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**JOINT STUDY OF THE EUROPEAN SOCIAL PARTNERS  
“THE IMPLEMENTATION OF FLEXICURITY AND THE ROLE OF THE  
SOCIAL PARTNERS”**

**NATIONAL FICHE**

**Bulgaria**

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## Preface

This national fiche is part of the EU Social Partners’ Study “The implementation of flexicurity and the role of social partners” carried out in the context of the EU Social Dialogue Work Programme 2009-2011, which includes “*Jointly monitoring the implementation of the common principles of Flexicurity, notably in order to evaluate the role and involvement of the social partners in the process and to draw joint lessons*”.

To implement this task in the best possible way and to involve national member organisations actively in the gathering of data and information, the study applies a methodology that consists of multiple levels of analysis using a variety of instruments to be implemented with the help of a team of experts:<sup>1</sup>

- The expert team, with the advice of European Social Partners, agreed on a *set of selected statistical indicators* in the field of employment and economic and social development with labour market relevance.
- National social partners were asked to participate in a *questionnaire-based survey* focussing on the relevance of the flexicurity concept within national labour markets, the role of the social partners in policy implementation and their views of the flexicurity concept. To complement the research, the expert team visited a number of countries and carried out interviews with national social partners.<sup>2</sup>
- Based on the two sources above and a review of available written materials and information, the expert team prepared *29 national “fiches”* on the implementation of the flexicurity principles and the role of social partners in the respective national contexts.
- Results of the questionnaire survey and main findings of the national analyses were discussed at four “*country cluster seminars*” that were organised by the European Social Partners with the help of national sections in Warsaw (November 2010), Lisbon (December 2010), Paris (31<sup>st</sup> January-1<sup>st</sup> February 2011) and The Hague (8<sup>th</sup> February 2011).
- In the light of the overall study results and the comments received by national social partners in the contexts mentioned above, the expert team has prepared a *comparative synthesis report* on “*Social Partners and Flexicurity in Contemporary Labour Markets*” that was presented and discussed at a *EU-level synthesis seminar* on 31<sup>st</sup> March and 1<sup>st</sup> April 2011 in Brussels.

This national fiche aims to present a broad overview on the economic and social context and the state of play with regard to flexibility and security in the labour market and current social security arrangements (sections one and two). Secondly, the report describes the role of the social partners and social dialogue in the implementation of policies and practices that can be considered under the broad umbrella of “flexicurity” (section three), also summarising inputs provided by national social partners to the questionnaire, from interviews carried out and other contributions made in the context of the study. Section three also presents brief descriptions of cases of good practice as has been indicated by the national social partners.

The text was originally prepared as draft report in the autumn of 2010 in order to facilitate the discussion at the cluster seminar on 9<sup>th</sup> and 10<sup>th</sup> December 2010 in Lisbon. The original dossier has been reviewed and revised to take into account the comments and discussions that took place during the seminar or received afterwards.

However, it should be stressed that this report is presented as an “independent expert report”. It represents the views of the individuals involved in its preparation and does not purport to represent the views, either individually or collectively, of the social partners’ representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

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<sup>1</sup> Expert team: Eckhard Voss (coordinator), Alan Wild, Anna Kwiatkiewicz and Antonio Dornelas.

<sup>2</sup> The following countries were visited in the context of the project between May and July 2010: Denmark, France, Ireland, Italy, Czech Republic, Poland, Germany, Portugal and the Netherlands.

# 1 The economic and social context

## Economic crisis and recovery

Bulgaria became a member of the European Union on 1 January 2007. Largely associated with accession, the country averaged more than 6% growth from 2004 to 2008 driven by significant amounts of foreign direct investment. Its GDP contribution is the following: services (approx. 64%), industry (approx. 30%) and agriculture (approx. 6%). Bulgaria is also one of the countries that have experienced a serious restructuring of the economy: Before 1998 it was based on heavy industry and large, state-owned enterprises, while currently it is mainly based on services and privately-owned SMEs. The economic significance of formerly important sectors (such as electronics) has decreased. Intensive business creation took place in businesses services<sup>3</sup>.

