
HUMAN CAPITAL DEVELOPMENT – ECONOMIC EFFECTS AND MARKET ASPECTS

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Abstract: Human capital is the foundation of modern knowledge for growth, employment and social development. In terms of modern polity, we observe spending of large public resources, providing for both formation of national human capital through the system of government-funded education and long-term preservation of its generated value through the system of health care and social assistance. Seen through the prism of social choice theory, economics and labour market, human capital development is logically defined as a task of paramount importance in any modern political doctrine of social development. The **aim** of the study is to systematize and critically examine the basic issues related to the process of human capital development in terms of economic growth and labour market.

Keywords: human capital; labour market.

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development. The **aim** of the study is to systematize and critically examine the basic issues related to the process of human capital development in terms of economic growth and labour market. Structurally, the study comprises two parts, supplemented with key findings in the form of conclusion.

1. Human capital in development and economic growth

The study of economic growth is often presented as a separate system which relative GDP growth rates (annual and in periods) are dependent on a combination of factors that interact and in certain periods change their impact and direction. One of these factors is workforce with its quality indicators.

The modern paradigm of human capital, already established in the EU (and the UN) activities, is a step forward. A new vision is being approved - for comprehensive development policies. New and more compact, this paradigm has both theoretical background and practical significance. The characteristics, that categorize human capital, are often considered as its factors or elements.

Thus, clarifying the role of education, health status and lifestyle in line with the modern well-established trend of globalization of the economy and with the extensive use of information and communication technologies, usually refers to the human capital theory. Significant structural changes in the world economy due to the increasing role of scientific and technological progress to economic growth have led to a new approach to workforce analysis. The theoretical consideration of the issue of workforce reproduction and the importance of the human factor in economic development, according to Blaug (2004), has shifted from analysis on the possible ways to use the existing workforce to the issue how to develop it in a qualitatively new way in the context of the fundamental changes in economic reality. They are related to the accumulation of such intangible elements of social wealth as the educational level of the population, scientific achievements and other¹. There are different interpretations of human capital, mainly as a result of the empirical observations in individual countries and regions, but the patterns are common.

As it is generally acknowledged, one of the founders of the theory of

¹ The theory of human capital, was described by the prominent British economist Mark Blaug as part of the neoclassical research programme which demonstrates astonishing proliferation generating new projects virtually in every area of the economic theory. BLAUG M., Metodologija jekonomicheskoy nauki, ili kak jekonomisty objasnajut. –Moskva, Voprosy jekonomiki, 2004, 2, s. 326.

human capital is Gary Becker. It was he who defined its categories² and the model, fundamental for further research in this area, based on his microeconomic deductions. Becker highlighted the key role of education in human capital creation, and proposed to measure the cost-effectiveness of education by comparing costs and benefits thus determining the rate of return on investments in human capital formation.

The study of the theoretical views on human capital allows to summarise the main conceptual ideas as follows:

- the acquired and embodied in the human personality general and specific knowledge, skills and abilities for creative work express the essence of the category of human capital, which is an integral part of the national wealth;

- the appropriate use of this resource in various spheres of socio-economic activity is of public and individual importance. It is one of the crucial factors for increasing labour productivity, respectively the economic growth, on the one hand, and to increase the future earnings of any individual worker, on the other hand;

- the possibility of increasing income contributes to increasing the degree of motivation of workers for further investment in them as human capital in terms of its accumulation and efficient use as well as of its reproduction in the family.

The theoretical discussions and guidance of research in the process of the emergence of human capital theory can be reduced to clarifying the following key issues: the use of the term workforce rather than human capital as an element of social reproduction; elucidating the key issue whether the people themselves or their qualities, knowledge and skills constitute the category of human capital as well as the development of methodology for its measurement and evaluation, which is a logical consequence of the interpretation of people as capital goods (W. Farr, E. Engel, T. Wittstein, S. Huebner, E. Woods and C. Metzger, H. Boag, Fr. Kapp, R. Mayo-Smith, J., Walsh, L. Dublin and Lotka A.).

