

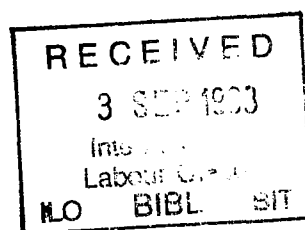
WORLD EMPLOYMENT PROGRAMME RESEARCH

Labour Market Analysis and Employment Policies

Working Paper No. 64

**Recruitment and the Role of Employment Services
in Bulgarian Industry**

Guy Standing, Gyorgy Sziraczki and James Windell



Note: WEP Research Working Papers are preliminary documents circulated to stimulate discussion and critical comment.

August 1993

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PREFACE

Labour markets play important roles in determining the economic success of stabilization and structural adjustment policies, and also transmitting the impact of those policies to the working population. Amidst the economic revolution occurring in Central and Eastern Europe in the 1989 - 1992 period, perhaps no country was as adversely impacted by the sudden changes in trading patterns and input prices as Bulgaria. Cut off from the guaranteed markets and supplies of factors, including energy, that had been the centre-piece of the COMECON system, the Bulgarian economy was forced to confront -- and react to -- a new set of economic realities. How well did the Bulgarian labour market perform in meeting that challenge?

In order to help answer that question, in 1992 the International Labour Organization (ILO) undertook the Bulgarian Labour Flexibility Survey (BLFS) of industrial employers. The survey focused on industry, not because agriculture, trade and services are unimportant sources of employment and income in Bulgaria, but rather because widespread structural adjustment in the industrial sector was seen as the key to the future economic prosperity of Bulgaria as it becomes more fully integrated into the international economy.

The initial results of the BLFS were presented in a series of ten papers at a *Conference on Labour Market Reforms in Bulgarian Industry*, held in Sophia 18 - 20 May 1993. This Working Paper began its life as one of those ten papers. It is a collaborative effort between the Active Labour Market Policies Branch of the ILO in Geneva (Gyorgy Sziraczki and Jim Windell) and the Central and East European Team of the ILO in Budapest (Guy Standing). It is being distributed in its present form because the ILO believes that its results and implications will be of interest to a wider audience (including labour economists, policy makers, and researchers) than attended the Conference in Sophia. Additional copies of this Working Paper, or copies of the other papers based on the BLFS, may be obtained from:

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Questions about, comments on, and/or criticisms of this Working Paper are invited. They may be sent to the authors at the above address.

August 1993

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RECRUITMENT AND THE ROLE OF EMPLOYMENT SERVICES IN BULGARIAN INDUSTRY

by

Guy Standing, Gyorgy Sziraczki and James Windell¹

1. Introduction²

As Bulgarian industry moves into a phase of increased labour mobility and market orientation, all the various elements of the work process become subject to change. In the old era of full employment and artificial labour shortages, labour turnover and the vacancy rate were usually fairly high. Correspondingly, there was no role for the employment services in dealing with frictional unemployment. They did, however, play an important role in directing certain groups to employment (in the placement of school-leavers, for example), generally following state-planned placement guidelines.

Since 1989 that changed, so that the potential role of the employment services has grown and the process of recruitment and labour mobility has become more crucial to the efficiency and equity of the labour market. In this paper, we wish to cast some light on the preferences and behaviour of enterprises in recruiting workers and on the role of the employment services in that process. Because it is vitally important to ensure that recruitment practices are equitable and based on economically rational criteria, one issue is the emerging pattern of what in the literature is called "labour force stratification", and the role of recruitment "discrimination" against certain demographic, ethnic or other social groups.

It should be stressed that the following analysis is made from the perspective of the enterprise. Managerial recruitment preferences on the basis of age and educational background are reviewed, as well as the types of recruitment methods most favoured. Similarly, the effectiveness of the employment services is evaluated from this perspective, recognizing that the role of the employment services in labour market adjustment depends on a variety of factors, many of which fall outside the realm of establishment-level decision-making. How aggressively do the employment services "market" their programmes to both enterprises and job-seekers? Do they administer job-creation programmes that provide a ready source of employment opportunity? Are funding levels adequate for the employment services to perform job-matching effectively? Are there sufficient numbers of

¹ International Labour Office

² This paper was originally presented in draft form at the *Conference on Labour Market Reforms in Bulgarian Industry*, held in Sofia, May 18-20, 1993. The Conference was jointly organised by the ILO's Active Labour Market Policies Branch (Geneva) and Central and Eastern European Team (Budapest), in close cooperation with the Bulgarian Ministry of Labour and Social Welfare. The paper is based on two representative surveys of industrial establishments carried out by the ILO in 1992. The Bulgarian Labour Flexibility Survey (hereafter referred to as the BLFS) covered 500 factories in the state, cooperative and commercialised sectors, while the Bulgarian Private Sector Survey (or BPSS) covered 103 recently set-up, mostly very small-scale firms. The surveys provided a unique database to analyse various aspects of employment restructuring at the enterprise level and to help policy-makers identify key areas and appropriate measures for labour market interventions. Based on the survey results, ten technical papers were prepared for the Conference to stimulate and guide the policy-oriented debates. A full list of the papers is given in the Appendix, all of which are available upon request.

staff and is personnel trained? This examination does not fully address the range of issues concerning the internal dynamics of the employment services, focusing rather on establishment-level policies and practices in the recruitment process.

2. Recruitment and Vacancy Rates

Employment among the firms surveyed in the BLFS fell by 31.3 per cent between December 1989 and December 1991.³ Not surprisingly, the level of recruitment reported dropped significantly. On average, roughly 14% of all the employed workers at the end of 1989 had been newly recruited during that year. By the end of 1991, only 5% of the workforce had been newly recruited during that year. At that time, those sectors with the greatest overall employment declines, electronics and firms involved in 'other' manufacturing activities, had the lowest recruitment rates (table 6.2.1). Although the change no doubt reflected the non-replacement of those workers who had left, such low rates also suggest that most factories restricted recruitment to filling those positions indispensable to the production process.

