



**“An attempt to revitalize social dialogue
and national industrial relations systems
in some of the CEECs” –
lesson learnt and best practices
in the way out of the crisis**

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**Country Report
on Bulgaria**

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EXECUTIVE SUMMARY

Bulgaria resumed the normal development of social dialogue after an interruption of half a century, during the period of the totalitarian regime. The “golden period” of the Christian Democratic development of the European social and economy model starting at the end of World War II and continuing until the end of the 1980s, omitted in Bulgaria. Social dialogue in Bulgaria began to unfold in a difficult period when the values of Social Europe face sensitive challenges.

Bulgaria’s legacy of the totalitarian regime does not allow a natural evolution of social dialogue. Regardless of the so-called “Democratic changes” in Bulgaria, the stagnation in public relations including the non-civil sector and social partner organizations, persistently continues to dominate the formulation of the social agenda and social decision making.

The contemporary understanding of social dialogue in and its present form is primarily an “imported concept” in Bulgaria, in which the political power allows such interference by structures of the civil society reluctantly and only under the pressure of the European institutions. Although numerous infrastructure elements of social dialogue have been established (concepts, institutions, procedures and culture) in our society, inherently social dialogue still continues to be primarily a nominal value for most of the political powers in the government. The government is forced to respond to social dialog if large groups of people are in the streets and their active protests bear the potential of escalating the tensions. Therefore much more needs to be done to develop in the first place the civil society itself and only then can social dialogue function as a natural element of a developed society, like in it does in the European context.

Albeit with some delay, the consequences of the so-called “Global financial crisis” in Bulgaria are similar to those in the other EU countries. The social partners – as well as their counterparts in other European countries – are experiencing serious difficulties and social dialogue is arrogantly driven away from the focus of the political processes by complicated funding mechanisms. Combined with unprecedented transformations resulting from globalization and the technological development of societies, this process inevitably requires the transformation and reformation of social partners themselves so as to be able to find an adequate response to the changes.

In recent years, social partners in Bulgaria acquired some experience and built capacities on the basis of the model of their Western colleagues. In this context, they faced the same difficulties in connection with phenomena like remote and temporary employment, the emergence of precarious groups (poor workers), unfair competition from increasingly powerful multinational corporations and the rude attack against Christian democratic values.

Not only the social partners but also the European model of civilization is in crisis. Therefore, we inevitably need to understand, promote, implement and update the major changes so that the social partners become more communicative, more flexible, more integrated and able to cooperate in a network. Otherwise, the social model we want to achieve would not be able to survive.

I. INTRODUCTION

1. Communist past

Bulgaria was perhaps the most consistent and faithful disciple of Moscow in the implementation of the totalitarian model of the political, economic and social governance, which adversely affects the overall conditions of the society in recognizing and reflecting to the undemocratic actions of power – until the present day, three decades after the historical end of this period. The systematic destruction of the spiritual and cultural elite of the nation, the nationalization of all private property in the so-called “command economy”, the impervious closing of the borders for Bulgarian citizens, the jamming of unauthorized access to information from the West and the limitless aggravation of the paranoia of the “enemy”, deprived the Bulgarian society of the conditions necessary for development of a civilian elite and crating the ability to correctly identify the upcoming processes of the profound social-economic transformation and to take the necessary responsibility for the orientation towards a post-communist future of the country. Combined with an extremely powerful and developed State Security Service (directly engaging up to 300'000 citizens of the 9 millionth nation of Bulgaria) and with the suffocating control over all spheres of public life (including the false trade union movement and party orchestrated imitation of social dialogue), it is impossible even to think about any protest movements such as in **Poland, Czechoslovakia** or **Hungary**. However, if such movements occur, their scale is considerably more modest, and they disappear under the – suffocating and discouraging – control of the State Security Service especially in the context of the political influence that entangled Bulgaria to **80%** in the power of the Soviet Union model.

2. Harbingers of change

Regardless of the suffocating atmosphere of the communist regime in the last decades of totalitarian power, the Soviet Union (statutory authority and source of legitimacy for any new idea in the Bulgarian society) began more aggressively to seep information on the process of the so-called “Perestroika”, and with it – a hope for imminent changes. The Bulgarian communist elite, an absolutely helpless protégé and affiliate of the Soviet power, panicked. The exercise of ordinary repression against dissenters and dissident Bulgarians, which was legal and widely applied in earlier times, become increasingly irrelevant in the view of possible future changes and liability. The retarded industrial development and the deficiencies of the Bulgarian economy led to an increasing dependency on foreign loans and aid which drifted the Bulgarian communist elite in an increasingly awkward and threatened position. Bulgarians seeking for alternatives quickly recognized this and, albeit tentatively, but began to take their first attempts to publicly oppose the status quo. The most vivid example of a rising anti-communist movement was **08.02.1989** when the independent association of scientists and engineers, professionals and creative artists in Bulgaria, was transformed immediately after the changes in late **1989** following the model of the Polish “**Solidarność**” into the first democratic trade union in Bulgaria.

