



**Project no.**  
513705

**Project Acronym**  
CEEK AGRI POLICY

**Project title**  
**Agro economic policy analysis of the new member states,  
the candidate states and the countries of the western Balkan**

**Instrument**                      Specific Support Action

**Thematic Priority**              Scientific Support to Policies

**D12-3 Third 6-monthly report  
RURAL EMPLOYMENT  
IN THE CONTEXT OF RURAL DEVELOPMENT  
IN BULGARIA**

**Start date of project:** 01.05.2005

**Duration:** 24 Months

**Revision**      Final

<b>Project co-funded by the European Commission within the Sixth Framework Programme (2002-2006)</b>		
<b>Dissemination Level</b>		
<b>PU</b>	Public	X
<b>PP</b>	Restricted to other programme participants (including the Commission	
<b>RE</b>	Restricted to a group specified by the consortium (including the Commission	
<b>CO</b>	Confidential, only for members of the consortium (including the Commission Services)	

## Acknowledgement

This report forms part of the deliverables from a project called "CEEC AGRI POLICY" which has been awarded financial support by the European Commission under the 6th Framework Programme.

The project aims to establish a network of experts involved in agricultural policy analysis and rural development in the New Member States, in the Acceding Candidate Countries and in the countries of the Western Balkan. More detailed information on the project can be found at [www.agripolicy.net](http://www.agripolicy.net).

## DOCUMENT HISTORY

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## **1 Introduction and background**

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Very often the rural regions are considered as a synonym of backwardness and isolation from public life. This is a result of processes, which have objectively occurred but which are also due to the neglect and underestimation of the consequences from rural regression by politicians and government. At the same time, the rural regions account for 80% of the territory of Bulgaria and 40% of the Bulgarian population lives there thus the neglecting of these facts makes for an inexpedient policy and lack of rationality. Besides, the rural territories have considerable natural, economic and cultural potential whose full-value utilisation will eventually contribute to country GDP and development.

However, these regions seriously lag in their development in comparison with the urban centres and this problem has become more acute in recent years. The Bulgarian economy stabilised and started to recover after 1997, but with different pace in rural and urban areas. Even before the transition there were differences between these regions; in spite of disparity, overcoming such differences was one of the political goals of the communist party. The unfavourable trends of development pose the question concerning rural regions' vitality, i.e. their capability of successful integration into the globalising economy with economic labour division. The most crucial problem concerning rural development is that Bulgaria has no experience in the formation and accomplishment of the special policy regarding rural regions. These problems have been handled in the context of territorial policy, through the programmes for the development of backward regions (mountainous and border regions) and by separate measures of the local governments thus a lack of united and straightforward State strategy was observed.

### **1.1 An introduction to rural employment**

There is no common definition for the scope of rural regions. It has been assumed in the National Plan for Rural Region Development (2000-2006) that rural regions comprise the municipalities, wherein the biggest town has a population below 30 000 people and the population density is below 150 citizens per sq. m. From all 262 municipalities in the country, 229 are located in the rural regions. The total number of residence places in those regions is 5 307. The major forms of economic activity in them are: agriculture, forestry, craftsmanship and rural tourism.

Rural regions cover a territory of 90 371 km<sup>2</sup>. Hence, they account for 81.4% of the territory of the country. The population in rural areas is 3 612 974, which represents 43,6% of the population of Bulgaria. The population density in rural regions is 40 per km<sup>2</sup> while the average population density for the country is 76,4 per km<sup>2</sup>. The average density of populated areas in the country's rural regions is 3,75 per 100 km<sup>2</sup>.

In the National Plan for Rural Region Development, the employment issues are attributed chiefly to agricultural employment. At the same time, the NSI does not collect separately information concerning the rural regions. There is particular data about the employment in towns and villages, regardless of whether or not the municipality is classified as a rural municipality. Nevertheless, this data can be reckoned as representative enough in terms of the rural employment and unemployment.

In 1995, the active population in villages was 970 100, from which 782 100 were employed and 187 200 unemployed. The activity rate is 43%, whereas the employment rate was estimated up to 34,7% and unemployment rate 19,3%. The corresponding figures for 2000 are 905 700 (people of active age); 733 800 (employees); 172 000 (unemployed), and the percentages are 40,9%;

33,1% and 19% and for 2005, 786 500 (people of active age); 678 600 (employees); 107 900 (unemployed) and corresponding percentages 39,2%; 33,8% and 13,7%. There is a clear trend of reduction of the active population and employment. The share of the economically active population and of the employees is below the average for the country and it has been falling during the whole period after 1995. Along with an adverse ratio of active and inactive population in the rural areas, the level of unemployment has dropped independently during the period (1995-2005) - from 19,3 to 13,7, and is still considerably higher than the average for the country.