Successive governments have demonstrated a commitment to economic reforms and responsible fiscal planning. The period of 2000-2008 was favourable to the economic growth. A number of reforms to stabilize the economy were introduced, e.g. the establishment of a Currency Board in 1997 and the introduction of a stabilisation programme. The global downturn, which hit the Bulgarian economy in the second half of 2009, reduced exports and capital inflows significantly and the industrial production decreased accordingly. GDP in 2009 contracted by approximately 5%. According to the EU Commission decreased sharply; private and government consumption expenditures declined by 6% and 5.5% respectively. The crisis has also reduced FDI inflow. However, it brought also to an adjustment in some imbalances such as inflation that was reduced from the level of 12% in 2008 to 2.5% in 2009.

The 2008 crisis also had negative effect on employment and seriously affected sectors such as construction or commerce. Although domestic demand is likely to remain weak throughout 2010, the Bulgarian economy seems set to start a recovery in 2011 driven by an increase in exports. Trends of recovery in the global economic environment also have favourable effects on Bulgaria's exports of goods and services. In the 2<sup>nd</sup> quarter of 2010 exports have maintained their upward trend and positively contributed to the growth dynamics and compensated for reduced domestic demand. At the beginning of 2010 it was expected that the major driver for economic recovery would remain external demand, while domestic demand will remain sluggish. Stabilising influence of the EU-financed infrastructure investment was also underlined.

### BULGARIA - MAIN ECONOMIC INDICATORS AND OUTLOOK

	2007	2008	2009	2010	2011
<b>GDP – annual percentage change</b>	6.4	6.2	-4.9	-0.1	2.6
<b>Employment - annual percentage change</b>	3.2	2.6	-2.7	-5.2	0.7
<b>Unemployment rate (Eurostat definition)</b>	6.9	5.6	6.8	9.8	9.1
<b>General government balance (as percentage of GDP)</b>	1.1	1.7	-4.7	-3.8	-2.9
<b>General government gross debt (as percentage of GDP)</b>	17.2	13.7	14.7	18.2	20.2

Source: European Commission: Autumn 2010 Economic Forecast.

With the lowest per capita GDP in the EU the main challenge for Bulgaria is to catch up with other member states. This will need to be driven in the short term through increases in foreign direct

<sup>3</sup> V. Kirov, National Background Report *Anticipating and Managing Restructuring in Bulgaria*, report drafted within the framework of “Study on restructuring in 27 Member States” project, ITC ILO, January 2010. p. 8.,

investment leading to higher exports. Corruption in the public administration, a weak judiciary, the size of the "informal economy" and the presence of organised crime remain significant challenges.

More positively, Bulgaria's public finances are currently in quite good shape with comparatively low levels of government debt in the European terms. Additionally, along the lines of the European Economic Recovery Plan and the coordinated EU approach Bulgaria has adopted appropriate measures to stabilize banking sector, a.o. the Currency Board still operates. Bulgaria made use of public investment schemes, absorbed the EU funding to finance infrastructure investment, business development and ALMPs.

According to the European Commission Annual Progress Assessment 2010 the main challenges the Bulgarian government faces are implementing appropriate policies to facilitate the shift from non-tradeable to the tradeable sector, reduce the budget deficit, improve infrastructure with the view to boost economy, reduce informal economy sector and promote investment in human resources so their skills correspond to labour market needs.

### Labour market indicators and trends

Since 1990 the Bulgarian labour market has been characterised by low employment rates and high unemployment. For the period between 1990 and 2000, the number of employed people reduced by more than one-third (1.2 million). As a result, economic activity rate decreased from 55.4% in 1993 to 47.5% in 2000; the male activity rate was constantly higher than that of women by 9-10%. The employment rate (population over 15 years old) decreased from 70.7% in 1990 to 40.6% in 2000 and the unemployment rate sharply increased from 1.7% in 1990 to about 18-19% in 2000. At that time, youth unemployment reached more than 35%.

Employment structure by sectors changed as a result of economic transformation. At present the majority of workers is employed in the services sector (approx. 57.7%), followed by industry employment (35.2%) and agriculture employment (7.1%). The biggest employment is observed in the manufacturing industry (over 640,000 employees<sup>4</sup>), retail (over 370,000 employees), education (over 188,000 employees) and construction (over 179,000 employees).

