

**EMPLOYMENT AND
UNEMPLOYMENT IN THE
PROCESS OF STABILIZATION**

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Contents

EMPLOYMENT AND UNEMPLOYMENT IN THE PROCESS OF STABILIZATION	1
I. EMPLOYMENT	1
1. Employment and economic activity	1
2. Employment structure	3
II. UNEMPLOYMENT	5
1. Level and dynamics	5
2. Structural characteristics	10
3. Unemployment benefit system.....	12
III. FORMATION OF LABOR MARKET.....	16
1. Wage and labor market dynamics	16
2. Labor market turnover.....	18
IV. EMPLOYMENT AND UNEMPLOYMENT POLICY IN 1992	21

EMPLOYMENT AND UNEMPLOYMENT IN THE PROCESS OF STABILIZATION

One of the goals of the economic reform in midterm perspective is the creation of labor market. The ongoing processes have the following features:

- substantial reduction in the general rate of employment and business activity as a result of the transition from full to partial employment;
- removal of former branch, regional and professional structures of employment and gradual formation of new ones in accordance with the comparative advantages of the Bulgarian economy;
- substantial changes in the labor migration;

The functioning of the labor market and its components is dependent on the pace of the economic reforms as well as on the reforms carried out in the existing institutions.

The employment and unemployment analysis, in the framework of the existing institutional and information base, meets several problems:

- institutional; labor legislation lags behind the developments taking place in the economy. More than one year since the beginning of the economic reform, employment have not been officially regulated. The same holds true for the different types of working contracts, the redefinition of the criterion and forms, etc.

- empirical: statistics does not use some basic methods of collecting data, such as conducting periodical studies about employment and unemployment in the households. Along with this, the statistics provided by firms and labor bureaus uses indicators that are not representative for the real labor market patterns. The observations, conducted in the private sector, regarding employment and labor force are unrepresentative and unreliable.

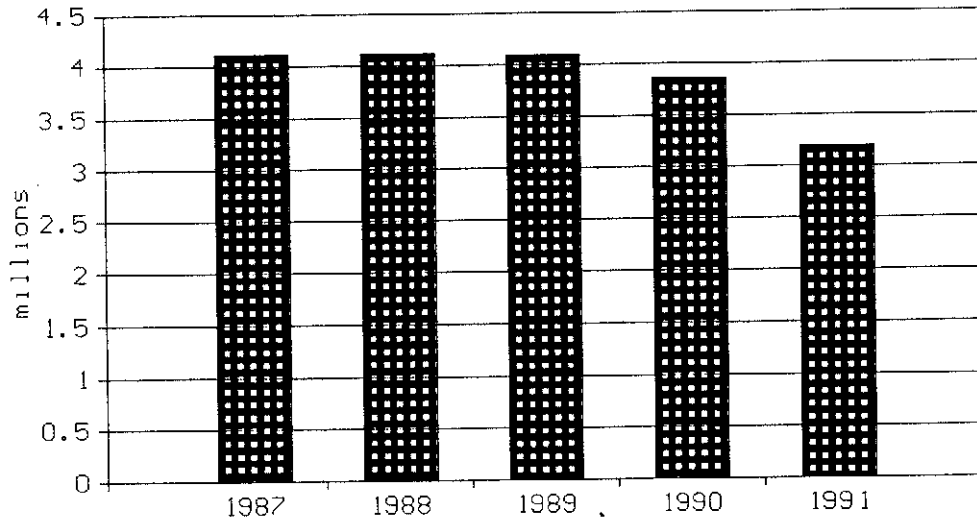
I. EMPLOYMENT

1. Employment and economic activity

In 1987-1988, the national economy was both practically and theoretically in state of full employment. Later on, as a result of the deepening crisis, began a process of gradual increase in unemployment. Demographic and legislative changes also affected the employment.

Below is a figure indicating the fall in the level of employment by years.

Average Number of Employed: 1987-1991



Source: NSI

Over the past few years, the lower level of employment was attributed to the emergence of the private sector and the fact that a part of the labor force was accumulated by it (the private sector is not included on the above graph). If we take into account the employed in the private firms and enterprises, the average annual number of the employed in 1991 is 3 466 500, or the decline in employment compared to 1987 is about 642 000 (16%). The decline in employment does not proportionally affect the entire economic activity of the population, which has decreased much smaller - by 9.4%.

- economically active 1987 (employed) 4 108 459

- economically active 1991 (employed + unemployed) 3 721 857

It is necessary to take into consideration the fact that in the past some of the unemployed discharged from the army and political institutions were not recorded because of secrecy. That is why, their inclusion in the present contingent of the economically active artificially keeps low the registered fall. We can conclude that the registered fall in population's economic activity after 1987 is insignificant. It is not a result of specific economic changes, but rather a consequence of emigration processes, retirement of large portions of employees, inaccurate registration of the employed in the private sector, etc.

There are two clearly defined stages in the process of employment reduction:

- first, destabilization of the existing at the beginning of the transitional period employment and labor force structures;
- second, active structural reforms, creation of employment market structures and normal unemployment level.

The first stage of employment reduction is characterized with reduction in the existing framework of labor force. In a way, employment is undergoing a processes of adaptation through liquidation of labor surplus. The length of these processes is entirely dependent on the pace of economic reform. Effective changes in employment structure could not be expected unless there are massive shut downs due to economical and ecological reasons, privatization and investment, foreign direct investment, etc. If the reform lacks these structural components, the employment will be held back at its initial stage (the current situation).

