



National Background Paper Bulgaria



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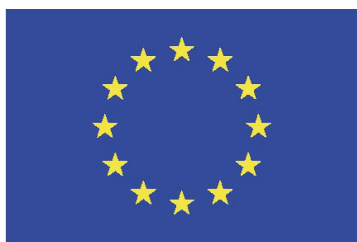
27 National Seminars Anticipating & Managing Restructuring

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National Seminar – Bulgaria National Background Paper

Anticipating and Managing restructuring Bulgaria

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Introduction

One of the main features of the European Social Model (ESM) is the understanding that adaptation to economic change should be based on the **joint efforts of different stakeholders** – enterprises, trade unions, governments, local authorities, and others - in order to seek **solutions on the basis of dialogue and to prevent negative consequences for people and regions**.

The term **restructuring** means modification of the company workforce, both **quantitative** (number of jobs) and **qualitative** (skills, qualifications), following changes in company structure, organisation or production processes (“Restructuring in Europe 2008: a Review of EU Action to anticipate and manage employment change”, European Commission, 2008). The factors driving restructuring are various – **change of technology, globalisation, demographic change, new regulations**. But if all the Member States of the European Union (EU) are facing the challenges of climate change, ageing of the population, the current financial and economic crisis, technological change, and the growth of the knowledge economy, the new Member States (NMS) have still **restructuring challenges inherited from the socialist and post-socialist past**.

The global approach to restructuring developed in the European Union includes promoting **anticipation and management of change through various instruments and measures** in such a way as not to leave sectors, regions and companies to cope with the challenges of restructuring alone. This **proactive approach** has to include social dialogue, serious anticipation efforts (e.g. forward-looking sectoral studies and debates about “New skills and new jobs”), and use of both existing and new financial instruments, for example the European Social Fund (ESF), the European Regional Development Funds (ERDF), the newly established European Globalisation Adjustment Fund (EGAF) (2007).

This National Background Paper (NBP)¹ aims at analysing **the current trends in restructuring in Bulgaria**². Its objective is to describe the efforts of the various actors to anticipate and manage restructuring under the conditions of a severe economic and financial crisis. It does not pretend to cover exhaustively all restructuring issues in Bulgaria, its task is rather to provide material and insights for discussion.

The NBP is structured in accordance with the suggestions of the A.R.E.N.A.S. project team. It has been **prepared on the basis of available public information about the restructuring process in the country** (mainly data from NSI, the Ministry of Labour and Social Policy, the social partners, ERM and the mass media). No specific empirical research was undertaken during its preparation. However, I would like to thank all those who gave me information and provided

¹ According to the Terms of Reference (T.O.R.) for the preparation of this NBP, the present text has been completed following the National Restructuring Seminar held on 10 February 2010 in Sofia, Bulgaria. Feedback from the Seminar and the opinions of stakeholders involved in restructuring in Bulgaria have assisted the author.

² According to the T.O.R. the data covered by the NBP relates to the first semester of 2009. Wherever possible some updates have been made for the second semester of 2009.

useful suggestions during the preparation process³. On the basis of the analysis of the restructuring processes and practices a recommendation was made regarding the choice of detailed case studies.

As in the other post-socialist countries, Bulgaria experienced enormous restructuring of its economy and of society as a whole during the 1990s. The whole economy was transferred from the public to the private sector in less than 10 years. After the initial shock of liberalisation and of the disintegration of Comecon (Council for Mutual Economic Assistance - CMEA), the privatisation process and mechanisms were for a long time the major factor in restructuring. The paths taken by the privatised enterprises were different, depending on the owners – foreign direct investors (FDI), local companies, managers and employees, funds for mass privatisation, and so forth - and this impacted on their respective restructuring paths.

The country was severely hit by the current crisis. The recent events in the economy showed that many sectors that were at the origin of growth – for example real estate, construction, and financial services - were severely hit by the crisis. The trend in continuous job creation in Bulgaria was reversed at the end of 2008. Some of the largest Bulgarian enterprises started to lay employees off⁴. This development had an immediate impact on the unemployment level which from the autumn of 2008 started to rise from 6.18% (still 2.30 percentage points lower than the EU average) to about 10% by the end of the year 2009. Some analysts were predicting 13% unemployment in 2010⁵ but the estimates of the Bulgarian government from January 2010 were of a less alarming level. The experience of many large enterprises which endured the crisis, and their reactions, are examined in the report along with the efforts mobilised by the public institutions, social partners and other stakeholders to alleviate the consequences of the job losses.

The NBP consists of an introduction, four chapters, conclusions and annexes. The first chapter examines the main trends on the Bulgarian labour market as the basis of an analysis of the restructuring processes and their impacts. The legal framework for the restructuring is also presented. The second chapter focuses on the measures and instruments used to anticipate and manage restructuring at different levels (enterprise, region, sector, State). The third chapter contains an evaluation of the results of the measures used, and the fourth and final chapter presents conclusions. The case studies⁶ used for the analyses are presented in the Annex of the report.

³ I would like to thank specially Plamen Dimitrov, (Vice-President of CITUB), Ivan Neykov, (Director for the Balkan Institute for Labour and Social Policy), Marian Banev (trade union leader of Ideal Standard, Sevlievo), Kiril Alexandrov, (Director of the National Institute for Conciliation and Arbitration), the researchers from ISTUR, CITUB and all the active participants during the National Restructuring Seminar in Sofia. There were Seminar participants that promised written feedback to the author but up until finalisation of the present version such inputs were not received.

⁴ See <http://www.eurofound.europa.eu/emcc/erm/index.php?template=searchfactsheets> (accessed on the 2nd of November 2009)

⁵ Some observers even thought that the unemployment rate could reach 15% in 2010.

⁶ Case studies have been prepared by the author of the report on the basis of available publications. For this reason the companies/institutions examined were not contacted. The cases chosen illustrate approaches used but do not feature in the detailed description.

Executive summary

The Bulgarian economy experienced **major changes after the fall of communism in 1989**. The **privatisation process**, the spectacular **creation of Small and Medium Enterprises (SMEs)** and **Foreign Direct Investment (FDI)** completely changed the business demography of the country. While before 1989 the Bulgarian employees were part of large State-owned Enterprises in an economy dominated by heavy industry, in 2009 - 20 years later - **the labour force is employed mainly in SMEs in the dominant private sector, and more often in services than in industry**. The structure of economic sectors changed; sectors that were among the largest employers in the 1980s such as electronics almost disappeared, while others such as business services created thousands of jobs. At present the largest employers in the country include *inter alia* **manufacturing industry** (641,325 employed persons), **retail** (371,000), **education** (188,981), and **construction** (179,533).

After the difficult 1990s decade, the decade of 2000 was favourable for the economic development of Bulgaria. To help overcome the consequences of the collapse of the economy in 1996, in 1997 the country adopted a Currency Board⁷ and launched an economic stabilisation programme. The financial stability and rigorous macroeconomic policy contributed to making the country attractive to foreign investors. The period from 1997 when the country adopted the Currency Board, up until to 2009 when the economy was in recession, was characterised by dynamic structural changes in the economy.

Economic growth was followed by a gradual decrease in unemployment (from almost 20% in 1998 to about 5% in 2008) and an **increase in the employed population**. Economic development influenced the structure of employment. According to the ERM data, during the period 2005–2008 most of the major reported cases of restructuring in Bulgaria involved job creation. Industry, which used to employ 866,123 persons in 1997 experienced an period of heavy job losses, a level of 701,892 employed persons being recorded in 2001. The period between 2001 and 2007 was characterised by sustained job creation and industrial employment was already 752,196 in 2007. During this period the structure of the industrial sectors was also very dynamic. For example the clothing industry accounted for 87,369 employees in 1997, almost doubled its employee numbers by 2004 (152,371) but then shrank to 122,515 employees in 2008. Other sectors experienced clear increases (furniture production, plastic industry, printing industry) or decreases (machine building, chemical industry, metal casting, etc.) or maintained employment at the same level (an example is the food industry with about 100 000 employees).

In 2008 **industrial employment started to decrease again** (734,021) and there are indications that this decrease will continue in 2009 and probably in 2010. The **financial and economic crisis has had a very negative impact on the economy and employment in Bulgaria** with many sectors affected. In the autumn of 2008 the major point of concern was the weakening of industrial output. National GDP registered growth in 2008, but it was still lower than in 2007. At the beginning of 2009 a drop was also recorded in construction and trade. The volume of direct foreign investment decreased. For the first time in many years unemployment in February and

⁷ See Currency Board see for example Anne-Marie Gulde, "The Role of the Currency Board in Bulgaria's Stabilization" Finance & Development, September 1999, vol. 36, n 3, pp. 36 – 39 (<http://www.imf.org/external/pubs/ft/fandd/1999/09/pdf/gulde.pdf>) (last accessed on the 2nd of November 2009)

March 2009 was higher than in the previous months. By the first half of 2009 it was evident that the country was in serious recession.

In order to address the challenges of the crisis, the country reaffirmed its will to maintain macroeconomic stability and the Currency Board. Parliamentary elections were scheduled for July 2009. Bulgarian policies in response to the crisis involved different mechanisms at national level. Public investment schemes, use of European funds for infrastructure projects, business development, targeted active labour market policies and budget spending cuts were among the main mechanisms applied. Among the specific measures applied on the labour market in response to the crisis were support for temporary flexible schemes, training measures for the unemployed or employed, incentives to support worker mobility and support for various vulnerable groups.

The Bulgarian model of corporate restructuring was developed during the transition from State socialism to a market economy. The various stages of restructuring were characterised by different approaches.

During the initial years after the fall of communism the State monopolies were dismantled and the process of de-monopolisation and introduction of free market principles was accompanied by massive redundancies. The expectation of the actors was that the market would be capable of adjusting labour supply, so that no State intervention is needed.

In 1996–1997 the country experienced a severe economic and financial crisis followed by the introduction of rigorous stabilisation measures. Some enterprises with bad financial records were closed. The government launched massive privatisation programmes followed by post-privatisation restructuring. Very often clauses stipulating preservation of the number of personnel for a given period of time were introduced in privatisation contracts, but these clauses only delayed the cuts in the labour force. Already during this period (1997 - 2001) the State introduced some measures in support of redundant workers. There was also good practice at enterprise level, mainly in enterprises acquired by multinational companies. In local companies social dialogue at enterprise level in cases of restructuring was aimed at helping employees obtain more favourable compensation than that envisaged in the Labour Code, wherever possible.

During the year 2004 some very large State enterprises were sold off. These cases (see for example the case of *CEZ Bulgaria* in Annex) illustrate a restructuring approach based on anticipation and development of accompanying measures. The scope of these measures was different in these cases and there is no unanimous view of the extent of their success; trade unions for example criticised the massive layoffs. But the introduction of such measures (various supporting measures, assignment of long-term planning and resources) was very positive not only for the respective companies but also for the whole economy.

Bulgaria became a member of the European Union (EU) on 1 January 2007. The decade of the 1990s was marked by the negotiations process and the alignment of the country on the *acquis communautaires*. The legal framework for management of restructuring was affected by this process. Access to EU Structural Funds and increased public spending on active labour market measures, including adaptation of the skills of the employed (see case in Annex), introduction of subsidised part-time schemes, reintegration of the unemployed, and other measures, all contributed to the process.

The present situation as regards corporate restructuring in Bulgaria will now be analysed to highlight the strong and the weak points and illustrate how stakeholders were stimulated to share existing knowledge better and how the various mechanisms and measures were modified to soften the negative consequences for the employees and to make them more tolerable. Different approaches to anticipation and management of restructuring are analysed and evaluated and some gaps in the Bulgarian situation are outlined. Currently large public (e.g. the State railways) and private enterprises, as well as the State administration and public institutions (dismissals planned in the public sector in 2010 will affect education, the health service and public administration), are facing restructuring and the practical recommendations developed in the NBP may prove to be very useful.

1.1 Structural and economic challenges

During the socialist years Bulgaria was a country with an economy dominated by the industrial sector which accounted for the majority of jobs⁸. **The transition was shaped by two main transformation processes: the restructuring of the large, formerly State-Owned Enterprises (SOEs) and the emergence and spectacular growth of the Small and Medium Enterprise (SME) sector.** Following the political change of 1989, the main issues preoccupying public opinion in Bulgaria were those concerning democracy, human rights and so forth. The economic reforms began in February 1991 with measures aimed at liberalisation of prices and de-monopolisation of the former large State economic groups (*Combinates*) and the granting of autonomy to enterprises (which were considered till 1989 to be a continuation of the large network of national-level structures. These processes, together with dissolution of the Comecon (known also as the Council for Mutual Economic Assistance - CMEA) and liberalisation of foreign trade and prices were among the main factors in this initial post-socialist restructuring⁹. Additional measures taken regarding the enterprises involved their corporatisation (transformation of SOEs into companies regulated by Commercial Law, that is joint stock or limited companies) and the introduction of management contracts for directors (instead of political nominations). The arguments in favour of these reforms were mainly ideological, stemming from the conviction that in a market environment autonomous enterprises would act with the efficiency of capitalist companies. These measures did contribute to relative autonomy of the enterprises, but the majority of them, in the absence of the contracts they previously had under the centrally planned system, developed **survival strategies or “defensive strategies”** (Meyer, 1998), which led in consequence to drastic drops in production, staff reductions, and shutting down of units (R&D, etc.). As a result the **Bulgarian economy and especially industry experienced a profound crisis** manifested in a massive drop in production (in 1989 its index was 100, in 1993 it was less than 50, and in 1997, 55) and the total or partial liquidation of whole industrial sub-sectors. This phenomenon was described by researchers as **“de-industrialisation”** (Minev, D. & Kabaktchieva, P., 1996). While in the late 1980s heavy industries had a dominant role and foreign trade was oriented to the Comecon partner countries, with the dissolution of Comecon and the shrinkage of the internal market many sub-sectors lost markets and enterprises were obliged to dismiss employees and sell assets. The reorientation of the country's foreign trade towards the EU partner countries took much longer for Bulgaria than for the Central European countries (it was only from 1999 that trade with the EU exceeded 50% of the total volume).

The process of privatisation in Bulgaria during the 1990s has proved extremely complex and lengthy, contrary to initial expectations at the start of the transition. Unlike the other CEE countries, **large-scale transfers from public to private sector started as late as 1997.** It was at about that time that the volume of FDI inflows into the Bulgarian economy became considerable, even if not comparable to those of the Central European countries. Various mechanisms were used for privatisation, governments differing on which they preferred (IME, 1990 - 2000). The main privatisation mechanisms were direct sales, mass privatisation, foreign direct investment,

⁸ See ILO, *The Bulgarian Challenge*, Budapest, 1994 (In Bulgarian)

⁹ See more in Kirov, V. 'Restructurations industrielles en Bulgarie: Strategie des acteurs dans le contexte de l'integration Europeenne', in 'Protection sociale et emploi. Regards croises sur la mondialisation en Europe et en Chine', Alaluf et Krzeslo (eds.), Editions de l'ULB, 2005, pp. 167 – 184

management and employee buy-outs (MEBOs). or management buy-outs (MBOs). The post-privatisation restructuring was radical in the cases of foreign direct investment but in the other cases – mass privatisation or MEBOs - the processes were delayed by lack of resources and know-how (Kirov, 2001). Often the privatisation contracts contained clauses on protection of employment levels for given periods, normally three years, but no measures were developed or provided for those made redundant after the expiry of this period.

All this had many important impacts on the economy and, consequently, on society. The major preoccupation of the key actors in the economy (and broadly speaking in society) was for a long time focused on distribution of property itself, while setting aside (for the future) the negative social side-effects of privatisation and the search for sustainable solutions to those problems. This period of lengthy and sometimes unsuccessful privatisation is regarded as a mistake by many stakeholders in Bulgaria today¹⁰.

Bulgarian industry lost about 1 million jobs in the early 1990s, owing to closures of enterprises or activities and to the continuous process of externalisation of activities (outsourcing). The former State-owned monopolies have gradually outsourced many different activities such as catering, transportation of goods and services, maintenance, and so forth to external or spin-off providers in order to be able to concentrate on core activities.

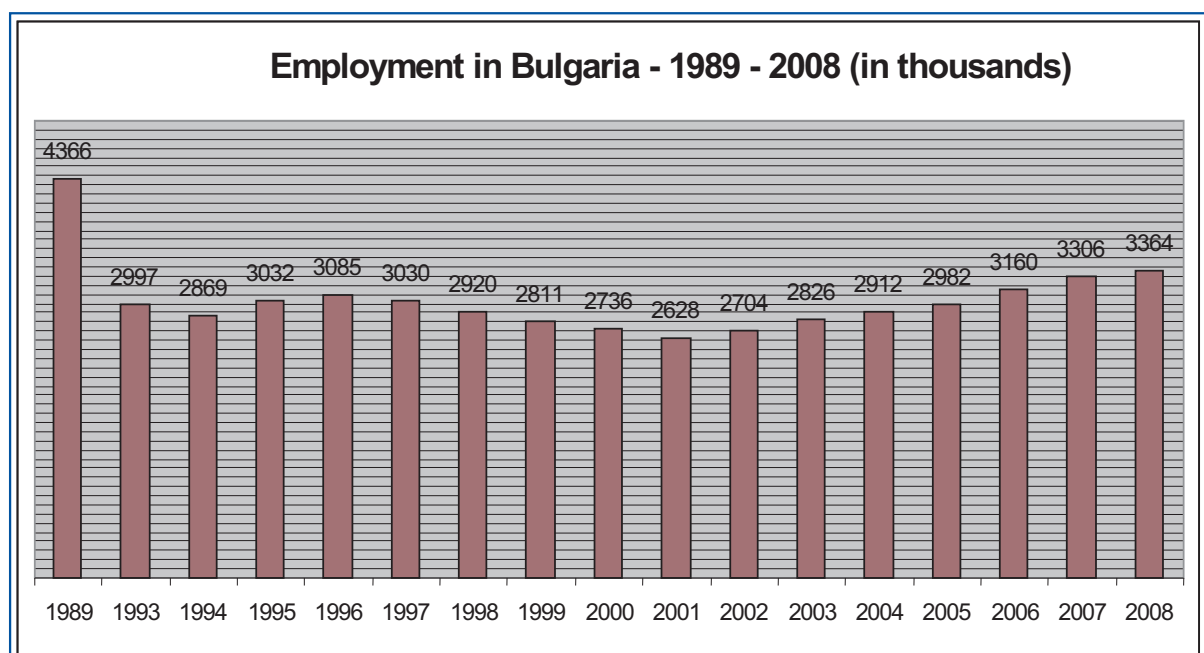
Industrial employment started to recover in the 2000 decade on the back of fast-growing, low-value-added industries such as clothing and textiles. However the outsourcing processes continued in industry and throughout the economy. That is why the social partners speak of continuous ‘quiet restructuring’ in many enterprises, as opposed to the drastic restructuring during crisis periods.

The service sector grew in importance as an employer throughout the post-communist period. The reasons for the spectacular growth in services were multiple and in the year 2009 the share of services in the gross value added of the country was 66,6% (see NSI)¹¹. Agriculture played the role of a social buffer during the early transition and employment in this sector grew because some employees dismissed from the large industrial enterprises tried to find occupations in subsistence farming. However a decrease has been observed in recent years. In 2009 the structure of employment in the country was as follows: the services employ 1.883 million people (57.1% of the total employed), industry 1.171 million (35.5%), and agriculture and forestry 0.244 million (7.4%)¹². The overall dynamics of the employment trend over the last 20 years gives an idea of the range of job creation and job losses in the economy (see Fig. 1).

¹⁰ There were such discussions also at the National Restructuring Seminar in Sofia.

