



STUDY REPORT

The trade union movement in Bulgaria

OBES, 2012

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Introduction

General data about Bulgaria

Bulgaria is situated in the South-Eastern part of the Balkan Peninsula. The country's population is 7.7 million people and its territory spans 110,912 sq.km. Bulgaria borders Greece and Turkey to the South, FYROM and Serbia - to the West. The Danube River to the North is the natural border with Romania; the Black Sea is situated to the East.

Bulgaria is in the center of a region, which is undergoing dynamic transition. Within 500 km of capital city, Sofia (1.4 million people), a population of over 90 million lives in 9 countries that have recently embarked on their way to a market economy. This is a large market with a rapidly increasing purchasing power.

A network of international motorways crosses the country, making vital connections to the countries of Western Europe, Russia, Minor Asia, the Adriatic, the Aegean and the Black Sea. Both sea and river transport (the Black Sea and the Danube River) facilitate the trade with the region.

Table 1: General data

Area	110,910 sq. km. / 42,822 square miles
Population (2006)	7 679 290 (3 720 932 - males / 3 958 358 - females)
Economy (2009)	63.6% services, 30.4% industry and 6.0% agriculture
University degrees	22% of population
Native language	Bulgarian
Foreign languages	English, German, French, Spanish, Russian
Religion	83% Eastern Orthodox
Government	Parliamentary democracy
Currency	Bulgarian lev (BGN) pegged to EUR at 1.95583:1
Affiliations	EU, NATO, WTO

Source: Invest Bulgaria Agency (<http://www.investbg.government.bg>)

Political system

Bulgaria is a parliamentary republic and conforms with the Constitution of the Republic passed by the Grand National Assembly in July 1991. The Constitution of the Republic of Bulgaria is the supreme law of the country and no other law may

contravene it. All international treaties, which are ratified pursuant to the constitutional procedure, are considered part of the domestic legislation. The political system has three separate branches of power - legislative, executive and judicial.

The National Assembly is a one-chamber parliament. It consists of 240 Members of Parliament who are directly elected every four years. The National Assembly is a permanent acting body, directed by a board of Chairmen including a Chairman of the National Assembly.

The head of the state is the President, who embodies the unity of the nation and represents the Republic of Bulgaria in its international relations.

The Council of Ministers is the executive state body and directs the domestic and foreign policy of the country. The government manages the implementation of the state budget, organizes the management of state property and approves or rescinds certain categories of international treaties pointed out in the Constitution. The prime minister occupies the most powerful executive position.

Under the democratic process, there has been a smooth transfer of power, strengthening of state institutions and a consensus amongst all political parties towards promoting the market economy and respecting human rights.

Economy

Bulgaria has an industrialized, open free-market economy, with a large, moderately advanced private sector and a number of strategic state-owned enterprises. The World Bank classifies it as an "upper-middle-income economy". Bulgaria has experienced rapid economic growth in recent years, even though its income level remains one of the lowest within the EU with an average monthly wage of 689 leva (354 euro). According to Eurostat data, Bulgarian PPS GDP per capita stood at 44% of the EU average in 2010, while at the same time the cost of living in the country was 51% of the EU average. The Bulgarian lev is the country's national currency. The lev is pegged to the euro at a rate of 1.95583 leva for 1 euro.

Corruption in the public administration and a weak judiciary have hampered Bulgaria's economic development. However, it is ranked 59th in the Ease of Doing Business rank list, higher than most other Eastern European states, and is ranked 28th in the Economic Freedom of the World index. In addition, Bulgaria has the lowest personal and corporate income tax rates in the EU, as well as the second lowest public debt of all European Union member states at 16.2% of GDP in 2010. In 2010, GDP (PPP) was estimated at \$97.066 billion, with a per capita value of \$12,934. The services sector accounts for 63.7% of the GDP, followed by the industry with 30.3% and agriculture with 6.0%. Major industries include iron, copper, and coal extraction, electronics, chemicals, machinery, steel and refined petroleum fuel production, automobiles and vehicle components, firearms and construction materials. The total labor force amounts to 2.5 million people.

Recent years have seen a rapid increase in electricity production from renewable energy sources such as wind and solar power, making Bulgaria one of the fastest-growing wind energy producers in the world. The industry is concentrated around

textiles, metallurgy, fuel and food processing, production of various chemicals, machine building and mining.

In contrast with the industrial sector, agriculture has marked a decline since the beginning of the 2000s, with production in 2008 amounting to only 66% of that between 1999 and 2001. Overall, the agricultural sector has dwindled since 1990, with cereal and vegetable yields dropping nearly 40% by 1999. A five-year modernization and development program was launched by the government in 2007, aimed at strengthening the sector by investing a total of 3.2 billion euro.

In recent years Bulgaria has emerged as an attractive tourist destination as it holds some of the least expensive resorts in Europe and boasts some of the last deserted beaches on the continent. In 2010, Lonely Planet ranked Bulgaria among its top 10 travel destinations for 2011. Annually it is visited by some 9,000,000 people, with Greeks, Romanians and Germans accounting for more than 40% of all visitors. Significant numbers of British, Russian, Dutch, Serbian, Polish and Danish tourists also visit the country.

The recent global economic crisis has affected the economy and reduced the real GDP growth from 6.5% in 2008 to - 4.9% in 2009 and 0,2% in 2010. While the country's financial system remained relatively stable, the economy entered into a crisis due to the slower export growth and reduced capital inflows. The crisis has first affected economic activity in the machine-building industry, along with metallurgy, wood-processing, chemical production, textile and tailoring, construction and real estate, with a two-digit drop in output. At the same time, unemployment has started to increase for the first time in many years.