In general, it could be characterized with the following:

- massive lay-offs due to the general fall in output;
- emergence of unemployment due to partial liquidation of labor surplus in the material sectors and staff reduction, and reorganizations in the non-material sectors.

- maintaining high level of business activity of the population due to the complex structural changes in the personal and household incomes. Additional obstacles arise from the slow changes in the socio - psychological stereotypes and motivation of the population.

- employment restructuring in the public and private sectors is within the existing labor force structures. **Employment in the currently developing private sector has not changed substantially the existing labor force structure because it occurs through transfer and privatization of economic activities and also as additional (parallel), part-time, seasonal and hidden employment.**

2. Employment structure

In macroeconomic aspect, the most significant changes take place in the branch structure of employment. The opportunities to analyze the changes taking place in the remaining types of structures, by profession, age, sex, qualification, etc. are highly restricted because of the content and scope of the available statistical data.

Table 1 indicates the changes in the structure of employed in the public and cooperative sectors by branch within the period 1988 - 1991. The table rests upon data collected as of August 1-st, 1988 and December 30-th, 1991.

Table 1
Share of employed in different sectors

Sectors	1.08.1988	30.12.1991	Difference
Total	100.0	100.0	-
Industry	35.0	36.6	1.6
Construction	8.7	6.4	-2.3
Agriculture	19.2	17.7	-1.5
Forestry	0.7	0.6	-0.1
Transport	6.1	6.4	0.3
Communications	1.1	1.5	0.4
Trade	9.1	7.0	-2.1
Other sectors of material production	0.6	0.6	0.0
Housing, communal and household services	1.8	1.8	0.0
Science and scientific services	2.2	2.0	-0.2
Education	6.7	9.0	2.3
Culture	1.2	1.1	-0.1
Health services, social security and sport	5.3	6.8	1.5
Finance, credit and insurance	0.6	0.9	0.3
Government	1.4	1.4	0.0
Other sectors of non-production sphere	0.3	0.1	-0.2

The collected data confirms that the changes in employment for now had the character of a passive reduction of the existing branch structures. For the above mentioned period, the average number of employed decreased by 28.2%, while the change in the relative weights by branches is only 2.3 percentage points.

In order to provide a more detailed and precise formulation of the changes in the branch structure, the number of employed in the private sector in 1991 should be taken into consideration. Because of inadequacies in the existing statistical data, we compare the average annual number of employed in 1988 and 1991 respectively (including employed in the private sector by branches).

Table 2
Share of employed in different sectors
(average annual number)

Sectors	1988	1991	Difference
Total	100.0	100.0	-
Industry	35.3	35.1	-0.2
Construction	8.8	7.2	-1.6
Agriculture	19.4	18.5	-0.9
Forestry	0.7	0.5	-0.2
Transport	6.2	6.2	0.0
Communications	1.1	1.3	0.2
Trade	9.1	8.9	-0.2
Other sectors of material production	0.6	0.7	0.1
Housing, communal and household services	1.5	2.3	0.8
Science and scientific services	2.2	2.0	-0.2
Education	6.6	7.7	1.1
Culture	1.1	1.1	0.0
Health services, social security and sport	5.1	6.0	0.9
Finance, credit and insurance	0.6	0.7	0.1
Government	1.4	1.4	0.0
Other sectors of non-production sphere	0.3	0.3	0.0

Data indicates that if unemployment in the private sector is considered, the changes in employed structure by branches turn smaller, as the maximum amplitude is 1.6% percentage points. Therefore, the emerging private sector up to now reproduces the branch structure of employment from 1987 to 1988.

II. UNEMPLOYMENT

1. Level and dynamics

The unemployment registration in Bulgaria began in early 1991 with the establishment of the National Labor Office and network of local labor bureaus under Decree 57 of the Council of Ministers. After several reorganizations in labor bureaus' structure and reassessments of the unemployment registration indicators, from mid 1990 we possess a relatively reliable system for unemployment registration, demand for labor, and social security.

The quantitative assessment of unemployment, carried out by the existing labor bureaus is the only way to observe it statistically. The unemployment registration system has not yet adopted the international statistical standards using household data.

The international statistics defines unemployment level as a ratio between unemployed labor force (labor force = employed + unemployed).

The total number of unemployed in Bulgaria is observed through the indicator "Registered but jobless" for a given period (basically at the end of the month). It reflects the momentous condition of the labor supply at the labor bureaus' network and is representative for its monthly "output" and "input" dynamics.

As of the end of 1990, the total number of unemployed was 65 079, while at the end of 1991 it reached 419 123. The average annual number of the unemployed in 1991 was 255 357 and labor force (including the employed in the private sector) consisted of 3 721 857. Thus, the average annual rate of unemployment was 6.9%.

In addition, the unemployment analysis must also include the employment in the public and co-operative sectors. With an average annual number of employed amounting to 3 189 244, the average annual unemployment rate reached 8%. Relying on this basis we can determine the changes in unemployment that took place in 1991. As of December 30-th, 1990 it is 1.7%, while for the same period of 1991 it increased to 12.5%, or its base index amounted to 735.3. This growth in the unemployment rate is determined by both increase in the number of unemployed and decline in employment in the public and cooperative sectors by 11% for the period.