These problems were solved by the developed in the early 60s of the twentieth century "orthodox" (or often called traditional with a view to the later proposed several alternative concepts) neoclassical theory of human capital and its measurement, developed by George Mincer, E. Denison and the Nobel laureates T. Schultz and G. Becker. Due to their scientific arguments the investment in people as an important source of economic growth and the

² In human capital Becket includes: schooling – general and specific knowledge, on-the job training – professional knowledge, skills and experience, health capital, migration capital as well as significant economic information and motivation for business. This leads to differentiation between the general and the specific investment in people.

recognition of education as a decisive factor for human capital have henceforth had its solid position in economic theory. T. Schultz was the first economist who defined human capital as an additional source of income generated by the knowledge, skills and abilities of people, and education as a form of human capital.³

In this sense, the funds invested by people in education that increases their professional performance at the workplace, are treated in the long run not as a cost but as an investment the rate of return of which translates into greater opportunities for employment and future income. G Mincer was one of the "pioneers" in the field of measuring the cost-effectiveness of schooling by developing the so-called earnings function, which expresses the statistical and mathematical relation (elasticity coefficients) between the earnings of people and the level of their education (schooling, on-the-job training and vocational training and further training programmes), job experience and other. E. Denison is considered the pioneer of the models used to assess the contribution of human capital to economic growth. He performed a detailed analysis of the so-called unexplained residue arising in factor analysis of growth rates of gross domestic product (GDP). It is a consequence of the direct contribution of human capital and other factors to economic growth, i.e. a coefficient of efficiency of growth. According to him, 15-30% of the growth in income per capita in the US in twenty years of post-war period is due to the increase in the educational level of the workforce⁴. The dynamic production function of Denison is applied to study the factors of economic growth, according to its classification for the Bulgarian Economy in the period 1960 – 1980. A study by Naydenova, Raynova (1984) found that 23% of the rate of growth is due to the workforce factor characterized in terms of education, training, production practice, skills, length of service and income. The coefficient of elasticity to GDP of the accumulation of knowledge is a separate component, as included by Denison in a dynamic production function.

However, there are no follow-up studies in line with the more contemporary

³ According to him the "capital" part rests on the proposition that certain types of expenditures create productive stocks embodied in man that provide services for future periods. This proposition allows dividing the whole into two parts: human and non-human capital. Schultz, T.W. Investment in Human Capital.

⁴ In his concept Why the growth rates differ Denison applies the so-called dynamic production function with 27 factors of economic growth, including labour force not only according to the education feature, but also by gender, qualification, employment, health status. The model links the accumulation of knowledge as human capital with the efficiency of economic growth (DENISON, E. Classification of the source of Economic growth, 1972). In our opinion, he gives an example of a model approach that is to be applied as far as possible in modern on the boundaries of factor impacts and dependencies.

vision of human capital even less an interest in participating in the growth of human capital in terms of ethnicity or simply of the workforce and income.

The theories of economic growth and human capital are interpreted by our researchers usually separately, their categories mentioned in a number of empirical studies, mainly economic and sociological, including demographic aspects of the labour force and the participation of women in the development. It should be emphasized, however, that there is no evaluation of the effectiveness of investments and the utility in one or other economic conditions and of its sources.

This can be explained with the difficulties in measuring the results of investment in human capital, but the concept of its content, the process of its creation and use is of its own importance. The aforementioned moments of the emergence of human capital theory and measurement are no longer consistent with the trends in the global development of information and innovation society not only with its economic but also social parameters, emerging in the new century. We cannot but agree with the view of Kirov, Zareva, Matev (2012) that under the new conditions it is necessary to clarify the place and the specific features of human capital theory in institutional and empirical aspects as well as of its non-economic importance to the progress of society. In the light of this scenario we believe human capital theory cannot be categorized as an economic one only, although the economic categories will always be one of the priorities. Their combination in the process of the conceptualization and the formulation of the concept of human capital by the most prominent scholars is no longer a problem. It is no longer identified with the category workforce and its commodity character, either. The focus is on investment in the workforce quality as a factor of production and growth, expressed in human capacity as a result of education, training and experience, generating as a means of capital income for the individual who is the owner. Investments are valued at their return as a result of participation in the production process, similarly to investments in material and substantial elements of capital. It is a reproduction factor and in this sense the work abilities of employees are capital which can be used for a certain period of time, of certain depreciation and marginal efficiency. The distinction is in the non-material substance and the possession of such capital, people being its holders and also investors in their personal development (education, health). They have competitiveness and expectations for a better-paid job or income exceeding spending, and invest efforts to acquire and maintain the acquired qualification and skills. The acquisition of this capital is inseparable from the individual, it requires his efforts, work and attitude and at the same time depends on the financial funds - public and private, own or of the parent generation, on the family and home conditions, health, age, as well as on the