¹¹ www.nsi.bg

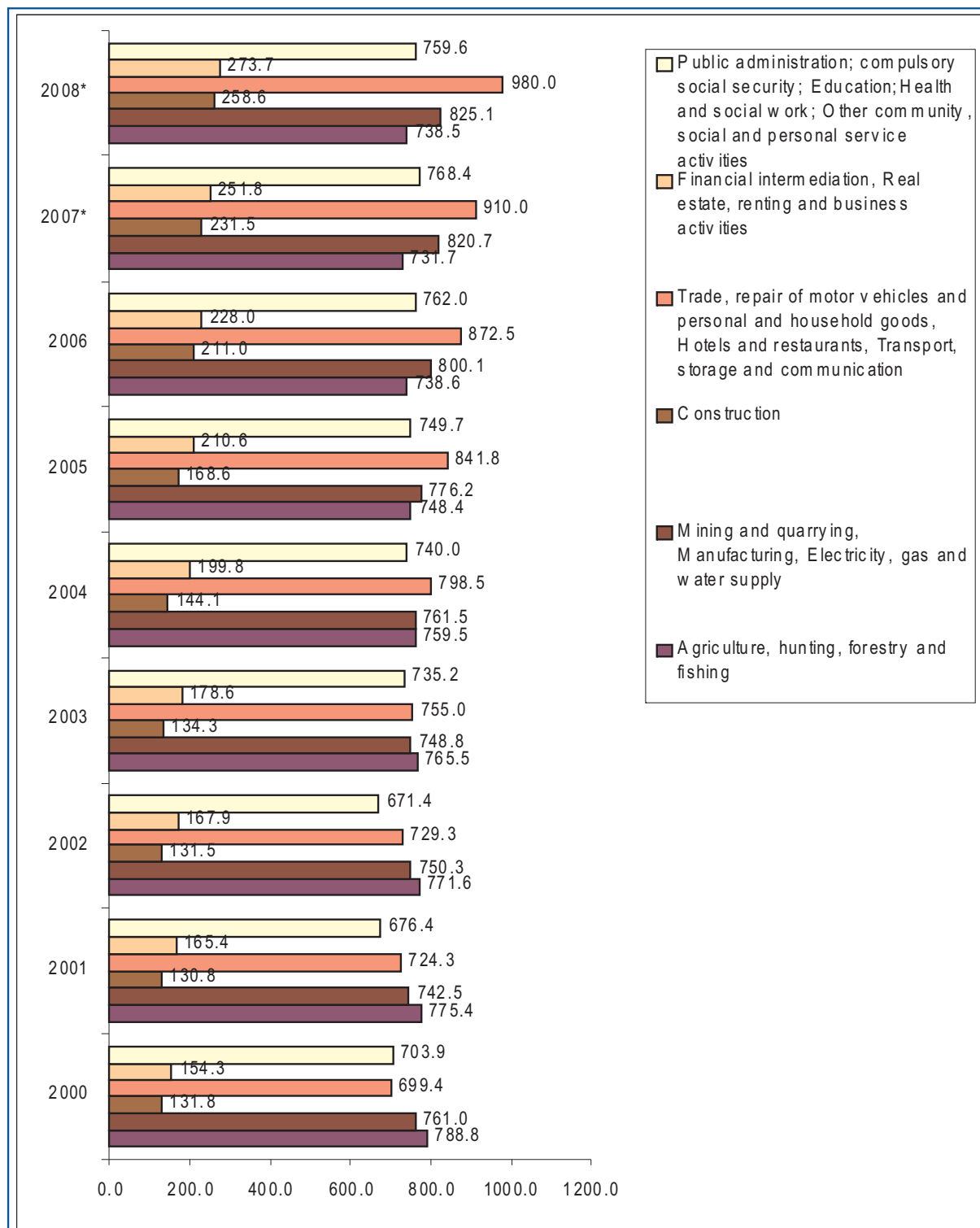
¹² According to the data of the National Statistical Institute - <http://www.nsi.bg/Labour/Labour.htm> (accessed on the 2nd of November 2009)

Fig. 1 Employment level in Bulgaria – 1989 – 2008

Source: NSI

The overall dynamics of employment trends by economic sector groupings (fig. 2) provides useful information on the changes in importance of the respective sector groupings.

Fig. 2. Employment in Bulgaria – 2000 – 2008 by groupings of sectors



Source: NSI

The economic changes and the effects of restructuring were and remain unevenly distributed across the country. In the early 1990s many industrial regions were already severely affected by

the restructuring. Closures of heavy industries and electronics and computer assembly plants were disastrous, especially for mono-industrial regions dominated by one large enterprise. The increase in employment and decrease in unemployment contributed to normalisation of the situation during the 2000 decade; but some regions have still been more affected by the restructuring processes than others. The Economic and Social Council criticises the lack of adequate policies for coping with the regional diversity in Bulgaria during the post-communist transition.¹³

The unemployment differences (many of which were due to the restructuring effects of job creation and job losses) are much more visible at the level of municipalities (of which there are 264) than at the level of administrative regions. The 2008 Annual Report of the Employment Agency¹⁴ reveals that the unemployment rate by municipality fluctuates between 44.45% in Nikola Kozlevo municipality (Shumen District) and 1.57% in Bourgas (in 2007 they were respectively 55,1% and 1,62%). The difference between the reported minimum and maximum unemployment rates in the country is 42.88 percentage points (53.48 points in 2007) but, while still great, is diminishing compared to earlier years.

Recent large cases of restructuring followed by job losses were observed in Pernik (*Stomana company*), in Sofia where the largest metallurgical plant *Kremikovtzi* closed, and in Sevlievo where the enterprises of the group *Ideal Standard* announced serious job losses. All these cases will certainly affect regional employment negatively.

The 2008 - 2009 data on restructuring reveal that the sectors and professions most affected are textiles, clothing and bath equipment (all production workers), the railways (locomotive drivers), telecommunications (technicians), and the machine building industry (qualified and non-qualified workers).

1.2 Labour market challenges

The Bulgarian labour market during the 1970s and 1980s was characterised by efforts to maintain full employment, with secure full-time jobs for the active population, mostly in large enterprises.

In 1990, just after the political changes in Bulgaria, the numbers of the actively employed totalled 4.096 million (of which only 241,000 worked in the private sector) out of a total population of 8,669,269. By 1999 the total number of jobs had dropped to 3.071 million (1.943 million of which were in the private sector) in a population of 8,190,876 persons (see Table 1 in Annex). An analysis of changes in the labour force during the 1990s allows the conclusion that the general trend was a significant decrease in the economic activity of the

¹³ Economic and Social Council of Republic of Bulgaria, Statement “The Labor Market in the Conditions of financial and economic crisis – challenges and possible solutions”, 2009, (in Bulgarian) at <http://www.esc.bg/viewpoints.php?lang=0>, p. 6, (last accessed on the 28 of February 2010)

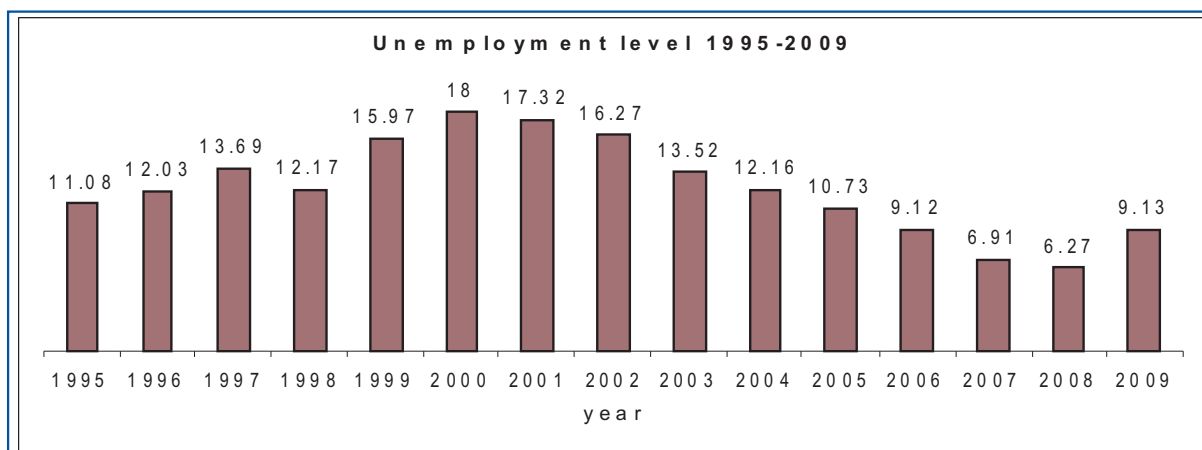
¹⁴ Ministry of Labor and Social Policy, Employment Agency, Yearbook 2008

population, both men and women; the private sector, consisting mainly of SMEs, has been a partial absorber of unemployed labour.

During the last 20 years all sectors have been subject to drastic changes. Industrial employment, which in 1990 was 1,498 million, fell to 0.597 million in the year 2000 but recovered to 1.171 million people in 2009. After a serious drop in the early 1990s employment experienced short periods of stabilisation and even growth in the period 1995–1996. However it started to decrease again following the crisis of 1996. It then rose from 2002 and this increase continued till the year 2008 (see table 1a).

Unemployment reappeared in Bulgaria in the early 1990s, very quickly reaching extremely high levels – more than 16% in 1993. The level then decreased continuously during the period 2000 – 2008 (see fig. 3) before turning upwards again in 2009.

Fig. 3 Unemployment level in Bulgaria 1995 - 2009



Source: Employment Agency

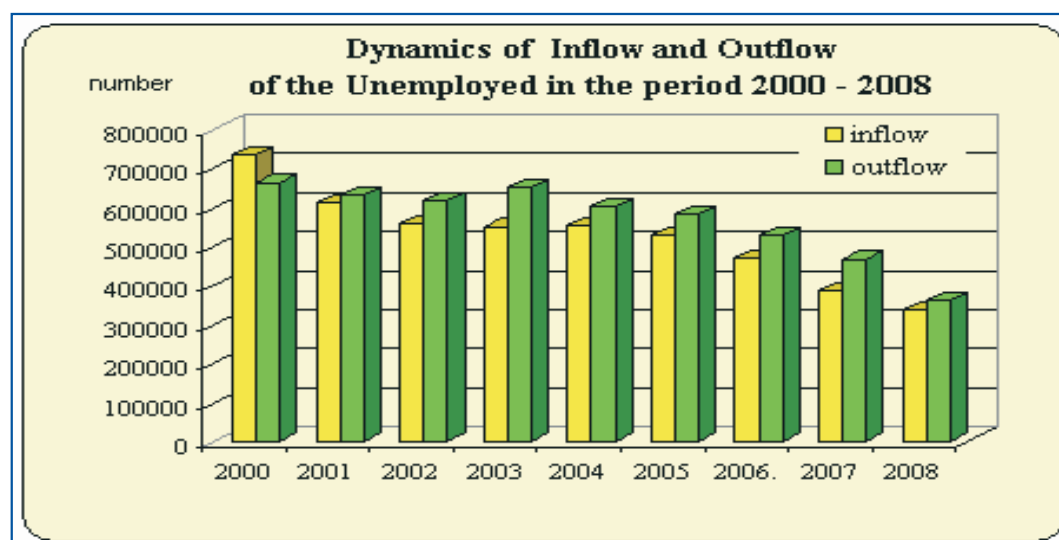
As can be seen from table 1 and figure 4, labour outflows exceeded labour inflows throughout the 1990s. A more thorough look at labour market flows (see Table 2) indicates that the largest number of outflows was registered during the period 1990 – 1992 (around 3 million). The number of outflows from the labour market for restructuring reasons was highest between 1991 and 1993 (924,474). After a relative decline in labour market outflows during the years 1994–1996, and at a time when the State resumed the policy of subsidising enterprises (Djnakov, S. & Hoekman, P., 1997), the outflows have since 1997 been growing, including the number of people dismissed as a result of restructuring. The period 1997–1999 coincided with the most intensive privatisation. In many industrial sectors, such as metallurgy and chemical industry, restructuring began at the very end of the 1990s and continued into the 2000 decade.

Table 1. - Labour flows, Bulgaria, 1990-1999

	Labour outflows (total number)	Labour outflows due to economic restructuring	Labour inflow	Labour inflow - labour outflow
1990	1 054 645	114 885	727 512	-327 133
1991	1 158 341	347 848	472 525	-685 816
1992	828 675	312 515	335 227	-493 448
1993	671 594	264 111	348 517	-323 077
1994	523 412	148 182	368 521	-154 891
1995	429 944	70 321	399 253	-30 691
1996	460 125	78 338	395 284	-64 841
1997	686 993	128 734	590 780	-96 213
1998	623 108	103 972	542 806	-80 302
1999	779 836	110 989	538 088	-241 748

Source: Beleva, I and Tsanov, V., 2001 (National Statistical Institute, Statistical Yearbook, various years.)

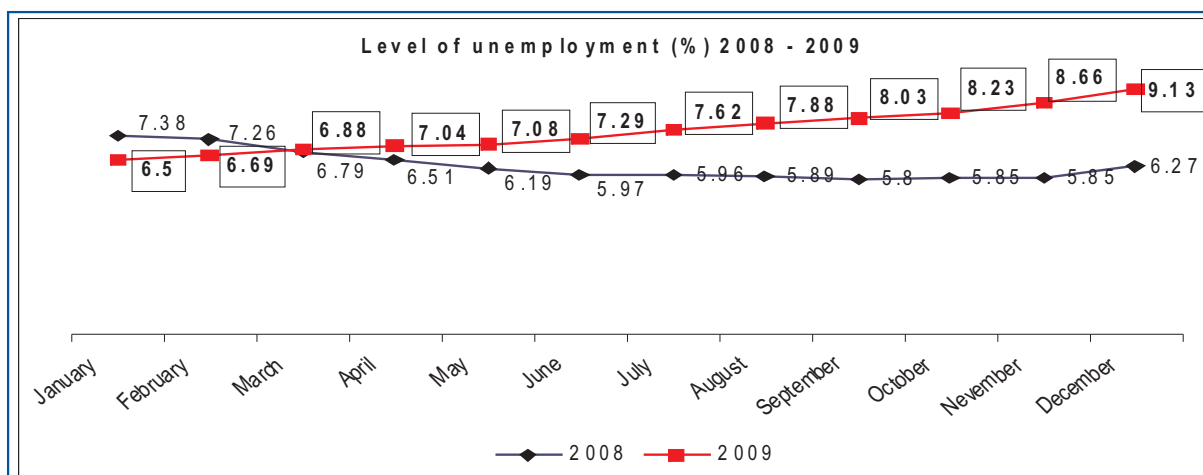
In the year 2000 the inflows of the unemployed exceeded the outflows but then this trend reversed and this continued until 2009.

Fig. 4. Dynamics of Inflow and Outflow of the Unemployed in the period 2000 – 2008.

Source: Employment Agency (www.az.government.bg)

2008 was a year of success, but also a year of considerable challenges, according to the Annual Report of the Employment Agency. The number of unemployed was considerably reduced and in September reached its lowest level since 1991. According to Employment Agency data, even if unemployment started to increase in the second part of 2008, the annual data still shows a decrease compared to 2007 (see table in Annex).

A detailed picture of unemployment by month shows the significant increase from 240,782 (6,5%) in January to 291,852 persons (7,88%) in August 2009 (see details in table 3 in Annex).



During the first 6 months of 2009 the newly-registered unemployed totalled 253,308 (75,200 more than for the same period of 2008). The increase in the newly-registered unemployed is almost double (93.4%) at 117,367.

The majority of the newly-registered unemployed have been made redundant over time, mainly from SMEs, without any procedure for mass layoffs (mutual consent, partial layoffs, etc.)¹⁵. The main reasons for these layoffs are decreased demand and production volume in some industrial activities (textile and clothing, construction, furniture and wood industry, shoe industry, commerce, etc.) and optimisation of costs. The largest share (more than half) of the newly-registered unemployed come from the service sector (51,8% or 125,905 employees), followed by industry (28,3%, 68,783 employees) and the agrarian sector (4,7% or 11,461 employees). This distribution is similar to that in the first semester of 2008 and reflects the employment structure of the country.

The ratio between part-time employment and fixed-term employment is one of the indicators that represent labour market flexibility. **The share of persons employed on a part-time basis in relation to the total number employed in Bulgaria is too small:** 2% compared to the European Union (EU-27) average of 18.1%¹⁶. The share of persons employed under fixed-term contracts in Bulgaria is 6.2%, while the comparable EU-27 figure is 14.4% (according to the OP HRD).

There is no precise information available about the dynamics of temporary and short term contracts since the crisis but one could formulate the hypothesis that, as a way for companies to preserve 'core' employment, their number is limited. However the crisis caused a number of

¹⁵ This raises the question of so called "silent" restructuring. Recent work by the European social partners' points out how important it is to go beyond mass job losses in single enterprises (Wild, A, 2008, p. 10). The concept of silent restructuring, introduced in the framework of this work, suggests that small numbers of job losses in small companies which in aggregate produce a significant employment effect often fall below the radar of those that measure the effects of restructuring. Such changes could take place in given sectors or territories where small businesses predominate. What is more, small companies could be under pressure and the speed of change and impact on the broader economy could be very important, especially where there is a high degree of concentration of small companies in a particular sector.

¹⁶ See data in the BILSP Report "Use of flexible working time in Bulgaria", prepared for the European Foundation (non-published)

people on such contracts to be made redundant; for example in December 2008 the Sliven-based textile factory of *Miroglia*¹⁷ announced that it would lay off workers with temporary contracts.

The average monthly number of unemployed women decreased to 151,250 compared to 2008 but they still represent the majority of the unemployed (59.1%) in all age groups. The average number of men for this period is of 104,811, almost 10,000 more than in 2008.

The average monthly number of unemployed women decreased to 151,250 compared to 2008 but they still represent the majority of the unemployed (59.1%) in all age groups. The average number of men for this period is of 104,811, almost 10,000 more than in 2008.

The Employment Agency data suggest that during the period January – June 2009 324 employers submitted announcements of mass layoffs totalling 22,406 employees. Most were in March, when the announcements concerned 6,241 persons. At the end of this period the announcements decreased and affected 1,435 persons. **The majority were in industry** – machine building, metallurgy, textiles and clothing.

As already mentioned, **during the first half of 2009 unemployment in Bulgaria increased significantly. Part of the redundancies occurred in SMEs but it is very difficult to monitor these processes in small enterprises;** first, these redundancies very rarely attract the attention of the media (sometimes even restructuring processes are not presented to the public, even in large enterprises); second, cases of trade union presence in small companies are rare. However in some regions such cases can affect seriously the overall employment situation. There is a probability that in some cases enterprises try to skip the legal requirements and present planned mass dismissals as by “mutual consent”¹⁸. However in these cases they could incur sanctions from the General Labour Inspectorate (GLI).