3. Controlled dismantling

According to the secret instructions of the Soviet secret police (and its dedicated ally in Bulgaria, the State Security) they implemented the plan of a controlled dismantling of the communist regime and the transition from planned to market economy, from a closed totalitarian society towards freedom and democracy with a multiparty political model. The main objective of this carefully prepared and implemented plan was that the communist nomenclature retains the power, all economic resources and key positions in the Bulgarian society, and that they create political, legal (constitutional), economic and organizational barriers to any attempt to impeach the former communist elite or to reveal or discuss the crimes of totalitarianism in any way. Key to the success of this plan was to export the Bulgarian capital in so-called “external trade companies” created and maintained by the State Security Service as a source of income in convertible currency and as a means of the so-called scientific, technical and industrial espionage. As far as they could, the communist secret services began to purge the most important archived documents, so as the crimes of the regime cannot be traced and those responsible cannot be made accountable. In the new “democratic” society”, the elite occupied the key positions which are the buffers of the institutional foundations of a nominal democracy.

4. Foundations of democracy

To ensure the success of the so-called “transition” in line with the aforementioned plan, a large number of political, economic and civil entities are created with “democratic” appearance and the purpose of covering the entire political spectrum, media space, the major capital areas, NGOs and others. Former officers of the State Security became bankers, industrialists, producers, editors, experts, human rights activists, public figures and philanthropists. Within a by nature criminal privatization, other state assets are redistributed among the “democratic” players and a part of the previously exported “foreign” capital is re-imported to the country as “foreign investment”. The major legislative transformation was carried out in the 1990s. The new commercial, contractual, finance, tax and criminal laws completely miss on any leverage effect of tracing abuses, looting of property and planned bank failures. The state went bankrupt twice (once in **1990** and once again in **1997**), allowing the rest of her assets to be bought up by dummies on the cheap. Gradually, the entire socialist property, once nationalized by the communist regime and built with forced labor of the Bulgarian people, became private property of the former communist. The institutions of social cooperation, which by definition are to discuss labor, employment, social and economic issues, had to be established under these circumstances. However, these institutions have no real power and their operation is not meaningful as it is limited to legitimize predefined solutions – in favor of the newly formed capital that belongs to members of the same post-communist elite.

5. Approaching present

Despite the fierce opposition of the former Russia-oriented communist elite, the pro-European orientation still prevails in Bulgaria. The winter of **1997**, when the banking system collapsed and when for the second time in less than **10** years the assets of the Bulgarians were impounded, turned out to have a catalyzing effect. After devastating protests and several months of nationwide strikes, in which all systems in the country were blocked, pro-European parties came to power in Bulgaria and the country embarked on a course towards the accession to the **EU** and the **NATO**. A torturous negotiation process began for the accession, in Bulgaria was forced to transform much of its still existing economic and industrial system built on the Soviet model and to comply with **EU** and **NATO** standards. This de-industrialization associated with the liquidation of entire sectors of the Bulgarian economy further deteriorated the already difficult economic situation in Bulgaria and made the pro-European policies highly unpopular. This opened up the way for strong populist parties to enter into the power and choke the fragile attempts of restructuring and reforms. Nevertheless, despite the lack of preparedness, the country joined **NATO (2004)** and accessed the **EU (2007)** – a measure of extending Western influence in the Balkans. The accession gave a major boost to the development of pro-Western Bulgaria and was the sign of its irreversible choice for civilization. The former construction of simulated democracy primarily aiming at the preservation of the status, the privileges and the impunity of the former communist elite, became increasingly difficult and justifiable to the **EU** and **NATO** partners and their more tangible pressure. Bulgaria was gradually forced to adopt some of the basic principles of the European legal order, the information society, and the involvement of citizens in the decision-making process. Although the reflexes to simulate democracy and authentic change continued, more and more elements of the European development model are accepted in Bulgaria – primarily under international pressure and with the support of small authentic organizations.

II. INITIAL INDUSTRIAL RELATIONS / SOCIAL DIALOGUE SYSTEM OF THE COUNTRY

1. Social dialogue

Art. 2 of the **Labour Code** stipulates that *“the state regulates labor and directly related relations, security relations and living standard issues after consultation and dialogue with workers, employees, employers and their organizations in a spirit of cooperation, mutual concessions and respect of interests each of the parties”*. From the attached legal definition it is clear that the subject of social dialogue shall be *“labor and directly related relations, security relations and living standard issues”*. Labor relations are connected with the provision of labor between workers, employers, the occurrence, existence, implementation and termination of their relationship, the implementation of collective agreements and the provision of services. Security relations are associated with the compulsory social and health insurance covering statutory risks – “unemployment”, “maternity”, “accident”, “sickness”, “occupational disease”, “disability”, “seniority” and “death”. Living standard issues include all other aspects of social and economic conditions, employment, education and training, poverty and discrimination. In Bulgaria, there is on the one hand the tripartite social dialogue – within the councils for tripartite cooperation at the national, regional, sectoral and local level, the participating parties are organizations of employees, employers and representatives of the state or municipalities- , and on the other, the bipartite social dialogue – at the company level within the frame of the Council for bilateral cooperation, among the organizations of employees in the enterprise and the employer, primarily in connection with collective bargaining and the resolution of collective labor disputes.

2. Social partners

“Social partners” are organization of employees, on the one hand and of employers on the other hand. The social partners may set up a special kind of NGO freely and without prior authorization to protect the interests of its members only on the basis of its statutes. There is no special law on the status and the activities of social partners (although the Constitution of **1991** provided for it). The governing regulation on social partners are included in the Constitution (as a basic principle of social dialogue and fundamental rights of association, labor protection, provision and standard of living), and in different Acts the **Labour Code**, the **Civil Servants Act**, the **Legal Entities for Non-Profit Purpose Act**, the **Employment Promotion Act**, the **Settlement of Collective Labour Disputes Act**, the **Secured Claims of Employees in Case of Bankruptcy of the Employer Act**, the **Informing and Consulting Employees in Multinational Enterprises, Enterprises Groups and European Companies Act**, and others. The establishment of an organization of employees or employers follows the general procedure of the establishment of non-governmental organizations (associations and foundations) and does not include additional restrictions on the right to participate in social dialogue at the company level. National representation

and the participation in social dialogue at a higher level require the compliance with additional criteria.