Since 2000 the Bulgarian labour market has improved significantly, however, it remains characterised by regional differences and skills mismatches. Demand for jobs considerably exceeds the supply and at the same time, the skills and capacities of the unemployed population do not correspond to the structure of vacancies. The negative growth in population is paired with considerable net emigration, which may have an adverse effect on the size and quality of the Bulgarian labour market. Many people still work in the informal economy sector. As a result of economic stabilisation over recent years, unemployment has reduced from 13.7% in 2003 to 5.6% in 2008 and was just under 8% in 2010. However, high levels of long-term unemployment and low educational and skill levels of the unemployed still prevail. Youth unemployment (12.7%) is around double the general rate and in case of many young people it is caused by their low level of education, the lack of professional skills and absence of practical experience. Unemployment differs significantly among regions and also within regions; the overall geographic mobility is limited. A significant share of Bulgaria's long-term unemployed comprises Roma people and this constitutes both labour market and social problems for the country. Unemployment rate in Bulgaria can vary significantly between regions. According to the annual report of the Employment Agency in 2008 the biggest unemployment rate of over 44% was noted in the region of Nikola Kozlevo, and the lowest with slightly over 1.5% in Bourgas. This difference had also been noted in the previous years.

The crisis has seriously affected employment in Bulgaria: It fell by 2.9% in 2009. Employment decrease has been mainly observed in such labour-intensive sectors as construction, textile, clothing and bath

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<sup>4</sup> Total labour force was estimated at 3.4 million in 2009.

equipment, also railways (locomotive drivers), telecommunications (technicians) and the machine building industry.

According to the European Commission 2010 Autumn Economic Forecast employment was further projected to decline in 2010 and start only a slight increase in 2011. The Bulgarian government has introduced different measures to mitigate negative effect of the crisis; they comprised temporary flexible work schemes, training measures for the employed and the unemployed, incentives to support worker mobility and vulnerable groups.

The ways in which the Bulgarian labour market differs from the European average are listed below:

- Employment in the agriculture sector (over 7%) is exceeding the EU average of 5%;
- Rates of self-employment are high, and this is predominantly observed in the farming sector and is caused by the system of small subsistence, family-based farms;
- Flexible forms of work within enterprises are rare with just 2.3% of the employed working part-time; 5% employed on fixed-term contracts and 8.6% having access to flexible working hours. These numbers represent a small fraction of the EU averages at 18.2%, 14% and 31.3% respectively;
- Participation in continuing vocational training, lifelong learning and the investment by companies in adult training are at the bottom of the European league, far from the average and a small proportion of the “best in class” performance;
- Bulgaria is not a member of the OECD so data on the strictness of employment legislation is not available from this source. According to the less preferred World Bank indicator Bulgaria ranks 53<sup>rd</sup> in the world, around the European average;
- Using the same World Bank indicator, over recent years it has become significantly easier for companies to set up in the country with Bulgaria improving 31 places from the 2009 to 2010 rankings (from 84 to 53 rank);
- Data on public expenditure on active and passive labour market policies is not available, but the literature search suggests that this is low in European terms and that passive measures dominate;
- A significant share of workers is engaged in the informal economy with estimates of around 30-35% of the GDP;
- The long term unemployed represent 60.3% of total unemployment with more than 30% being in unemployment more than 2 years;
- About 75% of unemployed people have low skills and a low education level.

**BULGARIA - MAIN LABOUR MARKET INDICATORS 2009 IN COMPARISON TO EU27**

	Bulgaria	EU27
Employment rate – % population aged 15 – 64	62.6	64.6
Employment rate older people – % population aged 55-64	46.1	46.0
Self employed - % total population	26.9	15.5
Employment in services - % total employment	53.0	70.4
Employment in industry - % total employment	27.1	24.1
Employment in agriculture - % total employment	19.9	5.6
Unemployment rate - % labour force 15+	6.8	8.9
Youth unemployment rate - % labour force 15-24	16.2	19.6
Long term unemployment rate - % labour force	3.0	3.0
Inequalities of income distribution (2008)	6.5	5.0

Source: Eurostat, *Employment in Europe Report 2010*

## Flexicurity in the labour market and labour market policy

Educational attainment is an important factor as it determines to a large extent professional career perspectives. In 2009 the proportion of people in Bulgaria with upper secondary education level has exceeded the EU27 average (77.9% and 72% respectively).