Foreign investments

Financial situation

Financial data	
GDP (PPP) total	\$101.627 billion (2011 estimate)
Per capita	\$13,563 (2011 estimate)
GDP (nominal) total	\$54.271 billion (2011 estimate)
Per capita	\$7,243 (2011 estimate)
GDP growth rate	0,2% (2010)
Average net salary	384 €
Unemployment	11.4% (March 2011 estimate)
Inflation	4.5% (2010)
Foreign investments ¹	1 639M Euros (2010)

Foreign Direct Investments²

Bulgaria is an investment friendly country with incentives for foreign investments, including:

- Stable political environment and low country risk;
- Stable macroeconomic environment;
- Tax incentives: (10% tax on corporate profits; 0% corporate tax in high unemployment areas; 10% flat tax on personal income);
- Investment incentives;
- Low labour and operating costs.

Most of Bulgaria's Foreign Direct Investments in 1996-2008 came from:

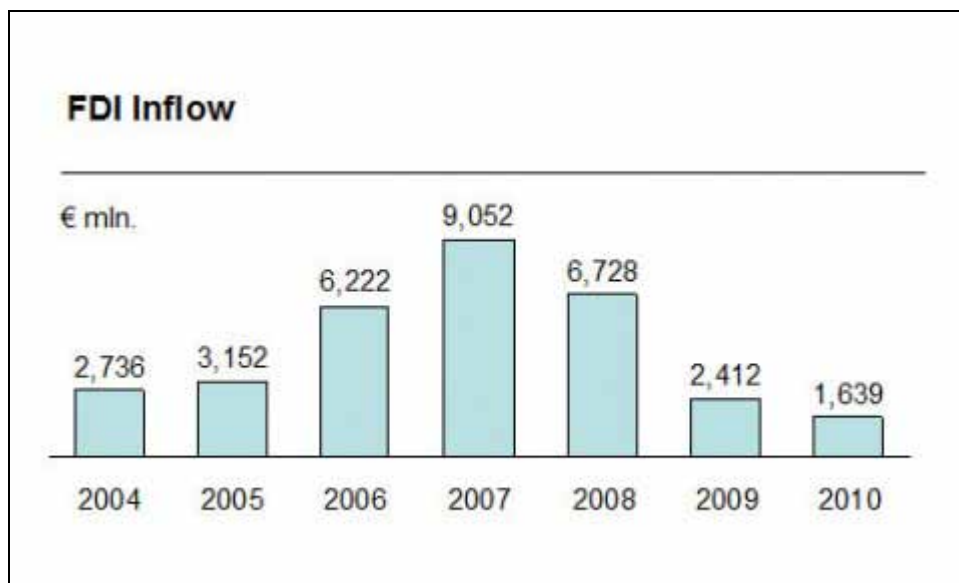
- Austria - 15% or EUR 4,6 billion
- The Netherlands - 12% or EUR 3,6 billion
- Greece - 9% or EUR 2,8 billion
- The UK - 9% or EUR 2,7 billion

¹ Concerns privatisation of Bulgarian state companies or establishment of new companies

² Bulgarian National Bank (<http://www.bnb.bg>)

- Germany - 6% or EUR 1,8 billion
- Cyprus - 5% or EUR 1,5 billion
- Belgium - 4% or EUR 1,3 billion
- Hungary - 4% or EUR 1,2 billion
- USA - 4% or EUR 1,1 billion
- Switzerland - 3% or EUR 1,05 billion

Figure 1: FDI inflow



Bulgaria attracted a total of EUR 225.6 Million of foreign direct investment in the first eight months of 2011, according to preliminary data of the Bulgarian National Bank³.

Thus, Bulgaria's FDI in January-August 2011 – EUR 225.6 M which is 0.6% of the GDP – is almost four times smaller than the FDI it got in the same period of 2010 – EUR 926.5 M (2.6%) of the GDP.

The latest data nonetheless shows a positive trend, since in the first six months of 2011 Bulgaria's FDI balance was hardly positive.

BNB's data indicates that Bulgaria's attracted Equity Capital (acquisition/disposal of shares and equities in cash and contributions in kind by non-residents in/from the capital and reserves of Bulgarian enterprises and receipts/payments from/for real estate deals in the country) for January – August 2011 amounted to EUR 374.3 M. It decreased by EUR 444.6 M compared to that attracted in the same period of 2010 (EUR 818.9 M).

The receipts from real estate investments of non-residents amounted to EUR 178 M, compared to EUR 144.9 M attracted in January-August 2010.

³ http://www.novinite.com/view_news.php?id=132953

The other capital, net (the change in the net liabilities of the direct investment enterprise to the direct investor on financial loans, suppliers' credits and debt securities) was negative, amounting to EUR 209.9 M in January-August 2011, compared to a positive other capital, net of EUR 36.6 M in January-August 2010.

Based on preliminary data on profit/loss, the reinvested earnings (the share of non-residents in the undistributed earnings/ loss of the enterprise) in January-August 2011 were estimated at EUR 61.1 M, compared with EUR 71 M in the same period of 2010.

By country, the largest direct investments in Bulgaria for the period January – August 2011 were those of the Netherlands (EUR 172.9 M) and Russia (EUR 114.7 M). The largest negative flows for the period were towards Germany (EUR 146 M) and the United Kingdom (EUR 110.1 M), mainly due to net payments on intercompany credits in accordance with the loan repayment schedules of enterprises, the Bulgarian National Bank said.

According to preliminary data in January-August 2011, Bulgaria's direct investment abroad amounted to EUR 67.7 M, compared to EUR 121.7 M in January-August 2010.

According to BNB data, Bulgaria's FDI in the first half of 2011 amounted to EUR 7.9 M. In 2010, Bulgaria's FDI was EUR 1.64 B, and in 2009 - EUR 2.4 B, after the peak pre-crisis levels of EUR 9.05 B in 2007, and EUR 6.7 B in 2010.

Greek investments in Bulgaria

Since the privatisation of the Bulgarian economy in 1992, Greek investments have had an important share of the total foreign direct investments, ranking 2nd or 3rd of the total FDI in Bulgaria. Greek enterprises favour investments in Bulgaria mainly due to the proximity of the two countries.