The major reason for the unfavourable trend in employment development is the crisis in the main economic sector in these regions – agriculture, as well as the crisis in the major economic activities related to this sector – food industry and processing. Besides, the development of the industry and services is insufficient (with the exception of villages in the vicinity of big cities and resorts) and it cannot compensate for the loss of work-places in the primary sector. It is also a fact that the quality of life in villages is substantially lower compared to that in urbanised regions. As a result of this, part of the active population migrates to the cities or leaves the country.

The considerable decrease in the level of unemployment is not only due to these factors but also is imputed to the performance of programmes of the Employment Agency. Coping with the negative trends in the employment sphere depends on several factors:

1. Agriculture restructuring;
2. Development of new types of economic production;
3. Improvement of life quality based on development of the public services and infrastructure.

## **1.2 Agricultural employment**

Bulgarian agriculture is characterised by a polar structure – on the one hand there is a great number of small farms specialised in the production of animal products, vegetables and fruits while, on the other hand, there is a small number of large farms growing grain and other industrial crops. There are historical and economic prerequisites for this structure; likewise this pattern has proved to be sustainable during the last 15 years.

In 2003 (according to the Agricultural Census), there were 665 thousand functioning farms. A great part of them (97%) grow up to 5 hectares, the area of which comprises only 15% of the utilised agricultural area (UAA). At the same time only 0,8% of the farms possess over 50 hectares, but they till up to 78,5% of UAA. 99% of the farms are run by physical persons (almost all of them are small farmers). Besides, about 7000 farms are owned by trade companies and they tenant 2/3 of UAA. The existence of a great number of small farms producing mainly for home consumption (and a small extent for the market), and presence of a great number of people employed in this sector can be explained by the influence of the following factors:

1. Agriculture has been the dominant sector of Bulgaria during the last 60 years, therefore there are historical and cultural precedents for the existence of the agricultural driving model in rural areas;
2. A great number of farms exist for the sake of realisation of additional income of retired people or of people working in other economic sectors. In 2003, 55% of the farms were owned by retired people. During the period of economic transition, these farms performed the role of an economic buffer soothing the effect of unemployment and low income;

3. The evolution of this huge constellation of small farms into full-value market farms is undermined by the hard conditions during the transition and the low accessibility to credit and other funds
4. The lack of enough employment opportunities out of agriculture in the rural areas forces a lot of people to resort to agriculture for securing their livelihood. However, the profitability and the return from this production do not meet their expectations; thus the majority of the producers prefer to enclose their activity within small, semi-subsistence frontiers.

According to a report of the World Bank (2004), the households typically rely on their own production of vegetables, dairy products, sheep, pork and poultry for their consumption, and sell surpluses into local markets. Small farm households are not registered as farmers and generally cultivate less than 0.5 ha, using family labour, as they can use outside labour only during the harvest season. The data from the Agricultural Census carried out in 2003 show that the total number of farm workers is 1 348 108. Out of them 1 287 691 work in the farms of physical persons (non-registered by the law), which accounts for 95,5% of all farmers. The labour in these farms is equal to 700 000 Annual Working Units (AWU) or it makes up to 88% of the labour in the sector.

The same census shows that the number of full-time workers is 336 300. According to data of “Agrostatistics” of the Ministry of Agriculture and Forestry (MAF) from 2005, the number of people engaged in agriculture has decreased by 20%. Hence, the number of the full-time employment has decreased even more – by 25%, and their number is 254 000. Regarding the production structure of these entities, it can be underlined that almost all of them (520 500 farms) out of 534 600, tenant agricultural land, whilst 481 000 holdings are occupied in livestock production, which indicates that almost all farms are characterised by a mixed crop-livestock production structure and specialisation is not a trait and strategy of agricultural holdings.

The age structure of the owners of farms is unfavourable. Only 5% of them are in the age group up to 35 years, and 66% are above 55 years old. The distribution of the agricultural workers is similar – only 156 800 people are in the age group up to 35 years (8,84% ), and their number has decreased by 55 000 people only for two years during the period 2003-2005. The educational level of the people engaged in agriculture is comparatively low. In 2004, 57% have primary or secondary education and only 4,4% have secondary special or higher education (average for the country is 25%). Apart from this, the predominant part of the employed people in the sector does not have special agricultural qualification and education. Only 2% of the farmers have secondary agricultural education and merely 1% possess higher or semi-higher education. At the same time, on 31.12.2004, 8226 specialists with agricultural and veterinary education have been registered in the Labour Bureaux, 1095 of whom have higher education (Stat, year 2005, p. 93).

### **1.3 Non-agricultural employment**

As Carter and Kaneff point out in their work “Rural Diversification in Bulgaria” (Geo-Journal, v.46, 3, 1998, p.183) “Agriculture has always been important for the Bulgarian economy, but during the socialist period there was tremendous progress made in the diversification of employment opportunities in rural areas. As long as many people used to commute into non-agricultural jobs in the urban centres (there was a large permanent transfer from rural to urban areas), there were additional opportunities in small factories and local services in the villages themselves”. The economic crisis during the years of transition has led to a loss of working places in the towns, as at the same time the big State factories have shut down their subsidiaries in the villages. The restructuring of agriculture, especially of stock breeding brought about a

reduction of the number of full-time employed people in this sector. The empirical investigations (Bulgaria: Survey on rural development needs, WBRD, 2004) demonstrate that “rural non-farm economy and employment opportunities are not well developed, reflecting the low level of economic development in agricultural areas and level of effective demand”.

