

# THE STUDENT INTERNSHIP PROJECT – A FINANCIAL MECHANISM FOR CREATING A SUSTAINABLE RELATIONSHIP BETWEEN HIGHER EDUCATION AND THE LABOUR MARKET

Angel G. Angelov<sup>1</sup>, PhD

**Abstract:** The article aims to present the Bulgarian policy in the education sector in search for opportunities to create and maintain a sustainable and effective relationship between the labour market and higher education. The study draws attention to the effects of a project, developed and tested in recent years, related to conducting practical training of students. The outcomes show that the availability of similar financial mechanisms contribute to creating and strengthening the relationship between higher education and the labour market.

**Keywords:** education, labour market, funding, student internships.

**JEL:** H41, I22, I25, I28.

## Introduction

A Strategy for the Development of Higher Education in the Republic of Bulgaria for the 2014-2020 period was approved and adopted by a decision of the National Assembly of the Republic of Bulgaria within the 2014-2015 period. The main objective of the strategy is to identify the issues facing the higher education system, to outline important strategic goals of

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<sup>1</sup> University of National and World Economy.

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reforming the system and above all, to draw up a plan for implementing this change. The most serious problem requiring swift and adequate action is the lack of a well-established relationship between higher education and the frames (the profile of graduates) created by the system, on the one hand, and the needs of businesses and the labour market as a whole, on the other. As a result, serious educational imbalances exist between the high concentration of graduates ('over education' (Machin and McNally, 2007) in certain fields of higher education and the shortage of qualified professionals in other economic sectors.

The market shortage of human resources is created by students' lack of willingness to study and subsequently become engineers, educationalists, doctors, etc., as well as by the fact that labour resources available on the market hardly meet the professional requirements of employers, i.e. in addition to the lack of human resources, there is a lack of quality and qualification (competence). This deficit is not only the result of a mismatch between labour supply and demand. It is also due to a number of other socio-economic factors, including the demographic situation in the country (Beleva, 2017), the impact of the global economic crisis at the end of the first decade of the 21<sup>st</sup> century, and the significant number of graduating students choosing to continue their education and personal development abroad (Zafirova, 2014).

The main approach to dealing with the issues facing the higher education system is to seek options for building the foundations of a bilateral relationship between higher education institutions and the labour market. This bilateral dialogue can be achieved through various forms of student engagement and training, not only within educational institutions, but also through training in a real work environment aiming to assist in enhancing the previously started theoretical and methodological training. A similar policy should be applied both to higher education fields where there is a lack of sufficient number of students (quantitative surplus) and to all other fields of higher education in order to increase the competence of graduates and make it easier for them to realize on the labour market (quality deficit). Subsequent maintenance of the bilateral dialogue should be based on adequate assessments of how market environment is changing in search for reducing the inconsistencies that have emerged. Gospodinova (2017) points out that

one of the main factors for generating growth in an economy and enhancing the competitiveness of businesses is the pursuit of maintaining higher educational and qualification potential. Nikolova (2018) adds that the valuation of a public sector investment, such as higher education funding (along with infrastructure projects), can be considered effective when it contributes primarily to improving business environment.

The study aims to analyze the opportunities offered by the Student Internship Project as a mechanism for creating and maintaining a sustainable and effective relationship between the labour market and higher education in response to the identified problems of the higher education system in Bulgaria, to outline the financial provision for the processes and analyze results achieved over time, as well as to specify future prospects for the implementation of a similar policy.

### **1. Objectives and priorities in the national policy for ensuring a stable relationship between higher education and the labour market needs**

One of the main directions of the Strategy for the Development of Higher Education in the Republic of Bulgaria for the 2014-2020 period is that it is closely related to the Operational Programme “Science and Education for Smart Growth” 2014-2020 (OPSESG). The purpose of this relationship is to develop policies, programmes and projects contributing to achieving the expected results outlined in the Strategy and the government priorities laid down in the national strategic documents. By means of the operational programme, these policies can be financed by European Structural and Investment Funds (85% of the allocated budget), including through self-funding with national participation (15% of the allocated budget).