By the end of 1991, there were very few open positions available in Bulgarian industry. Overall, according to the BLFS, the average vacancy rate was only 1.4%, ranging from a low of less than 1% in textiles, chemicals and electronics, to a high of only 3.2% in the non-metallic minerals' sector (table 6.2.2).

The generally low vacancy rates reflected the depressed economic circumstances, but the fact that the vacancy rates did not vary by employment size category or form of ownership also suggests that massive industrial restructuring was still not happening.

One curious finding was that the reported vacancy rate among the firms surveyed in the BLFS was more than four times the overall rate for the Bulgarian economy reported by the Ministry of Labour at the end of 1991, raising the question of the possible systematic underreporting of vacancies to the employment service.

³ For an analysis of employment changes in the Bulgarian manufacturing sector, see G. Standing, G. Sziraczki and J. Windell, *Employment Dynamics in Bulgarian Industry*, ILO World Employment Programme Working Paper No. 63, June 1993.

Table 6.2.1: Percent of Workforce Newly Recruited, 1989 and 1991, by Industry.
(weighted mean average percent recruited in year)

Industry	% recruited 1989	% recruited 1991
Food products	16.2	6.7
Textiles, etc.	16.1	4.7
Wood/Paper	16.1	6.4
Engineering	12.2	4.5
Electronics	11.6	2.2
Chemicals	16.3	4.8
Non-met. min.	13.9	10.1
Mining	15.3	4.4
Other	13.1	1.1
All	14.0	5.0

Table 6.2.2: Vacancy Rates, by Industry, December 1991
(vacancies as percent of employment)

Industry	% vacancies
Food products	1.4
Textiles, etc.	0.8
Wood/Paper	1.4
Engineering	1.8
Electronics	0.9
Chemicals	0.8
Non-met. min.	3.2
Mining	1.5
Other	1.5
All	1.4

3. Recruitment Preferences

A proper evaluation and selection of job applicants is crucial to the productivity of the enterprise. Therefore, hiring standards, such as educational background, skill level and work experience, should reflect requirements needed for a worker to effectively perform a job for which he or she is recruited. In the past, it is likely that in Bulgaria such standards were relaxed, because of a shortage of applicants meeting job requirements and the artificial labour shortage. The growth of unemployment has reversed this situation. Increased labour surplus has allowed employers to raise hiring standards in order to improve the skill composition of their workforces and to increase productivity.

In addition to formal standards, employers have a more flexible set of preferences when selecting job applicants. This relates to the process of labour stratification. Some managers may prefer men over women, others favour school leavers rather than older workers, some value local workers more than commuters, etc. In general, the job seeker's reliability, discipline and efficiency - assessed by the individual's work history and personal characteristics - are judged. In this process, employer preferences may well be based on factors unrelated to the applicant's ability to perform in the job. Individual prejudices, such as those vis à vis a particular ethnic group, can be an influencing factor in the recruitment process. However, the BLFS only gathered information on managerial preferences based on gender, education and age. In the following, we consider managerial preferences based on educational background and age in the recruitment of production and professional workers.⁴

Establishments included in the BLFS and in the autonomous private enterprises included in the BPSS were asked what *educational background* they prefer if they were to recruit production workers. In the BLFS, 49% of managers preferred to hire production workers with a "secondary specific" background (i.e., a programme offering a combination of general studies and vocational specialization) while 31% preferred those with only a vocational background. In the BPSS, 47% preferred a "secondary specific" programme, 10% a vocational background and 27% had no preference.

In both surveys, only a small minority had a preference for those with only a general secondary education, suggesting that such workers had a particularly difficult time in finding suitable vacancies. The strong preference for those combining general secondary studies with vocational training is understandable, since such workers could be expected to fill skilled positions with relative ease.⁵ In general, they may be viewed as more adaptable and easily trained.

Managers in the non-metallic minerals and chemical industries were the most likely to prefer workers with a secondary specific background (table 6.3.1). Large-scale firms, with 500 or more workers, were also relatively likely to prefer that type of educational preparation, as were joint stock companies.

⁴ For a review of managerial recruitment preferences on the basis of sex, see G. Sziraczki and J. Windell, *The Impact of Employment Restructuring on Disadvantaged Groups in Bulgaria and Hungary*, ILO World Employment Working Paper No. 62, January 1993.

⁵ In early 1992, the unemployment rate in Bulgaria was about 9% for those with a vocational education compared to about 13% for those with a general secondary background. OECD, *Employment Outlook* (Paris, July 1992).

When recruiting professional employees, 87% of managers reported having a preference for applicants with a university education. There was very little variation between sectors, size categories or forms of ownership.

Table 6.3.1: Educational Preference in Recruiting Production Workers, by Industry, 1991
(percent distribution of responses in sector)

Industry	Educational Preference*			
	Secondary General	Secondary Specific	Vocational	Any
Food	23.9	45.1	22.5	5.6
Textiles	11.7	48.3	31.7	8.3
Wood/Paper	7.9	52.6	34.2	5.3
Engineering	5.3	51.8	38.6	3.5
Electronics	7.7	48.1	38.5	1.9
Chemicals	14.3	64.3	14.3	7.1
Non-met. min.	4.3	65.2	21.7	4.3
Mining	28.6	28.6	28.6	7.1
Other	11.5	39.3	31.1	18.0
All	11.5	49.0	31.2	6.7

* rows do not add up to 100 because 'other' responses omitted

In addition to educational background, managers were also asked which *age category* of workers they most preferred to recruit for production and professional posts. Their responses offer some insight into the tenuous labour market position of two groups: youth and older workers. Worldwide, in recent years the unemployment problems of youths and older workers have become almost universal. In some respects, the two groups are in competition for jobs and each offers employing enterprises different advantages and disadvantages.