Non-agricultural employment in these areas belongs to the State governance (local authorities), education (teachers), retailers, car repair shops, carpenters, construction workers, and similar service providers, small food processing and garment plants. There are considerable differences between the villages situated nearby the cities, the Black Sea resorts and those villages from the typical rural areas. The employment opportunities in the first are much greater, more attractive and diverse. The development of the tourist sector creates new working places in the villages on the Black seaside and some mountainous areas.

The structural changes in the rural economy in the next few years will eventuate in a new pattern of employment attributed to a decline of the engagement in agriculture, resulting from growing labour productivity and occurrence of new employment opportunities. Besides, the emergence of small and medium-scale enterprises, development of services for tourism and recreation of urban people out of their working places as well as incremental usage of the significant resource potential of rural areas will propel the transfer of the workforce from agriculture into non-agricultural enterprises.

Economic growth in the future will be a result of investment by different public and private agents enticed to take the opportunity of doing business in these regions, or just devoted to support such places. The improvement of physical and social infrastructure will facilitate the economic performance of rural areas. However, it is expected that the activity of rural entrepreneurs in agriculture, manufacturing and services, will be the crucial factor, which will induce structural changes, economic development and opening of new working places.

## **2 The context of rural employment**

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### **2.1 New employment opportunities**

The diversification of the rural economy through the development of rural business and the appearance of new employment opportunities requires complex measures and depends on various factors encompassing the State policy, residents' skills, natural and cultural resources, access to finance, entrepreneurship, etc. One of the most renowned alternatives for employment in rural areas is related to the development of small and medium scale enterprises, which are characterised as an essentially family business with few external workers, low capital necessity and strong local roots. The evolution of SMEs in Bulgaria was driven by high levels of poverty combined with slow economic growth in the formal sector, which have forced a significant part of the rural population into self-employment and informal activities. One of the most popular opportunities of people from small residence places is engagement in and development of different forms of tourism – sea tourism and skiing, rural and eco-tourism, recreation, etc.

The National Statistical Institute reported that over 4 million foreign tourists visited Bulgaria in 2005, while the World Travel and Tourism Council (WTTC) predicts growth of 6.3 % this year (2006) and 4.3 % annually for the 2007-2016 period. Bulgarian tourism is expected to generate \$6.73 billion this year, accounting for 16 % of GDP and 400,000 jobs, almost 14 % of the total employment. The WTTC report ranks Bulgaria's travel and tourism economy 68th out of 174 countries by absolute size. Unfortunately, the majority of tourists and tourism revenues are going

to the big Black Sea and mountain ski resorts and big cities. In the National Strategy for Development of Rural Regions (2007-2013) the great potential for development of rural tourism was reported and confirmed, as this sphere remains underdeveloped so far. During 2004, in the rural regions a touristic base composed of 107 400 beds was set up but 80% of them were concentrated in 12 municipalities running the mass sea and skiing tourism. Relatively few tourists visit smaller towns and rural areas but with the depletion of business profits from the commercial seaside and skiing resorts and gradual increase of the living standard of local people, the alternative forms of tourism promoted predominantly in rural areas can take advantage.

Currently the service sector is the second important industry in rural areas, contributing 30-35% of Gross Domestic Product (GDP) of these realms and providing jobs for 30% of the working force. However, the accession in the EU will probably force the owners of numerous pubs, shops, groceries, restaurants, etc. - which create the main employment opportunities for a lot of families - to restructure and explore other opportunities for engagement. (Swain 2000 - through his research trip around Bulgaria underlines that all villages and small towns are particularly well endowed with pubs, bars, restaurants, bakeries and the proportion of such units compared to population is 1:100 people). Some of them may try to convert their activities into subsidiary tourism services (bike renting, guide and property agencies, auto and bike repairing shops, craftsmen and shops for sale of traditional goods, etc).

Agriculture is the primary industry for rural regions, amounting nowadays up to 40-45% of local GDPs and engaging up to 30-35% of the working force. As pointed out in the previous section, the majority of producers are characterised as semi-subsistence farmers, practicing the peddling marketing of their products but their future in the same model is threatened. A significant part of those producers will look for possibilities for production of brands, small series and batches of dairy products designated for domestic and foreign markets. Such kind of processing factories are already established in some small rural municipalities in the Balkan, Rodope Mountain, etc. and their example and experience will be adopted by other regions. The organic agriculture will be an essential alternative for employment, especially in mountainous regions, which features with wonderful and pure nature. The expansion of specific varieties of orchard, vineyard and particular processing factories, fetching the label for Protected Designation Origin (PDO) or Protected Geographical Indication (PGI) will be renowned possibilities for rural regions.