public and political environment and traditional attitudes, but also on personal abilities. Human capital is not uniform and equally applicable in terms of changes in economic situation and differences in environmental social and natural environment, it is built in stages and at different intervals of time with a certain degree of probability to coincide with the future conditions of development and demand. Depending on the angle of researchers, this essence of human capital is, however, defined in various ways, for example, depending on the sectors or the fields of employment, the vision for the inclusion of human capital of the economically inactive or on the structure of the capital itself. In fact, the core definition is expanded and specified. For some researchers, human capital is a combination of knowledge, skills, experience, motivation, acquired and maintained throughout entire life. They are capitalized in work and lead to increased productivity and income at the national and the individual level (as in the expanded definition of the American economist L. Thurow). Other accept that there is income of market and non-market type (according to another American researcher - J. Kendrick). The determining factor for the development of this capital is education and upbringing, but innate abilities and attitudes, general knowledge, responsibility, communication and other are also included. It is also known that according to the level of formation and manifestation, human capital can be categorized as individual, organizational, sectoral and regional and national, i.e. as part of the national wealth.

Another classification of Dimitrov, Igov (2006) according to the directions of investments separates intellectual capital (education, knowledge, qualifications and professional experience) from health or migration as elements of human capital. Its increase leads to translation in creation and an increase in physical capital with patents, know-how, methods and innovative products – also subject to intellectual property.

The development of human capital theory suggests updating the concept, its linking with a number of scientific disciplines and categories. One of the major directions is to measure this capital in its manifestation as individual, company or national capital and to evaluate its return in a future time or period.

Existing empirical research and verification of some or other statements about the formation, development and utilization of human capital is still very limited or is mostly related to the condition and the improvements in education.

A certain increase in the level of education is a preparatory stage for achieving this quality, which concerns different generations and appropriate conditions for the realization of human capital. This phase should be accelerated, without neglecting the fact that individuals differ in their

preference, either manifested or not, to a type of work or another, differ in the innate abilities they possess and the family and social environment they live in. In terms of human capital, besides motivation, the emphasis is on self-financing and the lifelong development of qualities. When income is low it is hardly possible, so here state support is a must. Healthcare is as important as part of the agenda as education and upbringing, because in case of shorter lifespan efficiency will be lower. Production environment itself is not yet prepared to accept and promote the development of human capital.

Education will have to respond to the directive of good and rapid development of capabilities and increase of knowledge, but this depends on personal qualities and training and specific skills. This suggests that the formation of the so-called human capital is not generally applicable and starts and develops individually throughout the life cycle. Moreover, the formation of this capital in the manufacturing sector should be separated from its formation in the non-productive sector. The better education and intellectualization of labour and vocational training enhance competitiveness and are a prerequisite for higher income. It is a necessary preparation in favour of raising economic growth, but still in terms of workforce rather than of human capital.

The theoretical models for the study of education as a core feature of human capital are embodied in the contemporary strategic guidelines of the Lisbon strategy and the EU development strategy "Europe 2020". They are most thoroughly expressed in the concepts of "knowledge economy" and "smart, sustainable and inclusive growth".

The main thesis is that education influences the socio-economic development of every country, directly and indirectly, through its relationship with science, healthcare, education, employment, etc. For this reason, education is interpreted as quality of human capital and hence – as a factor of economic and social prosperity, of strengthening and improving the production sphere and of growth in income. Reversely, if the state had higher income (GDP) disposable, it would be able to invest more in education and, respectively, in consumption. Individuals also invest in education – either in their own, or as parents who pay for the education service. The problem is the efficiency of these investments that, we believe, are not measured only with the growth in income (GDP) or with the growth rate, but with the overall development, with the prosperity of people in their life, property, security and welfare. In theoretical terms it is to relate:

- The structure of the new economy, oriented to the service sector and business and workforce quality.

In practice, however, where the concentration of vulnerable ethnic groups and demand are big, education does not affect the type of employment, i.e. the higher education does not correspond to a higher position or income.

The focus of the socio-economic policies of developed countries at the beginning of the XXI century is increasingly shifting to investing and promoting the development of human capital. This is caused by many factors, the major one being the increasingly important role played by knowledge and technology to the competitiveness of the economies. Investment in human capital, itself, affects several public sectors, mostly education, training and science. They, to a big extent, determine the competitiveness of the workforce and the attainment of sustainable economic growth.