Older workers can provide a wealth of experience unavailable among the young, while having greater stability in the job, but they are also typically perceived to have lower productivity or to involve higher non-wage and wage labour costs. Younger workers may involve lower wage costs, and are typically perceived as more energetic and malleable, but are also perceived as being prone to high rates of labour turnover, a lack of accumulated skills and attitudinal drawbacks. These are only generalizations, and it must be stressed that employer opinions in this respect often reflect generalized and prejudicial, rather than substantive, perceptions.

For production jobs, 46.1% of factories preferred to hire those aged 25-35 and 24.2% favoured those aged between 36-45. Only 11.6% preferred those under age 25, and *none* preferred to hire workers over age 45, evidence of the considerable difficulties these two groups face in finding work. There was some slight variation among sectors and size categories (tables 6.3.2-3).

Cooperatives were the only form of ownership in which managers preferred those aged 36-45 for production posts (table 6.3.4).

There were considerable differences between firms expanding and contracting employment. Expanding establishments had a much stronger preference for those under age 25 than declining firms (table 6.3.5). This could be an indication that job opportunities for the young may increase as business activity picks up, although the prospects for older workers remains bleak.

The recruitment preferences for professional employees followed roughly the same pattern, with 51.9% preferring those aged 25-35 and 22.4% those between 36 and 45. Managers in the textile industry and mining sectors were more likely to favour the former group (table 6.3.6), as well as larger firms and joint stock companies (tables 6.3.7-8). As with the preferences for recruiting production workers, firms expanding employment were much more likely to favour younger workers (table 6.3.9).

Managerial preferences reported in the BPSS present a somewhat different picture. Managers in these firms were more likely to have no preference or to prefer those above age 35 when recruiting both production and professional employees. It seems that employers in the small-scale private sector favour more mature workers with considerable on-the-job experience rather than young workers with primarily formal qualifications.

In the BLFS, firms with high average earnings were more likely to prefer younger workers when recruiting both professional and production workers. In those firms where average earnings were above 1600 lev, 66% of managers preferred to hire those under 35 for professional jobs, compared to only 47.3% of those in firms where average earnings were below 1200 lev. For production workers, 66.7% of the high-earnings firms preferred those under 35, compared to 50% in low-earnings firms. It is possible that this greater preference for younger workers in firms with high average earnings is related to cost-cutting efforts; younger workers presumably were paid less than more experienced older workers, and hiring them offers some shelter from rising wage costs.

Table 6.3.2: Age Preference in Recruiting Production Workers, by Industry, 1991
(percent distribution of preferences in sector)

Industry	Age Preference			
	Under 25	25-35	36-45	None
Food	7.1	48.6	28.6	15.7
Textiles	16.7	40.0	25.0	18.3
Wood/Paper	13.5	56.8	24.3	5.4
Engineering	11.4	46.5	26.3	15.8
Electronics	19.2	46.2	13.5	21.2
Chemicals	21.4	57.1	10.7	10.7
Non-met. min.	-	43.5	30.4	26.1
Mining	14.3	64.3	14.3	7.1
Other	3.3	33.3	30.0	33.3
All	11.6	46.1	24.2	18.1

Note for tables 6.3.2-9: No managers reported a preference for those aged 46-54.

Table 6.3.3: Age Preference in Recruiting Production Workers, by Employment Size, 1991.
(percent distribution of preferences in size group)

Employment Size	Age Preference			
	Under 25	25-35	36-45	None
< 250	11.9	38.9	30.3	18.9
250-499	12.6	49.6	23.7	14.1
500-749	3.5	61.4	10.5	24.6
750+	14.8	45.7	21.0	18.5

Table 6.3.4: Age Preference in Recruiting Production Workers, by Property Form, 1991
(percent distribution in property form)

Property Form	Age Preference			
	Under 25	25-35	36-45	None
State	11.0	47.0	25.0	17.0
Cooperative	8.0	28.0	38.0	26.0
Jt. Stock	20.5	53.8	15.4	10.3
Ltd. Liability	11.6	50.7	15.9	21.7

Table 6.3.5: Age Preference in Recruiting Production Workers, Employment Change, 1989-91
(percent distribution in employment change group)

% Emp. Change	Age Preference			
	Under 25	25-35	36-45	None
Fell 40+	7.9	45.3	23.0	23.7
Fell 20-39	10.8	48.6	26.5	14.1
Fell 1-19	15.1	49.1	21.7	14.2
Rose	30.8	30.8	15.4	23.1

Table 6.3.6: Age Preference in Recruiting Professional Staff, by Industry, 1991
(percent distribution within sector)

Industry	Age Preference			
	Under 25	25-35	36-45	None
Food	2.9	43.5	36.2	17.4
Textiles	5.0	60.0	11.7	23.3
Wood/Paper	5.4	59.8	27.0	8.1
Engineering	8.8	52.2	19.5	19.5
Electronics	-	59.6	19.2	21.2
Chemicals	7.4	59.3	11.1	22.2
Non-met. min.	-	52.2	30.4	26.1
Mining	7.7	76.9	7.7	7.7
Other	3.5	31.6	31.6	33.3
All	4.9	51.9	22.4	20.8

Table 6.3.7: Age Preference in Recruiting Professional Staff, by Employment Size, 1991
(percent distribution in employment size group)