Industrial production nowadays accounts for 25-30% of the GDPs of rural regions, and their employment is subject to considerable changes. A dozen small meat and milk processing factories are closed due to the new requirements of the EU. The enterprises, which will continue to run, will face the necessity of staff qualification improvement and a new working culture, which can coincide with new possibilities for employment of people from the rural regions with higher education. Alternative technologies for production of energy are reckoned as a hopeful business opportunity. The abandoned land typified meanwhile as very productive for different oil-yielding crops can attract domestic and foreign plants to launch production of bio-fuels. The construction of new infrastructure projects and expanding the tourism sphere will boost the employment of a lot of civil engineers, workers, truck-drivers, etc. and will create conditions for transfer of underemployed people into sustainable employment.

## **2.2 Education and skills – levels, access and provision**

The report of the World Bank (2003) emphasised that there is a gap between education in urban and rural regions, which brings about great threats and dangers for equal and balanced development in the country (National Report for Human Development – Bulgaria 2003).

Glimpsing the educational structure of the population during 2004 reveals that rural areas lag behind the urban regions in terms of educational level, percentage of people with a University degree, literacy, etc. According to the figures of NSI (2005), the average percent of people with University degrees in the country as a whole is 9%, in rural regions this figure is 2,8%, while in urban places, it reaches 10,6%. In the same fashion, the population with high-school education throughout the country accounts for 35,7%, in urban regions the percentage is 38,1%, while in rural areas, it is only 28,2%. The illiteracy rate in rural regions is twice as high as that in urban areas and testifies for different standards and unequal opportunities, which people from both realms possess.

The main issues concerning education can be outlined as:

1. Significantly low enrolment rate in the first two educational levels in rural regions compared to urban realms is posted.
2. The education quality in rural areas is lower than in urban centres, likewise the schools in rural regions lack teachers with higher qualification, as the material and auxiliary base is detrimental and pupils lag behind in learning foreign languages, computer science, and other advanced matters.
3. In a significant number of villages, because of the decreasing number of children going to school, shutting down of local schools and transportation of the rest of the pupils toward other schools is being undertaken, which eventually impacts those villages and stirs up their desolation.
4. Those proceeding in higher levels of education (especially in University, Colleges, advanced high schools) are fewer in a significant part of rural regions, which are inaccessible. Thus, young people looking for better opportunities and professional achievement leave their home towns and it may be hard to entice them to move back.

A particular problem concerning a significant part of the Bulgarian rural regions is that some of the regions are populated chiefly with minorities (Turkish, Bulgarian Muslims, Gypsies), that do not consider the education important which is attributed to their specific culture and attitudes. Hence they stop their kids from enrolling in higher school levels or just do not stimulate them to progress and assimilate fruitfully the educational material. For instance, based on national statistics (NSI, 2004) over 20% of the children in rural areas who have enrolled in primary and secondary schools do not accomplish their education, while in the urban centres this percentage is merely 0,3%. Illiteracy that is a consequence of neglect and truancy towards the educational process is another problem, as according to an investigation of the Ministry of Education and the World Bank (2004) about 35% of the children in the rural areas cannot read and write, while in the urban places, this fraction is 17.2%.

Regardless of the fact that the government undertakes measures for coping with the educational problems in the villages, very often in small rural settlements mixed classes of children from different grades can be seen. It is a grave obstacle, predetermining the worsened quality of the teaching process and finally restraining the competitiveness of those children contesting for matriculation in Colleges, Universities, prestige jobs, etc. The solution to haul the pupils from those small villages into bigger centres is not accepted by the children's families and many of them contemplate to migrate toward bigger places. Generally, it is assumed that the education of young people in rural regions does not fit the actual requirements of the labour market and such children are doomed to work in agriculture or become engaged in other stigmatised occupations. Most of the parents in rural areas wish to ensure a good and adequate education for their children in order to prevent them from working in agriculture or other unattractive occupations. Hence, this will improve the educational structure of the rural population and will contribute to the

diversification of the rural economy, on condition that those families do not leave their hometowns. In the same fashion, agriculture itself needs good professionals and educated persons, who are able to modernise production and adopt advanced technologies; better education of rural people will serve this cause.

### **2.3 Other key factors in employment (if any)**

Some of the key factors influencing employment are the demographic situation, qualification of people, State social policy, etc. The demographic factor in rural regions predetermines the significantly adverse employment indicators compared with urban centres. The figures for 2004 demonstrate that in urban regions the activity rate is 54%, while the employment rate is 47,9% and the unemployment rate is 11,2%, as counterparts in rural areas, these indicators are 40% (activity rate), 34,2% (employment) and 14,6% (unemployment). The priority for the Bulgarian government so far has been the reduction of unemployment. However, with the gradual decrease in unemployment, still more actual becomes the matter with the percentage elevation of the economically active population, i.e. those people, who are engaged anywhere or actively search for employment. Although the level of unemployment is falling, it is still high. In rural areas, the most crucial issue is the high share of long-term (permanent) unemployment. The different programmes for employment and unemployment prevention cannot solve the problem radically and completely because they do not lead to qualification acquisition.