The present challenge on the Bulgarian labour market is to develop a “flexsecurity” system to manage and mitigate the consequences from the crisis. In the following chapters are presented the main active labour market policies and measures developed prior to the crisis or in relation to it. An important challenge is the reintegration of vulnerable groups such as *inter alios* the Roma, people with little education or training, youth, and the 50+ age-group. Specific measures have been developed for particular groups (see data in the following table). According to this comprehensive picture of ongoing measures to reintegrate the unemployed into the labour market, the main thrust of active labour market policy is focused on the low-qualified unemployed, dependent on social aid (National Programme “From Social Assistance to Employment”). Training programmes target mainly working people, followed by the unemployed. The number of long-term unemployed registered a considerable decrease in 2008 compared to 2007 (30%) and this indicated that the measures used combated unemployment effectively. In 2008 about 217,584 unemployed found jobs and about 92.7% used the intermediation services of the labour offices. 60.1% of the newly-employed were women

¹⁷ See “Tekstilna firma sakrashtava rabotnizite s vremenni dogovori” (“Textile company dismiss the workers with temporary contracts”, http://www.actualno.com/index.php?act=news&cat=society&city_id=6&id=204240 last accessed on the 2nd of November 2009)

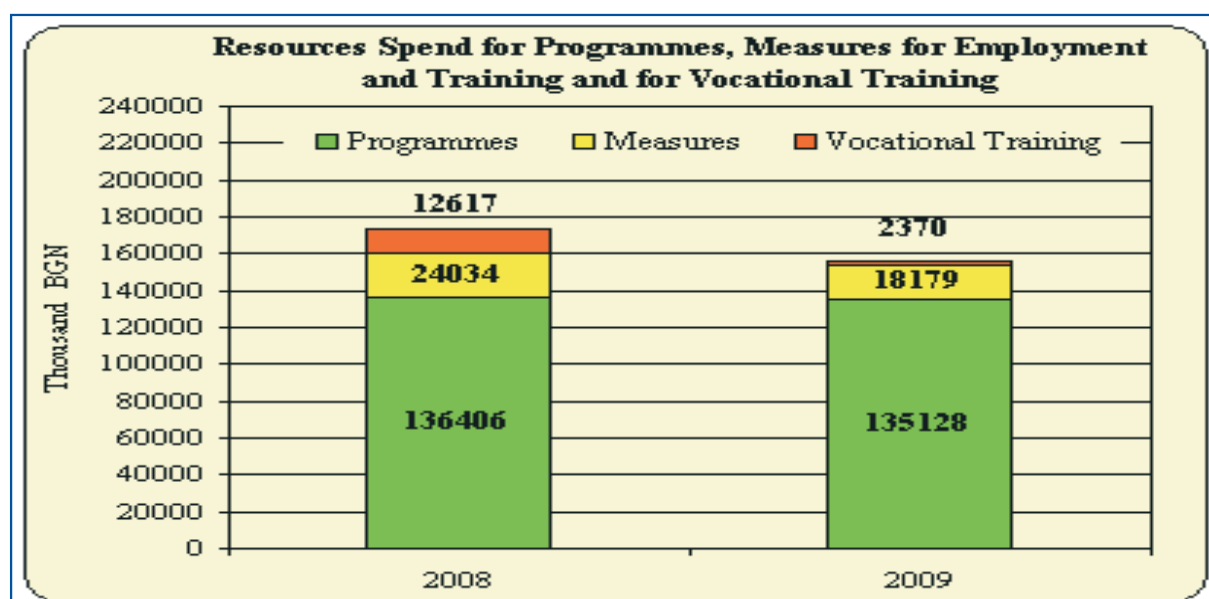
¹⁸ According to the article “Predstoiat massovi sakrashtenia, smiatat ot AIKB”, <http://www.bulfax.com/?q=node/655660> (last accessed on the 16th of November 2009) there are companies that force their employees are forced to sign contracts that they will leave by “mutual consent” when they are hired.

Table 2. Included in programmes and measures for employment and training (number) by programmes in Bulgaria

Active Labour Market Measures	2008	2009
Included in programmes and measures for employment and training (number)	112 228	114 230
of which:		
Programmes	87 251	101 522
<i>including:</i>		
in the National Programme “From Social Assistance to Employment”	52 586	49 938
Measures	24 977	12 708
<i>including:</i>		
unemployed youths up to age 29	6 148	1 954
those starting their own business	981	655
people with disabilities	2 084	693
Working people under programmes and measures (average monthly number)	66 840	69 975
Started training courses for vocational training (number)	28 512	11 922
<i>including:</i>		
Unemployed	25 027	8 973
Employed	3 485	2 949

Source: Employment Agency

As the following figure shows, the budget for active labour market policies was decreased in 2009 compared to 2008, owing to the wider budget restrictions.



One of the most important challenges to active labour market policy in Bulgaria is still the very low mobility of employees. Although the employment and unemployment rates differ significantly there are few moves. There are different reasons for this fact – low incomes, or lack of information on labour market opportunities in other regions. The programmes to stimulate mobility (see for example table 7 in Annexe) developed by the labour administration failed to attain their objectives and were terminated in 2010.

An additional group consists of Bulgarians that used to work in other countries (EU and North America) but returned to the country after the beginning of the crisis as they lost their jobs. However this group is not addressed by active labour market policy in Bulgaria.

Current challenges and debates on restructuring in the context of the current crisis

The current challenges and debates in Bulgaria in the context of the crisis are related to the need to alleviate the consequences of increasing unemployment. The debate on how to preserve the economy and the labour market from the shocks was prominent during the elections campaigns for the National Assembly and the European Parliament in 2009. The new government established in July 2009 presented an anti-crisis programme¹⁹. This included a number of measures to support macro-stability, develop infrastructure projects, and put in place mechanisms to facilitate access by enterprises to funds and resources, intensify the process of EU funds absorption, and so on. Some major cases of restructuring were also discussed by the government of the country. The metallurgical plant *Kremikovzi* was closed in Sofia and the effects on employment will be considerable (both direct and indirect). For this reason the Government has included the case of *Kremikovzi* in its decision of 1 October 2009 regarding adoption of economic measures for the recovery of the Bulgarian economy. It decided to prepare an application to the EU Globalisation Fund for financing specific measures for labour market integration for the benefit of those made redundant from this enterprise²⁰²¹.

Trade unions criticised the overall government approach and offered their expertise and experience with a view to participating in the preparation of the anti-crisis policies. CITUB proposed an anti-crisis programme in May 2009²² including a number of very specific financial, economic, and labour market measures. At the beginning of 2010 CITUB recommended²³ that the government speed up implementation of measures with which social partners agreed, such as creation of Guarantee funds for finance, centralised management of concessions,

¹⁹ See the Anti-crisis Measures at <http://www.government.bg/cgi-bin/e-cms/vis/vis.pl?s=001&p=0211&n=2&g=> and the Program of the Government 2009 – 2013 at <http://www.government.bg/fce/001/0226/files/03.11.2009FINAL-ednostranen%20pechat1.pdf>

²⁰ <http://www.government.bg/cgi-bin/e-cms/vis/vis.pl?s=001&p=0211&n=2&g=>

²¹ However during the seminar in Sofia social partners and government representatives discussed that because *Kremikovzi* is not hit only by the global crisis it is not sure if the abovementioned project will receive support

²² See at http://84.242.167.9/knsb/index.php?option=com_content&task=view&id=882&Itemid=171

²³ The largest trade union, CITUB is claiming that the analysis of the government's programme confirms the idea that the country will experience difficult years without many prospects for a rise in living standards. The trade union points out that already more than 100,000 people lost their jobs between June 2008 and September 2009. The number of so-called discouraged persons is also rising. The 2010 budget also envisages an unemployment rise in 2010. According to CITUB this rise will be even bigger because of the envisaged dismissals throughout the economy, in the administration and because of the return of many Bulgarians that used to work abroad. The problems of unemployment could be even more complicated because of the very low territorial mobility of the Bulgarian labour force. In this context the trade union is against any reduction in the budget for active labour market measures.

establishment of a national information system on demand for labour, programmes for training and retraining, extensions of the branch **CLA**, and legal regulation of home-working and tele-working. According to the union there is a need to speed up absorption of the Structural Funds. CITUB also opposes dismissals planned for the public sector in 2010. It regards these dismissals in education, the health service and the public administration as ‘mechanical’. In the crisis situation it is unclear whether the private sector could absorb those left jobless.

The other large trade union, the CL “Podkrepa” is also very active in proposing measures to mitigate the consequences of restructuring. For example at a recent National Council for Employment Promotion the union proposed among other measures the need to finance joint projects in the event of mass dismissals (projects that could involve actors such as the municipalities, State institutions, regional stakeholders, etc.)²⁴. In May 2009 “Podkrepa” announced its Anti-Crisis Memorandum, in which special attention was given to labour market measures needed to mitigate the consequences of restructuring as well as to policy recommendations for the better functioning of the labour market administration²⁵.

The employers’ organisations were also active in the debate, taking various positions which cannot be summarised here but which aim at a more flexible labour market²⁶ so as to be able to make selections without any need for State support or any need to cut the expenses of the administration, including the expense of dismissals.

In 2009 the social partners and civil society representatives in Bulgaria discussed possible strategies to cope with the challenges of the current crisis in the framework of the Economic and Social Council²⁷. The social partnership was intensified in early 2010 in the framework of the National Council of Tripartite Cooperation. The NCTC negotiations which started in March 2010 ended in an ‘Agreement on the anti-crisis package containing 59 measures’, which was subsequently signed on 30 March²⁸. The measures concerning employment and households were agreed mainly as a result of pressure from the trade unions, although they were largely supported by the employers. The most important of these provisions include:

- setting out a mechanism for raising the minimum wage as of 1 July 2010;
- removing the limit on unemployment benefits and setting unemployment benefits at 60% of the insurable income before job loss;
- extending the system of providing food vouchers as a mechanism for supporting the real income of employees;
- introducing a set of measures funded under the Operational Programme for Human Resources Development and the State budget aimed at preserving employment in companies experiencing difficulties, including the introduction of flexible working hours and specific unpaid leave for economic reasons; also providing additional funds for subsidised employment under the National Employment Plan;

²⁴ See <http://www.podkrepa.org/content/news.php?id=121&estate=ab136efa7aaf06d3e9b437d85b4046cd>

²⁵ See http://www.podkrepa.org/content/menu_r.php?id=4

²⁶ See Obushtarova, T., “Vazrastta ima znachenie”, 2.10.2009, Capital Weekly, Carieri, <http://www.karieri.bg/show/?storyid=793857&print=1> (last accessed on the 16th of November 2009)

²⁷ Economic and Social Council of Republic of Bulgaria, Statement “The Labor Market in the Conditions of financial and economic crisis – challenges and possible solutions”, 2009, (in Bulgarian) at <http://www.esc.bg/viewpoints.php?lang=0>, p. 6, (last accessed on the 28 of February 2010)

²⁸ See Ribarova, E., Government and social partners agree new anti-crisis package, EIRO, <http://www.eurofound.europa.eu/eiro/2010/04/articles/bg1004019i.htm> (last accessed on the 7th of June 2010)

- increasing workforce mobility through the development of a system for monitoring and deploying qualified employees at sectoral and territorial level; *and*
- implementing the right of the Minister of Labour and Social Policy to extend the application of sectoral collective agreements to all companies in the respective industry or sector.

1.3 Restructuring frameworks

The purpose of this section is to provide a general overview of the main principles of the legal framework relating to restructuring.

1.3.1 LEGAL FRAMEWORKS²⁹

Bulgarian labour legislation was significantly modified after the fall of communism. With the assistance of international organisations, mainly ILO and the EU, the principles of collective bargaining and social partnership were introduced in Bulgaria. According to the ILO³⁰, since the start of the transition period in 1989 the legal regulation governing termination of employment in Bulgaria has undergone numerous changes. They are influenced mainly by the process of European Union integration and by ILO standards. The main source of labour legislation in Bulgaria is the Labour Code, which was originally adopted in 1986 and subsequently amended several times. Termination of employment provisions are also set out in collective agreements and individual labour contracts.

In the framework of this process one can understand the modifications to the legislation³¹. Council Directive 98/59/EC of 20 July 1998³² on approximation of the laws of the Member States relating to collective redundancies was transposed into national legislation.

²⁹ The present paragraph is based on the ILO text prepared by Angelika Muller ILO, and Hamada Zahawi, University California Berkeley, School of Law, USA about the labor legislation and the termination of labour contract in Bulgaria, available at www.ilo.org/public/english/dialogue/ifpdial/info/termination/countries/bulgaria.htm

³⁰ <http://www.ilo.org/public/english/dialogue/ifpdial/info/termination/countries/bulgaria.htm>

³¹ See, Gergana Avramova, Legislation on collective redundancies in the context of the membership of Bulgaria in the European Union, Assen Zlatarov University, Bourgas, Annual, 2008, . BULGARIA, 2008, v. XXXVI

³² Accessible at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:1998L0059:19980901:EN:PDF>

The Bulgarian Labour Code³³ provides that “collective redundancies” are redundancies attributable to one or more causes, under Article 328, Paragraph 1, items 1-4, where the number discharged is:

- a) at least 10 in enterprises where the number of staff employed over a period of 30 days prior to the general discharge is more than 20 and less than 100 ;
- b) at least 10% of the number of employees in enterprises, where the number of staff employed over a period of 30 days prior to the general discharge is at least 100, but not more than 300;
- c) at least 30 in enterprises, where the number of staff employed over a period of 30 days prior to the general discharge is at least 300;
- d) at least 20 in enterprises, notwithstanding of the number of employees over the period of 90 days.

This definition was introduced into the Labour Code in 2004. According to the Summary of EU legislation³⁴, the 2004 Report on Bulgaria “notes that good progress has been made in transposing the *acquis* on the protection of workers in the event of the employer's insolvency, on the protection of employees' rights in the event of transfers of undertakings, on collective redundancies and on certain aspects of the organisation of working time”.

In cases of partial close-down of an enterprise, as well as of staff cuts or reductions in the volume of work, the employer is allowed, in the interest of production or business, selectively to dismiss employees whose positions have not been made redundant, in order to retain employees of higher qualifications and better performance (*art. 329, LC*). While planning to make such structural changes to the enterprise, the employer must, at least two months prior to putting into effect these changes, notify the employees regarding the following:

- anticipated changes and the date of their effect;
- reasons for the changes;
- potential legal, economic and social consequences of the changes for the employees; *and*
- measures planned in respect of employees (*art. 123(4), LC*).

The employer must also make efforts to reach an agreement with the representatives of the trade unions and with representatives of the employees regarding the consequences of possible changes (*art. 123(6), LC*).

Where the employer intends to undertake collective redundancy, he or she is obliged to undertake consultations with the worker and employee representatives not later than 45 days before the redundancy date, and to make efforts to achieve an agreement that will avoid or at

³³ See Labour Code – available at <http://www.mlsp.government.bg/en/docs/labour/Labour%20code%20consolidated%20en.pdf>; The Employment Promotion Act states the same definition (9. (Amended and supplemented, SG No. 26/2003, amended, SG No. 52/2004) “Collective dismissals” shall be dismissals referred to in Item 1 of § 1 of the Supplementary Provisions of the Labour Code.)

³⁴ See http://europa.eu/legislation_summaries/enlargement/2004_and_2007_enlargement/bulgaria/e02101_en.htm

least limit the collective redundancy and relieve its consequences (*art. 130(a)(1)*, LC)³⁵. The employer must also provide information in writing to the employees' representatives on the following:

- reasons for the forthcoming redundancy;
- number of employees who will be dismissed and the corresponding basic economic activities, qualification groups and professions to which they relate;
- number of positions occupied by the basic economic activities, qualification groups, and professions in the enterprise;
- envisaged criteria for selection of employees who will be dismissed; *and*
- the period over which the redundancy will take place (*art. 130(a)(2)*, LC).

In accordance with provisions of the LC, an employer may dismiss the following *only* with the prior consent of the labour inspectorate for each specific case:

- employees who are mothers of children younger than 3 years of age, or spouses of persons who have entered their regular military service;
- employees who have been reassigned for health reasons (the opinion of an expert medical commission must be submitted);
- employees suffering from certain diseases, listed in a ministry of health regulation (the opinion of an expert medical commission must be submitted); *and*
- employees who have commenced a period of permitted leave (*art. 333(1)*, LC).

In the following cases:

- partial close-down of the enterprise or staff cuts;
- reduction in the volume of work;
- where an employee lacks the qualities for efficient work performance;
- where the requirements for the job have been changed and the employee no longer qualifies; *or*

³⁵ The provision of the procedures to be followed by the employer in case of mass dismissals are developed in the Article 130 a (Amended – SG, No. 52/2004) in the Chapter “Right to information and consultations in cases of collective redundancy” which stipulates that:

(1) In cases where the employer intends to undertake collective redundancy, he/she shall be obliged to undertake timely consultations with the worker and employee representatives, but not later than 45 days before the redundancy act, and to make efforts for achieving an agreement with them so as to avoid or limit the collective redundancy and to relieve its consequences.

(2) The employer shall be obliged to provide information in writing to the worker and employee representatives about:

1. the reasons for the forthcoming redundancy;
2. the number of the workers and employees, who will be discharged and the basic economic activities, qualification groups and professions to which they refer;
3. the number of the occupied by the basic economic activities, qualification groups and professions in the enterprise;
4. the envisaged criteria for selection of the workers and employees, who will be discharged;
5. the time, during which the redundancy will be done.

(3) The consultations under Paragraph 1 shall be conducted according to terms and conditions, as provided in the collective labour contract. In cases, where there is no signed collective labour contract, or there are no terms and conditions, provided for conducting the consultations, they shall be conducted with the representatives of the trade union organizations and with the workers' and employees' representatives, under Article 7, Paragraph 2.

- where the employee has been subject to disciplinary dismissal -

an employer may dismiss an employee who is a member of the leadership of the enterprise trade union if the latter is a territorial, industrial or national elected trade union body, throughout the period of occupation of the trade union position and no earlier than six months. After that period the employee can only be dismissed with the prior consent of the trade union body following a decision of the central leadership of the respective trade union organisation (*art. 333(3)*, LC). Moreover, if provided for in the collective agreement, an employer may dismiss an employee on grounds of staff cuts or reduction of the volume of work after obtaining the prior consent of the respective trade union body of the enterprise (*art. 333(4)*, LC).

In summary, employers should start consultations with representatives of the employees no later than 45 days before the end of the contracts. The idea is that the two parties should together try to avoid or at least limit the mass redundancy and mitigate their consequences. The legislation in force envisages that prior to the start of consultations the company should provide to the social partners **written information on the reasons for the dismissals, the number to be dismissed, their profession and economic activities and the positions involved**³⁶. The representatives of the personnel should be informed of the numbers of personnel affected, of the timing of the dismissals and of the compensation on offer. The employer should also present the criteria for the selection of people to be dismissed.

According to the labour legislation, employers in Bulgaria have two commitments to respect in case of collective dismissals, namely to the employees of the enterprise and to the representatives of the administration.

³⁶ According to some observers this could be also source of controversies and conflicts about the information to be provided. Some employers seem to argue that part of the information could be confidential. For this reason the NICA suggests that social partners could explicitly develop these cases in the CLA.

Up to three days after the submission of this written information, the employer should send a copy to the labour office of the region where the company is registered³⁷. This official announcement could be accompanied by a statement of the training needs of those who will remain at work. The labour office should send this copy to the municipal administration, to the NSSI and to the General Labour Inspectorate. The dismissals should not take place earlier than 30 days after informing the labour office. However, as already mentioned this procedure concerns only cases of mass dismissal.

1.3.2. SOCIAL DIALOGUE AND RESTRUCTURING

Since 1993 social dialogue has been conducted under the aegis of the State within the National Tripartite Cooperation Council, the members of which represent the government and the social partners recognised by the Council of Ministers on the basis of censuses and the criteria established by the Labour Code. The restructuring processes are subject to social dialogue at different levels. At national level the framework of the privatisation process and the restructuring of large enterprises with high importance in the economy (e.g. the military production industry or the steel industry) were discussed by social partners (but the fact that social partners were consulted does not imply that they always take part in decision-making). In the social dialogue framework are also discussed specific measures for addressing restructuring under labour market policies. During the current crisis the role of social partnership is very important and the plans and measures already agreed by the government and the social partners in March 2010 may be regarded as good practice.

In 2007–2008, some 10 sectoral and 58 branch-level collective agreements were in force. They cover only enterprises with trade union presence. Sectoral social dialogue, regarded as the

³⁷ The Chapter “Notifying procedure upon collective dismissals” includes the Article 24., according to which:

- (1) Any employer shall notify in writing the competent division of the National Employment Agency and the workers' representatives at the enterprise of any contemplated collective dismissals not later than 45 days prior to the dismissal date.
- (2) The division of the National Employment Agency shall transmit copies of the notification referred to in Paragraph (1) to:
 1. The municipal administration;
 2. The local division of the National Social Security Institute;
 3. The local division of the General Labour Inspectorate Executive Agency.
- (3) The notification referred to in Paragraph (1) must include all the relevant information covered under Article 130a (2) of the Labour Code regarding the contemplated collective dismissals, as well as regarding the advance consultations held with the workers' representatives.