Analyzing the real rate of unemployment, we have to take into consideration some peculiarities of the used indicators. Within the framework of the existing information system they consist of two indicators reflecting the number of registered unemployed according to the employer, and the actual length of unemployment:

- a) unemployed (registered but jobless under Decree 57)
- b) unemployed registered on equal terms

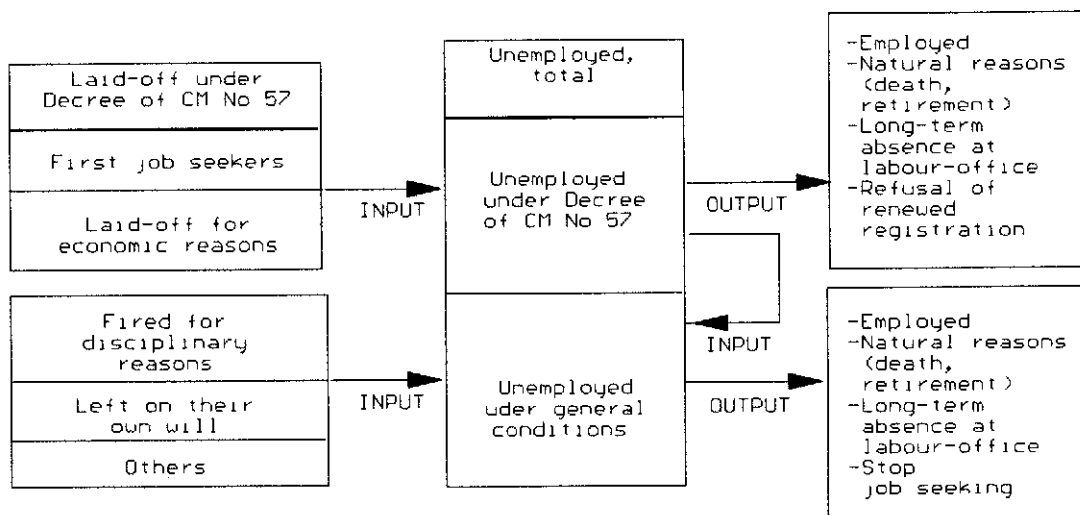
These two groups indicate the content and level of unemployment for a given period. The first group consists of unemployed laid-off as a result of economic reasons or under employer's initiative, also those looking for job for a first time. Actually, the registered in this group are the one who have the rights to compensations and social security benefits.

The monthly number of compensated is an indicator that substantially differs from the indicator "Registered under Decree 57". The difference becomes

clear at the end of the month as a result of the monthly changes in “input” and “output” of this contingent. The input information is determined by the indicator “Unemployed under Decree 57”.

The “unemployed on equal terms” category includes those who have left their jobs voluntarily or have violated the labor code regulations, or have been registered again as unemployed from the other group once the term of the social security benefits has expired.

The structure of unemployment is shown on the following scheme:



Based on the above scheme we can point out the following defects in the present statistical patterns:

- the lack of registration criterion to trace the personal incomes of unemployed allows the seasonally employed with high annual incomes to be registered under Decree 57. At the same time, because of the same reason, entrepreneurs and owners of firms, left without job, who have declared insolvency do not have the chance to register themselves as unemployed under given circumstances (real - estate collateral, court order for liquidation or bankruptcy, etc.);

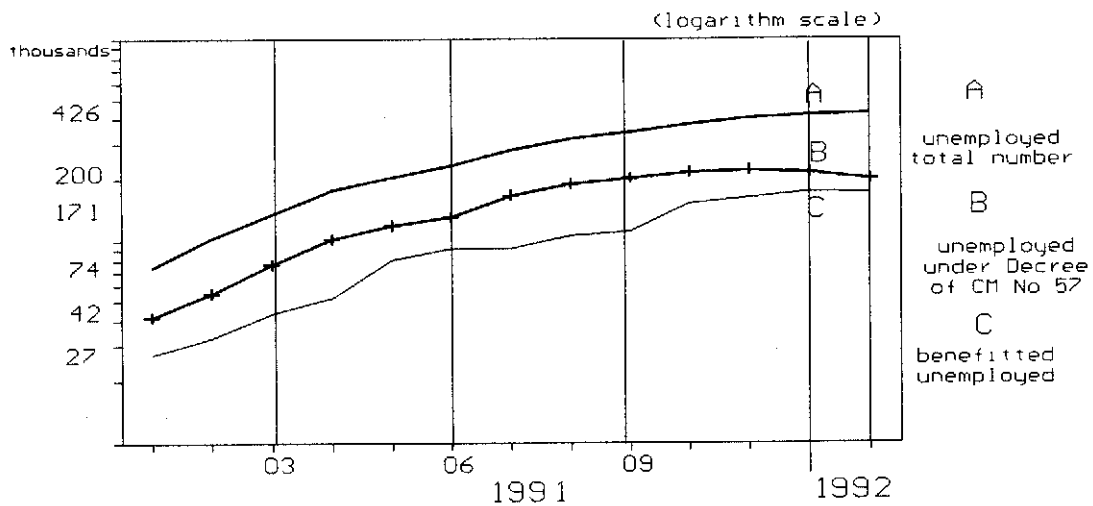
- there are no indicators to measure the “input” of unemployed registered on equal terms. The same is valid for the “output” - due to the absence of regulating mechanism, it is impossible to find out whether one has found job or has retired earlier unless he/she voluntarily informs the local labor bureau or does not show up at the bureau for a long time (the term is 3 months but by the end of 1991 such a term was not strictly defined).

Thus, the internal restructuring processes among unemployed cannot be traced statistically. Moreover, there are all the prerequisites for the appearance of “doubles” and as a result the total number of the unemployed could be expected to increase. The registered on equal terms could begin

working without announcing it since their work records are not kept in the local labor bureaus.