The problem with the children of vulnerable ethnic groups is that they have consistently shown lower inclusion and school attendance and lower educational attainment than the rest children; they often drop out of school and misbehave in public and home environment. The reasons to decide to quit school are much related to psychological factors or value orientation. However, in terms of human capital formation, the losses, even roughly calculated, are of alarming volume, given that it concerns the shaping of the workforce of the XXI century and the new requirements of the so-called post-material and post-industrial society.

The results of the population census in 2011 revealed that among those who identify themselves as belonging to the Roma ethnic group, 23.2% do not attend school, compared to 5.6% of the ethnic Bulgarians; 11.8% of the Roma group are illiterate compared to 0.5% of the ethnic Bulgarians. Regardless of the distortions in crisis conditions, it largely diminishes not only the possibility to be competitive on the labour market but also to be employed at all. Overall, the Roma group gets the hard labour or little-paid jobs and has the worst chance to work as self-employed or to start even small businesses.

International institutions, including the EU, direct their efforts to propagate human capital as a decisive factor for the future development and prosperity. Its strength is not in quantity but in quality advantages tested mainly on the labour market. In fact, education is not only an advantage of the economic system. It is an expression of lifestyle, which can be promoted, among other conditions, through the upbringing of generations.

The relation income - education - higher income, however, cannot always be straightforward. The trend is the prosperity of the nation increasingly to depend on the increase in knowledge and education and to result in the eradication of poverty, to an increase in employment and financial resources to overcome the negative effects of the crisis.

Reducing unemployment for Dulevski (1992), therefore, leads to an increase in employment, but not necessarily with the same pace for both

variables. This concerns the so-called "human resources", i.e. the people, who at a time or in a given period have the real opportunity to take part in some form of employment. A more precise definition of human resources in terms of labour market is associated with the concept of economically active population, i.e. with the workforce at a time, comprising employed and unemployed. They are part of the active population (14-64 years) human resources being a broader category. According to Shopov, Dulevski, Stefanov (2000) at least three characteristics of human resources are of importance: the actual possible number of people who can be employed, i.e. quantity; their quality, expressed in the total knowledge and skills they possess, and their motivation to achieve certain labour efficiency.

2. Policies in the Development of the Labour Market in Bulgaria

The decreasing number of the population which is due to the increase in the negative natural growth rate and the external migration rate, combined with the increasingly aging population, has a negative impact on the labour market. The share (about 13%) of young people (aged from 0 to 15 years) has been steadily declining and is going to decrease further by the year 2060, while according to Gavzki (2011), the share of elderly citizens (65+) has been growing and is likely to reach 33% of a decreasing population (between 5.3 and 5.6 million according to different forecasts).

The underlying reasons for the deteriorated demographic situation are the steady decline in the birth rate, the growing death rate, and the increase in the number of elderly citizens, thus leading to a demographic crisis. Over the last five or six years, the birth rate has dropped further from the low level of slightly more than 10 ‰ before 2010, to the lower levels of 9.6‰ and 9.5‰. It fell to 9.2‰ in the period from 2011 to 2013 and after some minor fluctuations it can hardly be expected to reach the predicted 9.6‰ by 2016. The growth rate has reached the unprecedented 15.1-15.3‰. It is possible to identify a positive correlation between the curves of the birth rate and the death rate from 2009 to 2015 and the rate of decline in the GDP, in other words, there has been a parallel decline in the natural growth and the rates of the Gross Domestic Product, while accounting for the fact that the correlation is affected by a number of determinants. Among the major ones is the income, where the distribution principle has also intervened, as well as the conditions on the labour market, the social status and the education of the people in fertile age, as well as the personal focus of the system of values under the influence of the psychology of the ethnicity.