The following article 25 says that:

- (1) On receipt of the notification referred to in Article 24 herein, teams shall be formed, consisting of a representative of the employer, representatives of the workers' organizations at the enterprise concerned, a representative of the competent division of the National Employment Agency, and a representative of the municipal administration.
- (2) The teams referred to in Paragraph (1) shall draft the necessary measures aimed at:
 1. Employment placement intermediation;
 2. Training for attainment of vocational qualification;
 3. Own business start-up;
 4. Alternative employment programmes.
- (3) The drafts covered under Paragraph (2) shall be submitted for approval to the Regional Employment Commission, with applications for financing submitted on the basis of the said drafts under terms and according to a procedure established by the Regulations for Application of this Act.

‘weakest’ link in the social dialogue of the former socialist countries³⁸, addresses specific sectoral challenges and there are **good examples of joint union-employer efforts to save enterprises and jobs** (mainly in industry – metallurgy, chemical industry, machine building, etc.). **Sectoral CLA do not provide general guidance on restructuring cases** The dominant level of social dialogue is at enterprise level. About 2,000 company-level collective agreements and annexes to existing agreements were also registered, mainly in large enterprises. There is no data on how many contain clauses regarding restructuring procedures, and although provisions exist³⁹, social partners believe that only a minority address restructuring.. The same is also true for the majority of CLA at enterprise level. Social partners are active in finding solutions once restructuring processes start. Social dialogue practice varies from very informal contacts to formal consultations and negotiations. There exist signed agreements that represent good practice (some are discussed later in the text). But in the majority of enterprises in the country there is no dialogue at all.

Since April 2003, a National Institute for Arbitration and Conciliation (NICA) has been responsible for the amicable settlement of work disputes. It fills a gap because no mechanism of conflict prevention and settlement had been institutionalised up until then in Bulgaria. **The NICA envisages establishing a early warning system for collective labour disputes, including in cases of restructuring. Cases of restructuring could give rise to collective labour disputes as with the Bulgarian railways in 2010.**

1.3.3. RESTRUCTURING WAVES

There are 3 significant waves of restructuring in post-communist Bulgaria (see the following table).

Period	Restructuring Process	Responses and instruments used
1991 – 1993	Massive lay-offs during the initial restructuring	Expectations that the ‘invisible’ hand of the market will arrange the problems; establishment of the labour administration
1997 – 2001	After 1996 crisis period, massive privatisation and post-privatisation restructuring	Compensation for redundant workers, focus on passive measures, good practices in MNE
2002 – 2007	Growth and dynamic development in many sectors. Restructuring in large companies.	Good practices in large companies. Lack of intervention in local companies.
2008 - 2009	Crisis effects in Bulgaria	Flexible solutions needed; Access to structural funds.

During the first years after the fall of Communism the State monopolies were dismantled and this process of de-monopolisation and introduction of free market principles was accompanied by massive redundancies. There was no public intervention in response to this restructuring, on the grounds that the market would adjust supply and demand. During the period 1994 – 1995 the use of State subsidies permitted maintenance of employment in the State Owned Enterprises, which still represented the mainstay of the economy. Even so the newly-established SMEs were unable to absorb the redundant workers from the State companies.

³⁸ Ghellab, Y. and Vaughan-Whitehead, D. (eds.) ‘Sectoral Social Dialogue in Future EU Member States: the Weakest Link’, International Labour Office – European Commission, Budapest, 2003

³⁹ The analysis of the content of the CLA in Bulgaria is still a challenge for the Labor administration and the Industrial relations experts.

In 1996 – 1997 the country experienced a severe economic and financial crisis followed by introduction of rigorous stabilisation measures. Some of the enterprises with bad financial records were closed down. The government launched massive privatisation programmes followed by post-privatisation restructuring. Very often clauses for maintaining the number of personnel for a given period of time (usually three years) were introduced in privatisation contracts. But these clauses only delayed the cuts of the labour force. During this period (1997 - 2001) the State introduced some measures for the support of redundant workers. There were examples of good practice at enterprise level, mainly in enterprises acquired by multinational companies. The main instruments used by them were programmes of voluntary departure together with important financial packages – for example 12 months' gross salaries. In addition some foreign investors launched cooperation with the local authorities, helped employees start small businesses, and provided some counselling. But these cases were not numerous and a possible explanation for the varied behaviour of foreign companies that started operations in Bulgaria at the time is simply that they represented the practices followed in the respective countries of origin. The post-privatisation restructuring of the companies acquired by local investors does not represent good practice. Social dialogue at enterprise level has in a number of cases helped employees obtain better compensation than that envisaged in the Labour Code. But in general restructuring purely followed economic logic.

During the year 2004 some very large State enterprises were sold. The cases of the Bulgarian telecommunications company *BTK* and some of the electricity distributors (see case of *CEZ Bulgaria* in Annex) illustrate a restructuring approach based on anticipation and on development of accompanying measures. The scope of these measures was different in these cases and opinions as to their success are not unanimous; for example trade unions criticised the massive layoffs. But the introduction of such measures (various supporting measures, long term planning and resources assigned) is very positive not only for the respective companies but represents good practice for the whole economy.

Since the beginning of the current crisis there may be reasons to differentiate a fourth restructuring wave. Since the country is member of the EU it could mobilise significant public resources to preserve employment and help reintegrate redundant workers. Subsidised part-time working and many other measures described in the NBP represent good practice.

1.3.4 ACTORS INVOLVED IN RESTRUCTURING

The state

The State administration has an important role to play in restructuring. Various State administration bodies have a role in this process, for example the Ministry of Labour and Social Policy, the Employment Agency (EA), the General Labour Inspectorate, and others.

The Ministry of Labour and Social Policy develops, coordinates and implements the State policy of promoting employment of unemployed persons and of training unemployed and employed persons for attainment of vocational qualifications, so as to help protect the national labour market. Acting jointly with the other government ministries and the social partners it elaborates annually a National Employment Action Plan. **Through the public polices and specific measures adopted the Ministry can influence the consequences of restructuring, for example by adopting**

budgets and programmes for training, mobility of workers, subsidised employment, and so on. Some of the specific measures are examined further in the text.

The EA is an executive agency of the Minister of Labour and Social Policy and is responsible for implementation of government policy on employment promotion. Employment allows full use of every individual's capabilities and skills and defends his or her rights of dignified existence and active social participation. The Labour Offices (LOs)⁴⁰ are territorial divisions of the Employment Service General Directorate. One of the main activities of these offices is participation in teams preparing projects for necessary measures in response to mass redundancies. In cases of mass restructuring another important role for the regional directions of NEA (8 for the country) is to receive and evaluate the project proposals of companies that wish to benefit from the public programmes.

The role of the Labour Inspectorate in cases of restructuring is to check whether the legislation is being respected.

According to current Bulgarian legislation unemployment benefits are subject to and regulated by the Code of Social Insurance⁴¹. This code monitors State public insurance to cover unemployment but also general disease, labour accident, professional disease, motherhood, old age and death. According this Code (Art. 11) persons insured for all social risks shall have *inter alia* the rights to indemnification against unemployment. The unemployment benefit depends on the length of the period of insurance cover:

Table 3 – Length of Unemployment benefits payment

Length of social security insurance (years)	Period for payment of unemployment benefit (months)
To 3	4
From 3 to 5	6
From 5 to 10	8
From 10 to 15	9
From 15 to 20	10
From 20 to 25	11
Over 25	12

Source: NSSI

The unemployment benefit represents 60% of the average monthly insurance income for which insurance instalments have been paid or are due for the previous nine months. This benefit has minimum and maximum amounts determined each year.

⁴⁰ At present there are 109 LODs according to the data of NEA

⁴¹ <http://www.noi.bg/en/content/legislation/SIcode.pdf>

b. Regional and local authorities

Regional⁴² and local authorities have a role to play in restructuring processes in theory but in practice their intervention, where it exists at all, is very limited in Bulgaria. The 28 administrative regions (*oblasti*) (corresponding to the level NUTS II) have also few powers over the economy. The municipalities (corresponding to the level NUTS III), 264 in total, are concerned with job losses but rarely have adequate budgets and skills to intervene efficiently. According to the Bulgarian employment legislation, the Municipalities are informed in cases of planned collective dismissals (by the National Employment Agency – for details see the next chapter) and their representatives can take part in the teams tackling cases of collective dismissal. **At regional level and municipal levels there exist employment councils which draw social partners together to discuss local challenges. But there is evidence that these forms of social partnership are used in a formalistic way and do not produce meaningful results.**

Since the entry of Bulgaria into the EU the country has had access to Structural Funds. The rural area Municipalities can prepare project proposals for infrastructure projects and use them for local labour, including creating jobs for redundant workers. There is also the possibility for Municipalities to launch training projects (the Operational Programme “Human Resource Development”). **However these opportunities are not used, mainly because of the lack of experts and skills to develop project proposals.**

c. Workers representatives and trade unions

Until 2006 the only representatives of workers and employers in Bulgaria were the trade unions. Since then there has emerged the legal possibility of establishing information and consultation bodies (the Directive 14/2002 was transposed into national legislation). However few such bodies are established in Bulgarian enterprises.

There are two main confederations in Bulgaria⁴³: the Confederation of Independent Trade unions in Bulgaria (CITUB) and the Confederation of Labour “Podkrepa”, which are both recognised as nationally representative.

The trade unions are active in the arena of restructuring and job losses. First, they actively participated in the elaboration of the drafts of labour and social security legislation, including the Employment Promotion Act, the Labour Code, and so on. Second, their representatives participate in the tripartite advisory bodies, including the National Council for Employment Promotion, and they can influence policy formulation in this domain. Third, they are involved in the process of programming Structural Funds, including the funds of the Operational Programme “Human Resources Development” where there are trade union representatives in the Monitoring Committee.

As mentioned, during the last year the Bulgarian unions were very active in analysing the government’s proposals and in drafting concrete proposals for labour market policies in response

⁴² At the level of NUTS II there are six regions (planning) (*raioni za planirane*) that do not have particular competencies and powers and serve mainly as statistical units. But it is probable that in the next programming period of the structural funds (2013 - 2020) the operational programmes could be done at the level of these regions.

⁴³ See more in EIRO, http://www.eurofound.europa.eu/eiro/country/bulgaria_3.htm

to the challenges of restructuring. They were also very active during the process of privatisation, arguing in many cases in favour of employment preservation clauses in privatisation contracts. And in large enterprises unions participated in the process of consultation and negotiation of restructuring packages.

Employers' organisations in Bulgaria with nationally representative status are six in number⁴⁴. One company or employer can be a member of more than one organisation. The Bulgarian employers' organisations do not have significant involvement in the cases of mass redundancies. However they provide information and legal advice to their members on how to tackle restructuring.

The President of the Bulgarian Industrial Association, Bojidar Danev, declares that the organisation received many inquiries from its members in the summer of 2009⁴⁵. Those inquiries were about the procedures to follow in cases of collective dismissal. In order to avoid social tensions, however, the president of BIA refused to name concrete enterprises and sectors. Following these inquiries the BIA developed written material on the measures to be taken in cases of mass dismissal and provided practical guidelines for employers⁴⁶.

In addition it is important to remember that most Bulgarian employers and their organisations argue for the need for more flexibility in the labour market, in respect of labour legislation, working time, and other aspects. According to the HR manager of the Bulgarian telecommunications company⁴⁷, the labour law should not contain "instructions" on how to select people in cases of dismissal as that could be ineffective, as is the case with art. 329 of the Labour Code⁴⁸.

Others actors

Labour consultants in the domain of restructuring in Bulgaria are not numerous and we stress that this is a relatively new phenomenon. But there are some "restructuring specialists" such as the Director of *Talent Link* and former HR director of *Aurubis* (the former *Cumerio*) and the *BTC* – the Bulgarian telecom⁴⁹. There is limited data on the interventions of consultants in restructuring cases but we believe that very often large companies that are subsidiaries of MNC employ the services of such consultants⁵⁰. There are other actors who could be active – for example private employment agencies and NGOs. However the cases in which they have been

⁴⁴ See more in EIRO, http://www.eurofound.europa.eu/eiro/country/bulgaria_3.htm

⁴⁵ Koleva, R. Dismissals (Sakrashtenia na edro), Capital Weekly, 17.07.2009, <http://www.karieri.bg/show/?storyid=757307> (last accessed on the 2nd of November 2009)

⁴⁶ This text is available at: http://bia-bg.com/files/Inform_Uvolnenia.doc

⁴⁷ Obushtarova, T., "Vazrastta ima znachenie", 2.10.2009, Capital Weekly, Carieri, <http://www.karieri.bg/show/?storyid=793857&print=1> (last accessed on the 16th of November 2009)

⁴⁸ The Art. 329 says that: „In case of partial closing down of an enterprise, as well as in case of staff cuts or reduction of the volume of work, the employer shall be entitled to selection and in the interest of production or business may dismiss employees whose positions have not been made redundant, in order to retain employees of higher qualifications and better performance”.

⁴⁹ Since the autumn of 2009 the name is *Vivakom*

⁵⁰ For example a subsidiary of foreign bank made appeal to consultants, including making interviews with the people that are to stay and could feel "guilty". However this information is unofficial and the name of the bank could not be reveal here.

active are rare. For example, in the case of the closure of *Plevensko pivo* brewery in 2003 the MNC *Inbev* used the services of an NGO to advise the workers to be dismissed⁵¹.

* * *

In conclusion to the first chapter it is important to remember that Bulgaria has been seriously hit by the crisis. After some years of growth and job creation unemployment is again increasing and employment levels are declining.

The country has aligned its legislation on the *European acquis* in cases of restructuring and mass dismissals. **Various actors can be involved in cases of restructuring but we would suggest that cooperation between those different actors is neither evident nor easy.**

During the post-communist period three waves of restructuring could be differentiated. The lessons learnt from an analysis of the mistakes made are the following:

- there is a need for intervention by the State and the different stakeholders as the market cannot adequately respond to the restructuring challenges;
- there is no cooperation between stakeholders;
- local companies rarely take action in response to restructuring challenges ;
- another weakness is that solutions are centralised at national level and hardly any initiatives are launched or implemented at regional or local levels.

⁵¹ http://econ.bg/news/news/events/article26691/sukrashtavat_56_dushi_ot_plevensko_pivo

The Bulgarian experience of anticipation and management of restructuring followed by job losses is not very rich. In the early 1990s, just after the political change, many companies, State owned or newly-established, had difficulties in anticipating economic developments and consequently human resource needs. For a long period during the 1990s there was a shared belief by many actors – the State, enterprises and others - that the invisible hand of the market was sufficient to regulate all problems. **This attitude on the part of companies, focused on the short term and day-to-day survival was a serious handicap in the development of anticipation and support strategies.** The fact that there were no suitable anticipation mechanisms at national, regional or sectoral level made the situation even more complicated. However there is evidence⁵² that companies are now much more aware of the challenges of anticipating and managing restructuring, for many reasons. First, the economic environment is much more stable compared to the early 1990s. Administrative control by the State is stricter, at least for large companies. Moreover those large companies care about their image and the need for compliance with legal requirements is appreciated.

The aim of this chapter is to present briefly some measures and tools for (i) anticipating and (ii) managing restructuring. Four case studies are used to illustrate current practice in Bulgaria, together with other examples. The case studies offered are the plants *Vidima* and *Ideal Standard* in Sevlievo; *Assarel Medet* in Panagurishte⁵³; *CEZ*; and the Training initiatives, financed by Structural Funds (see information in Annex). Information on most of the large restructuring cases in Bulgaria during the last year is available on the European Restructuring Monitor. The description of the cases is completed with information from other sources – media, discussions with representatives of management or the unions, and others.

⁵² This conclusion was confirmed by the discussions during the National Restructuring Seminar.

⁵³ The initial selection of the cases was done according to number of criteria: (a) use of tools for anticipation and management of restructuring – in both cases the same tools and measures are used; (b) size – both cases represent large enterprises; restructuring in large enterprises is more visible and its lessons could have broader echoes among other enterprises and stakeholders and, moreover, in large enterprises (at least in the Bulgarian case) it is usually more probable to find HR management and employees representation; (c) location – both cases are large enterprises in small towns, but in the case of the plants in Sevlievo the employment affected is also from the two closer regional centres – Gabrovo and Veliko Tarnovo; (d) socially responsible behaviour – both cases illustrate socially responsible enterprises during longer period than the restructuring itself; existing social partnership – in both cases there is solid social partnership and collective labour agreements; (e) importance of the cases, according to the social partners – social partner representatives at national and sectoral level point out the good practices in these cases; ownership – the case of the Sevlievo enterprises illustrates the foreign investment, the case of *Asarel-Medet* in Panagurishte is a case of privatization by local company (however with some participation of foreign capital at a later stage); (f) sector of activity – the case of Sevlievo is case of manufacturing industry, the case of Panagurishte – case of mining industry. Additional cases presented are those of OP HRD action for training of employed persons in Bulgarian enterprises as well the case of the restructuring of the electricity distribution company CEZ (the case is developed and presented in the Report of the European Foundation ERM case studies: Good practice in company restructuring).

2.1 Measures and tools for anticipating restructuring

Planning seems “out of fashion” after the political changes in 1989. **Enterprises are no longer engaged in long term contracts and have difficulty making forecasts.** With the accomplishment of the privatisation process many enterprises are bought by multinational companies and decisions about their future are taken abroad. **Company policies on informing employees and stakeholder about their plans are different and cases of early and comprehensive provision of information are really few.**

But this lack of anticipation is not true only for the enterprises. The largest employer in the country, the State, has not announced its concrete plans for dismissals in public administration during 2010⁵⁴. In December the Ministry of Labour and Social Policy was expecting to communicate the exact numbers. If the request of the finance ministry is respected, the 15% cuts in the administration will result in about 15 000 job losses. And for the moment there are no firm plans on how to alleviate the consequences of these dismissals, although most probably each department will be expected to anticipate and manage its dismissals.

There are some recent developments that reveal a State decision to increase its anticipation capacity. For example the current government anti-crisis measures envisage the establishment of a working group under the umbrella of the National Council for Tripartite Cooperation (NCTC) with the task of monitoring of the social and economic situation and proposing appropriate anti-crisis measures. This working group should operate until the end of the crisis.

⁵⁴ http://econ.bg/news/news/events/article26691/sukrashtavat_56_dushi_ot_plevensko_pivo

2.1.1 FORESIGHTS AND FORECASTS INSTRUMENTS FOCUSING AT ECONOMICS AND EMPLOYMENT AT NATIONAL, REGIONAL AND LOCAL LEVEL

In Bulgaria there exist no forecasting instruments specifically focused on employment development. The Agency for Economic Analysis and Forecasting (AEAF)⁵⁵ is a government Executive Agency and assists the Minister of Finance of the Republic of Bulgaria in the exercise of his powers through preparation of analyses, forecasts and strategic documents. The Agency analyses the economic performance of Bulgaria and the current business environment and elaborates assessments of the country's economic development prospects, by preparing short-, medium- and long-term forecasts of Bulgaria's economic development trends under different economic policy scenarios. However these economic forecasts are not 'translated' into comprehensive employment forecasts that could be used by sectors and companies⁵⁶. Moreover the Bulgarian Economic and Social Council argued in a recent statement that business needs not only statistical (past) information but also forecasts and early warning information of changes in economic circumstances. Such a system could help business to take decisions under the conditions of an unpredictable and risky environment⁵⁷.

The National Employment Action Plan, prepared by the Ministry of Labour and Social Policy⁵⁸ has an analytical forecasting section. The forecasts are rather general: for example the 2009 NEAP points out only very general trends and the forecast chapter is less than one page which suggests that the service is not very comprehensive.