Employment Size	Age Preference			
	Under 25	25-35	36-45	None
<250	4.4	43.3	28.9	23.3
250-499	8.2	55.2	19.4	17.2
500-749	3.6	57.1	12.5	26.8
750+	1.2	61.7	19.8	17.3

Table 6.3.8: Age Preference in Recruiting Professional Staff, by Property Form, 1991
(percent distribution in property form)

Property Form	Age Preference			
	Under 25	25-35	36-45	None
State	4.8	52.9	22.5	19.8
Cooperative	7.8	28.0	31.4	27.4
Jt. Stock	5.1	61.5	23.1	10.3
Ltd. Liability	2.9	57.4	17.6	22.1

Table 6.3.9: Age Preference in Recruiting Professional Staff, by Employment Change, 1989-91
(percent distribution in employment change group)

% Emp. Change	Age Preference			
	Under 25	25-35	36-45	None
Fell 40+	2.9	50.0	18.8	28.3
Fell 20-39	5.0	51.1	26.7	17.2
Fell 1-19	3.8	61.3	18.9	16.0
Rose	25.0	33.3	8.3	33.3

4. Recruitment Channels

Labour markets cannot operate efficiently and equitably without a smooth flow of information concerning jobs and applicants, and without widespread access to this information among jobseekers

and firms. Sources of information on the job market are usually divided into two broad categories: formal and informal.⁶

In most market economies the principal formal sources are the state employment service, private employment agencies, newspaper advertisements, trade unions and educational institutions. The informal sources are those that do not involve the use of any organisation or agency to arrange contact between employer and job-seeker. These include referrals by other employers, employees or relatives, friends and neighbours, and by walk-in, direct applications.

The relative importance of formal and informal sources varies greatly across countries and is influenced by labour market conditions, the development of labour market intermediaries, the job-search behaviour of workers, and the recruitment policies and practices of employers. Empirical evidence suggests that with the growth of unemployment voluntary labour turnover declines and the share of those who find jobs through formal channels increases.⁷ The public employment service plays a key role in this process; it can reduce job-search costs for both employers and job-seekers by supplying up-to-date and precise information on vacancies. Public employment services can also assist the unemployed in acquiring the skills needed for effective "job-hunting".

After decades of artificial labour shortage, traditional sources of job information are drying up in central and eastern Europe, and the old ways of finding work are losing their effectiveness. Yet it is important to recognise that in conditions of high unemployment it is the employer's recruitment policy, rather than the intensity of the job search, that most determines the job matching process. To help in understanding the dynamics involved, managers were asked a few questions in both the BLFS and BPSS regarding the firm's hiring practices.

In those establishments recruiting production workers in the past year, managers were asked what was the main method used for hiring workers. In the BLFS, almost 63% of firms used formal recruitment channels. Overall, 40.5% relied mainly on the public employment service, 24.2% on direct applications, 22.2% on advertisements, and only 8.7% mentioned personal contacts as their main recruitment method. Clearly, the employment service in Bulgaria played an important role in placing job-seekers in the available jobs.

Firms in food processing and smaller establishments relied relatively more on the *employment services* (table 6.4.1-3). Firms in the high unemployment regions of Plovdiv, Pleven and Burgas were more likely than those in Sofia to rely on the employment services (table 6.4.4.).⁸

Those with low average wages and high shares of unskilled and semi-skilled workers were also more likely to use the employment service (table 6.4.5-6). This is not surprising since, first, low-skilled, and hence low-wage, workers tend to be overrepresented among the registered unemployed and, second, the search for applicants under these conditions favours an "extensive" approach, a task particularly suited to the employment services.

⁶ This classification was developed by, inter alia, A. Rees, "Informal networks in labour markets", *American Economic Review*, May, 1966.

⁷ See A. Rees, *op. cit.*

⁸ Unemployment rates in the first quarter of 1992 were 8.9% in Sofia, 13.9% in Burgas, 18.2% in Plovdiv and 15.9% in the region around Pleven. Commission of European Communities, *Employment Observatory: Central and Eastern Europe: Employment Trends and Developments* (Brussels, EC, No. 3, 1992).

Extensive search occurs when an unemployed person (or an employer) attempts to collect basic information on a large number of vacant positions (or applicants). This seems to be the most effective recruitment method where both jobs and the qualifications required are fairly standardised. In the case of low-skilled openings, there is not much variation in the quality of jobs nor in the qualifications of applicants; both buyer and seller know relatively well what each offers. The risk that a newly recruited person does not match the job is relatively low. In contrast, where there is great variation in the quality of jobs and applicants, which is typical of the labour markets for skilled and professional workers, both employers and applicants seek information at a more intensive level. In these cases, both sides seek a great amount of detailed information on each other. This information is often achieved through personal contacts rather than more formal channels such as the employment services.⁹

Advertisement was mentioned by 22.2% of managers as the main method of recruitment for production workers. It was the most frequently cited response in those factories with between 500 and 750 workers. Joint stock companies also used this form of recruitment extensively. There was some tendency for greater reliance on advertisement in those firms with a high proportion of skilled workers. Skilled production workers are less impacted by unemployment and are more likely than unskilled workers to move directly from one job to another. Employers seeking these workers might therefore rely more heavily on advertisements to capture the skilled, "on-the-job" searchers.

The connection between reliance on advertising and labour market conditions is reflected by the regional data. In Sofia, where the unemployment rate was lower than in other regions, advertising was the most favoured recruitment method.

Advertisement is a more useful method when the employer wishes to canvas a large geographical area for a few highly skilled or professional workers. Such wide regional coverage may also be useful when there are serious local imbalances between labour supply and demand. The employer engages in long-distance search when there is excess demand and the employee in situations of excess supply. Given high unemployment and growing regional imbalances in Bulgaria, workers must search over a widespread area for job opportunities. Public employment services can address this problem through a national computerised vacancy information system. Although implementation of such a system may be expensive and time-consuming, it can increase the effectiveness of long-distance search by facilitating job mobility.