The budget approved for the Operational Programme “Science and Education for Smart Growth” 2014-2020 is just over BGN 1.37 billion. Structurally, the programme consists of three priority axes. One of them, Priority Axis 2, aims to support education and lifelong learning. Several so-called investment priorities are determined within this priority axis, including the improvement of education systems in terms of their relevance to the

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labour market in search for easier transition from higher education to work environment (Operational Programme “Science and Education for Smart Growth” 2014-2020, Version 2.0, 2018). These investment priorities are decomposed into separate specific goals, for example specific objective #2, related to the opportunities for increasing the share of graduates who, within a short period of time (up to 1 year), start their professional realization in the field in which they are trained. To a large extent, the priorities and goals set in that way also relate to the implementation of the National Development Programme: Bulgaria 2020, where part of the planned reforms are oriented to the possibility of increasing access to higher education and improving its quality through mechanisms providing adaptability to the labour market needs.

To achieve the goals mentioned above, it is necessary to develop a partnership between businesses, the representative organizations (including public sector institutions) and higher education institutions (including their career centres) in order for students to increase their qualifications during the period of study, providing them with sufficient knowledge that would help them as much as possible to realize on the labour market in the future. According to Gospodinova (2019), the participation of students in practical training and internship programmes should be considered the most appropriate type of collaboration between higher education and businesses.

### **2. Financial provision for improving professional qualifications of students**

Within the implementation of OPSESG 2014-2020 (by the end of 2023), at least 90,000 students enrolled in Bulgarian higher education institutions have the opportunity to undergo practical training in a real work environment. At the same time, at least 90% (including an interim target of 87% by the end of 2018) of the training programmes must be successfully completed in compliance with the programme rules and the projects implemented. In order to achieve the indicators laid down it is envisaged to implement the Student Internship Project. This project should by no means be regarded as the only procedure funded by the OPSESG 2014-2020 that

facilitates the establishment, maintenance and improvement of the relationship between the labour market and higher education. It is perhaps the most important from the point of view of achieving the aforementioned indicator targets. According to the plan, two phases of the Student Internship Project should be implemented within the operational programme, namely the first phase with an implementation period 2016-2018 and the second phase with an implementation period 2019-2023 respectively.

The budget planned for implementing the activities under the two phases of the Student Internship Project is a total of BGN 83 million (BGN 37 million for “Student Internships – Phase 1”) and BGN 46 million for “Student Internships – Phase 2”). Just over BGN 70.5 million is provided by the European Social Fund while the rest is provided through national funding. The budget resource for conducting training in real work environment is about 1/6 of the total planned budget for the entire Priority Axis 2 of OPSESG (a planned budget of BGN 504 million for procedures regarding not only higher education, but also training and realization, including career guidance for students from secondary and vocational schools, supporting the development of young scientists, PhD students, etc.).

The extent to which the relationship between the labour market and higher education is successfully advanced can also be studied through analyzing data from the annually prepared Ranking System of Higher Education Institutions (RSHEI). Some of the calculated indicators within the RSHEI find direct application in determining state budget funds for education allowance at higher education public institutions (Council of Ministers Decree No 328, 2015). These indicators relate precisely to carrying out a comprehensive assessment of the quality of higher education and its relevance to the needs of the labour market. With an amendment of the Higher Education Act of 2012, the gradual increase in the share of funds for financing higher education is envisaged to be determined on the basis of this complex assessment, up to 60 percent of the total amount of the funds for education allowance at higher education public institutions.

The Student Internship Project, funded under the Operational Programme “Science and Education for Smart Growth” 2014-2020, is in a way a continuation of several procedures laid down and implemented within the Operational Programme “Human Resources Development” 2007-2013.