Besides, the labour market in regions with ethnically mixed populations is related to specific problems and requires specific solutions and approaches. The Bulgarian citizens of Turkish origin live mainly in rural regions and most of them live on tobacco production. Thus, their incomes depend thoroughly on agricultural activities and, moreover, they do not have their own land: these two factors explain the higher level of unemployment and the lower level of incomes in these regions compared to the average for the country.

Further, the low competitive power of the Gipsy population requires particular strategies for these communities related mostly to their integration in the society, and improvement of their education and competitive abilities. Along with the minority employment problem, a specific matter is the lack of suitable jobs for qualified young people, which forces them to migrate into the urban centres. On the other hand, the salaries and the earning rate in rural areas are lower than in the urban areas, which is imputed to complex reasons, such as free working force, educational level, features of the enterprises hiring those people, etc.

The increase of the level of employment and incomes in rural regions depends on the structural reform in agriculture and on the diversification of economic activities. It could be achieved through the use of the local entrepreneurial potential and resources, through realisation of special programmes for development of the regions with ethnically mixed populations for integration of the Gipsy population in the society, and through optimisation of the institutional and legal basis of the labour market.

## **3 Specific rural employment issues**

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### **3.1 The nature of under-employment**

The problems of under-employment in the framework of the employment policy have frequently been underestimated. At the same time, especially for rural regions, maybe they have the same importance as the unemployment problems. From the viewpoint of the labour market, the term

under-employment comprises first the people who prefer full-time employment but work less than 40 hours per week and second, the people who receive an hourly payment smaller than the one accepted as a minimum. There is no official statistical data about under-employment. The people who work part-time are not regarded as unemployed, therefore they are considered to be fully employed. At the same time the experts claim that the level of under-employment in rural regions is considerably higher than in urban regions.

The farm census in 2003 showed that the total number of people engaged in agriculture is 1,348,108. From them 1,287,691 work in the farms of physical persons (non-registered by the law) and they account for 95.5% of the people engaged in agriculture. The labour invested in these farms is equal to ca. 700,000 AWU or it represents 88% of the labour in the sector. These data demonstrate that part-time and additional employment is extremely widely spread in this sector. It can also be seen that this is one of the typical characteristics of the Bulgarian agricultural model. It should be noted that there is a natural process of decreasing of the number of the employed, exclusively in small farms. The agricultural production will be focused more and more in professional farms which offer full-time employment. Small farms will function mainly as a source of additional income or they will be run as a hobby. It should also be kept in mind that 55% of these farmers are retired people and they rarely seek full-time employment, i.e. they cannot be referred to as part-time employed.

Because of the fact that some of the people in rural regions are engaged in activities based on natural resources (forestry, hunting and fishing, tourism, construction, etc.), they also fall into the category of the part-time employed. Frequently, the insufficient volume of the market is the reason for part-time employment in trade and the sector of services. Micro- and small enterprises involving processing and manufacturing are more susceptible from the viewpoint of the market limitations. Analysis shows that the higher levels of part-time employment in the rural regions compared to those in urban regions are not only due to the differences in the demographic characteristics of the population or the educational level. There is rather an obvious difference in the employment opportunities, even in the industrial and service sectors. This unfavourable situation is proved also by the low income of people in rural regions.

It should be noted that the problems of under-employment are sharper for some segments of the rural population – young people just entering the labour market, old people, people with insufficient qualification, especially minority groups. Under-employment has its clear regional dimensions. In the typical rural regions, as well as in those with mixed populations, its parameters are considerably higher. The problem is especially typical of the tobacco-producing regions where a process of conversion to other activities is going on. Under-employment is a stable phenomenon in rural regions. Therefore, long-term measures and initiatives for opening up new employment opportunities are necessary.

### **3.2 The scale of semi-subsistence farming**

As already mentioned, Bulgarian agriculture is characterised by a dual structure – on the one hand, there is a sector of numerous small farms, while on the other hand - a small segment of large farms. The viability of the small farms is due to historical, cultural and economic factors. Their existence has a long historical tradition. During the period of state socialism, they had functioned in the form of the so-called private farms, wherein a substantial part of the agricultural products was created, and which stood for an important source of additional income for a great part of the population. During the years of the transition, especially after the restitution of the land property, those farms served as a social buffer for dealing with the

unemployment and low income. Small farms produce mainly products for self-subsistence and a relatively small part of them is designated for market realisation. Despite the social and economic importance of small farms, the available statistical information about them is limited. The results from the farm census in Bulgaria in 2003 (MAF, 2005) show that during the same year in the country there were 654,808 farms, and 97% of them have an area below 5 hectares. The labour in these farms is equal to almost 700,000 AWU or 88% of the labour in the sector. In 2005, the number of the farms decreased by 130,000. It should be emphasised that 66% of the farm owners are over 65 years old. These small farms are specialised mainly in the production of animal products – they cultivate 15% of the land and possess 96% of the goats, 86% of the sheep, 78% of the cattle and 60% of the pigs in the country.