The financial crisis in Greece has caused a significant decrease in direct investments in 2009⁴ (69.6 million € in first semester of 2009, compared to 296.7 million € in the first semester of 2008). Nevertheless, Greece remained the 3rd country, after Austria and the Netherlands with total investments of 2818.66 million €

Greek investments in Bulgaria increased considerably in the first quarter of 2010, compared to the same period of 2009⁵, reported BTA (Bulgarian Telegraph Agency). During the first three months of the year, Greek companies invested a total of €37.5 million, compared to merely €500,000 in the first quarter of 2009. This boom shows that currently Greece's capital prefers neighboring countries to its domestic market, noted the edition.

⁴ Ministry of foreign affairs, General secretariat of international economic relations and development cooperation
<http://agora.mfa.gr/frontoffice/portal.asp?cpage=NODE&cnode=57&fid=23590#>

⁵ A boom of Greek investments in Bulgaria in the first quarter of 2010. <http://www.bia-bg.com/a+boom+of+greek+investments+in+bulgaria+in+the+first+quarter+of+2010-%D0%9D%D0%BE%D0%B2%D0%B8%D0%BD%D0%B8/1/MIW-gRW7I5WnIWHUZK3YJS-c9O3IdOfMhKvYZe7gRKjU5OLU9OHUIKLgdarIlm->

In October 2011, the Finance Minister Simeon Djankov said in an interview⁶ that the financial and economic crisis which neighbouring Greece is facing is beneficial for Bulgaria. For instance, about 2,000 Greek companies have moved their operations to Bulgaria over the last two years. According to him, the capital attracted to Bulgaria is estimated at around €1 bn. "The VAT rate in our country is 20%, while in Greece it is 26%, the flat tax rate is 10% in Bulgaria and 28% in our neighbouring country," added Djankov.

Nearly 800 Greek companies are expected to relocate their activities to Bulgaria, *GreekReporter* posted, specifying that Bulgaria is an attractive destination since labour costs are four times lower than in Greece.

Joanna Yanaru, Head of the Commercial Department of the Greek Embassy in Bulgaria, explained that in the last ten years Bulgaria has become destination No 1 for Greek companies relocating their business abroad. The main reason, according to her, is the low - 10% - corporate tax and the quick and easy procedure for registering a new business. However, only 5% of all Greek investments abroad are in Bulgaria, she pointed out.

"There is also the question whether Bulgaria is ready to meet the financial needs of Greek investors because the country lacks trained personnel to develop the operations of Greek companies properly," commented *GreekReporter*.

Greece is a leading investor in Bulgaria's banking sector⁷, holding 25%-30% of the market. The Greek investments are funneled primarily in the food industry, banking, insurance, tourism and trade.

Table 2: Greek companies operating in Bulgaria⁸

Greek company	sector	Bulgarian company
OTE	Telecommunications	GLOBUL, COSMO MOBILE
NATIONAL BANK OF GREECE	Finance	UNITED BULGARIAN BANK
GRECOTEL	Tourism	SHERATON
VIOXALKO	Metal	SOFIAMED, STOMANA INDUSTRY
XALKOR	Metal	SOFIA MED
SIDENOR	Metal	STOMANA
INTRACOM	Electronics	BUFFON

⁶ About 2000 Greek companies emigrate to Bulgaria over two years <http://www.bia-bg.com/about+2%2B000+greek+companies+%E2%80%98emigrate%E2%80%99+to+our+country+over+two+years/1/MIW-gRW7I5WnIIWHUZK3YJS-c9O3IdOfMhKvYZe7gRKjU5OLU9OHU1KLgdaDIIm3cR>

⁷ Sofia News Agency, Greeks Go for Investments in Bulgaria, Hold 30% of Banking http://www.novinite.com/view_news.php?id=48006

⁸ Source: Invest Bulgaria Agency (<http://www.investbg.government.bg>)

ANT-1	Media	NOVA TV
GOODYS	Food	GOODYS
BREWINVEST	Brewery	ZAGORKA
HELENIC PETROLEUM	Petrol	ECO ELDA
PIREOSBANK	Finance	EVROBANK

Success story

ERGO HOSPITAL is a Greek company with 25 years experience in the field of medicine. It is one of the basic producers and suppliers of medical equipment and consumables for Haemodialysis and is managing another six medical centers. In Bulgaria ERGO HOSPITAL is represented by Biocheck Ltd Medical Center. Biocheck was established in January 1999. It is 100% Greek investment for more than 1410000 USD. The amount of the reinvestment is 150000 USD. Biocheck is the first and the only one of its kind in Bulgaria private medical institution in the field of diagnostic medicine. More than 67 high qualified specialists are working there. Biocheck is equipped with high technology machines in the fields of radiological diagnostics, functional cardiology, functional gastroenterology, laboratory diagnostic, dentist and laser procedures.

ERGO HOSPITAL was attracted to invest in Bulgaria by the high professional qualification of Bulgarian specialists although there is not enough high technology equipment. That's why leading aim is to provide high quality medical services, to open more working places in the medical field and to satisfy the patients' needs.

For the future BIOCHECK intends to continue participating in stock exchange market and to create new medical centers all over the country.

Case study: National Bank of Greece – United Bank of Bulgaria

The Bulgarian banking sector

The Bulgarian banking sector has gone through transformation changes since 1996 and 1997 onwards. It's related to a great extent with the application of the currency boards. The legislation has changed. The Central Bank is very tolerable to the Bulgarian banking sector. Generally speaking, from managerial, legislative and practical point of view, the Bulgarian banks are starting to operate and accept the European International approaches and criteria.⁹

More than 70% of Bulgarian banks belong to foreign banks and many significant banks are showing interest in Bulgarian banks for the last few years. Up to now, the

⁹ World investments news, Interview with Dr Christos Katsanis, Director of United Bulgarian Bank - National Bank of Greece (Ubb - Nbg) <http://www.winne.com/bulgaria2/vp12.html>

international practice has been transferred to the Bulgarian banks in full and it works quiet well and effective.