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Both the Ministry of Education and Science (MES) and higher education institutions in the Republic of Bulgaria are the main beneficiaries of the procedure during the current programming period (2014-2020) as well as they were in the previous one (2007-2013). The two procedures of the OPSESG aim to improve and build on the established relationship between the business environment and institutions in the field of higher education (including their students). This can be done through preparatory activities for changing and implementing the curricula laid down in the educational process of students with a view to adapting these programmes to provide more up-to-date practical knowledge and skills, as well as through additional practical training in a real work environment, aiming to apply and upgrade lessons learned in the higher education process, i.e. to create prerequisites for improving the quality of higher education with a view to future better opportunities for realization on the labour market. One of the latest changes in the Higher Education Act of 2018 envisages involving professionals in the learning process, including in proposing curriculum and syllabus updates. Improving communication between the business sector (the party trying to find employees and determining the requirements for current and future participants on the labour market) and higher education institutions (the party training specialists that will later develop labour supply processes and must have the necessary skills and qualifications to meet market demand) is important for achieving the defined goals. The very relationship between the labour market and higher education within the framework of implementing the envisaged projects is also achieved through the condition that students undertake practical training in the field (professional direction), directly related to what they study at higher schools.

From the point of view of financial resources provided for implementing the two phases of the Student Internship Project, it should be made clear that students, in addition to the necessary practical knowledge and skills, have the opportunity to receive a grant for the practical training period, provided that training was successfully completed. This is an additional financial incentive for these students to participate in the overall process of creating and subsequently upgrading the “higher education – labour market” relationship. It is necessary to add that sometimes the lack of financial resources, especially in Bulgaria, is pointed out to be one of the

reasons why the business sector does not offer a sufficient number of internship programmes, which is identified as a negative aspect when trying to create a valuable relationship between the labour market and higher education (Gospodinova, 2019). Financial resources laid down in the budget for the two phases of the project also provide an opportunity for the training party; in this case, it is a mentor on the part of an employer, to receive remuneration for the time and effort spent on training a student or students.

Higher education institutions are represented by academic mentors. Academic mentors are lecturers at the higher education institution in which students are being trained. They teach in the field in which practical training is to be conducted and are the party coordinating the whole process. On the one hand, they decide whether the planned training programme in organizations (developed by mentors) corresponds to the theoretical and methodological preparation of students planned within the framework of their education at the higher school. On the other hand, they assist students in performing their tasks and maintain regular contact with mentors about any changes that may occur during the practical training. The Student Internship Project budget also provides a resource to encourage academic mentors to provide a sustainable link between higher education and the labour market. For lecturers, participation in educational projects of national importance is also an additional opportunity for their academic (scientific) development, given the minimum national requirements laid down in the Regulations for the Application of the Act for the Development of the Academic Staff. The financial provision through projects funded under the operational programme aims to lay the foundations and subsequently maintain a sustainable relationship between higher education and the labour market.

### **3. Interim outcomes of the Student Internship Project implementation**

Within the “Student Internships – Phase 1” project implementation, with a utilized budget of BGN 35.6 million, just over 46,000 students were involved in practical training, which is about 25% of all students enrolled in the 47 higher education schools. More than 6,100 public and private sector

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employers and more than 11,000 skilled employees took part on behalf of the labour market. Higher education schools engaged 4,600 academic mentors. The outcomes of the already implemented first phase show that the most active part (about 40%<sup>2</sup>) in the practical training was taken by students enrolled in professional directions coming under the field of higher education “Health and Sports” (with a focus mainly on professional directions Medicine and Dentistry, see *Table 1*).

*Table 1.*  
*Percentage of students participated in practical training under the “Student Internships – Phase 1” project compared to students enrolled in higher schools*

<b>Field of higher education</b>	<b>Professional direction</b>	<b>%</b>	<b>Average for the field of HE</b>
Pedagogical Sciences	Theory and management of education	4%	22%
	Pedagogy	33%	
	Pedagogy of training in ...	29%	
Humanitarian Sciences	Philology	13%	14%
	History and Archeology	16%	
	Philosophy	8%	
	Religion and Theology	21%	
Social Sciences, Economics and Law	Sociology, Anthropology and Cultural Studies	16%	26%
	Psychology	37%	
	Political Sciences	22%	
	Social Activities	28%	
	Public Communications and Information Sciences	30%	
	Law	43%	
	Administration and Management	21%	
	Economics	29%	
	Tourism	9%	
Natural Sciences, Mathematics and Informatics	Physical Sciences	17%	19%
	Chemical Sciences	29%	
	Biological Sciences	32%	
	Earth Sciences	21%	
	Mathematics	4%	

<sup>2</sup> The figure shows the percentage of the number of students participated in practical training in a given higher education field compared to the number of students enrolled in the same higher education field in the 47 higher education institutions participating in the project.