The economic importance of the segment of small farms will depend on their resistance, i.e. on their ability to adapt to the necessities of the time (Bashev, 2006). These are individual or family farms, the size of which is limited by the available resources– land, labour and capital. Their viability is determined by several factors – low management expenses, strong stimulus for maximising the economic result, high adaptability. On the other hand, the development of these farms is limited by the low accessibility to capital and the limited possibility of technological renovation. The isolation from social programmes and the inability to meet the heightening requirements for quality, ecological compatibility, etc. makes the market positions of these farms yet more problematic. The introduction of the Common Agricultural Policy of the EU will make the problems more serious because of the fact that the direct payments will be swallowed up mainly by large farms.

The available statistical data and expert opinions allow us to draw the conclusion that the importance of the small farms for Bulgarian agriculture will decrease gradually due to:

1. The limited possibilities for modernisation
2. The impossibility to meet the new requirements for high-quality production, ecological standards, etc.
3. The limited access to institutional programmes for agricultural support;
4. The old age of the owners
5. The appearance of new possibilities for employment opportunities in the rural regions

At the same time, part of the small farms will continue to exist because of the strong traditions, their competitive advantages in some extensive production and their features to provide additional employment and income. A small part of these farms can prove to be flexible because of their ability to diversify their activity. In conclusion, the importance of the small farms as an employment opportunity will decrease while, at the same time, those farms will continue to have a decreasing but significant share in the economic activity in rural regions.

### **3.3 The implications of the ‘Lisbon Strategy’**

It is hard to say that the “Lisbon Strategy” has produced a significant effect on the employment in rural regions. The economic growth and creation of new working places based on innovations and knowledge are quite far from the real goals of the Bulgarian policy during this period. The years of transition have been devoted mainly to the creation of conditions for a stable development of the country.

However, some positive changes in rural economy can be found in:

1. Creation of economic units based on private property, which are a prerequisite for growth
2. Occurrence of small but active groups of entrepreneurs in different economic sectors

3. Development of the service sector
4. Development of communications, including extended access to the Internet
5. Application of the institutional programmes for development
6. Creation of business-associations and other non-government organisations
7. Improved communication with the central and local authorities
8. Development of tourist services
9. A new concept of the importance and role of rural regions for social development

In view of the requirements of the Lisbon strategy, the support of the economy in rural regions should adhere to business initiatives based on local resources (tourism, crafts), as well as initiatives based on knowledge and innovations (use or renewable energy sources, modern technologies of organic residue management, etc.).

## **4 Overview and prospects**

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In 1995, the active population in villages was 970,1, from which 782,1 employed and 187,2-unemployed. The activity rate is 43,0; the employment rate – 34,7 and unemployment rate – 19,3. The corresponding data for 2000 are 905,7; 733,8; 172,0, and the coefficients are 40,9; 33,1 and 19,0 and for 2005 – 786,5; 678,6; 107,9 and 39,2; 33,8 and 13,7. [insert table to clarify these data within text] There is a clear tendency towards a decrease of the active population and the employed. The share of the economically active population and of the employed is below the average for the country and it has decreased during the period. The level of unemployment has decreased during the period – from 19.3% to 13.7% but it still remains considerably higher than the average for the country.

The farm census in 2003 showed that the number of the constantly employed was 336,300. According to data from the “Agrostatistics” Directorate of the Ministry of Agriculture and Forestry from 2005, the number of farmers has decreased by 20%. The number of the constantly employed has dropped even more – by 25%, and it is 254,000. The importance of the sector of small farms as a sphere of employment will decrease but at the same time its diminishing but significant share in the economic activity in rural regions will be preserved.

The structural changes in the rural economy in the next few years will lead to a new pattern of employment:

1. Decline of the employed in agriculture as a result of growing labour productivity
2. Creation of new employment opportunities in consequence of:
  - a. Emergence of small and medium-scale manufacturing and service enterprises;
  - b. Growth of a leisure and retirement industry in rural areas, providing a broad range of services for tourism and the rural resettlement of retired families;
  - c. Growth of commuting, with a view to enjoying a better environment.

During the last 5 years according to expert data from the Employment Agency, about 10% of the unemployed in rural regions have acquired constant alternative employment. At the same time, it should be pointed out that the execution of the state programmes in this area is unsatisfactory due to the low educational level and the lack of business skills of the inhabitants of rural regions. The educational problems in rural regions include low enrolment of pupils in the first two educational levels, lower quality of education and shutting down of schools. In view of the requirements of the Lisbon strategy, the support of the economy in rural regions should be directed to business initiatives based on local resources (tourism, crafts), as well as initiatives based on knowledge and innovations.