3. National representativeness

The requirements for national representativeness of employees' organization: at least **75'000** members; organizational units in at least one quarter of the economic sectors in the country with members in at least **5%** of employees in each of these sectors, at least **50** organizations with at least five members in all economic sectors; national governing body and structural subdivisions in at least **1/4** of the municipalities in the country; registered operations of at least three years. The requirements for national representativeness of employers' organizations: structural subdivisions in at least **1/4** of the economic sectors with at least **5%** of employees in each of them, or at least **10** members in all economic sectors; national governing body and structural subdivisions in at least **1/4** of the municipalities in the country; registered operations of at least three years. The national representativeness of social partners is verified by the Council of Ministers every four years or in case of reasonable grounds to suspect irregular conditions concerning the recognition of the national representativeness. Nationally representative social partners become part of social dialogue within the framework of the trilateral cooperation and receive limited logistical support from the state and the local government (most often in form of premises for use). At present, there are **2** employees' organizations (**Confederation of Labour “Podkrepa”** and the **Confederation of Independent Trade Unions**) and **4** employers' organizations (**Association of Industrial Capital in Bulgaria, Bulgarian Industrial Association, Bulgarian Chamber of Commerce and Industry Auditors** and the **Confederation of Employers and Industrialists in Bulgaria**) nationally representative social partners.

4. Levels of social dialogue

Social dialogue takes place at the national, regional and local level in the economic sectors and in the enterprises. Social dialogue at the national level covers all citizens of Bulgaria in all economic sectors and regions irrespective of their membership in an organization of employees or employers. At the national level, the tripartite social dialogue takes place within the frame of the National Council for Tripartite Cooperation, where the government and nationally representative social partners discuss relevant strategic issues and legislation. At the regional and sectoral level the regional and sectoral social partners discuss the regional and sectoral strategic matters and regulations. When the social partners, i.e. the national representative organisations, reach an agreement the Minister of Labor and Social Affairs may extend the concluded collective agreement at the sectoral level, which makes it mandatory for all workers, employees and employers in this sector. Most often this is the case in agriculture, the tobacco industry, wood industry, furniture industry, water, rail, and road works, the energy sector, in mechanical engineering, electronics, postal services, health, culture and education.

5. Collective bargaining

Collective bargaining in Bulgaria is conducted mainly at the enterprise level. Collective bargaining may cover negotiations for more favorable conditions to employees than the statutory minimum standards. Most often, negotiations focus on working hours, pay and bonuses, holidays and leave, working conditions, employment policy, career development, benefits and other social benefits and the conditions of trade union activities. Only one collective agreement can be in force in an enterprise. The bargaining procedure starts with the trade unions requesting information on the economic situation of the enterprise, based on which they prepare and offer a joint collective agreement. The employer is obliged to provide the requested information and to participate in the negotiations. If it comes to signing a collective agreement, it shall be introduced in a special register at the Executive Agency “General Labour Inspectorate” (EA “GLI”) and will remain in force up to two years for all union members in the enterprise. Not organised employees¹ can join the agreement through a special procedure. Approximately **30%** of employees are covered by a collective agreement – either through membership in the bargaining workers’ organization, or through an application for accession submitted after the agreement was reached. An additional **2%** of employees are covered through the extension of a collective agreement on the entire economic sector. State officials as well as some sectors critical to national security (defense, police and justice) have limited possibilities for collective bargaining. At present, a proposal on the elimination this restriction is discussed by the social partners.

6. Special levels of social dialogue

On the enterprise level the employer or its representatives and the general or delegate meeting of employees and their trade unions negotiate in the bilateral social dialogue in groups and committees on working conditions, works' councils, strike committees. The (delegate) assembly of employees and their trade unions in the enterprise have universal representative power Other listed structures are temporary or have limited representative power – in connection with health and safety at work, the implementation of industrial actions and other issues depending on the current situation and needs.

7. Recent developments and trends

Under pressure of the de-industrialisation of the Bulgarian society and the so-called “world financial crisis” we have seen in recent decades a steady trend where social dialogue loses importance and the focus of public attention shifts from the values of solidarity and social justice to the values of individualism and efficiency. Combined with governments taking power successively the globally adverse economic developments and the overall deterioration of the situation due to the long delay of the structural reforms, these trends have led to repeated attacks on the employment

¹ There are two groups of employees in enterprises: union members and non-organized workers. The members are automatically covered by the agreement. Non-members are not covered but if they want to, they may apply to join the contract via a special procedure.

system , social security, social rights and social protection and the importance of tripartite and bipartite dialogue has also been challenged. As a result of successive campaigns on legislative amendments labor, insurance and social rights were abolished and certain groups of Following the maxim of “flexicurity”, it was even more attempting to steal a part of the national representation of the social partners – by drastically tightening the criteria for national representativity. In line with this principle, labor market phenomena before unknown were introduced such as temporary employment agencies, day work contracts and others. While the social partners, due to their position should increasingly be taken into account under the pressure of “economic necessity” businesses make intense efforts to keep their profits levels in of the period of stagnation, even at the cost of the workers.