Bulgaria is characterised by an extreme low number of people taking part in lifelong learning and professional training programmes (1.4% employees in comparison to the EU27 average of 9.3%). There is also a lack of well-established system for vocational training and skills upgrading, e.g. by CVT courses.

According to the European Foundation for Living and Working Conditions *Measuring Job Satisfaction in surveys – comparative analytical report* in 2000 Bulgarian workers were the ones of the least satisfied with their jobs (approx. 65% of workers revealed that they were satisfied with their job in 2000). However, job satisfaction has increased over the time: According to the European Working Conditions Survey 2010 there were already 74% of employees satisfied with their job. It is also worth noting that job satisfaction levels are higher among well-educated workers than among people with low skills. The correlation between education level and overall job satisfaction is much stronger than for sex and age. The available data has proven that in general self-employed are more satisfied with their job than company employees and that there was no difference in the satisfaction level of part-time and full-time workers.

As the indicators in the table below illustrate, the use of flexible forms of work (i.e. part-time, fixed-term contracts) and flexible working arrangements are rare in Bulgaria. The dominating form of contracts is still the full-time contract of indefinite duration; also long employment history with one employer is a quite frequent pattern.

### BULGARIA - FLEXICURITY INDICATORS IN COMPARISON

	Bulgaria	EU27
<b>Total population having completed at least upper secondary education (population aged 25-64, %), 2009</b>	77.9	72.0
<b>Part-time employment - % total employment, 2009</b>	2.3	18.8
<b>Fixed-term contracts - % total employees, 2009</b>	4.7	13.5
<b>Access to flexitime, % total employees aged 15-64, 2004</b>	8.6	31.3
<b>Percentage of employees (all enterprises) participating in CVT courses , 2005</b>	15.0	33
<b>Lifelong learning participation – percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey, 2009</b>	1.4	9.3
<b>Job satisfaction – percentage of workers that are either very satisfied or satisfied with working conditions in their main paid job (EWCS 2010)</b>	74.4	84.3
<b>Strictness of employment protection – regular employment, 2008</b>	n.a.	2.11*
<b>Strictness of employment protection – temporary employment, 2008</b>	n.a.	2.08*
<b>Strictness of employment protection – collective dismissals, 2008</b>	n.a.	2.96*
<b>Public expenditure on <i>passive</i> labour market policies (categories 8-9) - % of GDP, 2008</b>	0.16	0.96
<b>Public expenditure on <i>active</i> labour market policies (categories 2-7) - % of GDP, 2008</b>	0.26	0.46
<b>Persons at-risk-of-poverty after social transfers - % of total population, %, 2009</b>	21.8	16.3

Source: Eurostat; Employment in Europe Report 2010; Eurofound (European Working Conditions Survey 2010); OECD.

\*OECD average

## Conclusion

According to the NRP Annual Progress assessment of the European Commission the main challenges Bulgaria faces is the need to continue fiscal consolidation measures, reducing unemployment and integrating Roma and other disadvantaged groups into the labour market. Moreover, implementing appropriate mechanisms for lifelong learning and vocational training corresponding to the needs of the labour market are necessary.

## 2 Flexibility and security in recent labour market and social policy reforms

### Introduction and overview

The action plan associated with the national reform programme of the Republic of Bulgaria 2008-2010 reproduced in the "Lisbon Strategy for Growth and Jobs - towards a green and innovative economy" contains an action programme titled "For more and better flexibility and security on the labour market". The action plan highlights the approval in 2009 of a "flexicurity pathway" which aims to better integrate activities in the four basic components of flexicurity, legislation, lifelong learning, active labour market policies and social security systems. To develop the approach an inter-institutional working group was set up which includes the Bulgarian social partners. There are no details in the review document which explains how the group is to work and what its specific objectives are.

The nature of the Bulgarian labour market, with around a third of the workforce operating in the informal economy, makes flexicurity a difficult concept to explain in a balanced way. The formal sector is characterised by "regulated flexicurity" where laws and collective bargaining agreements provide flexibility and security. The informal economy forms a separate labour market segment with "unregulated flexicurity" which combines extreme flexibility with very low security. Nonetheless, the concept of flexicurity is gradually entering into the debate between government and the central trade union and employer organisations, although it still tends to mean different things for employers and trade unions with the concepts of flexibility and security often seen as alternatives.