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## 6 Annex

**Table 1. Age structure and migration of the population into towns and villages in %**

Parameters	1990			2004		
	Total population	Urban population	Rural population	Total population	Urban population	Rural population
Up to 19 years old	17,6	29,0	24,7	21,7	22,6	19,8
Active population	53,2	56,2	46,7	55,9	59,4	47,9
Over 60 years old	19,2	14,8	28,6	29,4	18,0	32,3
Marriage rate, % per 1000	6,7	7,0	5,8	3,7	4,4	3,1
Birth rate	11,7	12,1	10,8	8,5	8,0	7,8
Mortality	12,1	9,0	18,4	14,3	11,4	20,3
Natural growth	-0,4	3,1	-7,6	-5,8	-2,6	-12,3
Child mortality	13,8	12,6	17,1	14,3	12,9	18,0

Source: National Statistical Institute

**Table 2. Labour force pattern in 1995, 2000, 2005**

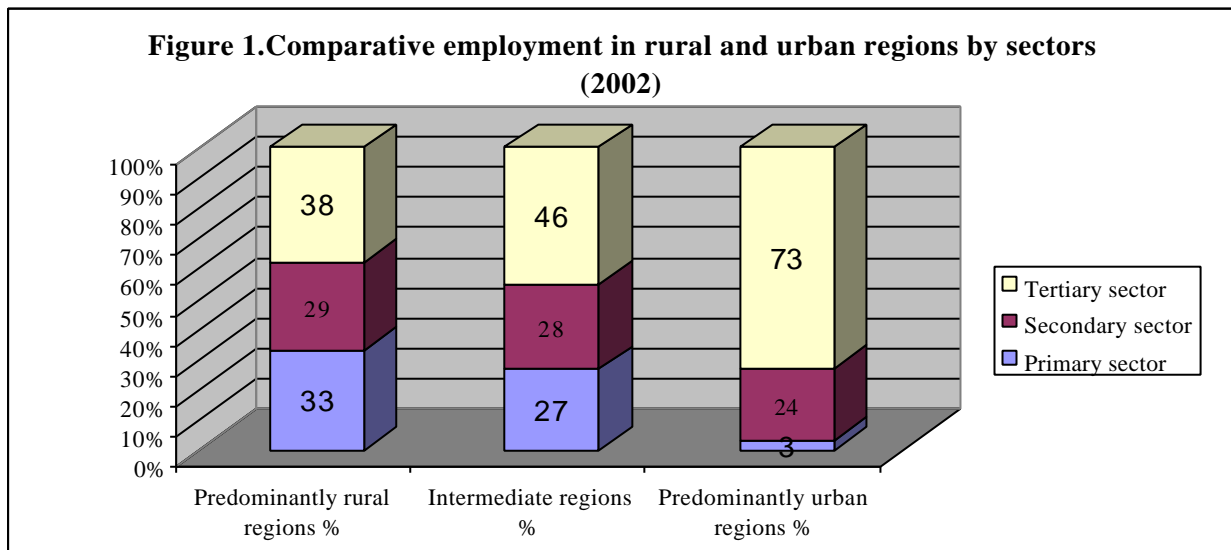
Labour force pattern	1995			2000			2005		
	Total	In towns	In villages	Total	In towns	In villages	Total	In towns	In villages
Labour force - thousand	3552.3	2582.2	970.1	3272.2	2454.9	817.2	3314.2	2527.7	786.5
Employed	3031.5	2248.6	782.9	2735.8	2097.8	637.7	2980.0	2301.5	678.6
Unemployed	520.8	333.6	187.2	536.7	357.1	179.6	334.2	226.2	107.9
Activity rate- %	51.5	55.6	43.0	47.5	52.5	36.9	49.7	54.2	39.2
Employment rate - %	43.9	48.4	34.7	39.7	44.9	28.8	44.7	49.3	33.8
Unemployment rate -	14.7	12.9	19.3	16.4	14.5	22.0	10.1	9.0	13.7

Source: Statistical yearbook 1996, 2001, 2005

**Table 3. Population, territory and populated areas in rural regions**

Type of region	Municipalities	Populated places	Towns	Villages
	number	number	number	number
<b>Definition by OECD</b>				
Predominantly rural regions	193	4266	183	4083
Intermediate regions	70	1029	59	970
Predominantly urban regions	1	38	4	34
<b>National definition by the SAPARD Program</b>				
Rural	233	4157	200	3957
Urban	31	1176	46	1130
<b>Total</b>	<b>264</b>	<b>5333</b>	<b>246</b>	<b>5087</b>

Source: NSI (calculations by the Ministry of Agriculture and Forestry)