III. CURRENT INDUSTRIAL RELATIONS / SOCIAL DIALOGUE SYSTEM OF THE COUNTRY

1. The main social partners

The main social partners in Bulgaria are organisations with national representativeness and this allows them to participate at all levels of social dialogue.

a) workers' organizations

At present there are **2** organizations of employees with recognized national representativeness in Bulgaria: Bulgarian Trade Union – established shortly before the collapse of the communist regime in **1989**. Immediately after the democratic changes of **1990** the Confederation of Independent Trade Unions in Bulgaria (**CITUB**) was also established as the successor of workers' organizations from the communist period. Both organizations are members of the European Trade Union Confederation (**ETUC**) and the International Trade Union Confederation (**ITUC**). According to the last official census of **2012**, CL “Podkrepa” has **88,329** members in **27** sectoral organizations with a total of 2,268 organizations in individual companies. **CITUB** has **275,762** members in **35** sectoral organizations with a total of **6,381** organizations in the individual enterprises.

b) employers' organizations

At present there are **4** employers' organizations with recognized national representativeness in Bulgaria. The Bulgarian Industrial Association (**BIA**) has **120** regional organizations with **13,082** employers (approximately **3.6%** of the Bulgarian economy). The Bulgarian Chamber of Commerce and Industry (**BCCI**) has **28** regional organizations with **21,977** employers (approximately **6%** of the Bulgarian economy). The Association of Industrial Capital in Bulgaria (**BICA**) has **38** sectoral organizations in **75** municipalities (approximately **1.8%** of the Bulgarian economy). The Confederation of Employers and Industrialists in Bulgaria (**CEIBG**) has **101** regional organizations with **5,336** employers (approximately **1.5%** of the Bulgarian economy). Two other employers' organizations were denied the national representativeness in **2012**– these are the Union for Economic Initiative (**ESA**) and the Bulgarian Union of Private Entrepreneurs (**BUPE**) “Renaissance”.

2. The system of social dialogue

a) institutional framework

The first General Agreement in the history of modern Bulgaria was signed on **15.03.1990**, part of which stipulates the establishment of the National Commission for the Coordination of Interest (**NKSI**). This parity committee was the basis of the tripartite cooperation at the national level. In **1993** the National Council for Tripartite Cooperation (**NCTC**) was established with sectoral and territorial councils for tripartite

and bipartite cooperation. In **1995**, the principle of social partnership (participation on a parity basis) was also introduced in surveillance authorities and / or control of social funds in Bulgaria (National Social Security Institute (**NSSI**), National Health Insurance Fund (**NHIF**), Fund “Professional Qualification and Unemployment” (**PQU**) and others). In **2003** the Economic and Social Council (**ESC**) of the Republic of Bulgaria, the National Council for Employment Promotion (**NCEP**) and National Institute for Conciliation and Arbitration (**NICA**) were established, the latter operates in the area of collective labor disputes. The social dialogue system involves a number of permanent and ad-hoc trilateral and bilateral working groups for the drafting of legal acts, bilateral sectoral councils to negotiate the national minimum insurance income and the recommended minimum wage increase.

b) historical genesis

Most of the labour and social legislation in Bulgaria is towards improving the legal framework for the involvement of social partners in policy-making, and even the management of specific social processes improved especially after **1997**. This was done through the ratification of various conventions of the International Labour Organization (**ILO**) and of the Revised European Social Charter of the Council of Europe. In late **2001**, this process slowed down and social dialogue was even limited, especially through employment policy regulations: the tripartite fund managers **DAB** and the National Employment Service (**NES**) were transformed into Employment Agency (**EA**) under the control of the government represented by the Ministry of Labour and Social Policy (**MLSP**). In **2002** attempts were made to limit the rights of social partners through the regulations on living standard. Since then, labor, insurance and social legislation has steadily worsened. However – within the frame of the integration efforts of the Bulgarian government –the **ESC** as advisory body was established 2003 by an Act passed in **2001**, to express the will of the civil society in economic and social development matters. The **ESC** is a permanent institutional form of social dialogue between the Government and civil society for the consultation on economic and social policy. The **NCEP**, set up also in **2003** as a tripartite body, has only advisory, cooperation, consultation and policy-making functions in employment promotion.

3. Pressure on current conditions

a) retreats from tripartite principle

To fulfill the requirements of the European political model, social dialogue institutions has been included in the Bulgarian legislation and political processes. Grown in totalitarian manners, the political power in Bulgaria has - up to the present - never been inclined to put real operational power into the hands of the civil society, including under the social partnership. Therefore, the institutions of social dialogue became formally part of the Bulgarian social model, but they are largely devoid of real power which could enable them taking and implementing decisions in the area of labor and the standard of living. To a large extent, social dialogue continues to be primarily an ancillary activity limited to the exchange of views - often not even heard by the government. The government argues by the political responsibility it bears and

considers itself to be legitimized to take conflicting decisions even in when the position of the social partners are strongly contrary.

b) so-called “anti-crisis measures”

As a result of the so-called “Global financial crisis” (2008-2011) Bulgaria carried out a powerful legislative changes and cut a number of benefits and the legally enshrined protection for employees and a number of “red tape” obligations for the enterprises – mainly to ease and abolish any liability for changes in the welfare regulations for workers, to increase working time flexibility, to extend the calculation of summarized working time (which violates the relevant European legislation), to simplify lay-off procedures, to make the transfer of certain parts of the labor costs possible at the expense of the state budget and even to guarantee legally the “right” of the employer for not paying the full amount of wages. Along with these, other measures were also introduced in Bulgaria which even in more developed countries harmed the labor market, like the temporary employment agencies. Last but not least – as part of the “crisis management measures” regulations were introduced to limit the right for free association and collective bargaining for certain categories of workers – government officials, employees of the energy sector and others.