National Bank of Greece

National Bank of Greece, the oldest and largest among Greek banks, heads the strongest financial group in Greece. It boasts of a dynamic profile internationally, particularly in Southeastern Europe and the Eastern Mediterranean.

Founded in 1841 as a commercial bank, NBG enjoyed the right to issue banknotes until the establishment of the Bank of Greece in 1928. It has been listed on the Athens Stock Exchange since the latter's foundation in 1880. Since October 1999, the Bank has been listed on the New York Stock Exchange.

The Bank has 590 domestic banking units and 1316 ATMs, covering the entire geographical area of Greece Today, after recent acquisitions on the Balkans the Group's network overseas includes 290 units. Its major subsidiaries include Stopanska Banka AD Skopje, National Bank of Greece Cyprus LTD, Banca Romaneasca S.A., The South African Bank of Athens Ltd., United Bulgarian Bank AD, Sofia.

NBG Group in Bulgaria

The activity of National Bank of Greece in Bulgaria started in 1996 with the opening of the first NBG branch. In the year 2000, NBG acquired 89.9% share in United Bulgarian Bank – then the second largest bank in Bulgaria. In 2004, the NBG shares in UBB reached 99.9%.

UBB is the second larger bank in Bulgaria having a good deposit percentage. The credit system is applying around 14%. The new technology and developments are applied and accepted very actively. At the moment UBB has around 40-50% of the ATM's in the country and 50-60% of the POS's.

UBB membership in the NBG Group gave the Bank's business the stability and security of the South East Europe's most prestigious financial institution. UBB takes advantage from the superior financial strength and a broad range of commercial investment banking products and services, which the Group offers through its units in Albania, Serbia & Montenegro, Romania, FYROM and Bulgaria.

The other major NBG subsidiaries in Bulgaria are Interlease – the biggest lease company on the local market and UBB Asset Management.

UBB is the largest investment that NBG has made outside of Greece and at the same time the largest one made by Greece in Bulgaria.

Industrial relations

General information ¹⁰	
Collective Bargaining Coverage	30 %
Proportion of Employees in Unions	20 %
Principal Level of Collective Bargaining	Company
Workplace Representation	Union
Board-level Representation	No
Company Board Structure	monistic or dualistic (choice)

Historic evolution

During the period of communist rule between 1948 and 1989, the Bulgarian trade union movement had an almost 100% participation. Basic features of this period apart from the mass participation were communist party loyalty, obligatory membership and centralised control remained constant. Bulgarian unions were similar to those in the Soviet Union, acting as a 'transmission belt' for the policy of the Bulgarian Communist Party (BCP) and totalitarian state ideas. They gave priority to production and economic functions (acting as an 'assistant', rather than an opponent or partner of management), while the basic protective functions of trade unionism were reduced to a minimum.

A first major task of trade unions during this period was to ensure employees' participation in the ruling party's various economic programmes - the five-year plan, the 'workers' control' movement, the 'socialist competition' movement, the 'communist labour' movement, the 'rationalisation and innovation' movement, the 'scientific-technical progress' movement etc. The unions' second task was to take part in plant and factory councils, health and safety councils, economic councils etc. Third, they had an educational role, by organising trade union schools and training courses and spreading economic knowledge. Last, but not least, they managed recreation for their members through a system of recreational centres and sanatoria.

Though having almost 100% membership (with 4 million members) and financial independence, the influence of trade unions, and workers' confidence in them, had largely fallen away by the late 1980s. Months before the fall of the communist regime in spring 1989, the chair of Bulgarian Trade Unions, BTU proposed a project - entitled 'Guidelines for further reorganisation' - for approval by the central committee of the BCP. The proposal was for unions to be independent, organised on a voluntary basis and oriented towards labour representation, living standards and social security. The idea of reorganisation proposed was close to the 'perestroika' approach of the late 1980s in the Soviet Union.

¹⁰ <http://www.worker-participation.eu/national-industrial-relations/countries/bulgaria>

After the democratic changes in the central and eastern European countries in 1989, trade unions were among the first organisations to undergo rapid change and they became one of the main driving forces of the process of change. Their role in this process was quite prominent in Bulgaria.

Today status

There are around 500,000 trade unionists in Bulgaria, equivalent to some 20% of all employees, according to the latest official census of trade unions, undertaken in 2007.

Overall union membership has fallen, not just from the period of the communist government, when it was close to 100%, but since the late 1990s. At the time of the 1998 union census, union density was 37%, compared with 25% in 2003, and an estimated 20% today. The reasons for this fall include a sharp reduction in the size of the manufacturing sector, where unions have traditionally been strong, a smaller role for the state and a growth in smaller businesses, where unions find it much harder to organise.

At present, the trade union movement is made up of two large confederations recognised as representative at national level and several smaller trade unions, which are not recognised as representative. The two main confederations are:

KNSB the Confederation of Independent Trade Unions in Bulgaria, known by its initials in English as **CITUB**. At the end of 1989, BTU undertook a radical reorganisation in the direction of organisational and political independence, making the protection of employees' interests its main objective. In February 1990, an extraordinary congress of BTU developed into the constituent congress of CITUB. Since then, CITUB has made considerable progress, managing to transform itself, strengthen its positions and win recognition as the largest trade union organization in the country with a special place and role. Nowadays it has about 328,000 members, organised in nearly 7,000 organisations which are members of 35 branch federations.

The Confederation of Labour Podkrepa (Support), which was established in 1989 before Bulgaria's socio-political changes as a semi-legal opposition organisation. Its initial purpose was to protect employees' civil rights and especially the rights of the country's Turkish minority. Nowadays, the confederation is Bulgaria's second-largest trade union structure with 91,000 members. Podkrepa is a voluntary union built on the principles of the free confederation of trade union organisations established at regional level (of which there are 34) and national sectoral level (of which there are 25).

Both CITUB and Podkrepa are members of the International Confederation of Free Trade Unions (ICFTU) and the European Trade Union Confederation (ETUC) and together have played a major role since the fall of the communist government in November 1989 in promoting reforms in the Bulgarian economy and society as a whole.