### Lifelong learning and mobility of workers

Lifelong learning is the weakest element of Bulgarian labour market policy and despite policy changes undertaken in recent years the data above show that there remains a long way to go. Most recently the policy focus has been on translating the Lisbon Strategy into national policies. To this end, the government has undertaken a major reform of the education and vocational training system. The concept of lifelong learning and measures to develop it has only recently been included in the policy debate. Lifelong learning remains underdeveloped in terms of coverage, institutional and legislative framework and motivation among the population.

Training for the acquisition of vocational qualifications by those already active in the labour market is organised by the Employment Agency. However, vocational training is primarily aimed at the unemployed. National data<sup>5</sup> illustrates the proportion of training undertaken in three categories: initial vocational training, vocational training and requalification training programs. The acquisition of additional vocational skills amounts to 67.4% of training carried out, training for re-qualification amounts to 22.9% and training for obtaining initial vocational skills 9.7%.

Pavlov<sup>6</sup> lists the constraints on improving lifelong learning performance as:

- Achieving awareness by staff about the continuing vocational training provided by employers;
- Spreading good practices;
- Introducing new measures and tax stimuli for encouraging employers to improve the qualification of their workers;
- Introducing effective measures for encouraging the unemployed to participate in continuing vocational training, particularly in those regions with structural unemployment, rural regions and amongst high risk groups;
- Raising the awareness of employers of the need to develop and implement short-term, medium-term and long-term plans for development of the human resources in small and medium-sized enterprises;
- Introducing new measures in order to stimulate the individuals to participate in continuing vocational training.

Worker mobility in Bulgaria is very low, mainly due to low income, poor housing situation, lack of tradition to migrate after job and lack of transparency of the labour market and information about jobs available in other regions.

### Internal/external flexibility and contractual arrangements

In the context of economic restructuring and changing labour market policy efforts have been focused towards the adoption of new labour and employment legislation, establishing labour market institutions and a framework for a new system of industrial relations. The policy has been highly influenced by the EU accession process and harmonisation with the European law.

The most significant legislative developments and policy programmes in the 1990s were associated with the process of hiring and firing, types of labour contracts and working time. Most of them were aimed at flexibilisation of the then highly centralised and strict legislation on contractual relations, while at the same time preserving employees' security. Over recent years the Labour Code has been subject to several amendments targeted directly at more flexible employment relations, based on different types of contracts, flexible working time schedules and increasing external flexibility. Despite this, the data above shows that Bulgarian employment in the formal sector is dominated by full time regular employment contracts.

### Active labour market policies

Active labour market policies (ALMP) are supported by the laws on employment and unemployment with the first ever piece of legislation adopted in Bulgaria in 1997. In the early years, passive measures dominated, accounting for 50 to 80% of the budget allocated due to the very high levels of unemployment, lack of experience and low institutional capacity. In 2001 the first National Action Plan for Employment (NAPE) was adopted, containing two types of measures regarding ALMP. Some of the measures aimed at encouraging unemployed people to actively search for a job and increase their employability. Others aimed to encourage employers to hire unemployed people - mainly based on subsidised employment, to use flexible employment regimes and working time schedules. Some of the active measures are directed towards promoting flexibility: support for self-employment;

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<sup>6</sup> N. Pavlov, *The Lisbon Strategy and the flexibility of the labour market in Bulgaria - realities and challenges*, (D.Tsenov Academy of Economics) - South Eastern Europe Journal of Economics 2 (2006), pp. 183-191.

entrepreneurship, subsidies for hiring unemployed on part-time and offering apprenticeships, measures to encourage labour force mobility, etc. The 2008 NAPE changed policy focus towards increasing vocational education measures. We were unable to find data relating to the proportional spending on active and passive labour market policies, nonetheless spending on labour market policies in total remains low.

The predominant aim of the current active labour market policy is to support low-qualified unemployed who are dependent on social allowance. There has been a special program drafted and implemented with the view to reintegrate them effectively to the labour market (National Programme “From Social Assistance to Employment”). It can be stated that at present ALMPs in Bulgaria are aiming at combating unemployment and reintegrating the unemployed into the labour market rather than facilitating smooth job-to-job transition.