Source: EUROSTAT

**Table 4. Holdings by status and their usable agricultural area**

Total		Natural persons		Juridical (legal) entities					
Holdings	Area (ha)	Holdings	Area (ha)	Sole traders		Co-operatives		Companies and Civil associations	
				Holdings	Area (ha)	Holdings	Area (ha)	Holdings	Area (ha)
654 808	2904479	648274	879677	2870	340861	1973	1169309	1691	514631

Source: Agricultural Census in Bulgaria' 2003

**Table 5. Holdings and agricultural area by farm status**

Years	Holdings (number)		Area (ha)		
	Total	Of which, cooperatives	Total	Of which cooperatives	Percentage of the cooperative arable land
1996	9564	3479			
1997	10341	3475			
1998	11593	3589			
1999	12317	3589			
2000	13419	3861			
2001	768800	2900	3 435 700	1 738 600	50.6 %
2002					
2003	665 548	1992	2 904 480	1 169 310	40.2 %

Source: Statistical yearbook 1997-2004

**Table 6. Structure of Gross Additional Value by sectors (%)**

GAV structure by sectors	1999	2000	2001	2002	2003	2004
Agricultural sector	16,3	13,9	13,4	12,1	11,6	10,9
Industry	28,2	29,1	29,6	29,1	29,7	30,0
Services	55,5	57,0	57,0	58,8	58,7	59,1
Total for the economics	100	100	100	100	100	100

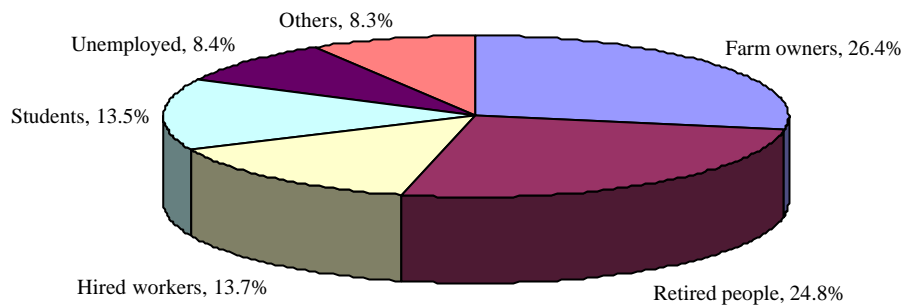
Source: National Statistical Institute

**Table 7. Net income from industry sales (NIIS) per inhabitant, BGL**

Parameters	2000	2001	2002	2003
NIIS's for the country	5,99	7,73	8,90	10,11
NIIS's for urban regions	5,66	6,95	7,53	8,19
NIIS's for rural regions	2,21	3,04	3,21	3,42

Source: National Statistical Institute

**Figure 2. Social status of the household members in rural areas'2005**



Source: National Statistical Institute'2005

**Table 8. Gross Additional Value and Gross Domestic Product by sectors (2003)**

Type of region	GDP	GAV	GAV by sectors		
			Agriculture and forestry	Industry	Services
Thousand BGL					
Predominantly rural regions	16 511 092	14 437 563	2 245 061	4 195 190	7 997 312
Intermediate regions	7 819 000	6 837 059	925 551	1 593 188	4 318 319
Predominantly urban regions	10 080 152	8 814 246	264 779	3 231 735	5 317 731
<b>Total</b>	<b>34 410 244</b>	<b>30 088 868</b>	<b>3 435 392</b>	<b>9 020 113</b>	<b>17 633 363</b>
Row, %					
Predominantly rural regions		100,0	15,6	29,1	55,4
Intermediate regions		100,0	13,5	23,3	63,2
Predominantly urban regions		100,0	3,0	36,7	60,3
<b>Total</b>		<b>100,0</b>	<b>11,4</b>	<b>30,0</b>	<b>58,6</b>
Column, %					
Predominantly rural regions	48,0	48,0	65,4	46,5	45,4
Intermediate regions	22,7	22,7	26,9	17,7	24,5
Predominantly urban regions	29,3	29,3	7,7	35,8	30,2
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

Source: NSI (calculations by the Ministry of Agriculture and Forestry).

**Table 9. Tourism infrastructure (2004)**

Type of region	Places for accommodation	Beds	Number of overnight stays
	'000	'000	'000
<b>Definition by OECD</b>			
Predominantly rural regions	774	1 148	82 635
Intermediate regions	458	649	48 197
Predominantly urban regions	73	102	10 706
<b>National definition by the SAPARD Program</b>			
Rural	641	1 074	76 097
Urban	664	824	65 443
<b>Total</b>	<b>1 305</b>	<b>1 898</b>	<b>141 539</b>

Source: NSI (calculations by the Ministry of Agriculture and Forestry)

### Study timetable

- First draft national report by 09.10.2006.
- Revision by a project partner from the CEEC by 20.10.2006
- Sending of the report to Martin Turner by 22.10.2006
- Final report for the 30.11.2006.