Field of higher education	Professional direction	%	Average for the field of HE
	Informatics and Computer Science	14%	
Technical Sciences	Mechanical Engineering	17%	22%
	Electrical Engineering, Electronics and Automation	17%	
	Communication and Computer Technology	16%	
	Energetics	33%	
	Transport, Navigation and Aviation	16%	
	Materials and Material Science	9%	
	Architecture, Civil Engineering and Geodesy	24%	
	Exploration, Extraction and Processing of Minerals	31%	
	Metallurgy	9%	
	Chemical Technology	48%	
	Biotechnology	40%	
	Food Technology	8%	
	General Engineering	17%	
Agricultural Sciences and Veterinary Medicine	Plant Growing	22%	24%
	Plant Protection	21%	
	Livestock Breeding	25%	
	Veterinary Medicine	37%	
	Forestry	12%	
Healthcare and Sport	Medicine	53%	40%
	Dentistry	45%	
	Pharmacy	29%	
	Public Health	28%	
	Healthcare	41%	
	Sport	44%	
Arts	Theory of Arts	51%	28%
	Fine Arts	17%	
	Music and Dance Art	33%	
	Theater and Film Arts	11%	
Security and Defense	National Security	18%	9%
	Military Affairs	0%	

Source: Ministry of Education and Science

The Strategy for Development of Higher Education in the Republic of Bulgaria for the 2014-2020 period clearly states that, in addition to the business sector, staff are also needed in areas among which is the healthcare sector. In addition, a report on the demand and supply of labour in Bulgaria (Ministry of Labour and Social Policy, 2018) indicates that the highest percentage (21.6%) of the vacant positions are in the area of Human

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health and social work. The OPSESG financial mechanism and the implemented first phase of the Student Internship Project give grounds to state that the policy pursued is oriented to the right direction aiming to provide a sufficiently skilled workforce where needed. According to data from the RSHEI for 2018, unemployment rate among students graduating in professional direction Medicine and Dentistry is one of the lowest, a fact demonstrating good theoretical and practical relevance. However, it is obvious, as seen above, that more staff is still needed in the Healthcare sector.

In an attempt to improve the dialogue with the labour market, the involvement of higher education institutions can be traced back in time through the higher education ranking system. If data from RSHEI for 2016 (the year when the “Student Internship - Phase 1” project was launched) and 2018 (the year when the “Student Internship - Phase 1” project was completed) are compared by using the “Support for internship participation” indicator<sup>3</sup> it will be seen that students studying in professional field “Medicine” receive good support from higher education institutions. However, it should be added that the estimate for 2018 (7.35/10) is lower as compared to 2016 (7.62 / 10), or in other words, higher schools need to provide even more support for students with regard to their practical training. With respect to professional fields “Pharmacy” and “Dentistry”, a reverse trend and an increase in the estimate over time (by 0.5 points on average) is observed. Professional field “Sport” generates one of the most significant increases in the estimate – by 1.25 points (from 8.17 in 2016 to 9.42 in 2018).

It is necessary to add that the largest number of students undergone practical training within the project are those who study in the most popular fields such as “Economics” and “Administration and Management”. Although these fields are not categorized as priorities for higher education policy, the labour market and participating employers continue stating that a significant number of professionals with similar profile will be required in the future.

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<sup>3</sup> The indicator is developed subjectively by means of student surveys on whether they receive enough opportunities and support from higher schools to participate in internships, and whether internships are relevant to the content of the curriculum. The indicator does not only concern the Student Internship Project activities, but also the general support from higher education institutions aiming students to obtain more practical training.