However the need for forecasts, especially in terms of skills, is evident to the Bulgarian social partners. In 2009 the Economic and Social Council proposed the development of a national programme, similar to the EU programme "New skills for new jobs". With the help of such a programme it would be possible to update existing policies, set new objectives and priorities, and overcome the existing discrepancies between the requirements of business and the characteristics of the labour force as regards professional qualification and skill levels. The solving of this problem will have long term strategic effects on the structure of the educational system, the employment system and VET and CVT systems.⁵⁹

Besides anticipation at national level some effort was made at sectoral level, very often with the support of the EU. There were also some activities in the framework of projects funded by the European Union. An example of such intervention activities is the project "Socially responsible restructuring in accession countries - promotion of the social partners' role to anticipate and accompany consequences at regional level"⁶⁰. In the framework of this project important work was done in the sectors of metallurgy and the postal services. But the messages of the Bulgarian

⁵⁵ http://www.pari.bg/a/2009/11/09/Ochakvat_se_novi_100_hiljad?readcomment=1

⁵⁶ See analysis at www.aeaf.minfin.bg

⁵⁷ See for example the Forecast for 2009 and 2010 at http://www.aeaf.minfin.bg/bg/documents/m_economy/AEAF_forecast_07_2009.pdf

⁵⁸ Economic and Social Council of Republic of Bulgaria, Opinion "The Labor Market in the Conditions of financial and economic crisis – challenges and possible solutions", 2009, (in Bulgarian) at <http://www.esc.bg/viewpoints.php?lang=0>, p. 6, (last accessed on the 28 of February 2010)

⁵⁹ ESC, *ibid.*, p. 10

⁶⁰ Kirov, V., M. Kovacheva and I. Terziiska, (2007) "Socially responsible restructuring", Guide for social partners (in Bulgarian), in the framework of the Project "Socially responsible restructuring in accession countries - promotion of the social partners role to anticipate and accompany consequences at regional level", financed by European Commission, 48 p. (in Bulgarian)

and other European experts on anticipation needs were not followed up with action by the social partners at enterprise or sectoral levels. Unfortunately the metallurgical plant *Kremikovzi* near Sofia is to be closed and liquidated⁶¹. The Bulgarian postal operator “*Balgarski poshti*” EAD (Bulgarian Posts EAD) started massive restructuring in 2008⁶², although the new company management appointed in the autumn of 2009 could re-examine the restructuring strategy. Another project at sectoral level implemented in 2008 by ITC-ILO was to strengthen the capacity of employers’ organisations in the metal industry for sectoral social dialogue at national and European levels in the New Member States and candidate countries⁶³. In the framework of this project Bulgarian partners learn about French anticipation experience in the metal sector. On the basis of this knowledge the Chamber of Commerce would like to establish an observatory for monitoring restructuring in the Bulgarian metallurgy sector.

In Bulgaria there is no early warning system that could provide information on significant collective dismissals. **However the social partners through their internal channels have some forms of early warning system.** Usually the regional coordinators of the trade unions or the sectoral federations are aware if negative developments are due to occur in a specific enterprise. However this information channel is rather informal and depends on the role and preparedness of the respective trade union regional or branch coordinator.

The National Institute for Conciliation and Arbitration (NICA), the national collective conflict resolution body established in 2003, recently made a proposal for an early warning system for labour conflicts (often including cases of redundancy), but for the moment such a system is not a fact because it needs funding. However there are signs of potential conflicts, mostly related to restructuring, that come to the notice of the NIPA offices and experts.

The territorial development strategies in Bulgaria are relatively new instruments. The municipal and regional development plans were prepared for the purposes of Structural Funds programming covering the planning period 2007 - 2013. However those plans (which in some cases cover the slightly longer period 2005 - 2013) are relatively vague and there are no mechanisms for updating them in the majority of cases.

Some knowledge and know-how was developed in the framework of pre-accession projects, for example the PHARE projects “The Steel and Mining Areas Employment Programmes”.

European experience shows that at sectoral level there exist mechanisms that can be used to anticipate skills needs and to respond to skills gaps, for example the Sectoral Councils on employment. Sector Councils and Transversal Councils on employment and skills are defined by three main features: they carry out or commission forecasting studies on jobs or skills in a sector; the outcomes of these studies are discussed in a sectoral dialogue in which at least two types of stakeholders are involved; and these discussions lead to proposals or measures to bridge the quantitative or qualitative gap.⁶⁴ The current situation in Bulgaria suggests that there are sectors where such mechanism could be developed, potentially with the help of national or ESF funds.

⁶¹ See “Bulgaria Ministers Write off Crippled Steel Giant”, “Kremikovtzi http://www.novinite.com/view_news.php?id=109878 (last accessed on the 16th of November 2009)

⁶² See “Restructuring at Bulgarian Posts”, 29.05.2008, http://bulgarian.ibox.bg/comment/id_693594800 (last accessed on the 16th of November 2009)

⁶³ This example was shared at the National Restructuring Seminar by Mrs. P. Paunova, President of the Bulgarian employers from the Metal Industry

⁶⁴ See more on Sectoral Council - ECORYS Nederland BV in cooperation with KBA, Sector Councils on Employment, and Skills at EU level, Executive summary 2010, Amsterdam

2.1.2 MEASURES, STRATEGIES AND PROVISIONS ABLE TO COPE WITH:

Skills gaps, education and vocational training

After the fall of communism the centralised system for continuous vocational training was dismantled. For more than a decade training was not a priority for enterprises and their employees. **Thus Bulgaria is among the countries in the EU 27 with the lowest participation in continuous vocational training (CVT) by enterprises and employees.** Enterprises' CVT costs account for only 0.4% of labour costs. **About 11% of all employed persons have participated in CVT courses, Generally, more than two-thirds of all enterprises have not organised any form of vocational training for their staff, according to the OP HRD.** There are many reasons for the urgent need to adapt skills gaps. The economy underwent important changes. Sectors are no longer as described in the first chapter. Enterprises are upgrading technologies to offset the effects of the delays of the 1990s when investment was limited. The intensive foreign investment inflows also contributed to the need for skills updating in many sectors. **At the same time the Bulgarian vocational training system weakened its ties with industry because of the lack of infrastructure and of apprenticeship schemes.**

There have been many initiatives addressing skills gaps during recent years. As already said, the training efforts in Bulgarian enterprises increased significantly with economic growth and with the start of the Operational Programme "Human Resources Development" there are also possibilities for financing training of employed people in enterprises (see details in the case study about this measure)⁶⁵. Other possibilities are available for unemployed people.

CVT issues are also the subject of different national strategic documents. Examples are: the National Employment Strategy 2004–2010; National Action Plans for social inclusion; National plan for growth and jobs; and other strategic policy documents. The main actors in these processes are the Ministry of Education and Science, the Ministry of Labour and Social policy (MLSP), some other ministries, the Employment Agency (EA) and the National Agency for Vocational Education and Training (NAVET). According to a recent article, the CVT providers in the country are the State, the municipal and private vocational centres (more than 800 licensed centres at the beginning of 2010 compared to fewer than 100 10 years before), the company training centres, vocational schools and colleges (170), Universities, vocational centres of employers organisations, trade unions, NGOs⁶⁶. **The number of providers increases, but some experts argue that the quality of the training provided is uneven.** Recent comparative European evidence shows that while educational measures are hardly offered in Bulgaria, and in other NMS (ERM 2009).

But behind this quick development of the training centres, the picture is far from completely optimistic. Some representatives of the social partners argue that only about 50 training centres function properly. **There are many challenges related to the existing system of professional orientation and the updating of occupational standards in the country.** Existing professional orientation is at a rather rudimentary stage – only four orientation centres were licensed by the NAVET at the beginning of 2010. This raises the question of how people from enterprises

⁶⁵ See the Plan available at www.mlsp.government.bg

⁶⁶ See "Bulgaria: Collective bargaining and continuous vocational training in Europe", <http://www.eurofound.europa.eu/eiro/studies/tn0804048s/bg0804049q.htm> (last accessed on the 16th of November 2009)

undergoing restructuring could be re-oriented in order to adapt their skills⁶⁷. The second important gap concerns the update of occupational standards. Only a small proportion of these standards has been updated and this raises questions about the content of the training provided (see Table in 9 Annex). Outdated standards, the educational centres' use of professional school teachers unprepared for training of adults, and the lack of CVT traditions are among barriers to training in Bulgaria. The State tries to support training through development of the regulation framework together with the social partners and through the provision of national and ESF funds (support for enterprises training schemes, vouchers for training, etc.). The training of the employed and unemployed needs to be more targeted and its efficiency needs to be evaluated.

Ageing workforce and measures to maintain older workers at work

Demographic change is particularly alarming in Bulgaria because of the ageing of the population, emigration flows and the ratio of working people to pensioners. There are no specific measures related to ageing of the workforce at national level. A current European project financed under InterReg IVc aims to outline existing good practice in Bulgaria and to orient future programming to take account of the needs of older people at work⁶⁸. The study in progress points out that there are some interesting practices in large companies⁶⁹. Particular attention should be given to older workers in cases of restructuring because this group has less chance of re-entering the labour market if made redundant.

For many companies the question of the 50+ group should be examined in relation to retirement. From this perspective some of the good practices observed encourage employees to “buy” social security rights if they need higher compensation in the event of redundancies, voluntary departure programmes, and so on.

2.1.3 ACTIVE STRATEGIES TO DEVELOP HUMAN CAPITAL IN ORDER TO FACE MAJOR ECONOMIC AND ORGANISATIONAL CHANGES

The national strategies for human capital development are outlined in various documents – the employment strategy, the Demographic Strategy, and others. **However these documents are rather general and the objectives are rarely quantifiable⁷⁰.** There are no local or regional strategies for human capital development. It is a question that needs to be raised if innovative municipalities are to develop their human potential.

There are human development strategies, but mainly in large companies and the strategies are sometimes only nominal and not always public. Some of the companies in which restructuring is further examined, such as *Assarel Medet AD* from Panagurishte, have developed a human capital

⁶⁷ During the 10.02.2010 Seminar the representative of the BILSP and former minister of Labour developed this questions about the lack of professional orientation and the occupational standards that are not updated..

⁶⁸ See <http://ef.mlsp.government.bg/bg/index.php>

⁶⁹ ESF6 CIA is an interregional network of eleven partners representing eight EU Member States who have joined forces to capitalise on good practice related to the management of demographic change and its implications for the management of an ageing workforce. The project has received the fast-track label and is therefore supported by the European Commission. See more information on www.esf6cia.eu

⁷⁰ See results on www.esf6cia.eu

strategy (the last-mentioned elaborated a project financed by the European Social Fund in 2008)⁷¹.

During the years 2004 – 2007 several sectoral strategies were developed by sectoral chambers (sometimes with the participation of other stakeholders). But these strategies were more nominal than operational documents. These strategies such as the Strategy for the Development of the Machine Industry, the Sector development strategy for the Bulgarian electrical engineering⁷², and others, are developed by local stakeholders with foreign cooperation. But even when they develop the topic of human capital, their goals stay very abstract and are not supported by concrete measures.

2.2 Measures and instruments of managing restructuring

As already mentioned, for a long time restructuring in Bulgaria was not supported by active measures. The notion of the “social accompaniment of restructuring” emerged relatively late as elsewhere in the CEE. The first large waves of mass dismissal in 1991 – 1993 (more than one million people were made redundant) were seen as temporary and limited by many internal stakeholders and observers. But the ‘invisible hand’ was not able to solve the problems and for a long time job creation in the SMEs was not sufficient to compensate for the job losses in the large public enterprises⁷³. In this period the State was establishing the employment administration that for a long time was only a passive “registrar” of the unemployed. In the entire period 1989 – 1996 only passive measures dominated labour market policy.

The second important wave of restructuring and job losses (1997 - 1999) was supported by some specific measures. A compensation package was envisaged for dismissed employees from the ‘isolation’ and ‘liquidation’ lists during this period when the country was under pressure from the international financial institutions to ameliorate the health of its large enterprises and to privatise or to liquidate losers; and for this reason two lists of enterprises were established). This package included lump sums for business creation but their size was rather modest (about 500). However, during this period some enterprises, most of them subsidiaries of FDI (such as the copper producer *Cumerio* in Pirdop⁷⁴, the producer of chemicals *Solvay* in Devnia, etc.)⁷⁵, made efforts to restructure along with measures beyond the legal requirements. However the main tool of these efforts was the programme for voluntary departures. The further restructuring of large enterprises such as the *BTK* (Bulgarian Telecommunication Company) or the electricity

⁷¹ E.g. the ‘Pact on economic and social development’ envisages among other things the preparation of a national strategy on lifelong learning and increasing the proportion of people involved in such learning to 7%--8% of the economically active population.

⁷² <http://www.bcee-bg.org/ElectroStrategyEN.pdf>

⁷³ See at http://www.asarel.com/Libraries/PDF_Files/Press_Proekt_final.doc

⁷⁴ See more in Kirov, V., 2005

⁷⁵ The enterprise in Pirdop, owned by the German MNE Aurubis, was again pointed out as a good practices during the National Restructuring Seminar in Sofia.

distribution companies⁷⁶ stimulated development of different tools and measures⁷⁷. However an assessment of these processes could be controversial; for some observers the measures were socially responsible, for others their scope was too limited.

At present the measures and instruments for managing restructuring in Bulgaria are very often close to the provisions of the law. In cases of mass dismissal enterprises rarely do more than is postulated by the law. Very often the only concern and the main issue for negotiation in cases of restructuring is the size of dismissal compensation. The recent data published in the ERM suggests that most of the cases observed proceeded just to dismissal⁷⁸. This list could be extended with other examples.

2.2.1 PREPARATION

Good preparation for restructuring is very important for achieving successful solutions. **However as mentioned in the previous section, very often there is a lack of anticipation. This is not good preparation as there is not enough time to negotiate, examine alternatives or take appropriate decisions.**

In the case of the restructuring of *Vidima* some preparation was observed, at least in the second wave of restructuring⁷⁹. The director of “*Ideal Standard – Vidima*” argued that the most important task in this case was that the employer should find alternatives to dismissals⁸⁰. When production volumes decreased the director negotiated with the trade unions possible measures to preserve jobs. The first measure agreed was that for a period of three months 800 people would work part time prior to the planned dismissal. But these measures seemed insufficient and on 4 June 2009 the management informed the Labour office in Gabrovo of the planned dismissal of 153 persons. Together with those dismissed in January 2009 the overall number of layoffs was almost 300.

In the case of the enterprise *Assarel Medet*⁸¹ the preparation for the restructuring was rather short. As mentioned, in December the company was declaring that it would not dismiss workers but already in January it announced the redundancy of 193 employees.

⁷⁶ See more in the studies of ISTUR, 1999, 2004 and 2008.

⁷⁷ This case was mentioned in the recent report of the European Foundation: “One of these cases concerned a state-owned electricity company in Bulgaria where employment was reduced from 4,700 to 3,650 workers over two years in order to make the business more attractive to potential buyers.”

⁷⁸ According to ERM data, the steelmaker Radomir Metals Industries announced that it will make redundant further 600 employees of its total workforce of 1000 only a month after the first job cuts wave (in January 2009, the company laid off 100 workers). The company producing radiators in Strajitsa announced the layoff of 85 employees. This company envisages modernisation of the packaging and the painting installations and the only “promise” of the management in this case is that these employees could be employed again if the owner decided so, See “*Ideal Standard and Korrado osvobojdavat rabotnizi*”, Dnevnik, 27.01.2009 http://www.dnevnik.bg/pazari/companii/2009/01/27/622280_ideal_standart_i_korado_osvobojdavat_rabotnici/

⁷⁹ During this restructuring, as in general during the post-privatisation restructuring in Bulgaria, much outsourcing was done. Enterprises which used to encompass all kind of activities in the socialist period (including housing for the workers, kindergartens, canteens, etc.) started to focus on their core business and to externalize all the supporting activities.

⁸⁰ The company *Ideal Standard Vidima*, situated in Sevlievo, in the Centre of Bulgaria was for a long time synonym of the success story (see more in Annex)

⁸¹ The company *Asarel Medet* is mining company established in 1964 and privatised in the late 1990s. It is an example of socially responsible company (See more details in Annexe)

2.2.2 MANAGEMENT OF THE RESTRUCTURING

As already mentioned, Bulgarian legislation provides opportunities for socially responsible management of restructuring such as: employment placement intermediation, training for attainment of vocational qualifications, own business start-ups, and alternative employment programmes. **However in the cases observed by the ERM one rarely sees any use of the possible tools⁸².**

In a recent report prepared by BILSP for the Dublin foundation, an attempt was made to outline the main measures undertaken at company level.. According to it most often the employers undertake the following in their efforts to prevent dismissals:

- introduction of 6-hour working day
- provision of paid or unpaid leave
- reduction of social benefits – reducing money for food; suspending additional payments for holidays
- dismissing workers at the age of retirement
- withdrawal from commitments already made for future increases in wages

Most companies resort to dismissals when they have exhausted other possibilities.

According to this analysis there is no data on measures taken to reduce pay but in some cases employers make a transition to hourly payment which may affect the general income owing to the new way of reporting on the work. In other cases an already negotiated rise in wages was postponed.

According to BILSP experts the provision of training in such situations is unlikely, such costs being among the first to be cut in situations of restructuring. Employers seem to expect the State to play a role in re-qualification of endangered workers.

All of the above mentioned practices could be part of the management of restructuring. But the first important element in management of restructuring that does not follow pure economic logic is the existence of **solid social partnership**. In the following examples we could observe that the management of restructuring was discussed or negotiated in the enterprises. The second important element is the introduction of an **evaluation system for selecting people to stay or be**

⁸² The majority of the companies in the country have approach restructuring focusing on the short term actions and on the lack of information to stakeholders. This behaviour of some companies could be illustrated with the case of Mondi Packaging, a company that planned to cut 560 jobs at its paper factory in Stamboliiski as of 1 June (according to the information of the ERM). The company, which is the biggest in the municipality and provides significant revenues to the local budget stopped temporarily already on 4 December 2008, due to the collapse of its markets. Ninety percent of the clients are foreign (Europe, North Africa, Asia and India) and the cement plants purchasing the paper bags of the factory have suffered the most from the world crisis. According to information from the chairman of the Municipal Council in Stamboliiski, Nikola Mihailov, 230 workers have been already dismissed. An application for 230 workers more to be made redundant has been filed to the Labour Office. The Bulgarian managers refuse to comment, arguing that they are not authorised to do so and refer all inquiries to the headquarters of the multinational corporation in Vienna (<http://www.eurofound.europa.eu/eiro/2009/04/articles/bg0904019i.htm> "Paper factory offers compensation package under union pressure"). Another example illustrating this behaviour could be found in the Municipality Strajitza. In October 2008 thee plants producing radiators, owned by the Czech company Korado had dismissed 40 persons and the unemployment level in the municipality is already 23%. During the first wave of dismissals in Korado the Mayor of the Municipality has asked for information from the company on what measures will be taken to stabilize the situation of the plant and avoid new dismissals. But the answer of the managers of Korado was that this is not a problem for the municipality but for the owners of the plant (http://www.dnevnik.bg/pazari/companii/2009/01/27/622280_ideal_standart_i_korado_osvojobdavac_rabotnici)

dismissed which is accepted as just and which involves **the participation of the employee representatives** in selecting those to be dismissed. The third element is the **planning of dismissals** – in some cases they are done immediately, in other cases they are gradual. The final element is the existence of **differentiated measures targeted on different professional or age groups**.

According to the ERM information, *Stomana Industry*, a steel manufacturer based in Pernik (part of the Greek group *Viohalco*), is to make 331 employees redundant. The company stopped production in some units in the autumn of 2008. The management signed an agreement with the enterprise sections of the trade unions CITUB and Podkrepa for social support for the redundant workers. The company stopped production owing to the lack of orders as a result of the economic crisis. The workers on fixed term contracts and workers close to retirement age agreed to voluntary termination of their employment contracts.