In 2015 and 2016, the size of the total annual income per person increased from BGN 3,812 to BGN 5,018 per capita, an index of 131.6% of the nominal GDP per capita (calculated for the current prices during that year). This means that as a relative share of the GDP, the nominal value of the per capita income reached 35.7% in 2010 and 44.7% by 2014, while the share of wages in the same indicator was 18.2% and 23.9% respectively. Obviously, while the nominal GDP increased by 11.3% on average at a zero growth-rate in 2012 and in 2013, wages grew by 40%, which was in favour of the cost of living of the population, in spite of the unfavourable growth and the declining rate of inflation. The problem with measuring those values per capita is not that indexation is calculated by nominal prices, but that a different number of citizens is employed, which means that the number of the population has changed. With a number decreasing from 7,505 to 7,202 thousand at the end of 2010 and 2014, i.e. a decrease of 302,000, it is clear that the increase in the income per capita growth from 31.6% to 4.5% was due to the decline of population, rather than to an economic growth or to socially-based redistribution. The same hold true about the increasing share of wages in the income per capita. The share of pension benefits decreased from 30.9 to 25.8% which meant an absolute growth from BGN 1,178 to BGN 1,295, which was an increase by BGN 117 or an increase of 9.9% in 2014 compared to 2013. The increase to 4.5% however was due to a decline of the population as a result of old-age death. The impact upon the income from self-employment was similar, its share remaining at the modal average value of 7.6%.

If we take into account the fact that the growth of the nominal wage in the period, considered to be a period of crisis, refers to a much smaller number of employed persons (3,053 thousand in 2010 and 2,981 thousand in 2014), at a 2.4% drop the redistribution processes seems to be enhancing.

In terms of earned income, there is concentration of income among a much smaller share of the population, too. Hence, inequality has been growing and so has public productivity, since the Gross Value Added⁵ is being distributed per a smaller quantity of labour. As we noted earlier, the EC forecasts that the trend will continue further in the sphere of business, provided the pursuit for technological innovation and the smaller number of educated and qualified persons employed. Redistribution will most likely continue to increase, yet at its present scale it is a factor leading to the social diversification and impoverishment of the population. This is also evident from the growing size of social benefits – from 0.9% to 2.3% in the income per capita.

⁵ GVA – Gross Value Added, which is the GDP by current market prices.

This confirms that the income of the population is mainly earned income for work done currently or in the past (as obvious from the share of pension benefits) and that employment is the major problem. In the course of more than five years, the total number of employed persons was 2.9 million on average, the number of economically active people being 3.3 million on average, that is, 400 000 unemployed persons from the workforce. And if the workforce has been rising as a share of the active population (aged between 15 and 64) since 2000, (with a decline to 59.0% in 2000 compared to 1995), this is also due to the decrease in the number of the population. Unemployment has been of a static nature rather. It has been defined by the EC as declining (in terms of the population aged between 20 and 64), the rate of decline ranging between -3.2% and -0.4% annually, yet these estimates have been made by the categories of employed people, i.e. full-time and part-time employees, employees on temporary labour contracts, etc., which suggests greater variation. Therefore the unemployment rate has grown since 2010, yet it has been measured according to the number of the population aged between 15 and 74 and its employment status. Hence, the rates were equally high in the period from 2011 to 2013 (11.3%; 12.3%; 13.1%) in terms of the active population aged between 15 and 64, yet they were declining more slowly till 2016 (Table 1).

As a matter of fact, the aggregate values of the total number of people employed (which are roughly the same) have changed since 2009. The employment of specialists and better educated citizens has risen at the expense of under-qualified, uneducated and elderly citizens. In the 55-64 age group, employment stood at 46% in 2008–2009, reaching 47–50% in 2013–2014, the total rate of employment in the 20-64 age group being 66–68%.

When discussing the average income of the population, the rate of income growth, and the differentiation of income, as well as the fact that level of income in Bulgaria is lagging behind that of income in other European countries, a counter argument which might be heard is that while the relative share of public expenditure in the GDP dropped to 41% in previous years, it has now increased to 44%, while at the same time the number of the population has declined. Such an argument however would fail to account for the income differentiation of the population. Thus, if an annual income of BGN 5,012 is attributed to each person, this would imply an average monthly income of BGN 418, while the average monthly cost of living in the period from 2014 to 2016 amounted to BGN 600-640. In other words, there was an average monthly deficit of BGN 222, or BGN 2,664 per year, that is, the average annual income for a very basic standard of living should be BGN 7,676 (according to the EC). Such income is closer to the value of GDP per capita, yet 54% of the GDP would be required to ensure it, rather than 44%.