c) limiting the representativeness

One of the main challenges social dialogue faces is the drastic tightening of the criteria for the recognition of national representativeness (2011) – in spite of the fact that this was an arrogant violation of the procedures and was sharply protested by all social partners. The unfolding global economic crisis led to the temporary closure of a great number of enterprises and the redundancy of tens of thousands of jobs; entire sectors disappeared from the economic map of Bulgaria still the requirements for membership and regional presence of national social partners were increased for the desolate regions. CL “Podkrepa” made an unequivocal, fortunately unsuccessful attempt to be released from the tripartite dialogue. Due to the strict criteria, however, **ESA** and **BUPE** “Renaissance” lost their national representativeness. **BCCI** made an attempt to abolish the tripartite dialogue – through the adoption of unacceptable changes in labor law, which a few months later were annulled for their unconstitutionality.

IV. THE SOCIAL PARTNERS AND THE CRISIS

1. General economic slowdown

Bulgaria is presented to foreign investors as a country with low taxes and cheap labor. Typically, the Bulgarian economy almost completely misses investments in innovation. Instead, the existing old factories are used to full deterioration or the buildings are sold with the land fund as waste and scrap. Logically, under such conditions productivity in Bulgaria (with few exceptions) is extremely low and of the added value is very poor. Combined with devastating financial policies of the governments of the last few decades, these circumstances contributed to the disruption of social dialogue and pushed the Bulgarian nation to the brink of misery and despair.

2. Minimum wage

This is the approximate development of the minimum monthly gross wages in Bulgaria over the past years:

2000 – €34;
2001 – €50;
2003 – €55;
2004 – €60;
2005 – €75;
2006 – €80;
2007 – €90;
2008 – €110;
2009 – €120;
2010 – €120;
2011 – €135;
2012 – €145;
2013 – €155;
2014 – €170;
2015 – €185.

It should be taken into account that the consumer prices for a large proportion of basic goods and services in Bulgaria are not lower than the EU average; sometimes they are even significantly higher. Labor costs in Bulgaria are absolutely the lowest in Europe (not only in the EU). Compared with the prices of basic goods and services, we can conclude that the lower cost of labor presses down the living standard of the nation to levels that do not allow people to satisfy their daily physiological needs and our country has become one of the countries where the so-called “precarial” (unsecured and poor working people) grows fastest in number. Due to the low labor costs the less educated persons and those in remote and backward regions are doomed to work for wages close to the established minimum wage. This drives many in long-term unemployment, they become discouraged and dangerously isolated in

the society which may be the roots of future economic and ethnic-cultural antagonisms. In this policy setting, the minimum wage continues to be extremely determined in a conservative manner and at abnormally low levels.

3. Taxation and insurance system

To limit the ubiquitous tax earnings and to increase revenues collapsing the State Social Security Fund, the so-called Minimum insurance income was introduced 2003 – a mandatory payment every employee must be provided even if the actually received pay does not reach this amount. Thus employees with lower salaries are obliged to pay contributions including the non-paid part of their income. In order to encourage foreign investments, in 2008 the authorities set the lowest wages in the EU and offered some of the lowest (tax)rates – a flat tax of **10%** without any personal allowances. And finally with the elimination of family taxation Bulgaria is one of three unique countries in the world (with Georgia and Pennsylvania in the US) that apply exclusively rightwing and antisocial tax and social security policy.

4. The poverty line

Officially, **21%** of Bulgaria's population live below the poverty line – they are unable to buy any property and their income does not satisfy their basic needs of life. The steady trend of a gradual increase of the number of poor people in the country is on the one hand due to the aging of the nation and due to increased unemployment and the quality of existing jobs, on the other. In **47.6%** of cases unemployment leads to falling below the poverty line, the second main reason for this is low education (**30.2%**). Families with three or more children fall below the poverty line in **68.1%** of the cases. **36.1%** of Bulgarians have difficulties in paying their housing costs, **45%** are have to restrict winter heating due to financial reasons and **43%** live in severe material deprivation. **28.4%** of children in Bulgaria and **27.9%** of adults over 65 live below the poverty line. **31.6%** of poor people are inhabitants of underdeveloped and remote regions².

5. Legislative challenges

Due to the persistent negative trends in social dialogue there are a number of legal issues repeatedly on the agenda at the national, sectoral and regional social dialogue level. Some of these problems concern social dialogue itself, while others are related to industrial relations in a broader context resulting from the work of the social partners. Some of the most important issues are:

a) binding nature of social dialogue

As mentioned above, social dialogue in Bulgaria is limited to the voluntary exchange of views, what may not necessarily lead to the achievement of mutual concessions and constructive solutions. Often, within the frame of trilateral and bilateral

² Source: National Statistical Institute data, 2014

cooperation (in legislative processes and policies in the individual companies), social dialogue is reduced to formal procedures and has no consequences. In Bulgaria, the adoption of measures meant to strengthen social dialogue was not accompanied by the adoption of norms that could enhance its insuperable importance in relation to issues of labor, social security and living standard. We miss in our country the well-established European practices that provide for a discussion of all relevant legislative proposals on the basis of the principle of tripartism and agreements are not of a binding nature, which would be crucial for further policies. There is no obligation to discuss relevant legislative proposals that come from the Legislator with the social partners (such obligation exists only for the executive, although the results of the negotiations – as mentioned before – have no binding nature). The same applies for the company level where the consultation is often blocked “in the interest of the trade secret” and is therefore reduced to a simple communication of decisions already taken or is a pointless unproductive procedure deprived of any progressive negotiations.