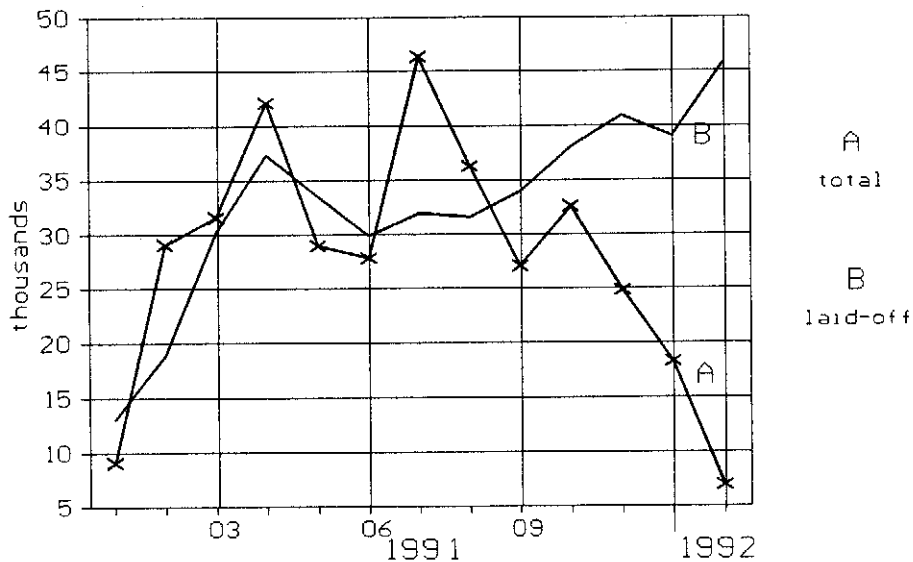
- the expiration of labor contracts, as a prerequisite for registration as unemployed under #57 Decree, makes the question about the reasons for cancelling working contracts even hazier. If after the expiration of the contract the person is reluctant to extend it, then his registration must be done on equal terms. The total unemployment dynamics is indicated on the following graph:

Number of Unemployed and Benefitted Persons under Decree of CM No 57



Source: MLSA

Monthly Increase of Unemployed: Total and Laid-off under Decree of CM No 57



Source: MLSA

There are two new trends arising from the unemployment dynamics:
 - first, during 1991, despite of the high absolute growth, there was a slowdown in unemployment growth while the beginning of 1992 marked an absolute reduction in unemployed under Decree 57.

- second, within the total number of unemployed, the relative share of the registered under Decree 57 decreases. Since the beginning of December 1991, began their absolute reduction which later on gradually will transfer on the registered on equal terms and consequently on the total unemployment.

Hired and registered vacancies in 1991

(thousands)

months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	I
Hired	9.6	6.7	7.2	8.3	7.3	8.3	10.0	9.1	11.4	11.0	10.2	7.3	8.7
Vacancies	22.0	11.7	10.7	11.9	10.8	16.4	22.9	23.4	18.4	14.1	11.7	10.0	11.3

As shown above, the decreasing trend in unemployment growth was not caused by improvement in the labor market conditions and the opening of new vacancies.

The origins of this trend are related to the character of the above outlined stage of labor market formation, associated with the initial destabilization and reduction in employment within the context of the existing labor force structures. The accelerated cuts in labor surplus at the initial stages of the reform led to a high growth at the beginning and subsequently to a slowdown in unemployment growth throughout the whole year. Hence, the registered slowdown in unemployment growth was resulted from one side, by the constant or relative reduction in “tensions at the input”, and on other side, by its intensification at the “output” (absolute and relative). This regularity was attributed to the fact that once labor contracts had expired, considerably large groups of unemployed registered in the first half of 1991 dropped out of this category or entered the list of the unemployed workers as laid-off on equal terms. **In fact, there is not so much an absolute tendency of slow down in unemployment growth, but rather a process of stabilization and formation of relevant for the situation rate and ratio between “input” and “output” after the initial “explosion” in 1991.**

The tendency towards relative and absolute reduction in the number of unemployed under Decree 57 will gradually affect the group of the unemployed on equal terms where besides tightening the control is considered actualization of the registration procedures. **All this may lead to additional "retention" and even reduction in the total number of unemployed in the first months of 1992. Since this process is not related to reductions in unemployment rate and opening of vacancies, there are signs of depression in the employment system.** The exhaustion of the opportunities of the so - called first stage of employment reforms connected with the liquidation of labor surplus and its passive reduction within the existing structures is the basic reason for the above mentioned phenomena. With the introduction of more substantial structural changes in the economy, employment and unemployment will undoubtedly take on new dynamic and structural characteristics.

2. Structural characteristics

The structural characteristics of unemployment are expressed in the professional, age and sex structure of unemployed.

Currently, an analysis of the seasonal, part - time, hidden, etc. of unemployment is impossible because of the insufficient statistical information.

The professional structure of unemployed as of December 30-th, 1991, is shown on the following table:

Professional structure of the registered unemployed (at 30.12.1991)

(percents)

	workers	specialists	without profession
Registered total	43.8	27.8	28.4
Registered under Decree of CM No 57	43.8	33.1	23.1
Registered under general conditions	43.8	22.1	34.1

By the end of 1991, the structure of unemployed was as follows: 44% factory workers; 28% people with no specific skills or occupation. The relative share of the specialists is also 28% - their share being much higher among the unemployed under Decree 57 than among those on equal terms. Contrary, the share of the unemployed with no specific skills or occupation is much higher among unemployed on equal terms than among those registered under Decree 57. There are two ways to explain this process:

a) specialists or people with a specific skills or occupation are less likely to fall in the category of unemployed on equal terms because of their better chances of finding job and consequently their shorter stay in a state of unemployed;

b) in several cases, because of unawareness of the existing labor code, part of the potentially laid-off workers leave their jobs voluntarily and are thus deprived of their right to social benefits and registration under Decree 57. Thus, their registration on equal terms becomes necessary.