Table 1. General indicators of the GDP and the population of Bulgaria, 2008–2016

Indicator	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP at current prices, in BGN billions	73.1	72.8	73.8	80.1	81.5	82.0	83.6	86.3	88.5
Index of growth rate compared to 2008, %	100.0	99.7	100.9	109.6	111.6	112.1	114.4	118.2	121.1
Number of population, in thousands	7 607	7 584	7 505	7 327	7 285	7 246	7 202	7 154	7 118
Birth rate, ‰	10.2	10.7	10.0	9.6	9.5	9.2	9.4	9.6	9.8
Death rate, ‰	14.5	14.2	15.1	14.7	15.0	14.4	15.1	15.1	15.3
Fertility	1.42	1.57	1.52	1.51	1.50	1.48	1.52	1.50	1.54
Economic assets – thousands	3 825	3 740	3 401	3 341	3 344	3 371	3 366	3 505	3 920
Number of employed, thousands	3 360	3 291	3 053	2 965	2 934	2 935	2 981	3 040	3 120
Employment ratio, %	67.8	67.2	59.7	58.4	58.8	59.5	61.0	62.9	62.6
Employment rate, %	-2.4	-1.7	-3.9	-2.2	-0.8	+0.4	+2.1	+2.0	+2.6
Number of unemployed - thousands	199.7	238	348	376.2	410.3	436.3	384.5	305.1	
Unemployment (aged 15 to 64), %	5.6	6.8	10.3	11.3	12.3	13.1	11.4	9.1	8.8
Unemployment (aged 15 to 74), %	5.6	6.8	10.3	11.3	12.3	13.0	11.7	10.9	10.4
Level of economic activity (aged 15 to 64), %	67.8	67.2	66.5	65.9	67.1	68.4	69.0	69.5	70.0
Rate of nominal payments, %	16.8	8.1	9.9	6.8	7.7	8.8	9.0	9.8	10.0
Average annual income per capita, in BGN.	3748	3867	3812	3937	4541	5094	5018	5 200	5 500

Source: The Statistical Yearbook, NSI, 2009-2015; Forecast estimates, EC.

We hardly need to point out that this would be a burden too heavy for the economy. The explanation then is within the fluctuations near the average cost of living given the disposable share of the GDP that is allocated to that purpose, which results in the amount of the average income through various direct and indirect mechanisms. Nearly half of the population lives on less than the average national income, which implies impoverishment typical of developing countries. This, on the other hand, is an instance of human capital devaluation that poses a threat to the economic growth of the country. Some fragmentary research in this area has already been made in our country. The findings of the research have produced different assessments of impoveris-

hment. Studying the correlation between the degree of human capital development and social vulnerability is a task closely related to the role of the formal system of education and its ability to prepare individuals for their career as workers and employees. According to Zahariev (2012), the risk of unemployment and the risk of social vulnerability which need to be accounted for, the conventional continuous line of an income growing in the course of career development might be discontinued for certain periods of time.

This process may be illustrated in several aspects. Some of our research workers, government bodies and the EC define as the major ones the condition of the labour market, the rate of unemployment and overall social vulnerability. The transition to market economy has led to the introduction of the mechanisms of the labour market as well. To a large degree, that came as a sudden and unpredicted development which unfolded in a situation of feeble restructuring of the economy, lack of managerial experience and a phenomenon which was new to the labour force. Currently, the labour market has already began to function as a place where demand meets supply, within the context of emerging technological progress (in unison with the overall EU strategy) but also of outdated professional and demographic structures, and newly-formulated social requirements which cannot be ignored. The labour market has been researched in several aspects and relevant conclusions have been made about the nature and demands of the policies which are currently being employed.

The general conclusion is that those policies need to be integrated and serve as guidelines for policies related to public education, labour and health conditions. According to Vladimirova (2014), it is necessary to approach the issue of overcoming the structural inequality between demand and supply within this context, including in terms of individuals with academic training. This conclusion has an even wider scale of application when labour, with its economic and social implications, is related to the assessment indicators of the macroeconomic environment and the specific nature of the factors determining the policy objectives. Baleva (2011) focuses on the contribution of competitive labour to the future growth of the economy, which depends on the level of education, vocational training and the ageing of the workforce, the motivation not to emigrate, and parenthood.

When designing the labour market policies, it would be impossible to neglect the contradiction which exists between the interests of the subjects of demand and supply. A statement which needs to be carefully interpreted and employed is Petkov's (2013) conclusion that 'the labour market cannot be the solution to any problem, yet, it may applied as an efficient instrument for establishing fair economic relations between employers and employees within a shared environment'. We would add that the labour market is a medium

which might give rise to or eliminate the anxiety of social vulnerability depending on a successful employment or an inability to find the desired employment or any type of employment that would be of benefit to the individuals and their families.