### Supportive social security systems

Unemployment is a "post 1990's" phenomenon in Bulgaria, and the first policy measures reforms were directed towards finding adequate responses in preventing the impoverishment and social exclusion of the significant numbers of Bulgarians who lost their jobs in the early years of market reform.

In the first years of transition, the legislation provided for unemployment and social assistance was generally considered to mandate high levels of benefits. Over the years benefits have been reduced in real terms, the duration of payment have become shorter and the eligibility criteria more stringent. The recent reform of the social security system took place in 2000.

The Bulgarian social security system consists of mandatory social security insurance, mandatory health insurance and obligatory pension insurance. Contributions to the above mentioned social security schemes are made by employers, employees, self-employed and the state. Since 2010 the share of employer and employee contribution to health insurance is 50:50. Unemployment benefits are paid by the National Social Security Institute. To be eligible for the unemployment benefit the unemployed had to work and make social contributions for at least 9 out of the last 15 months. The unemployed is expected to be actively looking for a job and be ready to accept suitable job offers. Duration of unemployment benefit eligibility is correlated with employment history. Minimum duration is 4 months for those who worked up to 3 years; maximum duration is 12 months for those who worked between 25 and 30 years. The average daily unemployment benefit equals 60% of the unemployed daily wage during the 9-month period. It is multiplied by the number of working days in a given month and cannot exceed the minimum and the maximum sum. When unemployment benefit is not sufficient, the unemployed may apply for social benefit. It is worth noting that the share of persons at-risk-of-poverty after social transfers in Bulgaria significantly exceeds the EU27 average (almost 22% in comparison with approx. 16% in the EU27).

### High quality and productive workplaces

There is not data available, but according the job satisfaction survey of the Dublin Foundation people with higher education level are more satisfied with their jobs than people with lower skills. It would imply that good quality jobs are mainly white collar jobs, while blue collar jobs are quite often of a poorer quality.

Productivity of the Bulgarian economy is still relatively weak in the EU terms. It declined in 2009 as a result of the crisis, decrease of production volumes and, labour hoarding and decline in employment. Creation of good quality and sustainable jobs is one of the main challenges for the Bulgarian economy.

## Gender equality

No data available; however there were no differences in the job satisfaction reported by workers of both sexes according to the 2010 European Working Conditions Survey.

## Financial sustainability

Like in all European countries, public budget is under significant pressure to further reduce spending. The EU-funds inflow is important in financing training programmes and development initiatives. Lack of transparency in some segments of public spending is still a factor weakening financial sustainability of the functioning solutions.

## Conclusion: Strengths, weaknesses and challenges

Weaknesses and challenges Bulgaria is facing at the moment are typical for economy after profound economic transition. They are linked to reducing unemployment, creation of good quality and sustainable jobs as well as reducing informal economy. In order to ensure that workers are equipped with appropriate professional qualifications matching labour market needs it is necessary to set up lifelong learning mechanisms and modern vocational training system. For now it seems that dynamizing labour market and making it transparent and effective is the priority. Flexicurity only recently appeared in the discussions, it was even indicated as one of the approaches that can help to manage the crisis and mitigate its effects. It cannot, be stated, however, that Bulgaria is well advanced in developing national model to implement flexicurity.

# 3 The role of social partners

## General remarks on the role of the social partners

Bulgarian labour market policy is developed with the participation of the designated social partners' organisations in working groups engaged with the development of new legislation. The Labour Code requires consultation and discussion of all issues related to labour and living standards with representative employer and trade union organisations. To this end a set of tripartite and bipartite social partnership bodies have been established since the beginning of transition in the 1990's.

The biggest trade unions in Bulgaria are CITUB, Podkrepa CL and the Union of United Trade Unions “Promyana”. According to Eurofund data, in 2007 only CITUB and Podkrepa met representation criteria.