Direct application as the main channel of hiring production workers was cited by 24.2% of managers. It was by far the most important recruitment method in expanding firms, and in the wood and paper industry.

Personal contacts played a somewhat more important role in medium-sized firms and in the chemical industry. It was the most common method among cooperatives. Medium-sized and high-wage establishments and those with large proportions of skilled workers tended to rely on personal contacts for recruitment. Nevertheless, the picture emerging from the BLFS is that personal contacts were not an important source of recruitment, except among cooperatives. In sharp contrast, data from the BPSS show that such contacts were the main method utilised by small, recently established firms, with 45.8% mentioning personal referrals as the main method, followed by advertisements (27.3%), public employment services (16.9%) and direct applications (6.8%) (figure 6.1).

⁹ For information on extensive and intensive approaches, see A. Rees and G.P. Shultz, *Workers and Wages in an Urban Labour Market*, (Chicago, University of Chicago Press, 1970), and M.S. Granovetter, *Getting a Job* (Boston, Harvard University Press, 1974).

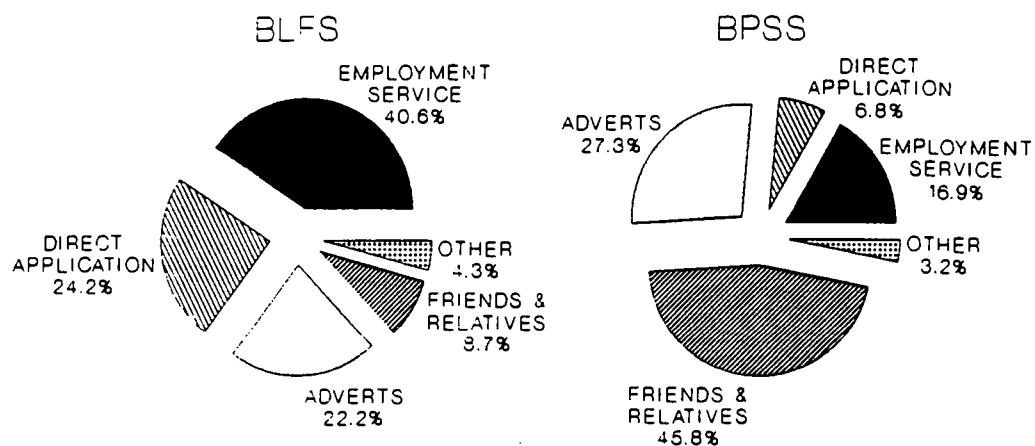
There are several factors that can explain the heavy use of recruiting through personal contacts in the *autonomous private sector*. First, most firms do not have special staff dealing with recruitment. Second, employers do not have to review the landslide of applications that might be received through public employment services, gate applications or newspaper advertisements. So, recruitment through personal contact is less time-consuming and costly than other methods.

Third, for many managers of small private enterprises, informal channels provide a low cost screening device, particularly effective as a means of recruiting a stable workforce with the technical and social skills needed for minimizing in-house training and workplace frictions.¹⁰ Fourth, personal contact methods promote a sense of community among staff and an informal, more personal, system of "industrial relations". Fifth, although we cannot possibly estimate how widespread was or is the practice, anecdotal evidence suggests that many small private firms employed some workers who remained formally on unemployment rosters. The only way they could find work and remain on the roster was through personal contacts. For job searchers, job information from personal sources provides greater certainty about job content, working conditions and promotion prospects.

The main problem with recruitment via personal contacts is that those with little access to the social network of job information may be excluded from career opportunities. Their inability to gain labour market information through informal channels makes them reliant upon formal channels such as the employment services. Those particularly at risk of exclusion include new labour market entrants, the unemployed and ethnic minorities. The likelihood of their exclusion is greater in the emerging private sector where personal contacts dominate, a source of concern considering that this sector will be a major source of employment opportunity.

¹⁰ See, for example, R. Jenkins, "Acceptability, suitability and the search for habituated workers: How ethnic minorities and women lose out", *International Journal of Social Economics*, Vol. 11, 1984, and, N.J. Adnett, "State employment agency and labour market efficiency", *Cambridge Journal of Economics*, Vol. 11, No. 3, September, 1987.

FIGURE 6.1
MAIN RECRUITMENT METHOD



Bulgarian Labour Flexibility Survey 1992
Bulgarian Private Sector Survey 1992

Table 6.4.1: Main Recruitment Method, by Industry, 1991
(percent distribution of main methods within sector)

Industry	Main Recruitment Method				
	Advertisement	Direct applic.	Employment Service	Friends and relatives	Other
Food	13.5	16.2	62.2	2.7	5.4
Textiles	27.6	17.2	48.3	-	6.9
Wood/Paper	20.7	37.9	31.0	10.3	-
Engineering	26.5	28.6	30.6	10.2	4.1
Electronics	10.0	30.0	50.0	10.0	-
Chemicals	28.6	14.3	28.6	28.6	-
Non-met. min.	23.1	23.1	46.2	7.7	-
Mining	33.3	33.3	33.3	-	-
Other	20.0	20.0	30.0	15.0	15.0
All	22.2	24.2	40.6	8.7	4.3

Table 6.4.2: Main Recruitment Method, by Employment Size, 1991
(percent distribution within size group)