Among the unemployed specialists, as of the end of 1991, 29.3% are with university degree. In the professional structure of unemployed with university degree, engineers have the highest relative share of 45.5%; teachers - 18.3%, economists - 16%, and agronomists - 7.3%.

Monthly dynamics of professional structure of unemployed - 1991 (percents)

months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
unemployed total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
workers	47.9	47.7	48.7	50.2	49.0	47.9	46.9	46.0	45.4	45.2	44.6	43.8
specialists	40.9	38.9	37.8	34.9	33.4	31.8	32.2	32.0	31.1	29.9	28.8	27.8
without profession	11.2	13.4	13.5	14.9	17.6	20.3	20.9	22.0	23.5	24.9	26.6	28.4

The table indicates that the relative share of unemployed specialists declines from 41% in January to 28% in December 1991. At the same time, the share of the unemployed with no specific skills or occupation increased

from 11% to 28%. The relative share of the unemployed workers and specialists decreases, but only by 4 points (from 48 to 44%).

This data, especially on the background of the high unemployment growth throughout the year, indicates that the unemployed with higher level are going to be in advantageous position on the currently developing labor market. The fact that the relative number of vacancies offered to unemployed with university degree increased from 2.4 to 19.4% does also support the above stated version.

By last September the relative share of the unemployed up to 30 years old progressively increases and by the end of December reaches 48.6% (the total growth in their relative share throughout the year is by 4 percentage points). While among the registered on equal terms, the share of unemployed up to 30 declines, among those registered under #57 Decree it increases. Most probably these controversial tendencies evolved from the legislative changes concerning those entering working age or those graduating from different educational institutions and are now for the first time in search of a job. Thus, the total increase in the relative share of unemployed up to 30 is due to the advantages of the qualified employees and workers on the labor market. Length of service is also taken into consideration.

The higher relative share of unemployed women declined from 64% to 55%. This drop could be regarded as normal having such a high unemployment growth. At the same time, it contradicts the basic concept of lowering the high female employment and normalization of women's economical functions at households.

3. Unemployment benefit system

Benefits are granted to individuals who were laid off, but who have not violated the labor code regulations, as well as to individuals whose working contracts have expired.

The size of these benefits is based on the minimum wage plus 20% of the differential left to the average monthly wage, on the basis of which social security payments have been done over the last six months. When the daily working time was shortened, the size of compensations was defined proportionally depending on the negotiated working time. How long one would receive compensations depends on the length of service and the age of the employed. Also, among the recipients of social

security benefits are the so called newlygraduated specialists and qualified workers, i.e. those of active search of a job for a first time. The existing unemployment security system was introduced in mid 1991. The former system was based on different mechanism. The social benefits for the first 6 months were based on progressively diminishing (by 10% monthly) percent of the received wage. For the next 3 months, the social benefits were the same as the minimum wage.

The new unemployment social security system has one substantial defect - it does not take into account the wealth and the total income of the unemployed's household. The system does not consider the high possible incomes of the other members of the household and also the unemployed's opportunity to find job and work by himself (the availability of private firms owned by another member(s) of the family, common family firm, capital, private farm, etc.).

The duration of the social security payments (from 6 to 12 months depending on the length of service and age) is still a subject to controversy. Despite of the very good public acceptance, the system can be defined as economically inefficient. **On one hand, the extended duration of social benefits makes the unemployed reluctant to find a new job. On other, the financial burden of paying continuous benefits to unemployed implies for employment reduction and lay offs.** The increase in payments for the fund "Qualification and Requalification" from 0.5% to 3.75% and 5% of the **actually paid funds for wages, transforms it into resource tax restricting the use of labor.**

The deposits in the "Qualification and Requalification" Fund are provided by enterprises and associations in the production sector. A question arises over why all enterprises using labor force should be equally responsible to the fund. On one hand, this will relax the financial burden of the enterprises in the production sector and from other, it will stimulate a more efficient management (for instance, in the public administration).

"Qualification and Requalification" Fund payments can be also used as an important unemployment policy tool. Thus, for example, private firms could be entirely or partly relieved since in the short term perspective they represent the only alternative to new vacancies. Part of the taxes could be collected from the worker (as a portion of his gross wage), which will additionally stimulate the search of a new types of incomes and employment in other sectors, including the private one.

Examining the existing unemployment benefit system, we have to consider the share of compensated people within the framework of the total number of registered unemployed.

**Beneficiaries of unemployment compensations
under Decree of CM No 57 (1991)**

months	Beneficiaries	Basic indexes	Chain indexes	Percent of unemployed
I	27329.0	100.0	100.0	36.9
II	32878.0	120.3	120.3	31.9
III	43897.0	160.6	133.5	33.0
IV	52242.0	191.2	118.8	29.7
V	81050.0	296.6	155.1	39.4
VI	91437.0	334.6	112.8	39.1
VII	90752.0	332.1	99.3	32.4
VIII	105643.0	386.6	116.4	33.4
IX	110799.0	405.4	104.9	32.4
X	152637.0	558.5	137.8	40.6
XI	162185.0	593.5	106.3	40.5
XII	173185.0	633.7	106.8	41.3

In 1991, the share of the compensated people increases more than the unemployed as a whole (by 6.34 and 5.65 times respectively, January 1991 = 100). The relative share of the compensated unemployed increases from 36.9 in January to 41.3 in December 1991. This is quite normal, considering the lack of interest among the prevailing part of the unemployed under Decree 57 to register again as unemployed on equal terms, and also the relatively long terms of social benefit payment.