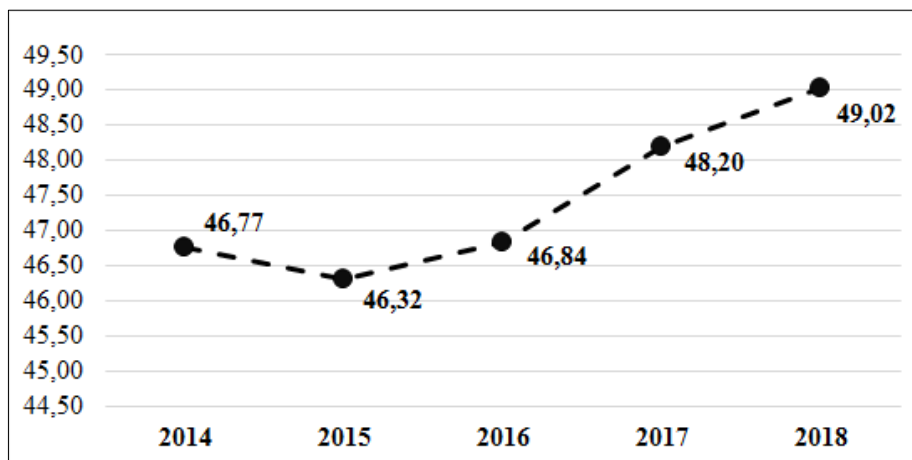
Through projects such as “Student Internships”, students in professional fields “Economics” and “Administration and Management” can improve themselves, thus creating not only quantitative but also qualitative human resource potential in the labour market.

Other fields of higher education listed in the Strategy for the Development of Higher Education as problematic, characterized by shortage of personnel, are the engineering and technical field, natural sciences and pedagogical sciences. About 22% of the students studying in the fields of higher education “Technical Sciences” and “Pedagogical Sciences” as well as about 20% of the students studying in the field of higher education “Natural Sciences, Mathematics and Informatics” took part in practical training under the project. Their participation should not be ignored. The percentage of students engaged as compared to students studying in these higher education fields is close to the average for the whole project. However, it is necessary to ensure even greater engagement on their part, especially because a significant degree of differentiation by professional fields is observed (see Table 1). According to Neycheva (2012), the state plays a significant role in eliminating the asymmetry in the market between demand and supply of labour. The measures to be taken by the state in the policy pursued by it particularly relate to ensuring an adequate distribution of trainees on the market by fields of higher education, vocational fields and majors as well as to restricting admission where necessary in order to reduce this differentiation.

The policy of the Ministry of Education and Science in collaboration with experts from higher education institutions, students and business representatives with relation to the “Student Internship - Phase 1” project leads to the fact that approximately 1/5 of the students involved in the project activities were offered job positions immediately after completing their practical training. The result is significant in terms of how effectively the financial resources under OPSESG are used and directed, as well as of the fact that a large number of students are still studying at higher schools, i.e. they can develop their competence, both theoretically and practically. Over 99% of participating students are satisfied by the fact that they are able to be part of the working process at this stage of their studies.

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Indirectly, through assessments based on data from RSHEI, it can be assumed that the conducted practical training also contributes to a better application of the acquired higher education. The “Relevance of acquired higher education” indicator in RSHEI shows the percentage of employees whose positions require higher education. Data is based on the number of the secured persons graduated from universities over the last five years.



*Source:* Calculations by the author based on data from the Ranking System of Higher Education Institutions, <https://rsvu.mon.bg>

*Figure 1. Dynamics of the relevance of higher education in Bulgaria for the 2014 – 2018 period (%)*

Figure 1 shows that since 2015 the relevance of higher education has been increasing. The most noticeable increase is after 2016, when, as already mentioned above, the activities under the Student Internship Project funded by OPSESG were launched. On the other hand, the project involves students who continue their studies, i.e. they cannot yet be included in the group of university graduates. The main part of the students are trained in EQD “Bachelor” with a 4-year-period of study, i.e. the time horizon is larger than the implementation period of the first phase of the project. According to data from RSHEI for 2018 compared to 2016 for 80% of the professional fields, the relevance of higher education tends to increase. For the fields

(Biotechnology, Veterinary Medicine, Forestry, Energetics, Health Care, Law, Exploration, Extraction and Processing of Minerals, Plant Protection, Tourism and Pharmacy) which reported a decline in the relevance of higher education for 2018 compared to 2016, it is important to study how the practical training conducted during this period will contribute to future realization when students complete their studies and graduate from higher education institutions. Moreover, the percentage of students in these fields involved in practical training is not low at all (see Table 1).