b) the role of social partners in inspection

With the end of the totalitarian period, some important entitlements of the social partners related to monitoring the compliance with the labor legislation and the rules of fair competition and the social responsibility of enterprises were hastily withdrawn. Today, social partners in Bulgaria have only a whistleblower function and do not even have the right to obtain a copy of the inspection protocol of a specific employer or to obtain information on possible violations and the imposed sanctions. This excludes the civil society from the possibility of being involved in the protection of labor, social security and social rights of employees. Social partners have repeatedly proposed the introduction of the institution of the so-called “labor inspectors” which could ensure the civil sector to assist authorities in monitoring the compliance with labor legislation. Bulgaria was criticized a number of cases for preventing the civil society from participating in the decision-making process in practically all spheres of public life. Similarly important is the proposal of the social partners to offset up special labor courts for the settlement of employment related disputes in a quick and efficient procedure. The government however rejected this on the basis of insufficient conditions – a problem for which the Bulgarian state was also repeatedly criticized by its European partners.

c) obligation to pay wages in full

One of the “anti-crisis measures” was the regulation that permits employers to pay only at least 60% of the wages, without the labor inspection authorities being allowed to put claims on the remaining unpaid part. If the employee insists on receiving the rest of his due salary, he may go to court but will have to bear the whole costs of the claimant in the court procedure. The balance is broken as the employee continues to be obliged to fully perform his duties, but in return may only receive a part of his due pay and the labor inspection refuse to grant him protection. This regulation was a serious step backwards from the classical foundations of law and should be repealed immediately. “Anti-crisis measures” did not help businesses to provide more jobs on the contrary – they supported trends of neglecting and transferring labor costs and all economic difficulties at the expense of working people .

d) comprehensive taxation and insurance reforms

At present, the tax and social security system in Bulgaria harms the poorest and leaves the rich intact: there is no personal allowance or family taxation; a flat tax was introduced that does not change with higher income; we have a minimum social security income, after which even the lowest paid workers have to pay contributions. We need a tax-exemption ceiling and have to restore family taxation to help the poorest households and individuals. A fair distribution of burdens in the society requires proportional (progressive) taxation depending on the income. The absurd situation of the minimum insurance income needs to be changed into sectoral minimum wages– to ensure that the contributions are charged for the actual amount of remuneration received. Bulgaria badly needs a revision of its tax and social security systems and a fair distribution of burdens – especially against the background of the catastrophic demographic situation and the accelerated increase of the number of those who are excluded from accessing goods and of working poor who are employed in the informal economy, and long-term unemployed discouraged people.

e) accumulated calculation of the working time

Again, as an “anti-crisis measure” of the Bulgarian labour legislation, the accumulated calculation of working time was introduced in all enterprises regardless of the nature of the work – for a maximum calculation period of **6** months. This is in direct conflict with the European legislation which allows such calculation for a maximum period of **4** months and bans the accumulated calculation of the working time to be applied in industries where the technology does not require this. Also, labor protection and the living standards of workers requires in the accumulated calculation of the working time the provision of effective additional compensation for the increased workload and irregular working hours. Bulgaria ratified a number of relevant **ILO** conventions which are currently violated with these practices. In Bulgaria, there is virtually no additional protection for privacy, physiological working conditions and health and safety at work with the accumulated calculation of the working time. This is simply used as a mechanism to increase and easier manage working time – of course to the detriment of workers and to support unfair competition against socially responsible employers.

f) proportionate and dissuasive sanctions

According to British researchers, the Bulgarian sanctioning system is murderous, devastating for small businesses and gives In Bulgaria sanctions imposed can be fixed or “from-to” amounts at the discretion of the sanctioning authority. In this situation, often the minimum possible sanction may be devastating for a small enterprise and the maximum penalty negligible for larger enterprises whose officials have openly said that it is “cheaper” for them to breach the law and to pay penalties. The social partners have long proposed to introduce penalties that are proportionate with the scale of the enterprise, the offense and the benefits that derive, respectively the damage caused. In this connection, all modern sanctioning systems are clear – the penalty has to be sensitive and painful deterrent, but should not be of a devastating nature (except in extreme cases where the nature of the violations justify

it). The sanction must be higher than the benefits acquired to make the infringement senseless and unjustified in economic terms.

g) limitation of rights for repeated violation

In the laws of all modern countries there are a number of rules to sanction infringements with severe consequences and withdraw the right to carry out activities related to the offense that caused the negative consequences: withdrawal of the right to drive a motor vehicle, ban on taking accountancy or managerial positions and others. In Bulgaria one of the grieves breaches of law is related to labor laws adversely affecting thousands of employees and allowing employers unfair competition against socially responsible commercial competitors. This reduces the standard of living in the country as well, because no compliance with the laws is “profitable” and as there are no appropriate sanctioning mechanisms against such infringements, they occur systematically and influence the overall business climate. When imposing a fine or penalty payment, depriving offending officials of their right to occupy managerial positions and to conduct commercial activities is a fair measure to avoid repeated offences, but infringements have not disappeared. The proposed measure could possibly strengthen the dissuasive nature of the sanctions – otherwise they will practically lose their function.

