and rights of certain categories of third-country nationals. The ‘EU Blue Card’ for highly qualified migrants has become a reality. The fight against illegal immigration has been stepped up through the adoption of the "Return Directive" and a Directive providing for sanctions against employers of illegally-staying third-country nationals.

Member States’ efforts are being supported by the European Fund for Integration, with €825 million allocated for the period 2007-2013. The Communication on a Common Immigration Policy for Europe and the European Pact on Immigration and Asylum laid the ground for a coherent approach in the future. The European Council has also decided, for its part, to hold an annual debate on immigration and asylum policies, starting in June 2010.

**Global poverty and sustainable development challenges**

In 2008, the EU reversed the downward trend in ODA flows registered in 2007. Despite this upward trend, the outlook for the coming years appears rather problematic as many Member States are far removed from the 2010 individual milestones. Most other indicators on globalisation of trade, financing for sustainable development and global resource management, display favourable trends.

Engaging third-country partners to address global sustainable development challenges is indispensable. The EU continues to cooperate with third countries and regions, both bilaterally and in the context of multilateral processes, such as the G8, the United Nations Commission on Sustainable Development (CSD), UNEP and other relevant UN bodies, and the OECD. The meeting of the CSD in May 2009 agreed that to achieve long-term food security, there is a need for future policies to take into account environmental concerns, such as water demand in agriculture, deforestation, soil degradation and climate change adaptation needs, employing science-based approaches and local indigenous knowledge.

High level dialogue on the environment has been established with numerous countries, notably Brazil, China, India, Russia, Mexico and South Africa. Similar dialogue already exists with Australia, Canada, Japan and the United States. More expanded cooperation frameworks have been developed with a number of countries, such as India and China. Furthermore, Joint Declarations on Climate Change have been agreed with the
Caribbean Forum, the Pacific Islands Forum and the African Union, and a Joint ACP-EU Declaration was signed. Dialogue and cooperation with European Neighbourhood Policy partners promotes sustainable development objectives. In this respect, regional cooperation has been reinforced through the Union for the Mediterranean, the Black Sea Synergy and the Eastern Partnership.

In the development cooperation area, initiatives contributing to the objectives of sustainable development include a Communication on an EU strategy for supporting disaster risk reduction in developing countries, a Strategic European Framework for International Science and Technology Cooperation, a Staff Working Document on Improving environmental integration in development cooperation, and agreements within the Forest Law Enforcement, Governance and Trade (FLEGT) initiative. These include a Voluntary Partnership Agreement concluded with Congo Brazzaville and negotiations with several other countries.

**Taking sustainable development into the future**

Three years into the implementation of the EU SDS is a good time to reflect on how the strategy could be taken into the future. At EU level, sustainable development is primarily promoted and monitored in the context of individual EU policies, and the EU SDS itself plays a central role in promoting the overall objective of sustainable development. The EU SDS has also been instrumental in developing sustainable development strategies at national and regional levels. Today, almost all EU Member States have their own national sustainable development strategies (NSDS) in place, in line with international recommendations of best practice. A recently published study, commissioned by the Committee of the Regions, provides a detailed analysis of these national strategies.

Various stakeholders have found it difficult to understand why there are several cross-cutting priority strategies at EU level, such as the Lisbon Strategy for growth and jobs and the EU SDS. Other examples of cross-cutting strategies are the Climate Change and Energy Package and the Integrated Maritime Policy. The Lisbon Strategy is a dynamic strategy in which sustainability has been taken on board (climate change, energy, financial and social sustainability). The EU SDS is a long-term strategy which provides a good framework for guiding and reporting on long-term broad developments and promoting forward-looking reflection on sustainability, but it also requires short-term policy action. However, merging cross-cutting strategies does not seem feasible given the different roles they fulfil.

**In this context, the following points could be considered with regard to the monitoring of the strategy:**

- Greater synergy with the Lisbon Strategy for growth and jobs, which will be reviewed in 2010, and other cross-cutting EU strategies. There could also be better coordination and linkage between the policy areas covered by the Strategies and their follow-up.

- The strategy could be further streamlined or, alternatively, the SDS could be refocused on its overarching nature, and provide the general framework for policy-making, in line with the guiding principles set out in 2006.

- The strategy could facilitate the exchange of best practice in relation to innovative approaches in the Member States.

- In order to ensure more efficient monitoring and enforcement by Member States, mechanisms used in the Lisbon strategy could also be used to monitor the implementation of EU SDS. They would include jointly identified objectives, measuring instruments.
(indicators, guidelines), benchmarking (comparison of Member States' performance) and emulation to replicate and scale up best practices. Measures in support of both strategies, with visible positive results on growth, jobs and the environment, could be identified. Mainstreaming eco-innovation, resource efficiency and green growth could be a leading theme.

- Monitoring the SDS is based on the Sustainable Development Indicators coordinated by Eurostat. SDIs are a comprehensive monitoring tool, although some important indicators still need to be developed. In a bid to add to the SDIs and to key information on SD challenges more effectively, the Commission is exploring the possibilities of developing an SD scoreboard.

- New challenges to SD are emerging, which are currently not included or covered only marginally in the EU SDS. They include energy security, adaptation to climate change, food security, land use, sustainability of public finances and the external dimension of sustainable development. As regards the external dimension, priority areas should remain climate change and energy together with achieving the Millennium Development Goals.

  In particular, the strategy could focus on the EU's long-term goals in crucial areas, notably by:

  - Contributing to a rapid shift to a low-carbon and low-input economy, based on energy and resource-efficient technologies and sustainable transport and shifts towards sustainable consumption behaviour;
  - intensifying environmental efforts for the protection of biodiversity, water and other natural resources. Evidence shows that the destruction of biodiversity is continuing at a worrying rate. Degradation of ecosystems not only reduces the quality of our lives and the lives of future generations, it also stands in the way of sustainable, long-term economic development;
  - promoting social inclusion. The most vulnerable in society are at risk of being the most badly hit by the economic crisis and its effects may linger longest for them unless effective measures are provided.
  - Strengthening the international dimension of sustainable development and intensifying efforts to combat global poverty.

**CONCLUSION**

This Communication takes stock of progress with EU policy in the areas covered by the EU SDS and provides input for reflection and debate on sustainable development. This overview highlights the fact that, despite considerable efforts to include action for sustainable development in major EU policy areas, unsustainable trends persist and the EU still needs to intensify its efforts. As the example of climate change shows, taking actions early brings more and earlier benefits at lower costs as acting later. It should be noted that the European Economic and Social Committee is preparing an exploratory opinion on the future of EU SDS for autumn 2009, which could further contribute to the debate.

These and other elements, as well as the active contribution of stakeholders, will provide input for a future decision on whether to launch a comprehensive review of the EU SDS, as originally anticipated in 2006. A review of this kind could provide the basis for further streamlining of the EU SDS, defining its role more clearly in EU policy-making, focusing it on the areas where progress is most needed, and improving its governance.
REFERENCES


