

Bulgaria's talent gap, “Capital.bg”

Sofia, Bulgaria – The talent gap in Bulgaria is becoming more and more noticeable across multiple sectors, and the problem will only deteriorate due to demographics, emigration and inadequate education.



The number of companies struggling to fill vacancies in Bulgaria grows every year. Several years ago, highly-qualified IT specialists were most in demand, but it is now more and more difficult to find carpenters, welders, engineers, medical doctors and managers.

"I do not believe that the rapid growth in IT is draining potential employees from other sectors. You need a certain mindset, skill set and professional training to work in an IT company," says [Irena Bushandrova](#), Country Manager for Bulgaria at [Pedersen & Partners](#).

The skills gap is the downside of the fast-growing Bulgarian economy. The problem is likely to worsen in the future due to demographic changes, increasing emigration from Bulgaria and the declining quality of local education. The imbalances on the job market are becoming more evident – there is little overlap between supply and demand, and a large part of the employable population is unemployed and not seeking work.

The absence of appropriately-qualified people who are willing to work may curb growth; without prospects for development, companies should either invest in technology or halt their investments altogether. However, it is likely that many of them are not yet at a stage where they can easily upgrade their technology, and they could end up trapped in the gap between the past and the future, without resources for development. Although politicians compete to promise higher salaries, long-term economic growth will depend on the development of business, not on the slogans of the political parties.

There are long-term, mid-term and short-term solutions to this problem. The long-term solutions relate to demographic changes and are beyond the scope of this article. The mid-term solutions involve education and will require enormous effort, albeit providing sustainable benefits. Finally, the short-term solutions can be achieved relatively easy with a small amount of state support, and this is where most companies are going.

Out of stock

The skills gap is old news. The tendency has been observed since at least 2015 – about a year after the economy started to create new jobs. Recruitment specialists estimate that the demand for people is now at the critical levels seen in 2007, when the labour market was booming.

However, the population has dropped by 500,000 since then, with two-thirds of this decrease consisting of employable people, and there are very few alternative options. "One way to achieve a higher GDP is to attract more people to the labour market. Currently, the Bulgarian unemployed are largely unqualified, and therefore have limited potential to increase growth," says Yavor Alexiev from the Institute for Market Economy.

Conversely, the qualified Bulgarian unemployed come mainly from the humanities, such as economists and lawyers. The demand for these jobs has been weakening, and the greatest demand is currently for intermediately-qualified workers with specific skills in various manufacturing sectors (e.g. welders or machine operators). This employee group was diminished in Bulgaria, and has proved difficult to recover.

Moreover, business cycles at the global level are constantly getting shorter, and the requirements for new competencies are in a constant state of flux. In such an environment, it is vital for employees to be able to quickly gain new qualifications, adapt to the new environment and compete with the machines. Unfortunately, the Bulgarian system of education (with very few exceptions) is still performing within XXth century parameters and is trying to produce pre-defined specialists instead of adapting to the new world order.

The skills shortage may hinder the development of many businesses in the future. For example, the outsourcing industry has tens of thousands of employees at the moment, and is one of the few sectors that is able to import workers. However, some recruitment specialists expect that due to limited personnel resources, Bulgarian outsourcing businesses will sooner or later become supplementary units of existing regional businesses. This is a risk of other industries as well.

The wage factor

Naturally, salary growth is one of the major effects of the increased demand for labour. At the end of 2016, the average gross salary exceeded the psychological threshold of BGN 1,000, according to the National Statistical Institute, an annual increase of 8%.

HR specialists point out that companies are very careful with salaries. "The problem in Bulgaria is not with higher labour costs, but low work productivity. What is the added value per unit per employee, and how can it be increased? This parameter is more important to the company managers than the absolute monthly cost per employee," says Irena Bushandrova, Country Manager for Bulgaria at Pedersen & Partners. The good news is that the most recent productivity to labour cost figures indicate solid improvement.

Other countries in the region facing similar problems, such as Poland and Estonia, have applied successful policies to increase and improve the workforce, and the business community is playing a leading role. There are many success stories, including the introduction of dual education in secondary schools, programmes to hire workers from the Romani minority and efforts to attract people from neighbouring towns and villages with high levels of unemployment. However, most of these are isolated projects, and they will not last long or be sustainable without state support. This support is needed on multiple levels – long-term measures such as changes in the system of education, initiatives to encourage the import of specialists, and the fostering of more flexible employment.



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