There is a number of other smaller confederations. The most important of them, Promyana, came into existence in 1996, with the express purpose of overthrowing the socialist government. Its union membership is stated to be "over 50,000". Its status as a representative confederation is currently doubted by CITUB and Podkrepa.

At present only CITUB and Podkrepa have the undisputed status of representative unions. Promyana was granted representative status in November 2004 by the government on the basis of information from the 2003 trade union census and it began to take part in tripartite bodies. However, the two other union confederations objected to the decision, arguing that the figures provided by Promyana were flawed and in March 2005 first Podkrepa and then CITUB withdrew from the main tripartite advisory council, accusing the government of using Promyana to damage social dialogue.

In 2007, the labour code was amended, changing the procedure for establishing representative status. There is now a clear timetable for submitting requests for representative status, including the need to re-establish status every four years, and a clear requirement to ensure the information provided in support of the request is accurate. In the event, only KNSB and Podkrepa provided the necessary details in 2007 – the smaller bodies chose not to participate in the process. In December 2007 both KNSB and Podkrepa were recognised as representative unions at national level for the next four years.

Both KNSB and Podkrepa have a similar structure of affiliated industry federations/unions. There are 35 in the case of KNSB, of which the largest is the teachers' union, together with five associated organisations representing the self-employed, farmers and others. Podkrepa has 25 industry federations.

Employers' organisations

Bulgaria currently has four employers' organisations¹¹ recognised as being representative at national level, as well as a number of others which do not have this status. The structure of employers' representation has undergone change during the country's period of transition, owing to factors such as the liquidation or privatisation of state-owned enterprises and the emergence of new companies.

At present, there are six employer organisations that are recognised as representative at national level, as follows.

The Bulgarian Chamber of Commerce and Industry BCCI. Established in 1884, after 1992 BCCI became a voluntary organisation for the support, encouragement, representation and protection of the economic interests of its members, both in the public and private sectors. It has 42,888 members and 70 sectoral organisations. It is a member of the International Chamber of Commerce (ICC), Eurochambres, the Association of the Balkan Chambers of Commerce, the Association of the Black Sea Zone Chambers of Commerce and Industry, the Black Sea Economic Cooperation (BSEC) Business Council, the International Council on Cooperation of the Chambers of Commerce and Industry and Economic Chambers of CIS Countries, Baltic, Eastern and Central Europe Countries, the Central European Free Trade Association (CEFTA), and the Southeast European Cooperative Initiative (SECI);

The Bulgarian Industrial Association BIA. BIA is a successor of the Bulgarian Industrial Chamber, established in 1980. Its membership is made up of more than 14,000 industrial, trade and service companies from the private, public, cooperative

¹¹ Census 2003

and municipal sectors, as well as banks, universities, economic and scientific bodies, insurance and leasing companies, pension and health insurance funds and other organisations and establishments. BIA incorporates 27 regional organisations, corresponding to the administrative divisions of Bulgaria, and 58 branch/sector organisations (known as 'chambers') representing all sectors of the Bulgarian economy. BIA is a member of the Union of Industrial and Employers' Confederations of Europe (UNICE), ICC, the International Organisation of Employers (IOE) and the World Environment Center (WEC);

The Union for Private Economic Enterprise (UPEE). Before 2001 called the Union for Economic Enterprise of Citizens. UPEE was established in 1989 as an organisation protecting the freedom of enterprises and private entrepreneurs. It has almost 4,000 member companies and 50 regional and branch offices. In 1996, it was recognised as a member of IOE through the Association of the Organisations of Bulgarian Employers. Since 1993, UPEE has been a member of the European Council for Small Business (ECSB), and since 1994 a member of the International Council for Small Business (ICSB);

The Union of Private Bulgarian Entrepreneurs Vazrazhdane (UPBE). UPBE was established in December 1989. It has local (based on municipalities) and sector/branch organisations and is a member of the World Association for Small and Middle Enterprises (WASME) and the European Confederation of Associations of Small and Medium-sized Enterprises (CEA-PME).

The Bulgarian Industrial Capital Association (BICA) was founded in 1996. BICA represents the interests of holding and investment companies, branch chambers and industrial enterprises, employing altogether more than 170,000 employees (7.1 % of the employees). BICA's members comprise 1,194 industrial companies. The association has developed an extensive network of regional structures, covering some 60 municipalities.

The Confederation of Employers and Industrialists in Bulgaria (CEIBG) was established in 2006 through the merger of the Bulgarian International Business Association (BIBA) and the Employers' Association in Bulgaria (EABG). At the time of the merger, BIBA had more than 200 members. In 2007, CEIBG had 3,278 members – that is, private companies employing 351,965 workers (14.8 % of the employees) in 27 branches and 66 regional structures.

Restructuring process

Bulgaria's process of economic and political transition began in 1989. In the light of the existing political and economic situation, the two main employers' organisations which existed at this early stage - BCCI and BIA - organised only state-owned and cooperative enterprises. After the beginning of the period of change, many of the newly emerging private enterprises sought other spokesperson for their interests and initiated the establishment of UPEE and UPBE. After the privatisation of nearly 70% of state-owned enterprises, in many cases the new management decided to retain membership of BCCI and BIA, which thus also started to represent the interests of private businesses. However, a large number of privatised enterprises established new employers' organisations, which are not yet recognised as having representative status. Most of the enterprises bought through privatisation or established by foreign investors have established their own employers' organisation, the **Bulgarian**

Industrial Business Association (BIBA). Finally, several dozen of the largest Bulgarian private enterprises have established a new organisation, the **Employers Association of Bulgaria (EAB).**

Three dynamics have driven all the organisational restructuring processes of employers' organisations since 1990: the liquidation of loss-making state-owned enterprises; the emergence of new enterprises; and the privatisation of state-owned enterprises. The combination of these processes has led to a significant increase in the number of economic entities in Bulgaria. The statistical data show that more than 95% of all Bulgarian enterprises have a workforce of fewer than 10 employees. It is mostly larger enterprises and those aiming for sustainable development of their business that seek protection of their interests through joining existing employers' organisations or establishing new ones.