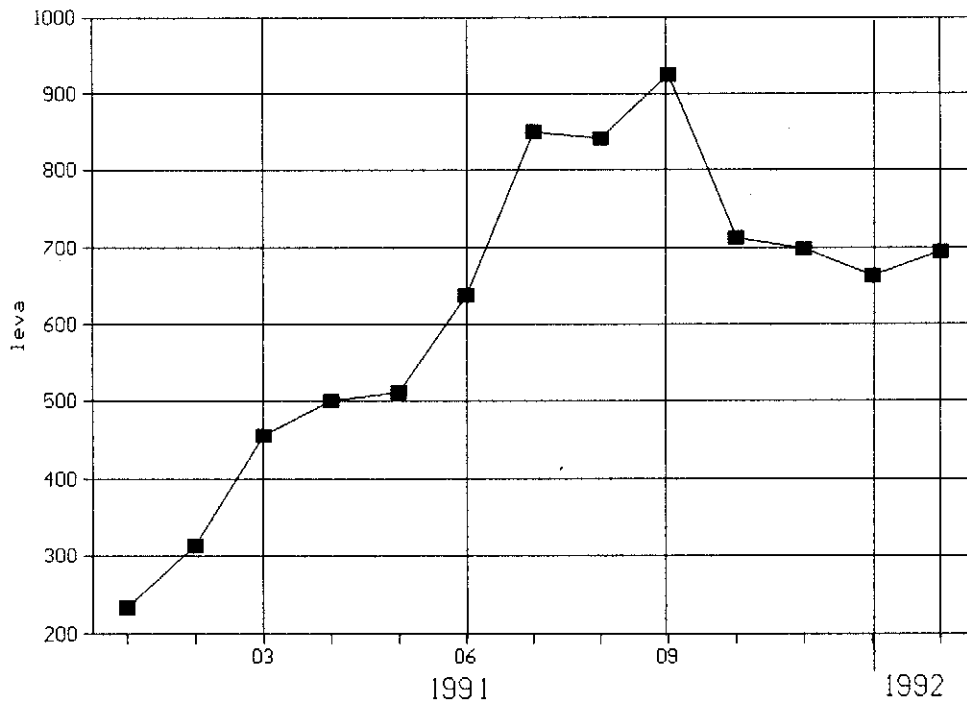
In 1991, the unemployment was financed according to the following structure:

Unemployment compensations (1991)

	Amount (th. leva)	Percent
total	721836.50	100.0
incl: benefits	684681.10	94.9
social aid	32188.84	4.5
training	1011.55	0.1
family allowances	3955.01	0.5

The prevailing share of the funds is used for compensations, aid and family allowances, as the share for retraining programs is insignificant.

Average Expenditures per Unemployed *



Source: MLSA

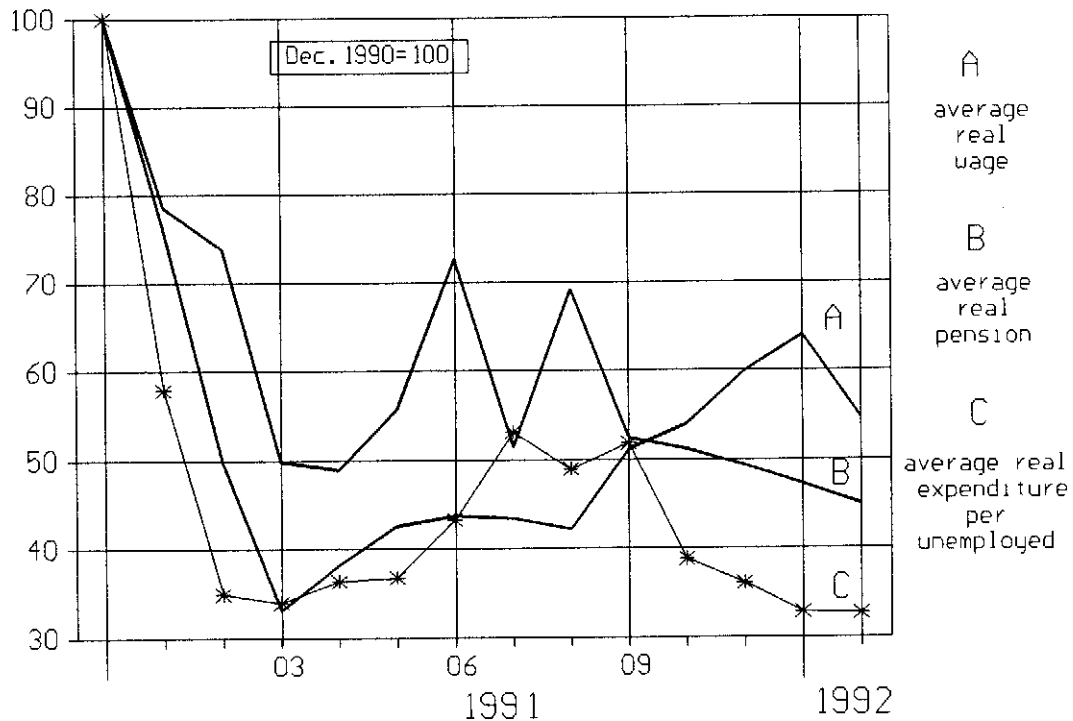
* Includes Unemployment Benefits, Family Allowances and Training Expenses.