A contemporary issue when designing the national labour policy is how to combine the elements of the EU framework with the specific features of the labour market in the country. On the one hand, such a policy needs to take into account the general methodological requirements, the level of development of the European labour market, and the access to that market. So far, the EU has not designed a common policy for governing labour markets and a transition to a common labour market. Each country has its specific weak spots in this respect and domestic policies cannot neglect them. In response to the revision of the Lisbon strategy in 2006 (in terms of its adoption in 2000 to reach a 70% rate of employment), some measures have been introduced. The goal is to promote the growth of employment which still stands at 63%. What is more, the fact that there has been no decline in employment is indicative of internal shifts, since more and more jobs are available to specialists qualified for a specific job. The individuals who are made redundant are usually underpaid workers who cannot meet the new demands. To send them to the labour market with low social protection provided to them would mean an increasing poverty of households. Social vulnerability has increased even though the unemployment rate has not declined and is likely to continue to grow even beyond the effect of the economic crisis as it is a consequence of the technological progress and is favour in growth. Appropriate social protection solutions might be promoted through establishing a flexible and stable labour market. Petkov (2013) points out that these attributes of the labour market imply efficient and active labour market policies; social systems providing adequate support to citizens; appropriate training programmes; flexible contractual agreements and employment arrangements (full-time, part-time, temporary employment, etc.).

The model of the labour markets in western economies has not been established in Bulgaria so far, as there is no adequate economic system established yet. It would be impossible to implement in our environment the good practices which are employed in western countries. Therefore the national labour market policy should focus more on the domestic situation. Whether such a market already exists in our country has been a subject of discussion for many years now. Findings about unemployment and recruitment agencies have been present for years, too. Some researchers claim that this type of market has not been established in our country yet, while a report written by experts in the EC (2015) predicts that 'the any significant improvement of the labour market can hardly be expected'. According to the

statistical data available (part two), employment among people aged 20-65 has dropped to less than 64% (compared to 70% in 2008), while the average employment rate in the EU is 68% and the number of employed in 2015 was by 13% lower. Most unemployed citizens are unqualified or people with little qualification (mainly in manufacturing and construction) due to the effort of companies to increase their competitiveness and cut their labour costs. There is a growing demand for people with relevant skills and this has an impact on education requirements and the policy implemented in terms of labour migration. The share of people who have been out of employment for more than 4 years has increased to 20 % (i.e. long-term unemployment has grown).

These facts are interpreted as a warning of imminent structural unemployment. The scope and size of unemployment benefits is low. The share of unemployed poor people is 49%. As a matter of fact, there are hardly unemployed rich people, as voluntary unemployment is very rare indeed. A number of objective conditions related to unemployment need to be taken into consideration (except for the cases of sick leaves and maturity leaves), including poor labour conditions, low wages, high transportation costs (their size sometimes exceeding the size of the wage), workers not getting paid (i.e. being hired for a trial period and then being replaced with another worker), etc. Hence, the process of impoverishment is too serious to be neglected when designing the related policies.

Interests and opinions as to what the currently existing policies are and what they need to be differ. The reforms which have been implemented so far clearly indicate that this problem has not been approached as a major one so far. As a matter of fact, the danger of structural unemployment relates more to the management process than it does to labour and working. The awareness that the state needs to be an active agent at the labour market (as long as it has not totally given up its functions) has been growing, so we need to seek for efficient solutions how to deal with the extremely difficult situation of the people who are out of employment. The lack of employment implies the lack of income, thus depriving the unemployed from the opportunity to meet the cost of living. Even though this might not equal poverty, unemployment always has a negative impact on the quality of life.

Assessing the poverty level is a matter of subjective judgment. It is measured as low income, as well as low income which is insufficient to meet the basic demands not of 40% but of 80% of the population, which, unless given the opportunity to work and make a living will have to emigrate, thus leaving whole areas depopulated. The demographic crisis has clearly defined parameters and the emigration process has been developing at a steady pace, though to different directions. One of the factors which partially curbs migration is poverty, since leaving the country is related to costs. Population