CITUB originates from old trade unions; it was funded in 1990 and consist of 35 trade union federations. CITUB is involved in collective bargaining at the sectoral/branch level as well as at the enterprise level (it covers over 60% of employees at the enterprise level). CITUB has also over 240 local trade union member organisations. Podkrepa was newly established in 1989 and its origins are very similar to the NSZZ Solidarność - it started off as dissident and illegal organisation of intellectuals and activists. There are 24 sectoral/branch federations affiliated to Podkrepa and company level trade unions covering up to 24% of employees. Podkrepa also has municipal structures (over 140). Both organisations are represented at the EU level - they are members of ETUC. Like in other European countries, trade union membership is declining: between 2003 and 2007 trade union membership fell from 26.8% to 17.6% (underestimated figures).

Employers' organisations are fragmented in Bulgaria; there is the incidence of double or triple membership, which makes coverage assessment impossible. At present there are six employers' organisations in Bulgaria: BIA representing all Bulgarian economy and active at sectors/branch levels,

BCCI having sectoral and municipal structures, UPEE representing private enterprises at the branch level, with the focus mainly on SMEs, UPBE based on municipal and branch organisations, BICA representing interests of holding and investment companies, branch chambers and industrial enterprises with extensive network of regional structures, and CEIBG – the confederation having branch and regional structures. Two organisations are represented at the EU level: BIA is a member of BUSINESSEUROPE and UPEE is a member of UEAPME<sup>7</sup>.

The system of collective bargaining is organised at the branch/sector, municipal and company level. The most important level is the company level. Since 2003 collective bargaining at sector/branch level plays important role in defining minimum social security threshold. Since 2007 recommendations on pay increases in the private sector are negotiated at the national level. Collective bargaining at company level does not have a major impact on flexicurity for a large number of workers due to low collective bargaining coverage (estimated at 25-30%), the poor financial situation of many enterprises, and the prevailing share of SMEs and private enterprises without trade union organisation. However, in most enterprise collective agreements is a chapter on employment and vocational training and also a chapter on working time, rest and leave.

Issues important for flexicurity are negotiated within different frameworks:

- At national level social dialogue is carried out by the National Council for Tripartite Cooperation (NCTC), comprising committees dealing with specific labour issues such as employment, incomes, working conditions, etc.
- In the field of employment there is a National Employment Promotion Council, District Employment Commissions and Partnership Councils at the Employment Agency branches.
- In the field of Vocational Education and Training (VET) there is a National Council for Vocational Training, a Steering Committee and expert commissions of the National Agency for Vocational Education and Training (NAVET).

## Main instruments and levels of influence

Social partners also participate in the managing board of the National Social Security Institute (NSSI) and in tripartite bodies engaged with social assistance and discrimination. A recent form of social partner's involvement is the Consultative committee at the Labour and Social Policy Parliamentarian Commission and in different working groups.

Social partners were also involved in the development of strategic documents in the field of employment and lifelong learning. Labour market issues are also subject to negotiation in bipartite social dialogue structures. A special chapter in sector/branch and company collective agreements is dedicated to employment and vocational training and equal opportunities.

The employer and trade union organisations are united in their opinion of the important role of lifelong learning and the need to set it as a country priority and develop its legislative and institutional framework. They also stress the need to increase ALMP effectiveness and to make it more target oriented.

On the other hand, whilst employers stress the need of flexibilisation of employment relations, the trade unions are concerned with the promotion of security and the balance between the interests of labour and capital. The social partners' opinions differ on types of contracts (essentially the use of fixed-term

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<sup>7</sup> Based on the information from EIRO on-line, *Bulgaria: Industrial Relations Profile*, ([http://www.eurofound.europa.eu/eiro/country/bulgaria\\_4.htm](http://www.eurofound.europa.eu/eiro/country/bulgaria_4.htm)).

contracts), working time (limitations on overtime), seniority bonuses, compensation at retirement and the statutory minimum wage.

## Recent changes and challenges

Looking forward, the employers see a need for further liberalisation of labour legislation as they consider some of the provisions to hinder business competitiveness. The Bulgarian Chamber of Commerce and Industry (BCCI) believe that there is a need for more flexibility in recruitment and redundancy, including the withdrawal of seniority bonuses and remuneration paid as a lump sum at retirement. The Bulgarian Industrial Association (BIA) considers that the main priority of labour law reform should be to lower what they see to be the currently high level of employment protection, to reduce limitations on the use of fixed term contracts and overtime and to strengthen the role of ALMP aimed at increasing employability.