By the end of 1991, the absolute decrease in the average “allowance” of a single unemployed was determined by the changes in the methodology of defining the unemployment compensations (For a while, after the changes were implemented, the two unemployment benefit systems functioned simultaneously). The social security system was further affected by the increase in the average duration of registration of large of compensated and also by the relative increase in the contingent by younger unemployed people.

In analyzing the unemployment benefit system, special attention should be paid to the comparison between the dynamics of the average wage, the average pension and the average allowance of a single unemployed.

The graph indicates the **similar dynamics in the average real allowance for an unemployed and the average real wage of the period prior to September 1991, and also the emergence of gap between them in the last quarter of the year.**

Index Number of the Average Real Wage,
Pension and Expenditures per Unemployed



Source: NSI, MLSA

The registered changes were due to the initial wage bargaining in the third quarter of 1991 which led to a considerable increase in wages, and also to a change in the way of defining the compensations causing latter's overall reduction. **The drop in the average real allowance of an unemployed was much bigger compared to the drop in the average real pension (especially in the last quarter of 1991).**

III. FORMATION OF LABOR MARKET

1. Wage and labor market dynamics

Wage dynamics is an important element of labor market analysis. Since the working hours and forms of employment statistics is not reliable and representative, we could only use the average wage (as a total) and by branches in the public and cooperative sectors.

**Change in the sectorial average monthly wage
and in the share of employed (1988-1991)**

(percents)

Sectors	Average monthly wage	Employed
Industry	-5.4	1.6
Construction	4.5	-2.3
Agriculture	-2.0	-1.5
Trade	6.0	-2.1

Comparing the changes in the relative shares of employed by branches with the changes in the ratio of the average branch wage (as a total), we come up with the result that they are in inverse relationship. **Whenever the relative share of the employed in a given branch increases, there is a decrease in the relative share of the average branch wage and vice versa.**

Wage bill and average quarterly wage

Quarters	Wage bill (th. leva)	Average quarterly wage (leva)
I quarter	4985794	1465
II quarter	7176329	2181
III quarter	8924720	2859
IV quarter	13820701	4633

On the basis of quarterly data for 1991, the dynamics of the funds set apart for wages and the average wage are compared (in the resources set aside for wages for the 4-th quarter, we exclude the annual bonuses; the quarterly data does not include the labor remunerations of workers who were not on payroll).

By comparing the base and chain indexes we come to the following conclusions:

- 39% of the increase in the average wage in the second, third and last quarters of 1991 was due to the actual reductions in staff in these periods. Therefore, the drop in employment by about 421 000 people during the first three quarters of 1991 predetermined the increase in the average wage by 1236

leva in the last quarter of 1991 (total increase reached 3168 leva). **An 1 lev increase in the average quarterly wage in the studied period was accomplished at the account of a reduction employment by 341 people.**

The analysis of the average wage growth (based on chain indexes) indicates the following:

2nd quarter of 1991 - 5%

3rd quarter of 1991 - 6.7%

last quarter of 1991 - 7.1%

As a result of the reductions carried out in employment, the share of the average wage growth increased.

2. Labor market turnover.

The employment turnover, in terms of relative dynamics of hiring and laying - off labor force for a given period, is one of the most important macroeconomic indicators of the labor market condition.

It predetermines the general characteristics of labor force mobility, intensity, and relationship between its various forms (migrational, branch, professional, etc.).

The opportunities to analyze the real turnover of labor force are quite restricted. There is data available only for the public and cooperative sectors of the economy. This data is unrepresentative of the labor force turnover in the private sector and the "underground" economy. Labor force turnover alone is both a propeller of the ongoing process and an exhaustive indicator of the market as a whole.

With the improvement of the statistical observations in the private sector and the beginning of periodical observations in both employment and unemployment in the households in 1992, the opportunities for analyzing the labor force mobility will improve significantly and the information will be more accurate and representative

The destabilization process in employment and the formation of a national labor market have substantially changed the ratio of the forms of labor force mobility and turnover. While under the conditions of artificially kept labor shortage, the high and speculative mobility was the only form of labor movement among the enterprises. After the beginning of the stabilization program, its share and importance sharply declined. Labor market turnover depends largely upon the lay - offs on employer's initiative, rather than upon employees' own willingness to leave their job.

This is confirmed by the data about the share of laid - off from the total number of those who left their job.

Share of laid-off in the total number of released

(percents)

Quarters 1991	Since the beginning of the year	Quarterly
I quarter	23.6	23.6
II quarter	29.8	38.9
III quarter	29.2	27.6
IV quarter	31.1	40.1

Throughout the year there was a tendency towards increasing the number of laid - off on economic reasons (Art 328, paragraph 1, sections 1,2,3 from Labor Code); i.e. the number of people who left their jobs on their own will was comparatively low. Together with the high index of laid - off as of the end of 1991 compared to those from March (380.7), is an indicator for the worsening conditions on the labor market. Also, during the summer months there were favorable seasonal factors which tended to neutralize this tendency.

Despite of the increase in the share of laid - off, the total level of the indicator for 1991 remained relatively low (31.1%). Only 1/3 of the total number of workers who left their job in the public and cooperative sectors were forced to leave due to economic reasons. The level of mobility remains high (leaving on workers' own initiative). Its level is an indicator for the processes of intensive but insufficient adaptation of employment and labor force to the changing economic and labor market conditions.