policies need to take into account the fact that Bulgarian emigrants who live and work in foreign countries are a source of considerable cash inflow (money which forms part of the Gross National Product, not the GDP) to support their families. In other words, the money thus generated is expended to cover the cost of living of poor people (instead of being invested in the economy). When discussing the labour policy and the labour market, we need to focus on demand and supply, since these two items affect the rate of employment of the workforce. An increase in the employment rate, which is the major source of income to the majority of people, reduces the scale of poverty and further impoverishment and curbs unsocial behaviour and emigration. Depleting the budget is not the only negative effect of providing financial support to unemployed citizens as it also deprives them of their motivation to work, to fulfil themselves as individuals and to live a better life. It is not difficult to calculate how long an unemployment benefit lasts, what percentage of wages it is, or what is share in the cost of living per person or per family at current prices. Another related issue is the extent to which tax incentives are applicable since unemployed persons are obliged to pay their taxes, too. Applying the policy of meeting the demand for educated and qualified specialists means that it will take some time before young people are prepared to become part of the labour market. Another issue is what happens and what will happen to all those under-qualified citizens who will be replaced by them? Is it only a matter of competition or is it a matter of survival? Therefore, the other issue in the focus of that policy should be the sources of unemployment and the room for long-term unemployed, uncompetitive, redundant elderly citizens or individuals of different ethnic groups. The major sources of income are production, restructuring of the economy and regional development. In terms of these, it is not only the investment policy and the incentives to employers that make a difference, but also the general attitude to the development of the small and the medium-sized business, legislative initiatives referring to the informal sector (according to the definition and recommendations given by the UNO), as well as to the so-called 'grey sector' of the economy and its tendency to provide employment and income to the unemployed. That sector has not been properly assessed so far in terms of its scale and position in the socio-economic system, the degree to which it has penetrated that system and the opportunities for its replacement. Obviously, the 'grey sector' has become an element of the free market, yet there seems to be no definite opinion as to its positive or negative nature. What is more, it would be possible to implement any policies in terms of the different sectors of the economy only when some long-term strategic goals have been defined. Any random activities in the implementation of fragmentary policies or measures will have only a short-term effect in meeting the discontent of the

public and the government. In addition, such policies and measures produce a further negative effect when being implemented for too long as they prevent further development. The process of development is formed by economic and intellectual production, employment, income and distribution. That process unfolds according to the parameters which have been set for it, policy-makers need to focus on those parameters. Such policies cannot relate to distribution, as is the case with the national budget. Unemployment is only one obvious element of that process. Implementing the right policies in terms of unemployment therefore, does not equal the process of identifying a source of income to the unemployed (as unemployment benefits are a temporary and short-lived solution which is insufficient to meet the cost of living, depletes the budget and has a demobilizing effect on the citizens, thus leading to some serious social and psychological consequences, as well). The income policy is something which the lives of nearly 70% of the population depend on. It is a policy closely related to development. Its objectives determine the future prospects of employment. It affects directly or indirectly nearly all social and age groups of the population, just as education and healthcare do. Hence, if development implies 'leaving out' the uncompetitive, this would imply poverty and hunger for the majority of the population. Is there a solution to the dilemma? Research of the youth groups by employment is only some of the problem. The risk of poverty is much higher for young unemployed people than it is for pensioners and other inactive groups. The crisis in Bulgaria has produced an increasing number of passive measures to provide for the unemployed, yet this will have only a temporary balancing effect on the labour market. The expenditure on active measures (0.2% of the GDP) is directed elsewhere. Their focus is on increasing employment, even for extensive companies. Even when they are in contradiction with the principle of economic development, they still contribute to progress since they aim to protect the most valuable asset of the country – its population.

Conclusion

The policy of human capital development, with its focus on young people and new generations, bears enormous responsibility as its objectives include not only to support and organize that share of the population but also to prepare it as a replacement on the labour market. At the same time, that policy needs to align the goals and conditions of that development to the available tangible and intangible resources while accounting for the fact that it needs to include different people with unique personality, demand and attitude

to the environment and to other individuals, rather than a mass of people merely.

There is hardly a problem which might be solved once and for all, and there is hardly a problem which might be solved by a single institution or researcher, especially in terms of its dynamic aspect. Furthermore, the decision-making process is not always efficient, neither are all assessment and forecast measures appropriate. It is therefore always necessary to employ new assessment approaches from different perspectives so as to increase the efficiency of interpreting the reasons and identifying solutions. Problems should be approached with all their complexity to ensure a balance of judgment. Hence, it is necessary to focus on those aspects of being involved in economic and social development which would result in ensuring their equality. Such aspects refer to the assessment and recognition of the contribution to economic growth and development in general, including by assessing the rate of return on major long-term investment to improve the quality of people's life and the reproduction of human capital, which are crucial to economic development, social life and intellectual progress.

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