In the case of *Vidima* the job reduction followed the requirements of the Labour Code. The company consulted the trade unions and all its measures were in compliance with the Collective Labour Agreement (CLA). It also sent information to the employment agency. *Vidima* made a full evaluation of the personnel in order to select the employees to be dismissed. The dismissals affected all units of the company. The company developed criteria for proceeding to this selection, some criteria relating to quality of work, working discipline and educational level.

Dismissals were planned to take place gradually⁸³. The first group was expected to leave the plant at the end of June 2009. The dismissals were scheduled to continue until November 2009 and the overall number of dismissed employees since the beginning of the year was expected to reach 300. According to the same source part of the workers that one month and half before worked at a part time will start to work on a full working time.

The mining company *Asarel Medet* announced internal restructuring and 193 dismissals. The downsizing is a result of sliding global copper prices, which forced the company to cut its production target by 45% compared to last year's level. The company planned to make these dismissals gradually. According to its HR director a selection procedure was put in place and the company studied alternatives to maximum dismissals. However it was envisaged that all employees made redundant would receive compensation depending on their length of service in the company (between 4 and 6 wages).

The company was not considering reducing the salaries of the employees in 2009, but planned to re-examine its bonus system⁸⁴. Before the restructuring bonuses were related only to monthly and annual production results. The new management idea was to relate it to the international price of copper.

The criteria of *Asarel Medet* for the dismissals were clear and they were coordinated with the trade union sections in the company. When the dismissals took place in March-April 2009 the company used a points system and it evaluated the employees according to their education, length of service, teamwork, number of disciplinary offences and compliance with job objectives, according to the HR Manager of *Asarel Medet*⁸⁵. The evaluation of the personnel was done by a specially-established commission with the following membership: the HR manager,

⁸³ Koleva, R. Dismissals (Sakrashtenia na edro), Capital Weekly, 17.07.2009, <http://www.karieri.bg/show/?storyid=757307> (last accessed on the 2nd of November 2009)

⁸⁴ http://www.econ.bg/news86031/article162912/ideal_standart-vidima_sukrashtava_300_dushi_do_noemvri

⁸⁵ <http://time2001.com/Interviews/Asarel/Tzotzorkov.htm>

the chief of the department in question, and representatives of the trade unions. According to the HR manager, communication with employees and transparency are key requirements in such situations.

The mining company launched a programme for voluntary departures in return for better compensation. Ten persons, young and with prospects for finding alternative work, have used this opportunity.

People approaching retirement age or with health problems were offered the opportunity of early retirement. They were entitled to receive compensation depending on their length of service. About 30 persons used this opportunity.

All the other employees dismissed, about 140, received a compensation package:

- Those with length of service up to 10 year – 4 wages;
- Between 10 and 20 year – 5 wages;
- More than 20 years – 6 wages.

As mentioned, in cases of mass dismissal teams including representatives of the employer, the employees, the labour office and the municipal administration need to be established. Their task is to help dismissed employees after they leave their job. They should offer alternatives for employment or training, career development advice and participation in alternative employment. There are no comprehensive studies available but according to labour market experts the results of the work of these teams are modest.

According to the consultant Evgenia Georgieva (in a recent newspaper publication) few employees due to be dismissed are ready to take part in such forms of consultations and training. The reason is that some employees feel offended by their employer. But the consultant continues that those who agreed to take part in such measures are happy – they maintain their relations with their former bosses and are more optimistic about finding work. In management of restructuring it is important to underline the need not only to use measures and tools but also to ensure their acceptance by the employees.

2.2.3 FOLLOW-UP

Follow-up of restructuring operations is not very developed in Bulgaria. Public attention is focused on restructuring plans but not their consequences. In the information published by the media it is possible to read that enterprise X plans to make Y dismissals but rarely do journalists try and find out what happened to the employees made redundant⁸⁶.

In the case of *Vidima* there is no information on the results of the management of restructuring. *Assarel Medet* plans to re-examine its production programme and in the event of favourable developments on the international markets the employees that have been dismissed but positively evaluated will be invited to resume their previous functions⁸⁷.

⁸⁶ <http://www.karieri.bg/show/?storyid=793857&print=1>

⁸⁷ I would like to stress on the fact that there

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To conclude this chapter it is important to recall two important elements of Bulgarian practice. The first is that anticipation is rarely present. In this context it will be important to recommend development of different anticipation tools at national, regional or sectoral levels.

The second element concerns management of restructuring. The preparation phase usually is short, because of the lack of anticipation. An important element of management of restructuring is social partnership, along with good communication.

The active labour market measures and programmes envisaged by the National Employment Plan for 2009 are financed by the state budget (190 million leva) and by European funds (about 175 million leva). The ESF initiatives are targeted on a large group of beneficiaries and in some cases are tailored to restructuring cases, as shown in subsequent paragraphs.⁸⁸

3.1 Active measures

3.1.1 “INTERNAL MEASURES” ADOPTED TO REDEPLOY OR RECLASSIFY STAFF (REORGANISATION, WORKING TIME, TRAINING, TRANSFERS, NEGOTIATION ON WAGES AND BENEFITS)

Before the current crisis the use of working time flexibility in Bulgarian companies was infrequent⁸⁹. The number of employees working on part-time schemes is insignificant compared to the situation in the old Member States. However in previous “hard times” the temporary part-time working and temporary technical unemployment used to be resorted to. Some companies used to delay wages and employees accepted this situation.

According to the analysis made by for the OPHRD, the low proportion of part-time working is due to the low hourly pay, commuting fares, social security payments for such work, and so on. In addition there is no tradition of flexible forms of employment and a lack of information on the opportunities it provides. But Bulgarian labour legislation provides for various mechanisms ensuring relative flexibility in the labour market. Employers can use an array of possibilities to adapt the workforce to the changing environment.

There is some evidence that since the beginning of the current crisis, companies have increasingly resorted to working time arrangements. First, many companies used the measure allowing a temporary switch to part-time work (for up to three months) along with the possibility of a public subsidy equal to one-half of the minimum salary per month (120 leva). In 2009 the government for the first time allocated funds, and companies submitted applications to receive this public aid⁹⁰. Since 9 March 2009 the Labour offices in Bulgaria have started to accept demands for compensation from employees who start working part-time because of the economic crisis. The government programme envisages that over three months 120 leva per person will be paid to about 19,000 persons. The overall budget of the programme was about 6.9 million leva. The compensation is paid in accordance with a number of criteria. For example part-time working should be introduced for at least 5% of the personnel because of the negative impact of the economic crisis on company profits. These demands were to be discussed by the

⁸⁸ More information could be found in the periodical reports of the Employment Agency – see for example data for January – March 2010
<http://www.az.government.bg/internal.asp?CatID=25/05&WA=AnaProBul3.asp&YM=2010/Quarter1/IV.htm>

⁸⁹ Use of flexible working time in Bulgaria, BILSP, non-published report, prepared for Dublin Foundation

⁹⁰ Public aid will be available again in 2010 but with a smaller budget, as one of the MLSP officials said during the National Restructuring Seminar in Sofia.

social partners at local level. The documents were submitted to the local labour offices but examined and discussed in the Regional councils for tripartite cooperation.

Not only those companies supported by this public scheme used working time arrangements. Many Bulgarian companies also considered the possibility of modifying working time schemes and decreasing working hours. For example some companies from Gabrovo were considering moving to a 6-hour working day to preserve employment⁹¹. Other companies temporary stopped work or asked their personnel to take paid or non-paid leave. However there is not enough information to say whether or not these practices are generalised, or whether or not they are specific to certain sectors or regions.

During the current financial and economic crisis companies in Bulgaria used internal measures to redeploy and reclassify staff. In the cases of *Vidima* and *Ideal Standard* the internal restructuring included transfer of personnel from one of the companies to the other and *vice versa* in the context of the dynamic economic conjuncture.

There are instances of companies that re-examined their wage policies or bonus systems in order to preserve jobs.

3.1.2 MEASURES INCLUDING PREVENTION OF TROUBLES RELATING TO RESTRUCTURING, THE HEALTH DIMENSION, AND SPECIAL ATTENTION TO ILL AND DISABLED WORKERS

There are no specific measures for preventing health difficulties related to restructuring in Bulgaria. However some initiatives are taken to increase public awareness of the health risks related to restructuring. For example a debate in Sofia was organised recently in the framework of the European funded HIREs+ project⁹². The debate focused on the health risks related to restructuring and formulated conclusions that are to be sent to the European Commission⁹³. Among the conclusions are some important points to be mentioned:

- There is a crucial need for information, recommendations, and guidelines for healthy restructuring. The managers of the process need assistance for effecting socially responsible restructuring because of their lack of experience and time, especially in SMEs which suffer most from lack of resources;
- The topic “health in restructuring” in its narrow and broad meaning is not addressed by the restructuring actors. It is necessary to look for new approaches and new trends in medicine, for example social medicine. The only health effect related to the restructuring which has been studied is psycho-social depression and stress; according to the official statistics 30% of the Bulgarian population suffer from it.
- The joint measures of the social partners are of crucial importance for the workers in all phases of the restructuring process - preparation, execution and alleviation of negative consequences;

⁹¹ http://news.ibox.bg/news/id_1698569757

⁹² The Seminar was held on the 9th of October 2009 in Sofia

⁹³ I would like to thank Irina Terziiska, CITUB, who provided me these conclusions.

- The role of the executive power - the Ministry of labour and social policy, the Ministry of healthcare, the Employment Agency, the Executive agency General Labour Inspectorate - must be increased with regard to:
- health promotion and the assessment of health risks during restructuring, *and*
- preparation of workers for the new labour market requirements.
- There exists good practice in Bulgaria in terms of socially responsible restructuring, and there are also innovative approaches and programmes for health promotion during the restructuring process; they have to be studied carefully, communicated to the business media, and implemented adequately.

The participants in this seminar formulated a number of recommendations on the health dimension of restructuring.

3.1.3 MEASURES TO FACILITATE EXTERNAL RECLASSIFICATION

- **Replacement and outplacement** - In the ERM case studies on Bulgaria, use of replacement and outplacement was not reported. Evidence from case studies suggests that these measures are not common but can be applied, as was the case with the transfer of personnel between *Ideal Standard Bulgaria* and *Vidima*.
- **Incentives to find a buyer for new activities, to create SMEs** - at the end of 2008 the Employment Agency announced that about 10,000 unemployed people (including people that were dismissed as a result of restructuring) will be able to receive up to 50,000 leva in order to start their own businesses. The resources to finance this measure fall within the framework of the Operational Programme “Human Resources Development”. The potential applicants should first undertake training, then develop their projects and apply for financing. Before the current crisis and the start of the Operational Programme the use of this measure was very limited because of scarce public resources, the lack of any tradition of large companies helping their employees establish SMEs, and so on.
- **Incentives to facilitate geographical or functional mobility**⁹⁴ - Incentives for employee mobility are offered by the labour administration, but in general the labour force in the country is not very mobile. As we observed from some cases, there are people that try to find work abroad when they are dismissed. There are some public measures supporting mobility. Experts on labour markets argue that the information systems of the labour offices is still local – it means that an unemployed person from one town cannot find information on suitable jobs in other localities. Research evidence shows that sometimes large companies offer their employees opportunities for geographical or functional mobility in the event of the closure or relocation of activities but few employees accept these offers, made mainly by the management.
- **Training, guidance, coaching** – The Bulgarian experience is that there are not enough skills and actors that could offer meaningful coaching and guidance for people that might be made redundant. There are about 800 licensed training centres in the country but only two professional orientation centres. From this perspective training provision could be subject to criticism because of doubts as to how appropriate the training proposed for the individual would be. The training budgets for unemployed people in the year 2009 were

⁹⁴ This measure was cancelled.

increased by the Employment administration from 500 to 600 leva. Acquisition of second or third level professional qualification could be covered by up to 1200 leva and 1800 leva respectively. In 2009, according to the employment programmes the Labour Ministry planned to ensure employment for 80,000 persons and train 20,000. But often the problem with training of unemployed (in some cases dismissed) persons is that there is no indication as to whether the trainees can find new jobs. At the beginning of January 2010 the labour administration is introducing a voucher scheme for unemployed people. Planned to start in January 2010 this measure aims at covering 65,000 persons with an overall budget of 250 million leva.

- **Measures to help mitigate economic effects, territorial revitalisation to attract new employers, cleaning of industrial sites for re-use for other activities** - the social programmes for subsidised employment cover a wide variety of activities. The largest programme in the country is “From social aid to employment” (39,367 unemployed people had short-term subsidised employment in the period January – June 2009, that is 45% of the people involved in employment measures). The expenditure is substantial, but it is not clear to what extent this programme takes care of people who have lost their jobs in restructuring, as usually these programmes are for people with low qualifications, that is they are involved in social sphere activities, protection of agricultural zones, and so forth. During the financial crisis (in 2010) budgets allocated to these types of measure were decreased.

3.2 Passive measures

3.2.1 SEVERANCE PAYMENTS

Bulgarian labour legislation provides detailed provisions covering compensation for dismissal. On dismissal due to closing down of the enterprise or part of it, staff reductions, reductions in the volume of work, and work stoppages for more than 30 days, the employee is entitled to compensation from the employer. The compensation will be the amount of his or her gross labour remuneration for the period of unemployment but not for more than one month. Compensation for longer periods may be stipulated by an act of the Council of Ministers, by a collective agreement or by the labour contract.

On termination of the employment relationship after the employee has acquired the right to a pension (assessed according to age and length of service covered by social security), then irrespective of the grounds for the termination, he or she is entitled to compensation by the employer totalling the amount of his or her gross labour remuneration for a period of two months. Where the employee has worked with the same employer for the last ten years then the compensation is equal to his or her gross labour remuneration for a period of six months.

The employer could also offer the employee termination of his or her labour contract in exchange of compensation, and if the employee agrees he or she should be paid compensation equalling four monthly salaries if a higher amount was not negotiated in the CLA.

As already mentioned, one of the main issues in restructuring negotiations is severance payments. There are possibilities for negotiating larger severance payments in the CLA and some enterprises use them. The other possibility for the employee representatives to try to negotiate better severance payments than are stipulated by law in the context of restructuring. An example of such a case is the company *Mondi*, Stamboliiksi where financial compensation for some categories of workers was negotiated.⁹⁵ In other cases, as with the mining firm *Rudmetal* in Rudozem where between 200 and 250 jobs were planned to be cut in 2009 (according to the ERM), the negotiated compensation was really low. At a meeting with employees the management gave details of severance plans. A miner used to receive net severance pay of some BGN 750. This severance payment represents a little over three minimum salary payments and seems insufficient for a small business start-up or even for a calm search for new opportunities.

Employees have a right to compensation for annual leave that was not used, and where the employer asks them to leave before the expiry of the notification. In the latter case the employer should compensate the employee with the salary for the period of the non-respected period of the announcement notification.

In addition to measures negotiated at enterprise level there were changes in State policy. According to some new regulations (2009), all employees made redundant in 2009 in the first period will receive 130% of their severance payment but only 70% if made redundant in the second period. This is part of the government anti-crisis measures. Its objective is to encourage people who have lost jobs not to delay their search for new employment, according to the National Social Security Institute.^{96, 97}

3.2.2 EARLY RETIREMENT, DISABILITY PENSIONS

Early retirement schemes were used in some cases. The mining company *Assarel Medet* has offered such a scheme. People approaching retirement age or with health problems have been offered the opportunity of early retirement. They were entitled to receive compensation depending on their length of service. About 30 persons used this opportunity. However it is not

⁹⁵ *Mondi*, Stamboliiksi (As mentioned, the information about *Mondi* is on the basis of the article published by EIRO "Paper factory offers compensation package under union pressure" (<http://www.eurofound.europa.eu/eiro/2009/04/articles/bg0904019i.htm>), the three local trade union sections (Members of the Federation of Trade Union Organisations in the Forestry and Wood Processing Industries, CITUB, the Confederation of Labour Podkrepa and the Association of Democratic Trade Unions (the latter is not recognized at national level) were informed on 9 March 2009 that the company had to proceed to redundancies. "At the initiative of the unions several meetings were organized in March 2009 for information and consultation purposes, where the trade unions emphasized the need for benefit packages for employees made redundant. The final round of meetings between the trade union representatives and the company's management began on 25 March 2009, with a view to concentrating all efforts on making the company operational again. According to an agreement signed by all parties on 7 April 2009, the three trade unions and the company's management participated in the consultation initiated by *Mondi* in order to apply the legislation on mass redundancies. The dismissals were to take effect from 27 April 2009 up until the end of May 2009. Under the terms of the agreement, the company is obliged to offer financial compensation to certain categories of employees who will be affected the most by the dismissals. For example, the company will pay five months of gross pay to pensioners with 10 years of service. Other beneficiaries include workers whose jobs were readjusted for health reasons or disability, members of the family if both spouses have been working in the company, mothers with children, single parents and heads of households".

⁹⁶ <http://www.karieri.bg/show/?storyid=674752&print=1>

⁹⁷ This will not be the case for 2010, according to the Employment Agency

clear to what extent companies are ready to offer such schemes and to what extent they could afford to pay for them.

3.3 Role of public authorities and external organisations

3.3.1 PUBLIC EMPLOYMENT SERVICES ROLES ON RESTRUCTURING⁹⁸

The public employment services were developed after the fall of communism. During the first years of their existence their function was considered as recording unemployment but not offering active labour market services. However an examination of public spending on labour market measures shows that the share of active measures increased significantly after 1997. In a process of continuous professionalisation and improvement, the public employment services developed various instruments to address restructuring. These instruments included measures to train employees for new jobs or to adapt their skills to the needs of the employer following restructuring; measures to promote mobility; measures supporting employment of different vulnerable groups (young or older workers, ethnic minorities – the Roma population, etc.); guidance and support for small business creation; and others.

The public employment services in Bulgaria responded to the current crisis situation with a number of measures offered to enterprises and employees in cases of restructuring and redundancy. Some of these measures already exist (some have already been described), and some have been developed in the framework of the anti-crisis policies of the government. Working time flexibility was an innovation in the Bulgarian case and there was massive support for it. Another important distinction is that some measures are financed from the State budget while others are mainly financed by ESF⁹⁹.

Among the measures specially developed for the crisis, one could mention “Development” (see table 5 in Annex), “Adaptability” and “On the road”. In total six anti-crisis measures totalling 373 million leva started in June 2009. The grant scheme “Development” with a budget of BGN

⁹⁸ The presentation of measures of the Employment Agency in Bulgaria done for the purpose of this report is not comprehensive.

⁹⁹ The concrete objectives and targets of ESF in Bulgaria for the period 2007 - 2013 are the following : providing better advice and training for entrepreneurs and the unemployed; giving these groups the management skills to start and run successful businesses; setting up tailored training schemes for vulnerable groups, particularly in sought-after skills like foreign languages and information and communications technologies (ICT); and then arranging work placements for participants. Providing better access to education, training and career guidance for minority ethnic groups, disabled people and young school leavers; encouraging new work and training patterns such as job-share, rotation and distance learning schemes. Promoting in-house lifelong learning and ensuring better monitoring of health and safety in the workplace; bringing the country into line with other knowledge economies by improving ICT skills among students and workers, and ensuring better assessment of schools and training centres; applying the European Credit Transfer System in higher education and tailoring it for vocational schools; strengthening the ties between educational and training centres, the R&D sector and business. Providing more funding for postgraduates and young scientists; modernising social systems and the labour market, following the principle of a ‘one-stop-shop’ while providing more e-services for employment. (see more on http://ec.europa.eu/employment_social/esf/members/bg_en.htm)

150 million aims at ensuring training for improving the professional qualification of unemployed persons subject to mass redundancies after 1 November 2008 (see details in table in Annex). The grant scheme “Back to work” with a budget of BGN 64 million aims to employ unemployed persons registered in the labour offices in providing child-care services to families where parents are working on labour contracts. The grant scheme “Adaptability” of total value of BGN 72 million is targeted on persons who started working part-time as a result of the global financial crisis. The direct award procedure “On the Road” with a total value of BGN 25 million aims to resolve the mobility problems of employees. The operation will provide the possibility for persons employed on a labour contract to cover their travel expenses for a period of one year when their home is situated in a town different from the location of their place of work. The grant scheme “I can” helps employed persons on a labour contract to take part in vocational training in order to upgrade their professional qualification and better meet the requirements of the labour market. The budget for the operation is BGN 26 million.