The ratio laid - off/employed is of great importance to the labor market turnover.

Based on the available information for 1991 by quarters, we made the following table to illustrate the labor force turnover within enterprises:

**Labour force turnover
(released/employed)**

(percents)

Quarters 1991	Released/employed	
	since the beginning of the year	quarterly
I quarter	2.70	2.70
II quarter	2.32	1.92
III quarter	2.25	2.10

The absolute values of hirings and dismissals are respectively:

Labour force turnover

(number)

Quarters 1991	Released		Employed	
	since the beginning of the year	quarterly	since the beginning of the year	quarterly
I quarter	362413	362413	134022	134022
II quarter	613593	251180	264670	130648
III quarter	860843	247250	382269	117599

During 1991, the ratio left/hired decreases, i.e. there is an increasing trend of labor market turnover. Along with this; however, the absolute increase of the hired is higher, though it decreases by quarters i.e. the number of those who left their jobs decreases in lower degree compared to the number of hired.

Actually, the relative increase in labor market turnover is not a result of the increase in labor demand. It is a result of the shrunk in the labor supply. There was an increasing tendency of filling in the vacant "market gaps" by the unemployed.

A similar characteristic of labor market turnover is adequate to the deepening economic crisis rather than to a depression.

Currently, the depression is related to the liquidation of the overemployment in context of relatively lower level of employment, accompanied by additional mobility of workers.

IV. EMPLOYMENT AND UNEMPLOYMENT POLICY IN 1992

Based on the outlined tendencies and problems in employment and unemployment in 1991, we derive some basic parameters and problems of the economic policy in this year. They are a result of the character and dynamics of the economic processes and the changes in the economic and labor legislature.

One of the basic aspects of the employment and unemployment policy is related to the forthcoming restructuring of the economy. Its quick response on the labor market will find expression in the following trends.

The beginning of the agrarian reform is connected with the abolition of the existing agrarian production units (state cooperative farms) and restitution of the land. Until the end of the administrative procedures of liquidation, we will observe a relatively massive and overall lay - offs in the branch, which could lead to sharp increase in unemployment level. As of December 31st, 1991, the number of the employed in agriculture was about 520 000, as their "entrance" in the labor market would lead to an approximate doubling in unemployment. This calls for prompt changes in the labor code which will adjust the latter to the process of economic reforms. Regarding the unemployed in agriculture, it does not seem reasonable the labor bureaus to compensate those who have opportunities to start up business on their own. Thus, criterion such as "land property above certain acreage" or "land property within a given distance from the owner's residence", etc. should be taken into consideration.

The legal grounds of unemployment registration in the branch will intensify the processes of ownership restructuring and the formation of production units.

The restitution of property in trade and industry, will too accelerate the tensions on the labor market. Though, the process is going to take place in two directions (closing down an opening new vacancies), so we expect an increase in unemployment in towns.

The adoption of procedures for declaring bankruptcy of inefficient and losing enterprises might not necessarily cause liquidation on a large scale. Nevertheless, it will influence production through additional pressure of

expenditure cuts. This will probably lead to the liquidation of the hidden forms of unemployment, manifested in compulsive leaves, correction in the shift system of labor and rotation of staff, partial employment in the shift and monthly working time, etc. The privatization of SMEs is likely to affect unemployment in the same way.

Regarding the problems in employment policy, the government's fiscal policy is going to be of great importance.

Most of all, it is important to consider the way of regulating the increase in the wage resource. The draft resolution of the Ministry of Labor relies on the previously adopted methods of regulating the total wage increase in 1991. This method is based on the following principles: regulation of wage resources on a quarterly basis through tax scale; free movement of the individual and average wage within the limits of regulated resources when decreasing staff; total wage regulations in state enterprises aiming at employment restructuring.

For the current year, we expect a more restrictive tax scale: corrective coefficients of marginal increase of resources on a quarterly basis resting on price index forecasts (excluding corrective mechanisms when they exceed the forecast rate of inflation by 10%) as well as quarterly correctives of the maximum amount of resources by 0.75, 0.80, 0.85, and 1.0 respectively.

Despite of the application of similar methods for regulating increases in wage resources had been progressively carried out in enterprises throughout 1991, only 40% of the actual growth in the average quarterly wage proved to be at the cost of staff reductions in the last three quarters of the year. Unemployment compensations and the floating wage basis in the course of wage bargaining in 1991 can be considered among the main disadvantages of the method. A guiding principle of the draft resolution of the Ministry of Labor is the predetermined yearly wage basis. Only if it is applied consistently the restrictive tax scales will have the desired effect. The draft allows further possibilities for negotiating the coefficients of anticipated inflation whenever they exceed forecasts by more than 10% which in turn may lead to loss of control over wage increases. With the absence of normative price and profit regulations the above-mentioned corrective mechanism can thus prove inefficient. However, it will hardly block their growth to an extent that will cause a substantial increase in the number of lay - offs.

Having in mind the increasing number of pensioners in 1991 (as distributed among families, etc.). At the same time, it is required to increase the control over the use of labor. On one hand, this is related to the necessity to pay social benefits over labor remunerations and civil contracts, as the latter are extensively used as substitutes for pseudo - labor contracts. On other hand, it is necessary to increase the tax control (in relation to social security payments) over the use of labor in the private sector in regard to its anticipated expansion and policy of tax preferences (e.g. lack of regulative mechanisms to prevent further increase in wage resources).