The Confederation of Independent Trade Unions in Bulgaria (CITUB) emphasises the need for a more concrete definition of the concepts of “flexibility” and “security”, as well as for consensus on measures for achieving the right balance between them. Although it recognises the importance of flexibility in all of its forms for economic competitiveness and the well-being of workers, it strongly disagrees with the intention to introduce flexibility measures at the expense of workers’ rights and job security.

In its reply to the flexicurity questionnaire survey, CITUB highlighted that the organisation in cooperation with other social partner organisations in 2009 have elaborated a joint initiative to foster the implementation of the eight flexicurity principles in Bulgaria. The social partners are acknowledging that the Bulgarian record of implementation main components and principles of flexicurity in general is comparatively weak. However, with regard to flexible contractual arrangements, CITUB reports that progress has been made by reforms in the context of crisis-related measures, e.g. the possibility of working time reduction in enterprises facing a difficult situation.

Finally, CITUB highlighted also improvements in the role of collective agreements for implementing labour market reforms and flexible forms of work. In particular the implementation of the European framework agreements on telework and temporary agency work were implemented in Bulgaria by collective agreements.

For CITUB this illustrates an important aspect of implementing flexicurity: While security should be mainly implemented by law, the issue of flexibility in the labour market should be tackled mainly by collective agreements.

## Cases of good practice in the field of labour market flexibility and security

The following activities have been reported by the trade union organisation CITUB as cases of good practice in the context of the questionnaire survey of this project:

	Social Partner	Flexicurity principle addressed
CITUB in cooperation with other social partners have elaborated a strategy of flexicurity that is based on the main components of flexicurity	CITUB, other social partners	Flexicurity pathway
CITUB carried out a European funded project under the programme "The development of human resources", that is called "Security and Flexibility by law and by the collective agreements"	CITUB	Lifelong Learning, mobility

## 4 Key points arising

The following key points are arising from the point of view of the author of this report and in the light of the discussion of the Bulgarian case at the flexicurity cluster seminar:

- It is necessary to reflect upon the limits to continuing growth to examine in which context flexicurity can be implemented;
- Some social partners believed that flexicurity is important and it was of the second importance whether it is internal or external;
- While discussing flexicurity the issue of temporary agency workers and "go-between's" have to be addressed to design appropriate legal regulations; temporary agency work shall not become a loophole not to conclude traditional employment contracts;
- According to some social partners at present external flexibility prevails in Bulgaria; it is facilitated by numerous arrangements to limit duration of employment contracts or to cancel it;
- Balanced and sustainable approach to flexicurity cannot be ensured without systematic lifelong learning and vocational training provisions;
- At present development of internal flexibility is rather weak; provisions in the field of LLL and CVT are also insufficient;
- The EU regulations can be supportive in cases where national regulations do not exist, i.e. LLL or CVT field.

## Sources and references

### Replies to the questionnaire survey, interviews and other contributions

A reply to the questionnaire survey on flexicurity has been prepared by the Bulgarian trade union federation CITUB. This fiche has also been revised on the basis of comments received at the flexicurity cluster seminar in The Hague on 8 February 2011.

### Further resources

1. Bulgarian government, *National strategy for continuing vocational training during the period 2005-2010*.
2. EIRO online, *Bulgaria: Industrial Relations Profile*, ([http://www.eurofound.europa.eu/eiro/country/bulgaria\\_4.htm](http://www.eurofound.europa.eu/eiro/country/bulgaria_4.htm))
3. EIRO online, *Bulgaria: Flexicurity and industrial relations* (<http://www.eurofound.europa.eu/eiro/studies/tn0803038s/bg0803039q.htm>)
4. EIRO online, *Employment relations in micro and small enterprises - literature review Country Profile: Bulgaria* (<http://www.eurofound.europa.eu/pubdocs/2002/90/en/1/ef0290en.pdf>)
5. European Commission, *Action Plan to the National Reform programme of the Republic of Bulgaria 2008-2010 reproduced in The Lisbon Strategy for Growth and Jobs - towards a green and innovative economy*.
6. Pavlov, N., *The Lisbon Strategy and the flexibility of the labour market in Bulgaria - realities and challenges*, (D. Tsenov Academy of Economics), “South Eastern Europe Journal of Economics” 2 (2006), pp. 183-191.