Tasks and responsibilities

Since the beginning of the transition period, the newly formed employers' organisations and those, which were re-established have been active participants in the implementation of reforms, in crucial areas such as:

- creating the conditions for a modern and flexible labour market;
- industrial relations, including labour legislation;
- incomes policy;
- creating new instruments related to collective bargaining; and
- mandatory and voluntary pension insurance

In the complex and constantly changing context of the years since the transformation process began, employers' organisations have maintained the position that the following issues should be taken into account in the process of developing social dialogue and tripartite cooperation:

- the transformation of the state-owned sector into a private one;
- enhanced freedom for trading and industrial activities;
- a change in the economy's guiding principle from centralised planning towards a market with free competition;
- a change in the principles of management of the economy as a whole and of enterprises in particular; and
- a basic change in the labour law framework and in labour market institutions, and a move from total employment to acceptance of some unemployment.

Social partnership

The main body for national-level social partnership is the National Council for Tripartite Partnership (NCTP), established in 1993, which has standing commissions on a number of issues. The NCTP is a body for cooperation and consultation over

labour, social security and living standards issues. It includes representatives of the government and of the trade union and employers' organisations recognised as representative at national level

During the past few years, the range of the social partnership has been broadened. New mechanisms have developed, such as: participation of the social partners in the work of parliament through a special commission; and the establishment of special working groups on the preparation of new labour and social laws, involving the social partners in preparing legislation and in the EU accession process. The social partners are also involved in the management and monitoring of numerous institutions with a tripartite structure.

Gender equality ¹²

Although Bulgaria has transposed various items of EU legislation on gender equality, in practice women still suffer considerable discrimination in employment, with a gender-segregated labour market and a wide gender pay gap. Despite the legislative provisions, in reality there is a general attitude of tolerance towards discrimination against women.

Traditionally, women in Bulgaria have made up half of the workforce. However, they tend to work in 'female' occupations, have less career development opportunities, are paid less, do not have possibilities to participate in the decision-making process and are trapped to resist their employment rights in the fear to lose their jobs. Black work is also spread among women with temporary work, lower paid and without health and safety standards.

Career and family are difficult to reconcile in Bulgaria. Not only women lose income during the maternity leave, but women with children are forced to accept less skilled work and lower pay, just to be able to return to the labour market.

The gender pay gap has narrowed significantly in recent years, reaching 12.7% in 2007. The gap was widest in 2002, at 18.9%.

Health and Safety¹³

Occupational health and safety are regulated by the Law of 1997.

There are working conditions committees in undertakings with 50 or more employees and working conditions groups in undertakings with fewer than 50 workers.

Five employee representatives are entitled to sit on the committee and one representative may participate in the groups.

¹² Gender equality still far from being achieved

¹³ Source: S. Gazzane - Health and safety representation of employees in EU countries. ETUI-REHS: 2006.

Collective bargaining

The Bulgarian legislation previews that collective bargaining is organised on three levels:

- at industry/sector level, made up of the representative sector employers' and trade union organisations, conducting bargaining;
- at municipal level, 'municipal councils for social cooperation' provide the forum for negotiations between unions and representatives of the municipal authorities on activities falling within the latter's area of budgetary responsibility (education, healthcare, culture and administration); and
- at enterprise/company level, joint trade union bargaining delegations and individual employers participate in negotiations within 'joint commissions for social partnership'.

In 2002, collective bargaining and the conclusion of collective agreements entered a new stage of development, brought about by amendments and supplements to the Labour Code which came into force in 2001. These changes were the result of 10 years' experience of collective bargaining and of the need to harmonise Bulgarian labour and social laws with those in the EU.

As a result of the more intensive social dialogue and negotiations in 2002, a number of new sector and branch collective agreements were concluded by representatives of trade unions and employers' organisations. For example, eight new agreements were signed at sector level and 32 at branch level, while 12 agreements were signed at the level of national agencies and companies.

After lengthy negotiations, representative trade unions and employers' organisations have drawn up a national framework agreement on sector- and branch-level collective bargaining procedures and mechanisms. However, a number of employers' organisations have refused to sign it.

In practice, other than for municipal employees, the key focus for bargaining is at company level. This is because many companies, particularly larger ones, are reluctant to be party to industry level agreements, despite the efforts being made by the government and unions to increase their importance. In addition, the key terms of some industry level agreements do no more than restate existing legislation. Although a strict reading of the labour code suggests that there is an obligation on employers to negotiate with unions, in practice this does not happen.

A collective agreement only covers the employees, who are members of the unions that have signed it, although individuals who are not members can also ask to be covered by its terms. In addition, the legislation provides that where an industry agreement has been signed by all the representative unions and employers, the government can, at their request, extend it to all the employers in the industry. However, despite this legal possibility, as yet no industry level agreements have been extended in this way.

In 2007–2008, some 10 sectoral collective agreements were in force. Moreover, 58 branch-level agreements, 2,000 company-level collective agreements and annexes to existing agreements were also registered. The chemicals industry is the only major

economic sector without an agreement. Agreements generally run for two years and the main theme is pay, especially minimum wage rates. Agreed wage increases were relatively high, notably in sectors facing skill shortages.

Since 2007, the social partners at national level started to negotiate annual agreements on a recommended pay increase index in the private sector.

Workplace representation

Employee representation in the workplace is essentially provided through the union. There is no other universal structure. Employees are able to elect other representatives for information and consultation at a general meeting but they can also choose to pass these rights to the existing union organisation.

The local union remains the key body representing employees in the workplace. There has, since 2001, been the possibility of electing employee representatives to take up specific rights set out in the labour code. They must be elected by a two-thirds vote at a general meeting of all employees. However, in practice, this possibility has not been widely taken up.