Another opportunity for job creation is offered by the programme “New possibility for employment”. The State plans to engage about 3,000 persons made redundant by the crisis for a period of 9 months. The priority in this programme will be given to unemployed parents whose children are minor or have problems. A budget of almost 8 million leva is envisaged for this measure. The dismissed persons also receive help for their professional orientation and will be directed to appropriate job opportunities.

Table 8 in the Annex summarises the main programmes used in order to address restructuring challenges. As can be seen, the bulk of the measures consist of subsidised employment for low-qualified people and of short-term support for part-time work.

The overall effect of the adopted measures is positive but many challenges to active labour market policy still exist. The recent analysis of the Economic and Social Council of Bulgaria criticises the active measures planned and implemented on the labour market¹⁰⁰. For example the analysis stresses the need for professional training and retraining for dismissed employees, especially for those with good qualification levels, but questions the efficiency and effectiveness of public investments in training up to the present. Although public investment in employment and subsidised employment schemes are massive and the Employment Agency declares that this policy is a success, they have not solved the problems of long-term unemployed persons. The active labour market policy is dominated by the current situation and short-term goals.

¹⁰⁰ Economic and Social Council of Republic of Bulgaria, Opinion “The Labor Market in the Conditions of financial and economic crisis – challenges and possible solutions”, 2009, (in Bulgarian) at <http://www.esc.bg/viewpoints.php?lang=0>, p. 6, (last accessed on the 28 of February 2010)

3.4 Role of external organisations: local communities, private employment services, NGOs

The NGO sector in Bulgaria is not very developed. There are NGOs that work in this domain but their number is small. Some NGOs have participated in training provision or professional orientation activities. Private employment services are growing, but they usually specialise in the upper echelons of the labour force.

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To conclude this chapter we can reiterate that Bulgarian enterprises use a range of measures to prevent job losses. However it is difficult to evaluate the scope and the efficiency of this usage. **The role of the State and the public authorities in this process is very important.** First, active labour market measures were adapted to the crisis conditions (together with labour market measures from the pre-crisis period). Some of the other measures are also at the disposal of dismissed employees. The State finances those measures along with ESF. **The general evaluation of the employment administration's labour market policies is rather positive but the social partners are critical of them.** It is challenging to investigate and evaluate the effects of the measures and to see whether in some regions there is a need for tailor-made approaches to addressing specific restructuring problems. The role of the other actors, such as civil society, in the restructuring process seems rudimentary.

It is too early to evaluate fully the effectiveness and usefulness of the existing measures and tools for anticipating, preparing and managing restructuring. However the existing practices on the labour market and in enterprises can usefully be examined to assess their effectiveness, including how far they have responded to the challenges faced by enterprises and endangered employees, and so forth.

4.1 Evaluation of the existing measures of anticipating nature

An analysis of the existing anticipation measures in Bulgaria allows us to outline a number of challenges.

- **The first important conclusion is that for a long time there was no understanding of the importance of anticipating restructuring;**
- This attitude has contributed to the **search for last-minute solutions, but such short-term reaction is insufficient to establish confidence and sharing of knowledge between actors;**
- The role of the different actors in anticipation should be re-examined:
 - **The State administration** - the State is not adequately involved in an anticipation-friendly policy. Some of the forecasts available are not very specific in terms of skills, job-seekers, sectors, territories, etc.;
 - **The enterprises – even large enterprises do not have good systems of early warning for anticipating restructuring.** The examples of *Assarel Medet* and other companies claiming that they are socially responsible showed that employment anticipation is not sufficiently elaborated;
 - **The trade unions** – union sections are active in some cases and they can provide important information.

Some recommendations based on these challenges are formulated below:

- Better State support for anticipation is needed. It can be seen that the new Bulgarian administration had already envisaged some measures for the period of the crisis – namely the establishment of a working group under the umbrella of the NCTC;
- Development of sectoral and territorial early warning and forecasting systems by various actors including regional governments, social partners, and national institutions such as NICA. The Human Resources Development Operational Programme could potentially be used in support of such systems¹⁰¹. **One solution under discussion is establishment of a national employment observatory under the aegis of the Ministry of Labour and Social Policy;**
- **Further training of trade union activists is needed in order to better analyse existing information and anticipate changes in employment patterns;**

¹⁰¹ This conclusion was confirmed at the National Restructuring Seminar by many participants.

- The role of the local employment councils could be reinforced to enable them to discuss and better anticipate restructuring;
- In the context of the European debate on Sectoral Employment Councils, Bulgarian social partners at sectoral level could deepen their social dialogue on future jobs and skills in the respective sectors.

4.2 Efficiency of existing measures for managing restructuring and the main challenges for the future

4.2.1 EFFICIENCY OF EXISTING MEASURES FOR MANAGING RESTRUCTURING

Several measures exist in Bulgaria for managing restructuring. But the first conclusion is that **their use is not generalised, with relatively few enterprises applying them.**

Internal arrangements for decreasing working time, use of holidays, and so on can be efficient in the short term but if the economic situation continues to be bad they just delay the dismissals. In the past such schemes could be accompanied by delays in wage payments. However if these measures are combined with clear communication they can stimulate people to find employment elsewhere. **Public support for flexible schemes, for example temporary use of part-time working, has encouraged their use in Bulgarian enterprises.** Such flexible schemes and arrangements could be useful for all kinds of enterprise, regardless of type or size.

Voluntary departures, used often by big companies and MNC subsidiaries, are costly and not suitable for every company.

Early retirement schemes could be used in some cases but can also be expensive for many companies.

Instances of professional orientation and individualised help for persons due to be dismissed are rare and, when they occur, their efficiency is unknown.

The training of dismissed employees or of employees whose jobs are preserved could be very positive if it adapts their skills to contemporary labour market requirements, which however is not always the case.

All the foregoing suggests that the country needs to improve the scope and efficiency of existing measures for managing restructuring despite the good practices that are sporadically in evidence.

4.2.2 MAIN CHALLENGES FOR THE FUTURE

The first main challenge for the future is **to raise awareness that restructuring goes beyond pure economic logic** and that many actors can participate in the process. As pointed out in the previous chapters, the majority of enterprises in the country do not apply any significant tools for restructuring management.

This attitude is probably not solely due to a lack of will to make tangible improvements in the field of restructuring. **Raising of awareness should be accompanied by information on possible measures and possible strategies for tackling the process.** It is also necessary to present opportunities and measures on offer from the State employment services. HR management skills relating to steering restructuring need to be improved.

The next challenge is to **develop the social partnership relevant to restructuring.** This includes two elements, **before and during** the process. The social partners in Bulgaria can play an active role in restructuring but there are also opportunities for negotiation beforehand, in the framework of general collective bargaining. The CLA (at sectoral or enterprise level) could include clauses for possible measures in the event of restructuring. The process of restructuring itself needs the participation of the social partners in consultations, negotiations, and participation in selection and evaluation procedures.

The **development of large partnerships in cases of restructuring** is also important in fully using the various opportunities to preserve employment and to mitigate the consequences of dismissals. Cooperation difficulties among stakeholders occur in many cases. It is not clear how to improve this cooperation but it is important that actors know each other better. This will involve initiatives for dialogue even before the restructuring starts, which is crucial to avoiding situations in which local governments are told that mass dismissals in their region are not their job, and so on.

Good communication in companies is also a challenge. If up to the last moment the management is insisting that there will be no dismissals and then, after a short period, dismissals become a fact, this is good for neither party.

Taking into account the **health risk** in cases of restructuring is a very important challenge for Bulgarian society. The planned dismissals in the Bulgarian railways *BDZ* and in the State administration are already a source of stress and trouble.

Another challenge is related to **dissemination of good practice** and analysis of socially responsible behaviour. There are interesting practices in Bulgaria but they are not always presented by the media or disseminated through the professional associations or other bodies. Moreover, it is important to analyse the declarations of the CSR and then compare them with the real behaviour of the actors.

One additional element is the need to **develop evaluation techniques and follow-up mechanisms** in order to be able to assess what was done. In all the examples discussed in the previous chapters, intentions were announced and declared but it was never made clear what the future of the people dismissed was likely to be.

4.3 Evaluation of the referred measures transferability in other contexts

The anticipation approaches and methods developed at EU level (scenarios for new skills, for new jobs, etc.) or in different Member States could be instructive for Bulgarian stakeholders in developing a Bulgarian model of anticipation of restructuring.

Training is certainly the key instrument for helping employed persons stay competitive in the labour market and for enhancing the skills of the unemployed so as to facilitate their re-integration. However the country's CVT system needs further reform before it can fully address these challenges. Professional orientation and individualised help to individuals could be used more frequently, with or without public support.

The measures examined in relation to flexible arrangements in enterprises with the aim of preserving jobs and skills during restructuring, with or without public support, could be adopted by all Bulgarian enterprises.

Some measures such as voluntary departures, early retirement schemes, better compensation and so on could be used by those large companies in a position to pay for them.

An analysis of good European practice in restructuring management should be disseminated to Bulgarian stakeholders to encourage them to improve their capacity for addressing restructuring.

The transition from a socialist to a market economy was accompanied by significant and continuous restructuring of the economy and individual enterprises. The economic restructuring in the former socialist countries was without historical precedent. Whole economies were subject to privatisation. Many large enterprises or even sectors were dismantled.

In the past, restructuring processes in Bulgaria were generally considered to be mainly about job losses. Only a few cases of responsible restructuring were observed in the 1990s, mainly in subsidiaries of MNC. It is worth mentioning cases of good practice such as the relocation of the activities of *InBev* from Pleven to Haskovo and Plovdiv, the programmes of companies such as *Solvay* and *Cumerio*, and some others. But in these cases the initiative belonged to the management, and often reflected normal practice in the country of origin.

Local managers rarely tried to do more than was strictly required by the law and it seems that this attitude remains true now. The trade unions protect the interests of the workers within the enterprises and try to preserve employment but rarely follow and help those who leave enterprises after restructuring. The local authorities also do not play a role in the process of managing the consequences of restructuring but they could participate more efficiently in future. Civil society associations in the domain of employment promotion are relatively weak and have no experience of supporting measures. Even if the privatisation process is almost over and the majority of the economy is within the private sector, there are still sectors and regions where further restructuring is envisaged.

After years of economic growth and job creation, the current economic and financial crisis has had an impact in Bulgaria, albeit after a delay *vis-à-vis* the experience of countries in Western Europe, which prompted the public authorities to assert, in the autumn of 2008 and the spring of 2009, that the country was comparatively less exposed to the risks. But the crisis quickly moved to the centre of national debates prior to the July Parliamentary elections and is now central to the programme and specific measures of the new Bulgarian government, following the worsening of the economic situation and the fact that unemployment rose significantly during the first half of 2009. The employment authorities' forecasts suggested that this unemployment increase would probably continue into 2010. **Part of the increase has been due to the mass redundancies and during this period many large Bulgarian companies announced planned restructuring.**

Anticipation measures and tools are poorly developed in Bulgaria. After the years of the planned economy there is a negative attitude towards planning. Business forecasts are produced but are not translated into meaningful employment forecasts. However the current economic and financial crisis has raised anew the question of the need for such mechanisms. At the present moment the employers' organisations have projects, supported by trade unions, with precisely this aim. **Support for anticipation mechanisms and measures to forecast future skills and the supply of labour is crucial for preparation for restructuring in Bulgaria.** The State administration fully understands the challenge presented by the need for anticipation and declares that it will carefully examine the data on potential restructuring with a view to formulating public policies to meet these challenges¹⁰².

The existing measures for managing restructuring in cases of mass redundancy were enshrined in local labour law after its alignment with the European *acquis*. But even if, in cases of mass

¹⁰² A recent declaration of the Vice-Minister of Labor (http://www.dnevnik.bg/intervju/2009/10/21/802878_krasimir_popov_stremim_se_da_ogranichim_bezraboticata/) that there is a need for a search of decisions at the level of the municipalities, at the level of the territory because of the serious differences of the unemployment levels sends a new signal.

redundancy, there is a period of time for informing employees, the labour administration and the local authorities, the fact remains that no other cases of restructuring are communicated in advance.

The cases examined in the present report show that companies avail themselves of few of the available measures. But even respect for legal requirements and for the dignity of the person is worth mentioning in the Bulgarian case, because there are employers that do not respect legal imperatives. **Good practice does exist but its use needs to be generalised.**

The efficiency of the existing measures can be evaluated positively in a number of cases. **But the main challenge arises in the majority of restructuring cases where enterprises seem to follow and pursue pure economic logic, with no attempt to mitigate dismissals or care for those who are laid off.**

Several elements are key to responsible restructuring: **good knowledge of the measures and tools to be used and awareness of the need to use them; well developed social partnership based on mechanisms of restructuring management, both in advance of the event and also involving employee representatives in the selection itself; promotion of partnerships with all stakeholders; good communication within companies; taking account of health risks; dissemination of good practice; development of techniques of evaluation and follow-up to assess what was done,** and so on.

The main recommendations outlined by the analysis are as follows:

- collective labour agreements at sectoral and enterprise levels provide general guidance for restructuring cases and collective bargaining should be reinforced;
- the Bulgarian active labour market measures should be evaluated to determine how effectively they address restructuring challenges;
- management of restructuring requires flexible solutions; the Bulgarian labour legislation provides various mechanisms ensuring relative flexibility in the labour market but employers do not adequately exploit the possibilities in such a way as to adapt the workforce to the changing environment;
- better focus of State support is needed for improved anticipation; it was evident that the new Bulgarian administration already envisaged some measures for the period of the crisis – namely the establishment of a working group under the umbrella of the NCTC;
- development of sectoral and territorial early warning and forecasts system – by various actors – regional governments, social partners, national institutions such as NICA; the Human Resources Development Operational Programme could potentially be used for the support of such systems, and another discussed solution is the establishment of a national employment observatory under the aegis of the Ministry of Labour and Social Policy;
- further training of trade union activists is needed to enable them to better analyse existing information and anticipate changes in employment patterns;
- the role of the local employment councils could be reinforced to promote discussion and better anticipation of restructuring;
- in the context of European debate on Sectoral Employment Councils, Bulgarian social partners at sectoral level could deepen their social dialogue on future jobs and skills in the respective sectors;

Finally there is a crucial need for information, recommendations, and guidelines for healthy restructuring; the managers effecting the restructuring process need assistance in effecting socially responsible restructuring because of their lack of experience and time, especially in SMEs which suffer most from lack of resources.

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Case Study 1 - Anticipation

The training programmes for employed people, financed by the EU Structural Funds

The training programmes for employed people, financed by the EU Structural Funds

The access of Bulgaria to the EU opened up possibilities for all the country beneficiaries to absorb Structural Funds. One of the country's operational programmes was targeted on HR development¹⁰³. The strategic objective of the HRD OP is to improve the quality of life of people in Bulgaria through enhancement of human capital, achievement of high employment levels, improvements in productivity, access to high-quality education and lifelong learning and strengthening of social inclusion.

Raising of productivity and adaptability of the employed persons was one of the key priorities of the OP. In 2007 a first open competition for support for training in Bulgarian enterprises was launched. More than 150 projects in large firms and SMEs were approved in 2008 and 2009. The amount of the support ranges from 100% for microenterprises to 70% for large enterprises.

The expectation was that 38,000 employees will benefit from this programme. The overall budget for the scheme was about 35 million leva.

The successful beneficiaries launched different training initiatives for different target groups – language and IT skills, technical skills related to various professions, etc.

The bulk of these projects are still in progress or have just finished and it is now that an evaluation could be done to assess how they helped companies adapt their skills in the crisis period.

According to some observers good practices have been developed in enterprises such as the transport company *SOMAT*, the winter resort *Borovetz*, the chain of petrol stations *Petrol*, the pharmaceutical company *Actavis*, etc¹⁰⁴.

The job reduction was following the requirements of the Labour Code. The company had consulted the trade unions and all its actions are in compliance with the Collective Labour Agreement (CLA). Information was to the Employment agency¹⁰⁵.

Full evaluation of the personnel was in order to select the employees to be dismissed. The dismissals concerned all the units. Criteria for this selection were developed and they concerned the quality of the work, the working discipline and the educational level. The local government proposed to hire part of these employees in the framework of temporary employment scheme, mainly for positions requiring low qualification.

¹⁰³ <http://www.eufunds.bg/docs/Final%20Draft%20OPHRD%20September%202007%20BG1%201.pdf>

¹⁰⁴ It should be noted that during the National Restructuring Seminar in Sofia some of the participants, mainly from the trade union side, did not agree with the positive evaluation of the mentioned projects because they were not subject of social dialogue.

¹⁰⁵ <http://www.karieri.bg/show/?storyid=757307>

In June 2009 the trade unions at a national meeting in Sofia announced that 300 persons will be dismissed from *Vidima*, according to the announcement submitted to the Employment Agency.¹⁰⁶ According to the CITUB representative V. Nikiforov all the “soft: measures such as the decrease of the working time, the leaves, etc. are spent and the only alternative is the decrease of the production”. This new wave of the dismissals was supposed to take place gradually¹⁰⁷: the first group was expected to quit the plant until the end of June 2009 and the next dismissals to continue to November 2009.

The reactions of the employees facing the danger of dismissals were negative. Lay offs in the plant of *Ideal Standard* in *Gradnitsa*¹⁰⁸ caused serious the stress of the employees because of the credits taken by them. The old employees were discouraged declaring that the employers sometimes hesitate to hire employees aged at 35, not speaking about 50 years old. A lot of the interviewed employees that are menaced to be dismiss plan to go abroad. Some of the former employees had already found jobs abroad. They had used the opportunity proposed by the management in March to take three months nonpaid leave and some of them used this period to find a job abroad and to come back just to take their luggage. The inhabitants of Gradnitsa believe other could follow them. The reasons that pushed them to search jobs win Europe are the unemployment and the credits they have.

In the case of *Ideal standard Bulgaria* some of the external companies working as subcontractors were acquired by the main company and some jobs were preserved. There was done some outplacement but between the plants of *Ideal Standard Bulgaria* and *Vidima* in different moments of the year, according to the respective workload.

The case of the restructuring in the plants of *Vidima* and *Ideal Standard* in Sevlievo and Gradnitsa allowed to observe introduction of some measures for anticipation and of managing restructuring put into practice. The employer tried first to decrease the working time. The announced dismissals were made gradually. There was social dialogue accompanying the process. Other stakeholders such as the local government participated in the restructuring in order to outplace some of the dismissed workers. However there are indications that part of the dismissed developed individual strategies of survival based on emigration. Still there is q need of full evaluation of the restructuring management in terms of dismissed workers – how many were outplaced, or developed SMEs, or receive trainings, etc.

¹⁰⁶ <http://www.segabg.com/online/new/articlenew.asp?sid=2009061600040000101>

¹⁰⁷ http://www.econ.bg/news86031/article162912/ideal_standart-vidima_sukrashtava_300_dushi_do_noemvri

¹⁰⁸ <http://www.monitor.bg/article?id=203789>



Case study 2 – Management of Restructuring The restructuring of *Ideal Standard Vidima* and *Ideal Standard Bulgaria* in Sevlievo¹⁰⁹

The companies *Ideal Standard Vidima* and *Ideal Standard Bulgaria* situated in Sevlievo, have been a success story for a long time now. The Bulgarian-American joint venture was established in 1992 and was later completely acquired by the group *Ideal Standard Internationa*. In the very difficult years of the 1990s, where the country suffered low incomes and massive unemployment, Sevlievo was the only town in Bulgaria without unemployment. In 1997 and 2000 *Ideal Standard International* opened two new ventures – a plant in Sevlievo and a plant in Gradnisa, village near Sevlievo. Thus in 2008 *Ideal Standard Vidima* employs 2,400 persons and *Ideal Standard Bulgaria* 1,500. After a long period of prosperity the two enterprises were obliged to decrease their production volume as a result of the current economic and financial crisis.