Employment Size	Main Recruitment Method				
	Advertisement	Direct applic.	Employment Service	Friends and relatives	Other
< 250	13.8	27.7	44.6	12.3	1.5
250-499	21.4	25.0	44.6	5.4	3.6
500-749	45.9	10.8	27.0	13.5	2.7
750+	16.3	28.6	40.8	4.1	10.2

Table 6.4.3: Main Recruitment Method, by Property Form
(percent distribution of main method in property form)

Property Form	Main Recruitment Method				
	Advertisement	Direct applic.	Employment Service	Friends and relatives	Other
State	22.0	24.8	44.0	7.1	2.1
Cooperative	6.3	25.0	12.5	31.3	25.0
Jt. Stock	33.3	14.3	38.1	4.8	9.5
Ltd. Liab.	24.1	27.6	41.4	6.9	-

Table 6.4.4: Main Recruitment Method, by Region, 1991
(percent distribution within region)

Region	Main Recruitment Method				
	Advertisement	Direct applic.	Employment Service	Friends and relatives	Other
Sofia	33.0	23.4	31.9	8.5	3.2
Plovdiv	14.3	20.0	42.9	14.3	8.6
Pleven	13.0	26.1	52.2	3.2	4.3
Burgas	12.5	28.1	46.9	9.4	3.1

Table 6.4.5: Main Recruitment Method, by Average Monthly Earnings, 1991
(percent distribution in establishments with specified average monthly earnings)

Average Earnings (lev)	Main Recruitment Method				
	Advertisement	Direct applic.	Employment Service	Friends and relatives	Other
< 1200	19.0	23.8	46.0	4.8	6.3
1200-1599	22.4	23.9	38.8	10.4	4.5
1600+	23.6	26.4	37.5	9.7	2.8

Table 6.4.6: Main Recruitment Method, by % of Workforce Unskilled and Semi-skilled, 1991
(percent distribution of main method in skill group)

% low skill	Main Recruitment Method				
	Advertisement	Direct applic.	Employment Service	Friends and relatives	Other
< 10	26.0	22.0	34.0	12.0	6.0
10-34	24.2	19.4	50.0	6.5	-
35+	17.6	28.6	38.5	8.8	6.6

5. The Role of the Employment Services

To gain more precise information on the "market share" of the public employment service, we asked managers what was the proportion of all new hires that had been made with the help of the employment service. This can be viewed as one indicator of the employment service's "market penetration rate".

In industrialised countries, the proportion of all worker recruitment taking place through the employment services varies widely, ranging from a low of 6% in Japan to a high of 29% in the United Kingdom.¹¹ For the firms in the BLFS, roughly 26% of all recruitment appears to take place with employment service assistance, an encouraging figure.¹²

These figures have to be seen in the context of mass unemployment. The employment service could hardly increase the outflow from unemployment into jobs because there were so few openings.

¹¹ OECD, *Employment Outlook* (Paris, July 1992), p. 127.

¹² By late 1992, the Bulgarian public employment service had 122 regional offices and a large number of branch offices, with a total staff of nearly 2,200. However, these employment offices remained considerably understaffed by the standards of western Europe, with an average of 1 staff member serving 250 registered unemployed, compared to between 20 and 80 unemployed per staff member in most OECD countries. (Source: Bulgarian Ministry of Labour)

Thus, in each month of the first half of 1992, less than 2% of registered job-seekers found employment.

In the BLFS, about two-thirds of all establishments recruited some workers through the employment service, and 40.3% recruited more than a quarter of their newly hired workers with its help (figure 6.2). Firms in the food processing sector and large-scale establishments appeared to rely more heavily on its services (tables 6.5.1-2), while cooperatives recruited very few workers in this way (table 6.5.3). Establishments in Pleven and Burgas appeared to use its services more extensively than those in Sofia and Plovdiv, with 43.9% in Pleven and 37.5% in Burgas recruiting more than 50% of new hires in this way, compared to about 20% in Sofia and Plovdiv (table 6.5.4).

Establishments with relatively low average wages and high levels of unskilled and semi-skilled workers tended to recruit somewhat more employment service applicants than high-wage, high-skill firms (tables 6.5.5-6). The moderate role of the public employment services as a hiring channel in firms with a high share of skilled workers is clearly shown by the fact that 41.3% of those firms did not recruit any workers through the employment service, compared to 25.8% of those firms with a medium-level of low-skilled workers and 33.7% with a high level of low-skilled workers.

While the share of placements by the public employment service in Bulgaria seems to be close to matching international trends, there was evidence from both surveys to warrant concern over its future role. In the BLFS, firms expanding employment relied less heavily on the employment service. Although such firms were few in number, this result could be an indication that as business activity picks-up, relatively less recruitment might be channelled through public agencies. That small firms in the BPSS made little use of their services is another warning sign because the autonomous private sector is expected to be a major source of employment growth.

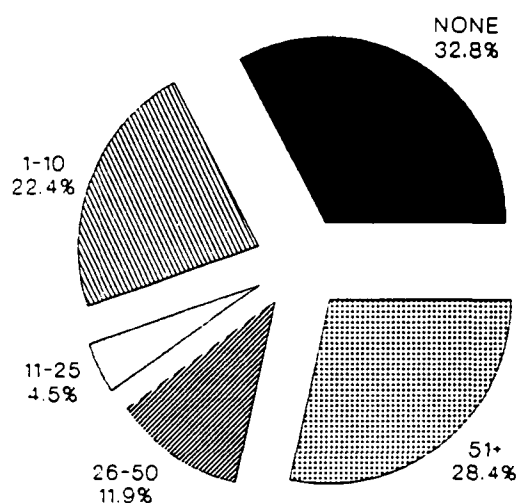
Managers were asked what, if any, had been the major factor limiting use of the employment service. Over half of them replied that there was no limiting factor, and for those who had recruited some workers through the employment services the figure was closer to 60% (tables 6.5.7-10). Although this is an encouraging sign, it must be viewed in the context of the currently low level of recruitment.