In July 2006, new arrangements allowing for the election of employee representatives with information and consultation rights were introduced to implement the EU directive aimed at providing a national framework for information and consultation. However, the general meeting of all employees, which is to elect these representatives, can instead decide to give these new functions to the existing union body, or to existing employee representatives elected by the general meeting under the two-thirds voting procedure. It is too soon to judge the impact of this change, or which of the various options have been most frequently taken up.

With only around a fifth of employees in unions, most workplaces have no employee representation.

Numbers and structure

The numbers and structure of union representation at the workplace depend on the rules of the union.

There are no specific rules on the numbers or thresholds for employee representatives elected by the general meeting under the two-thirds voting procedure, but the legislation is more precise on employee representatives elected for the purposes of information and consultation. They should be elected in companies employing 50 or more employees, or in workplaces employing 20 or more. The number elected is fixed in advance by the general meeting, but must be in the range of one to three in workplaces with between 20 and 50 employees, three to five for companies with between 50 and 250 employees, and five to 9 in companies with more than 250 employees. The individuals can be nominated by both employees and the union. Again, it is important to emphasise that the general meeting can decide not to have such representatives, but give their powers to the union or existing employee representatives.

Tasks and rights

The legislation allocates different rights and duties to different types of representative at the workplace. Some are reserved for the union; some are given either to the union or to representatives elected by the general meeting under the two-thirds voting procedure (in practice it will almost always be the union); and some are given to employee representatives, elected for the purposes of information and consultation (as already stated these last rights can be transferred to either the union or existing employee representatives). Overall, however, it should be noted that there are no areas where the prior agreement of the representatives is necessary before the employer can introduce changes.

The rights reserved for the union stipulate that the local union organisation must be asked by the employer to participate in drawing up company rules and it can represent employees in legal disputes with the company. The union is also entitled to report breaches of labour legislation to the appropriate authorities. Crucially, the union negotiates collective agreements with the company and the employer is obliged to provide it with the necessary information to enable it to do so.

The rights in the labour code given either to the union or to representatives elected by the general meeting under the two-thirds voting procedure (in practice it will almost always be the union) are more extensive. They include: being informed and consulted where redundancies are in prospect (the union or the employee representatives have the right to present their position on the planned redundancy to the relevant state authorities); being informed and consulted when a business transfer is planned; being informed and consulted about changes to working hours; being consulted about short-time working to cope with a lower volume of work; being consulted about plans to introduce flexible working; and being given information on permanent positions available to those on fixed term contracts, and full-time positions available to those working part-time, and vice-versa.

Employee representatives, elected for the purposes of information and consultation (or the union or existing representatives if the general meeting has decided that these powers should be given to them) should be informed about business prospects and consulted about employment issues and changes to work organisation and employment contracts. They have a right to request information, to call for meetings with the employer, and to have access to all parts of the workplace or company. The labour code lays down a timescale for the provision of information – it must come at least a month before the planned measure is undertaken – and consultation should last for two weeks. However, the code also allows for the employer and employer representatives to reach their own agreement on the timings (there are longer timescales for consultation on redundancy).

Board-level Representation

There is no employee participation at board level in Bulgaria, but under certain circumstances employee representatives can have a consultative role in shareholders' meetings.

Bulgarian companies can be set up with either a single-tier board or a two-tier board structure (with both a management and a supervisory board). Employees have no rights to board-level representation but in public limited companies with 50

employees or more they can participate in shareholders' meetings on a consultative basis (in private limited companies, they can participate in meetings of the shareholders regardless of the number employed – but only on social issues).

Negotiation process

At company level, the employer negotiates with the unions present in the workplace, whether or not they are part of a representative trade union. Where there are several unions in a company, the legislation encourages them to take a common position and where this is not possible the legislation states that the draft agreement presented by one of the unions must be approved by a majority of employees at a general meeting.

Agreements are assumed to last for one year, although they can last for up to two years and generally do.

Industry level collective agreements typically include details of minimum rates, although a survey of these agreements in 2004 by the union confederation CITUB found that only 52% of agreements set minimum rates above the statutory minimum levels. They also include service-related premia and supplements for night work and hazardous working conditions. Procedures for redundancy are also often regulated by industry level agreements.

Company level collective agreements will normally be more detailed and will cover qualifications, working time and leave, pay rates, health and safety, social insurance, trade union activities in the company, a disputes procedure and the mechanism whereby non-union members can join the agreement.¹⁴

Bulgaria has a minimum wage which is set by the government after consultation with employers and unions in the tripartite council.

¹⁴ The evolving structure of collective bargaining in Europe: Bulgaria, Teodor Detchev, Rumiana Gladicheva, Vesselin Ilkov, 2005

Workers representation in multinational companies

Following a research of industrial relations and personnel management in 29 subsidiaries of 18 multinational companies operating in Bulgaria carried out in 2004 by the Institute for Social and Trade Union Research¹⁵, there is a contradictory picture, with some good examples of workers representation and some examples of attempts to marginalise trade unions and sabotage social dialogue.

The main results of the study were:

- trade union presence is significant. Union density averages 67.4%, compared with the national average of 20%-25%.

In some of the companies, union membership is between 90% and 98% - ie the subsidiaries of the Belgian-owned Solvay (chemicals), US-based American Standard (engineering) and Danish Carlsberg Breweries. Trade union membership in the subsidiaries of the German-based Metro (retail) is very low, at 6.5% of the workforce, but new trade union organisations have been established there very recently. Trade union membership is stable, with new members being recruited in some companies. However, some union structures have been lost in the process of outsourcing and subcontracting;

- with few exceptions, the relations between the union organisations affiliated to the two representative confederations (CITUB and CL Podkrepa) are cooperative and consensual. Some tensions exist with other trade unions;
- employer-trade union relations in most of the companies are cooperative. In two-thirds of companies surveyed, relations between the two sides are institutionalised and special partnership bodies - commissions, councils, committees etc - have been established;
- collective agreements are concluded in all the companies. As a rule, the agreed provisions on remuneration, working conditions and social benefits are higher than those fixed in both legislation and in sectoral/branch collective agreements. Constructive discussions, partnership and cooperation and willingness to make concessions characterise the negotiation process;
- the provision of social benefits in the firms surveyed is higher than the average for the country. They include canteens, free meals or cash for food, free or reduced transport, healthcare facilities in the company, financial aid in the event of illness, supplementary pensions and health insurance and recreational homes;
- the agreed wage in most of the companies surveyed is higher than in the relevant branch and than the average for the country. Various bonus schemes have been introduced; and

¹⁵ Research examines industrial relations in subsidiaries of multinational companies
<http://www.eurofound.europa.eu/eiro/2004/04/feature/bg0404204f.htm>

- serious attention is paid to health and safety at work and on the provision of appropriate tools, equipment and personal protective clothing. All companies examined have introduced risk assessment schemes. Health and safety committees have been established, with parity participation of employer and employee representatives.