V. BEST PRACTICES OF THE SOCIAL PARTNERS TO “MANAGE” CHANGES

The basic point in discussion is the question “**What do we do?**” This should focus on specific measures that are wholly or mainly in control of the social partners themselves and can precisely be described, measured and monitored. Otherwise we run the risk of embarking on unproductive theories that do not provide specific mechanisms to deal with the challenges and to promote a positive social model.

1. Focus on common interests

The need for natural alliance of and collaboration between the social partners and other players in the social dialogue is the basis for the achievement of a wide range of socially beneficial objectives which cannot be achieved alone by any of the parties. Many of the goals of social dialogue bear necessarily additional costs for social responsibility and increase the overall standard of living. This requires a reduction of profits and the increase of the economic burden of businesses but they were not willing to accept this. It is therefore essential to use every opportunity and find specific common objectives that can be fully or partially useful for several countries. We must separate questions on which there is unanimity from those which need further clarification; this will help to concentrate the social dialogue on real problems and their solution.

a) fair competition between employers

Corporate Social Responsibility (CSR) is a big topic welcomed with great interest by all social partners, but it could not raise the interest for coordination of the counterparts. This is because CSR is seen by most employers and their organizations only as an additional expense which would reduce profits and hinder the achievement of the business objectives. This is their approach in spite of the widespread truth that the dissatisfied worker is bad workforce, produces little added value and that poor working conditions increase the trauma and morbidity of employees and eventually deteriorate and the productivity of all employees in the enterprise. That is why corporate social responsibility to be understood as a tool to increase the efficiency of labor and the loyalty of employees. It is generally beneficial for the employer. However, competitors without established rules of their own corporate social responsibility are more efficient in the short to medium term and can offer significantly lower prices for their goods and services which is a threat to socially responsible employers. This threat, however, is a kind of social dumping and the social partners must unanimously and categorical declare that this is unfair competition in pure form. Protection against any form of unfair competition is conducive to fair business – with a common agreement the issue of social responsibility becomes much more achievable in practical terms.

b) state receivables collection

There are serious tax and social security frauds on the labor market in Bulgaria—taxes and social security contributions are not transferred in time and in full amount, employment contracts include less pay and the difference is paid illegally “by hand”, the work contract does not include the real professions but lower qualifications and the security measures do not meet the needs of the type and nature of the actual work. The social partners fight against these negative phenomena and help the fiscal interest (the taxes and social security contributions in Bulgaria). Naturally, this is a fight against the informal economy as a whole and means the restriction of undeclared work (and its different forms as mentioned above). In addition to promoting corporate social responsibility and improving working conditions, it can also strengthen social funds, improve the collection of contributions and strengthen the rule of law and state sovereignty, in general.

c) transmission of policies for social peace

Social partner organizations, particularly employees’ organisations have exclusive inner recovery functions – they transmit social tensions and are early indicator of problems. The first key function of trade unions at the company level is to indicate in due time the problems to management that employees would not so directly and immediately share with someone they depend on in disciplinary or economic terms. Therefore the role of trade unions, as a timely whistleblowers in case of trouble is most likely to prevent the escalation of processes associated with the emigration of qualified workers, of collective labor disputes, strikes, lawsuits, black media campaigns – prevent in general processes, that are a huge loss for employers concerned. At a higher level – trade unions in partnership with employers’ organizations act as transmission between different branches of the economy and the state power support the implementation of correct policies and help to preserve social peace. Without the latter societies would suffer serious losses and imbalances and the consequences would be significantly larger than the benefits the individual players at the negotiating table of social dialogue could achieve in the short term.

2. New generation of social partners

Modern industrial relations show an unprecedented dislocation of social stratification and economic processes that had been hitherto relatively static. Under the pressure of globalization, new technologies, intensive cross-border production processes, the increasingly demanding and volatile markets, the increasingly insistent feeling of narrow available resources and the challenges such as climate change, the financial and economic instability, war and terrorism classic industrial relations and the organization of production are subject to unprecedented pressure to change direction – on the one hand, to serve the interests of the increasingly powerful transnational companies and clusters of companies, and on the other, to adequately address already the challenges of global economy of modern times. Under these circumstances, social partners cannot remain the same as they used to be in the inherently romantic period of Western Christian Democracy before the dismantling of the totalitarian regimes in Eastern Europe, before the exploding expansion of modern communication and information technologies, from before the establishment of the

Single largely global market with the free move of people, goods, services and capital. Organizational innovation, technological expertise and plan are increasingly becoming an issue even for social partners to survive and last but not least, to preserve their importance in industrial relations and to improve and develop their role in securing social peace and prosperity of the nations. Bulgaria, as part of the European Union and the global market cannot excuse itself from taking part in these processes. It would be a mistake with fatal consequences.

a) challenging the Christian-democratic model

Regardless of the fact that many of the social partners refuse to recognize this challenge, it should be noted that the largely Christian-democratic model and ideals of freedom and social Europe from the period after World War II, had failed in the last few decades under the pressure of growing transnational economic processes and weakened the importance of the nation states and the relativism of most of the standards of social responsibility. With the new, atypical forms of employment (remote work, temporary employment, working from home, zero-hours contract, multilevel, freelance) the familiar and all-disputed structure of “employer-employee” and the labor processes become more and more “invisible” on the radar of the social partners – unless it is set to radically new frequencies. Even if it cannot be indicated what ought to express adequately the actions of the social partners –the conclusions will certainly show that fundamental, pervasive reforms are needed that focus on the new circumstances.