The main reason given for the reluctance to use the employment service was the low-quality of applicants referred to the establishment. Managers in the wood and paper industry, small firms, cooperatives and state-owned establishments, high-wage firms and those in Burgas mentioned this reason more often. A common reaction among managers during the preliminary survey field studies was that the service primarily sent workers who had the greatest difficulties in finding work. This perception is a problem throughout the world; there is conflict between the employer's objective in getting the best applicant for the job and the social welfare objective of the employment services. If the service acts as a rigid screening device, it runs the risk of intensifying labour force segregation and labour market inequality.

To avoid such a trap, experience from industrialised countries has shown that regular contact between employers and employment service counsellors is a key factor in improving placement services; employers value a close relationship with an employment office. On the other hand, a close relationship between employment service staff and their unemployed clients also appears to improve screening while at the same time assisting those most vulnerable.¹³

¹³ See, for example, B. Hedges, *Survey of Employers' Recruitment Practices* (Social and Community Planning Research, 1983).

FIGURE 6.2
PERCENT OF NEW HIRES RECRUITED
THROUGH EMPLOYMENT SERVICES



Bulgarian Labour Flexibility Survey 1992

Table 6.5.1: Percent of New Hires Recruited Through Employment Services, by Industry
 (percentage distribution within percentage category)

Industry	% Recruited Via Employment Services				
	None	1-10	11-25	26-50	51+
Food	11.1	11.1	13.9	11.1	52.9
Textiles	30.0	20.0	3.3	16.7	30.0
Wood/Paper	25.7	17.9	-	28.6	17.9
Engineering	47.7	25.0	2.3	4.5	20.5
Electronics	30.0	20.0	-	-	50.0
Chemicals	28.6	35.7	-	14.3	21.4
Non-met. min.	30.8	23.1	7.7	15.4	23.1
Mining	50.0	33.3	-	-	16.7
Other	40.0	35.0	5.0	5.0	15.0
All	32.8	22.4	4.5	11.9	28.4

Table 6.5.2: Percent of New Hires Recruited Through Employment Services, by Employment Size
(percentage distribution within percentage category)

Employment Size	% Recruited Via Employment Services				
	None	1-10	11-25	26-50	51+
<250	34.9	19.0	3.2	11.1	31.7
250-499	29.1	27.3	5.5	10.9	27.3
500-749	40.5	29.7	2.7	13.5	13.5
750+	28.3	15.2	6.5	13.0	37.4

Table 6.5.3: Percent of New Hires Recruited Through Employment Services, by Property Form
(percentage distribution within percentage category)

Property Form	% Recruited Via Employment Services				
	None	1-10	11-25	26-50	51+
State	28.5	24.1	5.1	14.6	27.7
Cooperative	70.6	17.6	5.9	-	5.9
Jt. Stock	22.2	27.8	-	11.1	38.9
Ltd. Liability	37.9	13.8	11.1	6.9	37.9

Table 6.5.4: Percent of New Hires Recruited Through Employment Services, by Region
(percentage distribution within percentage category)

Region	% Recruited Via Employment Services				
	None	1-10	11-25	26-50	51+
Sofia	32.6	34.8	1.1	10.9	20.7
Plovdiv	30.6	16.7	13.9	16.7	22.2
Pleven	34.1	7.3	2.4	12.2	43.9
Burgas	34.4	12.5	6.3	9.4	37.5

Table 6.5.5: Percent of New Hires Recruited Through Employment Service, by Average Monthly Earnings, 1991
(percentage distribution within percentage category)

Av. Earnings (lev)	% Recruited Via Employment Services				
	None	1-10	11-25	26-50	51+
< 1200	32.3	19.4	4.8	9.7	33.9
1200-1599	33.8	24.6	3.1	13.8	24.6
1600+	33.3	21.7	5.8	13.0	26.1

Table 6.5.6: Percent of New Hires Recruited Through Employment Service, by Percent of Workforce Unskilled and Semi-skilled, 1991
(percentage distribution within percentage category)

% low skill	% Recruited Via Employment Services				
	None	1-10	11-25	26-50	51+
< 10	41.3	26.1	4.3	8.7	19.6
10-34	25.8	21.0	4.8	14.5	33.9
35+	33.7	20.2	4.5	12.4	29.2

Table 6.5.7: Main Factor Limiting Use of Employment Service, by Industry, 1991
(percent distribution within sector)

Industry	Main Limiting Factor					
	None	Worker quality	Workers unavai- lable	Slow service	Direct appli- cants	Other
Food	54.3	25.7	2.9	-	14.3	2.9
Textiles	57.7	19.2	-	3.8	11.5	7.7
Wood/Paper	37.0	40.7	3.7	-	14.8	3.7
Engineering	46.5	23.3	-	2.3	23.3	4.7
Electronics	66.7	22.2	-	-	11.1	-
Chemicals	69.2	15.4	-	-	15.4	-
Non-met. min.	46.2	30.8	-	-	15.4	7.7
Mining	33.3	33.3	16.7	-	16.7	-
Other	50.0	22.7	-	-	13.6	13.6
All	50.5	25.8	1.5	1.0	16.0	5.2

Table 6.5.8: Main Factor Limiting Use of Employment Service, by Employment Size.
(percent distribution within size group)

Employment Size	Main Limiting Factor					
	None	Worker quality	Workers unavai- lable	Slow service	Direct appli- cants	Other
<250	50.0	25.8	3.2	-	17.7	3.2
250-499	48.1	31.5	1.9	-	14.8	3.7
500-749	67.6	20.6	-	-	8.8	2.9
750+	40.9	22.7	-	4.5	20.5	11.4