#### **4. Potential for developing the concept of conducting practical training**

The whole strategic regulatory framework (not only with regard to higher education) in Bulgaria is based on the measures laid down in the National Development Programme: Bulgaria 2020, as part of the measures laid down in the Europe 2020 Strategy. One of the most important objectives that the state should pursue in the higher education system is to provide greater access to higher education. The indicative percentage of university graduates aged between 30 and 34 is required to reach 36%, approaching the European target of 40% for this indicator. Access to higher education is important in view of the subsequent provision of skilled labour for the market needs. Despite the fact that according to the NSI data on the workforce, more than half of the employed in the labour market are those with secondary education (and especially those with acquired professional qualification), for the 2014-2018 period employment among people with higher education slowly but steadily increased and formed about 30% of the employed.

Along with providing more training opportunities in higher education, the policy should also aim at an adequate response to market demand. In this regard, a number of changes are being made in the legal framework regarding the admission of students and PhD students to higher education institutions in Bulgaria. The Council of Ministers Decree No 64 in force since 2016, lays the foundations for admission restructuring towards priority professional fields. These priority fields find application in the methodology and criteria for the selection of Student Internships 2 operation, approved by

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the OPSESG 2014-2020 Monitoring Committee, by adding additional indicators aimed at involving more students enrolled in majors in the fields of higher education “Pedagogical Sciences”, “Engineering Sciences”, and “Natural Sciences, Mathematics and Informatics”. Implementing the second phase of the Student Internship Project will contribute to achieving the set of measures envisaged in the Higher Education Development Strategy in Bulgaria in view of its profile orientation and to reducing the identified and anticipated market imbalances. The availability of similar opportunities funded by operational programmes, to a large extent can be viewed as an argument for stimulating involvement in the training process at higher schools. Better theoretical and practical training and greater opportunities for further professional realization reinforce the attractiveness of higher education.

At the same time, the potential for improving the quality of training, higher education at Bulgarian universities and labour market requirements need to be re-examined in the short run and strategically in the long run. This can be achieved through financial mechanisms implemented and supported by the EU budget. However, the focus should not only be on the quantitative measures laid down as indicators in operational programmes, projects and policies. The number of implemented practical training programmes should not be an end in itself. It must be consistent with the dynamics of admission to higher education institutions and the fact that some of the students have already received similar training in one of the project phases, or in similar projects. In order to talk about quality, increased competition among participants must also be sought, i.e. to make students aware, within their studies at higher schools, that the market environment is competitive. Thus, students will be more motivated to develop and improve themselves during their studies for bachelor and master degrees.

### **Conclusion**

The Student Internship Project has become one of the main approaches used by the Ministry of Education and Science in contributing to a more effective relationship between the higher education system and the

labour market. The project helps to achieve a number of objectives that are strategic for the state and businesses. The outcomes of the interim project reporting are more than positive with a view to involving a large number of students in a real work environment, enabling them to become more acquainted with work processes, including the high percentage of students who are offered a job. On the other hand, the second planned phase of the project is another opportunity to improve the already laid foundations of the dialogue between higher education institutions, their students and businesses. Binding to the labour market needs by prioritizing the involvement of students studying in particular professional directions and fields of higher education is a positive aspect of future project activities. A bigger budget is also envisaged for the provision of practical training to encourage students to participate in similar events aiming to facilitate their professional career after graduation.

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Postanovlenie № 328 na Ministerski savet ot 30.11.2015 za opredelyane na sredstvata ot darzhavniya byudzhnet za izdrazhka na obuchenieto v darzhavnite visshi uchilishta v zavisimost ot kompleksna otsenka za kachestvoto na obuchenieto i saotvetstviето mu s potrebnotite na pazara na truda

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