b) organization, technology, expertise

Capacity building was the goal of the significant grants national representative social partners received in Bulgaria for the period **2009-2014** under the European Social Fund (**ESF**) and the Operational Programme “Human Resources Development” (**OP “HRD”**). Within the implemented project activities pilot platforms and networks, a large number of studies and analyzes were implemented and significant interventions were made in the field of social dialogue at national, regional and sectoral level which aimed at building capacity that help social partners to apply a new type of formulating policies in connection with the world of labor and the standard of living. It could be said that this funding was strategically important in strengthening social partners and uploading them to the modern European basis –an attempt to catch up with half a century of developments in industrial relations in the free Western world. While the objectives of the grant provided have been achieved to a large extent and most European projects of social partners carried out in this budget line have been completed successfully, the modernization of the organization has not been finished. Today, social partners in Bulgaria face exactly the same challenges that their colleagues from other parts of Europe had to respond to - only with an insignificant delay stands with greater force, The more intense and widespread the transformations in modern industrial relations are, the greater the need to build organizational, technological and professional expertise to successfully address these issues.

Organization, technology and expertise of social partners in a modern vision should cover and even provide for and exceed the changing industrial relations, pay particular attention to new atypical forms of employment and work organization, to

the newly formed social strata and ensuing problems in the society. The successful organization of the social partners needs to be like a modern center for information gathering and analysis. Scarce resources and intensive relations require faster, informed and competent decisions and the application of integrated technological approaches for coordination and service processes. In increasingly complex production processes, institutional arrangements and legal regulations, social partners inevitably need expertise to fulfill their obligations.

c) networking structured cooperation

Globalization, which dominates the world more tangibly, and the emergence of multinational companies, often significantly more powerful than governments (like that of Bulgaria), make social partners in the individual nation states absolutely unable to perform their functions as equal partners in social dialogue. Under these circumstances, social partners retaining social benefits and retreated from their positions under the pressure of global capital – as if denying the values of the living standard of the people, of corporate responsibility and of fair competition among businesses. Therefore, on the basis of modern communication and information technologies social partners can be integrated in networks and cooperate – this is possible for workers' and employers' organizations in the different countries but also trans-nationally. They can respond adequately to contemporary global processes and hold the position of social partners in modern industrial relations only if they are united to a similar extent to the consolidated international markets and multinationals. Otherwise, social partners will gradually be degraded to mere sinecure functions and will finally be deleted.

d) new forms of communication and interaction

The intensive changes in industrial relations have led to qualitatively new atypical forms of employment and work organization and contributed to the emergence of a new social stratification with distinctive challenges for the society. Today we face the question of how trade unions can protect atypical employees, respectively – what new benefits, services and advantages can employers have from if they join employers' organizations. Due to the decline of institutionalism in Bulgaria the conventional means of communication become less important and the access to information, the search for alternative approaches become a matter of survival – and this means for the social partners –the protection of important public functions. There is already a generation that reads and writes exclusively in the internet, receives news and information from social networks and the number of Like-s change the authority of state institutions and public organizations. The new communication and interaction technologies allow the formation of groups and the implementation of a new type of communication which are often denied by the officially recognized system and deprived of legitimacy. In such conditions social partners have to engage in radically new types of relations that will restructure the society in the medium term. The good news is that the technology for such a new type of interaction is not only available, but is also affordable and easy to use. Therefore, this question depends primarily on the political and strategic understanding of the need and on taking appropriate organizational measures.

VI. CONCLUSIONS

As it was outlined above, the development of social dialogue in Bulgaria resumed after half-a-century of interruption during the totalitarian regime. Irrespective of its formal recovery after the so-called “democratic changes”, social dialogue continues to be held back by the stubborn unwillingness of most political bodies which are reluctant to allow civil society structures to be involved in making significant decisions in any way. In addition, the attempts to strengthen social dialogue in Bulgaria were complicated by the overall problems in Europe in the late 80s of last century, when the values of Social Europe were tangibly challenged and the new technologies and globalization opened an unprecedented horizon of transformations in all spheres of public life.

In such a situation, there was another alternative for social partners but to seek new forms of influence and to complete the reforms. Otherwise they would not be able to adapt to the new realities and would not only gradually be forced out of the public process, but the social dialogue model will be challenged and finally disappear.

Under increased pressure, complete challenging of the Christian democratic model and the scarcity of available resources, social partners should concentrate on nodes of influence that help them take strategic positions for their further actions. At least under Bulgarian conditions, legislation is such a point of influence which in recent years was full of manifestations of blatant injustice and mechanisms for arbitrariness, the frustration for the impunity of the offenders of basic social norms. Such standards enable a complete circumvention of social dialogue and neglect the views of the parties; wages are not paid in full and the barbaric tax and social security systems absorb most of the income of the poorest, including when this income is not even received; working time can be manipulated without considering any physiological and social needs of the working people; the sanctioning system is inadequate, can destroy small employers and ensures impunity for large ones.

In terms of social and economic tensions, nothing can be achieved without a wide and clear consolidation around common interests. We have to fight against unfair competition from socially irresponsible employers, improve the collection of state receivables and strengthen the social partners in their role as transmitters of policies for social peace. Amidst stagnation and unprecedented changes in the world, a similar consolidation can only be successful if it is accompanied by adequate internal transformations of the social partners themselves. A new organizational, technological and expert paradigm will allow social partners to operate among the circumstances of the new labor market, industrial relations, production technologies, multinational companies and markets – based on networks of transnational and trans-professional cooperation and on new forms of communication and interaction that help reach new emerging types of workers, employers and industrial relations.

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