Along with these 'good practices', the research finds that in some of the companies subsidiaries examined the principles of industrial relations and social dialogue are violated and there is a lack of efficiency in these areas. Notably:

- freedom of association is hindered in some cases, with management seeking to ignore or suppress trade union organisations. It is extremely hard to establish a union organisation in new sites set up by companies;
- in some cases negotiations are prolonged by management, or there is a failure to observe the provisions of collective agreements;
- trade unions' right to receive timely and sufficient information is violated in some firms, decreasing their ability to negotiate and sign collective agreements;
- there are conflicts in wage negotiations;
- there is neither a framework of norms nor practical mechanisms for the development of an integrated system for employee information and consultation in line with EU practices; and
- in only a small number of the subsidiaries is the opportunity taken to allow Bulgarian representation on the companies' European Works Council (EWC). Often, this is a result of the parent company's behaviour. Only in four of the subsidiaries examined do employees have observers on the relevant EWC.

European representation (EWC and European SA)

The directive on employee involvement in European companies was implemented through a law which also covered European Works Councils and employee involvement in European cooperative societies. The legislation was passed by the Bulgarian National Assembly on 30 June 2006, was published in the State Gazette on 14 July 2006¹⁶ and it came into effect when Bulgaria joined the EU on 1 January 2007. The title of the legislation is: Law on information and consultation with employees of multinational (Community-scale) undertakings, groups of undertakings and companies).

The Law on Information and Consultation was amended in March 2011, as a response to the Recast Directive 2009/38/EC. The 41st National Assembly adopted the transposition of the Recast Directive in the “Act amending the Act of informing and consulting employees in multinational undertakings, groups of undertakings and European Companies” on 15 March 2011 and new act was published in the Official Gazette No 26 on 29 March 2011 as Decree No 55.¹⁷

Amendment to the Act on Information and Consultation¹⁸

The new act includes the following main amendments.

Definitions

Definitions of information and consultation are introduced in accordance with article 2 of the Recast Directive, in section 9, subparagraphs 17 & 18.

‘Information’ means the transmission by the management bodies referred to in Articles 4, 12 and 20 to employees’ representatives of data so that they can acquaint themselves with the subject matter and examine it. Information shall be given at such time that it does not delay the decision-making process, in such fashion and with such content as are appropriate to enable employees’ representatives to undertake an in-depth assessment of the possible impact and, where appropriate, prepare for

¹⁶ State Gazette 57 of 14.07.2006

¹⁷ The full texts of the above two laws and also the Labour Code, in Bulgarian and in other main European languages, are in the European Commission web site at <http://ec.europa.eu/social/main.jsp?catId=707&langId=en&intPageId=211>. More information in ETUI web site at <http://www.ewcdb.eu/> and <http://www.worker-participation.eu/>

¹⁸ Act amending the Act of informing and consulting employees in multinational undertakings, groups of undertakings and European Companies” adopted on 15 March 2011, published in the Official Gazette 26/2011.

consultations with the competent organ of the body of the multinational undertaking or group of undertakings.’

‘Consultation’ means the establishment of dialogue and exchange of views between employees’ representatives and/or their representative body and the relevant management body referred to in Articles 4, 12 and 20 at such time, in such fashion and with such content as enables employees’ representatives to express an opinion on the basis of the information provided about the proposed measures to which the consultation is related, without prejudice to the responsibilities of the management, and within a reasonable time, which may be taken into account in the decision-making of the multinational undertaking or group of undertakings.’

Special Negotiating Body

Section 3. Article 6 is amended as follows:

1. Paragraph 2 is replaced by the following:

‘(2) The members of the special negotiating body shall be elected or appointed in proportion to the number of employees employed in each Member State by the multinational undertaking or group of undertakings, by allocating in respect of each Member State one seat per portion of employees employed in that Member State amounting to 10 %, or a fraction thereof, of the number of employees employed in all the Member States taken together.’

EWC members

Section 7. Article 10 is amended as follows:

1. Paragraph 3 is replaced by the following:

‘(3) The members of the European works council shall be elected or appointed in proportion to the number of employees employed in each Member State by the multinational undertaking or group of undertakings, by allocating in respect of each Member State one seat per portion of employees employed in that Member State amounting to 10 %, or a fraction thereof, of the number of employees employed in all the Member States taken together. The Council shall adopt its own rules of procedure.’

Elections of members in SNB and EWC

The legislation states that Bulgarian SNB members should be elected at a general meeting of all employees, or if not all can attend – because of shift patterns, for example – by a meeting of representatives of all employees. The general meeting can be convened by the employer, the union, or 10% of the employees, and it can take decisions provided at least half of all employees or their representatives are present.

The general meeting can, however, decide to transfer its right to elect the SNB members either to the trade union structures or to other existing employee representatives, who must have been elected at the general meeting with the support of two-thirds of those present.

If the SNB members are elected at a general meeting, they can be nominated by the unions, single employees or groups of employees (Article 13).

The Bulgarian legislation does not specify whether the individuals elected must be employees of the company.

The procedure is the same for a European Works Council set up under the fallback provisions of the annex to the directive.

In the case of employee representatives on a European Company board, the legislation is much less clear. (ETUI <http://www.worker-participation.eu>)

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