The planned job reductions in *Vidima* were 150 (announced in January 2009). There is strong social partnership in the enterprise, and employer and unions agreed to introduce measures to preserve jobs. The main measure agreed is that for a period of three months 800 people will work part time (the Stet subsidy is used). But this seemed insufficient and in June it was announced that 150 more persons were to be made redundant. This means that soft measures are exhausted and dismissals are scheduled for the end of November 2009.

It is important to underline that in this case the job reduction followed the requirements of the Labour Code. The company had consulted the trade unions and all its measures are in compliance with the Collective Labour Agreement (CLA). Information was to the Employment agency.

A full evaluation of the personnel was made in order to select the employees to be dismissed. The dismissals affected all units. Criteria for the selection were developed and they concerned the quality of the work, the working discipline and educational levels.

The reactions of employees facing the risk of dismissal were negative. Many had taken credits that needed to be paid off. As both enterprises faced difficulties in different periods there was some outplacement between the plants of *Ideal Standard Bulgaria* and *Vidima* at different stages of the year, according to the respective workloads. In the case of *Ideal Standard Bulgaria* some of the external companies working as subcontractors were acquired by the main company and some jobs were preserved, namely in relation to cleaning activities. Another measure introduced by this company the use of its employees to carry out refurbishment work in the plant instead of hiring an external company. The local government offered to hire some of the dismissed employees in the framework of a temporary employment scheme, mainly for positions requiring low qualifications. Some of the employees facing the danger of dismissal

¹⁰⁹ The information is gathered from the website of the companies, from publication in ERM, from talks with trade union representatives and from Bulgarian media.:

http://vidima.bg/index.php?option=com_content&task=view&id=13&Itemid=60 and

http://vidima.bg/index.php?option=com_content&task=view&id=26&Itemid=62, ISTUR, Multinational Companies, 1999, 2004, 2008; <http://www.karieri.bg/show?storyid=757307>;

<http://www.segabg.com/online/new/articlenew.asp?sid=2009061600040000101>;

<http://www.monitor.bg/article?id=203789>; <http://www.econ.bg/news86028/news/article154951.html>;

<http://www.seenews.com>; <http://www.news.bg>

used non-paid holidays to find jobs abroad. But people at the end of their career were discouraged.

The cases of restructuring in the plants of *Vidima* and *Ideal Standard* in Sevlievo and Gradnitsa allowed observation of the introduction and putting into practice of some measures for anticipating and managing restructuring. The employer applies flexible arrangements. The announced dismissals were implemented gradually. Social dialogue accompanied the process. Other stakeholders such as the local government participated in the restructuring specifically to outplace some of the dismissed workers.

However there are indications that some dismissed employees developed individual survival strategies based on emigration. But there remains a need for a full evaluation of the restructuring management in terms of how many of the dismissed workers were outplaced, developed their own SMEs, participated in training and re-training measures, and so forth, but this information is not available



Case Study 3

The Restructuring of Asarel-Medet AD¹¹⁰

The firm of *Asarel Medet* is a mining company established in 1964 and privatised in the late 1990s. It is located near the small town of Panagyurishte. Assarel-Medet was privatised by its employees and management team together with an Austrian investor in the late 1990s. For a long time the firm has had an image of being socially responsible and it received number of rewards for its CSR initiatives during recent years and was shown to be one of the best employers in Bulgaria ¹¹¹

The company announced internal restructuring and 193 dismissals in late 2008, according to the ERM information. The downsizing was a result of the fall in copper prices on the world markets and it obliged the company to cut its production target by 45% in 2009 compared to the 2008 level. The company planned to make these dismissals gradually. A selection procedure was put in place and the company studied alternatives with a view to minimising dismissals. The plan was to re-examine its production programme and in the event of favourable developments on the international markets the employees that had been dismissed but positively evaluated will be invited to resume their previous functions. The company planned no reduction in employee salaries in 2009 but considered a re-examination of its bonus system with a view to correlating bonuses not only with production results but also with international copper prices.

Asarel Medet's criteria for dismissals were clear and they were consulted and negotiated with the trade union sections in the company. When the dismissals took place in March-April 2009 the company evaluated its employees according to their education, length of service, teamwork, number of disciplinary offences and compliance with job objectives. The personnel evaluation was done by a specially-established commission including the HR manager, the chief of the department in question and representatives of the trade unions. Communication with employees and transparency were seen as key elements in such a situations.

It was agreed that all the employees affected by the dismissals would receive compensation depending on their length of service in the company (between 4 and 6 wages). The mining company launched also a programme for voluntary departures in exchange of better compensation. Ten persons, young and with alternative work prospects, took advantage of the opportunity.

People approaching retirement age or with health problems were offered the opportunity of early retirement. They were entitled to receive compensation depending on their length of service. About 30 persons used this opportunity.

¹¹⁰ The information is gathered from the website of the company (www.asarel.com), from publication in ERM and from Bulgarian media.:

http://www.dnevnik.bg/pazari/2009/02/25/681321_v_asarel-medet_predstoiat_poetapni_sukrashteniia/?ref=rss

<http://time2001.com/Interviews/Asarel/Tzotzorkov.htm>

<http://www.karieri.bg/show/?storyid=793857&print=1>

<http://www.karieri.bg/show/?storyid=594941&print=1>

<http://www.karieri.bg/show/?storyid=793857&print=1>, etc.

¹¹¹ According to an anonymous inquiry of 600 employees and workers *Assarel-Medet* was honored as one of the best employers in the national poll of Hewitt Associates in 2007 and in their study for Central and Eastern Europe region in 2008 as well.

All the other employees dismissed, about 140, received a compensation package:

Those with length of service up to 10 year – 4 wages;

Between 10 and 20 year – 5 wages;

More than 20 years – 6 wages.

In conclusion the restructuring of *Asarel Medet* entailed a number of measures for managing the process and these measures were discussed with the social partners. Before recalling those measures it is important to underline that the anticipation policy was short-term in this case: in December 2008 the company declared that it would make no dismissals and would just optimise its work internally, but only one month later dismissals were announced.

However the announced dismissals were planned gradually. The selection of those to be dismissed was made following a joint evaluation by the employers and unions. Different alternatives were offered to the employees to be dismissed – voluntary departures, early retirement and compensation packages.



Case 4

Bulgaria: CEZ Bulgaria AD¹¹²

At the end of 2004 the Bulgarian state-owned electricity distribution and transmission companies, covering the whole Bulgarian territory, were privatised by foreign investors – EVN, E.ON and CEZ Bulgaria AD. The case study of the restructuring of CEZ Bulgaria AD is presented by the report of the European Foundation on living and working conditions.

This company covers parts of south-western Bulgaria, including Sofia, as well as the town of Pleven in the north-west region. Redundancies were first announced in October 2006, but the restructuring process was still ongoing in 2009. Before the beginning of restructuring, the company had 4,700 employees. By 2009 this number had fallen to 3,650.

In this case the company had, since privatisation, organised a number of ‘road shows’ to inform employees of proposed changes, including presentations on the new organisational structures, how they would affect the employees, what the effects would be on the workforce, and what measures would be taken to minimise the effects of any redundancies.

Prior to any redundancies, all vacant positions within the group were posted on information boards and on the company’s intranet website, and all employees whose workplaces were to be downsized were invited to apply. Recruitment and selection then followed the normal procedure with approved candidates being offered suitable positions within the group.

If training was required for a new job, the company provided it. Additionally a relocation programme was put in place to provide financial support for 12 months in cases where an employee relocated to another town. In the case of redundancies related to outsourcing, all redundant workers were invited to apply for a job with the new supplier.

Employees made redundant could also choose from a range of training courses aimed at upgrading their qualifications and helping them to find a new job, with BGN 100 (51 as at 27 April 2009) allocated to each redundant employee for training. This training includes computer literacy programmes, language training and technical skills. Support was provided by the company’s HR personnel on preparation of a CV, how and where to look for a job and how to present oneself at interview. Such ‘job mediation’ is a licensed service according to Bulgarian legislation, so the company was able to act as a recruitment agency, although contacts were limited to the company’s service providers, and to a number of partners in the Czech Republic.

The National Employment Agency was actively involved in assisting employees who were made redundant and who registered with the agency. This case study presentation stresses on the fact that, in Bulgaria, it is entirely at the company’s discretion whether it provides support for workers who are made redundant. From this perspective The CEZ case is uncommon.

Employees received a single redundancy payment if they remained unemployed one month after they were made redundant, with the size of the payment – amounting to between two and five times the gross monthly salary – depending on the length of service with the company.

¹¹² The case study of CEZ is presented in the “ERM case studies: Good practice in company restructuring” and adapted for the need of the present report, according to the demand of the coordination team from ITC-ILO

In addition a ‘severance programme’ was provided in support of redundant employees who accepted voluntary departures. The size of the payment depended on the length of service with the company, paid as a lump sum – 4-18 times the gross wage initially, but reduced to 4--14 times the gross wage in 2006. Here again the case study report stresses the fact that a company only offers severance payments in line with the legal minimum set out in the Labour Code (one gross wage) or at best as specified in the the CLA – for example, in the energy sector, payment will amount to 2-5 times the gross wage.

Training, up to a value of BGN 100 (51), was offered to any redundant employees who sought it.

Bulgarian legislation does not provide for early retirement, but redundant employees may register with the National Social Security Institute and to receive unemployment benefits for four to 12 months, depending on their previous length of service.

Neither the public authorities nor the trade unions provide finance for redundancy payments, but the employment agency has a budget for financial support for those who become unemployed, for provision of training and for outplacements.

In this case, no compensating job creation measures were introduced by public authorities at local, regional or national level.

In conclusion the report argues that the loss of jobs as a result of the privatisation of the company was widely discussed in the media, and the outcome was generally seen as adversely affecting the company’s image. However, the measures taken to reduce redundancies by offering other jobs within the company, and the size of the redundancy payments, were welcomed both by employees and by the public at large.

No information has been published by the public authorities on the impact on employees or the local economy, although it is recognised that, in small towns with high levels of unemployment, such a restructuring measure would have a major impact given the importance of the company as an employer. Information obtained from the company suggests that the majority of the redundant employees found jobs elsewhere, and those who did not were mainly older people close to retirement age.

Table 1. Employment in Bulgaria, 1989-1999

	1989	1993	1994	1995	1996	1997	1998	1999	1989-1999
Total employment (thousands)	4 366	2 994.6	2 868.7	3 031.5	3 085.4	3 030.1	2 920.7	2 811	-1 555
Annual change (%)	-	-31.5	-4.3	5.6	1.7	-1.8	-2.7	-1.7	-37.7

Source: 1989 – Data based on establishment census; LFS 1993 - September, LFS 1994 - October; LFS 1995 - October; LFS 1995 - November; LFS 1996 - November, 1997 - November; LFS 1998 - November, LFS 1999 - November.

Table 1-a. Employment in Bulgaria, 1999-2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total employment (thousands)	2 735,5	2628.2	2 704.4	2825.6	2 911.9	2 982.3	3 159.6	3 306.4	3 363.5
Annual change (%)	-2,6	-3,9	2,90	4,48	3,05	2,42	5,95	4,65	1,73

Source: Labour force survey, December 2000, December 2001, December 2002, fourth trimester 2003, fourth trimester 2004, fourth trimester 2005, fourth trimester 2006, fourth trimester 2007, fourth trimester 2008

Table 2. Number of the Registered Unemployed Persons (1995 - 2009)

31.12.2009				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	338 144	186 273	29 984	105 855
Unemployment level (%)	9.13			2.86
Youths up to 29	62 422	33 373	5 456	23 131
Long - term unemployed over 1 year	87 192	55 440	4 516	-3 673
31.12.2008				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	232 289	145 628	20 185	-23 621
Unemployment level (%)	6.27			-0.64
Youths up to 29	39 291	24 499	2 936	-7 944
Long - term unemployed over 1 year	90 865	58 614	3 667	-53 935
31.12.2007				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	255 910	155 960	17 063	-81 886
Unemployment level (%)	6.91			-2.21
Youths up to 29	47 235	29 014	2 839	-26 337
Long - term unemployed over 1 year	144 800	87 737	4 646	-51 008
към 31.12.2006				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	337 796	197 761	20 943	59 544
Unemployment level (%)	9,12			-1,61
Youths up to 29	73 572	43 174	4 186	-23 705
Long - term unemployed over 1 year	195 808	113 038	5 935	-26 519

31.12.2005				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	397 340	225 506	25 412	-53 226
Unemployment level (%)	10,73			-1,44
Youths up to 29	97 277	54 983	6 134	-17 785
Long - term unemployed over 1 year	41 750	22 012	4 253	-8 671
Постъпили на работа безр. през месеца	11 817	7 575	2 153	-2 763
Отпаднали от регистрация през месеца	16 523	8 886	1 464	-8 791
31.12.2004				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	450566	249013	29 227	-50 098
Unemployment level (%)	12.16			-1.35
Youths up to 29	115062	63 330	7 577	-19 223
Long - term unemployed over 1 year	246430	137191	8 476	-19 648
Към 31.12.2003г.				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	500 664	273 594	33 450	-101 860
Unemployment level (%)	13.52			-2.75
Youths up to 29	134 285	73 043	9 719	-38 462
Long - term unemployed over 1 year	266 078	148 415	9 307	-38 271
31.12.2002				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	602 524	321 469	39 557	-59 736
Unemployment level (%)	16.27			-1.61
Youths up to 29	172 747	91 980	10 919	-7 286
Long - term unemployed over 1 year	304 349	160 090	11 132	-25 398
31.12.2001				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	662 260	341 189	39 330	-20 532
Unemployment level (%)	17.32			-0.54
Youths up to 29	180 033	88 191	9 968	-12 614
Long - term unemployed over 1 year	329 747	175 721	11 316	47 063

31.12.2000				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	682 792	359 368	46 585	72 241
Unemployment level (%)	18			2
Youths up to 29	192 647	96 551	11 538	4 855
Long - term unemployed over 1 year	282 684	152 474	8 140	91 774
31.12.1999				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	610 551	326 047	36 242	145 349
Unemployment level (%)	15,97			3.80
Youths up to 29	187 792	97 692	11 055	42 388
Long - term unemployed over 1 year	190 910	106 353	5 202	34 969
31.12.1998				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	465 202	254 055	17 821	-58 305
Unemployment level (%)	12.17			-1.53
Youths up to 29	145 404	78 225	5126	-38 282
Long - term unemployed over 1 year	155 941	87 302	3097	4324
31.12.1997				
Indicators	Total	Women	With university education	Previous year
Total number of the registered unemployed	523 507	287 053	22 880	44 737
Unemployment level (%)	13.69			1.17
Youths up to 29	183 686	99 292	8 409	-6 140
Long - term unemployed over 1 year	151 617	87 181	3 306	36 976

Table 5: Scheme “Razvitie” (“Development”)

Budget:	150 000 000 leva ¹¹³
Period:	2009 – 2012
Method:	Direct provision to the Employment Agency
Beneficiary:	National Employment Agency
Target groups	Unemployed persons, registered in the labour offices that were dismissed after restructuring, closures of enterprises, decrease in production volume or closure of an activity after 01.11. 2008
Start of the measure	3 rd trimester of 2009

Source: Ministry of Labour

¹¹³ 1 Euro equals 1,95583 Bulgarian leva

Table 6 Adaptivnost (Adaptability)

Budget:	72 000 000 leva
Period:	2009 – 2011
Method:	Direct provision
Beneficiary:	National Employment Agency
Target groups	Employees in economic activities B, C, D, E, F, G, H, I and J from the standard classification of economic activities
Start of the measure	3 rd trimester of 2009

Source: Ministry of Labour

Table 7. Na Pat (On the road)

Budget:	25 000 000 leva
Period:	2009 – 2011
Method:	Direct provision
Beneficiary:	National Employment Agency
Start of the measure	2009 – 2011
Target groups	Employees in economic activities B, C, D, E, F, G, H, I and J from the standard classification of economic activities
Start of the measure	3 rd trimester of 2009

Source: Ministry of Labour

Table 8. Active Labour Market Policies – main measures (2008 - 2009)

	Measure	2008 coverage	2009 coverage
1.	Promoting employers to hire unemployed persons as part-time workers	n.a.	19,485
2.	Promoting employers to ensure daily organised transport for workers for travelling to and from the workplace for a distance of up to 100 kilometers on the territory of the country.	5,473	6,621
3.	the National Programme “From social assistance to employment”;	52,586	40,916
4.	the National Programme “Recovery and preservation of the Bulgarian forest”	3,088	1,808
5.	the National Programme “Assistants to people with disabilities”	13,023	10,665
6.	the National Programme “Assistance at retirement”	368	2,414 per month
7.	The National Programme for employment and training of people with permanent disabilities	1,588	2,783 per month
8.	The Programme “Start of career”	282	441 youth are included
9.	The National Programme “Activation of not active persons	55	71

Source: National Employment Agency

Table 9. Educational standards updated by professions

	Occupations	Educational Standards	Project of Standards
21 ARTS			
211 Fine arts	1	1	-
212 Music and Performing Arts	8	-	-
213 Audio-visual arts and techniques; media products production;	13	-	1
214 Design	1	1	-
215 Applied Arts and Crafts	6	1	3
22 HUMANITIES			
211 Religion	1	-	-
34 BUSINESS MANAGEMENT AND ADMINISTRATION			
341 Wholesale and Retail	3	1	-
342 Marketing and Advertising	1	-	-
343 Finance, Banking & Insurance	2	1	-
344 Accounting and Taxation	2	2g	-
345 Administration and Management	7	3	-
346 Secretarial and Office Work	3	2	-
44 PHYSICAL SCIENCES			
443 Earth sciences	2	1	1
48 INFORMATICS			
481 Computer Sciences	2	1	-
482 Applied informatics	4	2	1
52 ENGINEERING			
521 Machinery, Metalworking and Metallurgy	12	4	8
522 Energy and engineering	5	4	4
523 Electronics, Automatics, Communication and Information Technologies	9	5	1
524 Chemical Products and Technologies	9	1	9
525 Motor Vehicles, Ships and Aircrafts	12	7	9
54 MANUFACTURING AND PROCESSING			
541 Food Technology	6	4	1
542 Production Technologies – textile, apparel, footwear and leather	15	12	2
543 Production Technologies – wood, paper, plastics and glass	4	3	2
544 Mining and extraction	5	-	-

58 ARCHITECTURE AND BUILDING			
581 Architecture and planning	1	1	1
582 Construction	8	4	7
62 AGRICULTURE			
621 Crop and Livestock	12	8	6
622 Gardening	3	1	2
623 Forestry	6	5	1
624 Fisheries	4	2	1
64 VETERINARY			
640 Veterinary Medicine	2	-	-
72 HEALTH AND WELFARE			
725 Medical Diagnostics and Technologies	4	1	1
76 SOCIAL SERVICES			
762 Social Work and Consulting	5	2	4
81 PERSONAL SERVICES			
811 Hotel and Catering	8	8	1
812 Travel, Tourism and Leisure	4	2	3
813 Sports	10	-	3
814 Domestic Services	2	-	-
815 Hairdressing and Beauty	2	2	2
84 TRANSPORT SERVICES			
840 Transport services	7	4	2
85 ENVIRONMENTAL PROTECTION			
851 Environmental protection technologies	2	1	1
86 SECURITY SERVICES			
861 Security	2	1	-
863 Military	5	1	1

Source : NAVET and own calculations