Table 6.5.9: Main Factor Limiting Use of Employment Service, by Property Form, 1991
(percent distribution within property form)

Property Form	Main Limiting Factor					
	None	Worker quality	Workers unavail-able	Slow service	Direct appli-cants	Other
State	52.7	27.5	-	1.5	15.3	3.1
Cooperative	27.8	27.8	-	-	16.7	27.8
Jt. Stock	70.6	17.6	-	-	11.8	-
Ltd. Liab.	42.9	21.4	10.7	-	21.4	3.6

Table 6.5.10: Main Factor Limiting Use of Employment Service, by Percent Recruited through Employment Service, 1991.
(percent distribution within share group)

% Recruited Emp. Services	Main Limiting Factor					
	None	Worker quality	Workers unavail-able	Slow service	Direct appli-cants	Other
None	33.9	22.6	-	-	33.9	9.7
1-10%	41.5	43.9	-	4.9	4.9	4.9
11-25%	22.2	22.2	-	-	55.6	-
26-50%	69.6	21.7	4.3	-	4.3	-
51%	74.5	19.6	3.9	-	2.0	-

6. Probationary Employment

Rational recruitment practices help to ensure that workers and jobs are effectively matched, which can yield important efficiency gains both by reducing labour turnover and enhancing labour productivity. However, recruitment is never fully effective in this regard. To reduce the risk involved in selecting the wrong worker, putting newly hired workers on a probationary employment status can be a useful post-recruitment screening mechanism. Once hired, a worker undergoes a period of adjustment when he or she evaluates the appropriateness of the job chosen, and the employer reviews the worker's suitability and performance. Probation periods give both employers and employees a deliberation period before entering a more permanent employment contract.

According to the BLFS, 77% of all firms usually hired workers on a probationary basis. There was very little variation in its use across employment size categories and forms of ownership. Firms in mining and textiles were the least likely to hire workers on a probationary basis (about 65% of establishments did so), while those in the chemicals and non-metallic minerals sectors were the most likely, with about 95% hiring workers on probation.

The average length of probation was 3.1 months. Small firms, joint stock companies, and those in engineering, electronics and chemicals had a slightly longer period of probation on average. Almost a quarter (22.5%) of managers reported that the typical length of probation had increased, while less than 4% reported that the period had been shortened. In addition, 30 percent said that the share of workers hired on probation had increased during the past two years, while only 8.4% said it had decreased. So, there appears to have been greater use of probationary periods both in terms of the length of probation and the share of workers employed under such a status.

Under the previous condition of labour shortages, probationary periods played primarily a formal screening role. However, under conditions of high unemployment, there is potential for abuse of the system. Employers may seek to hire more workers under such conditions and increase the length of the period as a means of achieving flexibility. If staffing requirements fall, probationary workers can be let go with relative ease. However, increased use of probationary employment in Bulgarian industry is more likely an indication that managers are taking greater care in matching worker skills with the needs of the enterprise.

7. Conclusions

This paper has presented a preliminary review of recruitment practices, the role of the employment services in allocating jobseekers to industrial jobs and one aspect of labour force stratification. It is important to note that information from the BLFS and BPSS dealt with the recruitment practices of employers, rather than the job search behaviour of those seeking work. From the job-seeker's perspective, one lesson to be drawn from the survey results is that vacancies posted in employment offices represent only a fraction of open positions. To increase the likelihood that the job search is successful, those looking for work should investigate the wide range of job information sources. Much more analysis is required on the recruitment practices of employers and job-seeker behaviour, complex and crucial aspects of the industrial labour market.

Bulgarian industry in 1992 entered the second stage of employment restructuring, a phase involving large-scale redundancies and a drying up of vacancies. In that context, the employment service could play an important role in developing mechanisms and services to deal with mass lay-offs, particularly as plant closures become more prevalent in the context of bankruptcies and privatisation. Such special services might include an "early warning" system and the establishment of a "quick response team" in the employment service, to develop and to present enterprises with proposals for action at an early stage.

An adjustment-assistance programme for workers affected by large-scale job losses might include job search assistance provided in the enterprises, training and retraining measures and courses on establishing own-account activities or small businesses. To be reasonably effective, such programmes should be developed in close cooperation with the enterprise affected by the job losses, the trade unions and the workers directly affected.

Experience shows that the sooner a worker begins the adjustment process, the better the chance of success. It is for this reason that in many industrialised countries employment services offer guidance and information to workers who have received notification of forthcoming lay-offs, that is, well before they become unemployed. And in the case of mass redundancies, the public employment office often provides services on the worksite. In Bulgarian industry, there is a great need for such services.

APPENDIX

ILO PAPERS PRESENTED AT THE CONFERENCE ON
LABOUR MARKET REFORMS IN BULGARIAN INDUSTRY
Sofia, May 18-20, 1993

- Paper 1: The Bulgarian Labour Flexibility Survey: Introduction
- Paper 2: Employment Dynamics in Bulgarian Industry
- Paper 3: External Labour Flexibility: The Drift to Casualisation?
- Paper 4: Occupational Restructuring in Bulgarian Industry
- Paper 5: Training and Human Resource Development
- Paper 6: Recruitment and the Employment Services
- Paper 7: Vulnerable Groups in Transition Labour Markets: Bulgaria and Hungary
- Paper 8: Industrial Wages, Payment Systems and Earnings
- Paper 9: Product Innovation, Technology and Work Reorganisation Changes
- Paper 10: Patterns of Industrial Relations

All the above papers were prepared jointly by the ILO's Active Labour Market Policies Branch (Geneva) and Central and Eastern European Team (Budapest).

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