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This project is funded by the European Union

Discussion Paper on operational framework for multi-level & multi actor synergy towards the adaptation to social and economic changes – Bulgaria[1]

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SOFIA

October, 2014

[1] This publication is supported by the European Union Programme for Employment and Social Solidarity - PROGRESS (2007-2013).
This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the Europe 2020 Strategy goals in these fields.
The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.
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CHAPTER I.

LEGAL AND INSTITUTIONAL FRAMEWORK FOR ECONOMIC RESTRUCTURING AND LABOUR OPTIMIZATION - THE EXPERIENCE OF BULGARIA

Introduction

During this report preparation the main objective was to perform an analysis of the processes related to restructuring of the economy, as well as of individual companies and the impact of these processes on jobs and work organization. We tried to focus our attention on both positive and negative trends accompanying the process.

In the preparation of this report widely used are surveys of the Balkan Institute for Labour and Social Policy, positions of the Bulgarian Government and the social partners, World Bank analyses, surveys of the European Industrial Relations Observatory, etc.

I. KEY ASPECTS OF THE LEGAL FRAMEWORK IN THE BULGARIAN LABOUR LEGISLATION RELATED TO CHANGES AND RESTRUCTURING

The development of the Bulgarian economy in the last two decades as well as in mid-term perspective is related to serious restructuring in a number of economic spheres. In the last few years decreased volume of work in a number of Bulgarian companies makes employers face the issue of workflow optimization and the reduction of hired labour force or restructuring of work organization and working time associated with that.
These processes put forward the need of development and continuous updating of a comprehensive legal and institutional framework governing the restructuring at national, industry and company level for the purpose of ensuring economic and social welfare of people. Challenges in this area are significant and accumulated practices show serious shortcomings compared to other EU countries.

What are the main characteristics of the Bulgarian market in recent years?

- The main indicators for the labour market state - economic activity rate, employment and unemployment rates, unambiguously indicate low rate of use of the labour resources in the country.
- Economic activity of working age population is comparatively low. Based on data of EUROSTAT the employment rate in Bulgaria significantly dropped in the last 5-6 years and despite some positive changes it is still far away from the levels of year 2008.
- Limited opportunities for finding paid employment generate the effect of discouraged employees and informal employment in informal economy.

Unemployment rate in Bulgaria is still too high compared to EU countries (average unemployment rate in Bulgaria for 2013 is about 13% with an average of about 10.5% for EU)

- Actually, there are significant differences in the employment opportunities for different age groups. Youth employment (15-24 year olds) and employment of adults of pre-retirement age (55-64) is significantly lower than that of the middle generation. In dynamic aspect youth employment registers worrisome trend of decrease.
- We will be witnessing aging of working age population in the coming decades. Demographic processes in the country in the future will be accompanied by gradual increase in the proportion of population aged between 55 and 64.
- There is a clear trend of growing regional differences in employment and unemployment.
- Noticeable restructuring of employment by sectors is registered.

The outlined characteristics of the labour market in the country impose the conclusion for a strong need for development of existing and creation of new and variant options to preserve employment under the conditions of inevitable restructuring.

PROVISIONS REGULATING COMPANIES' RESTRUCTURING PROCESSES

In cases of restructuring and reorganization in the economic and social sphere people must be able to get ready in time for this challenge and continue to work without too much disruption in their personal lives.

To what extent is the Bulgarian legislation in support of achievement of this objective?

The legal framework within which the relations employee - employer in Bulgaria are realized consists of the following elements:

• EU LEGISLATION • EUROPEAN COURT DECISIONS	• NATIONAL LEGISLATION • DECISIONS OF THE SUPREME ADMINISTRATIVE COURT AND THE SUPREME COURT OF CASSATION
• SOCIAL DIALOGUE • COLLECTIVE BARGAINING AGREEMENTS	• INTERNAL COMPANY REGULATIONS

Each one of these elements has its direct or indirect effect on the development of industrial relations during the time of reconstruction and reorganization of the economy.

A. EU LEGISLATION

Bulgarian labour legislation is fully harmonized with the European standards in the field of labour. All Regulations concerning labour, as well as more than 20 Directives in the field are reflected in the Labour Code, other laws and secondary legislation referring to employee-employer relations.

Signing the EU Accession Treaty for membership, Bulgaria agreed to the supremacy of EU Regulations against the Bulgarian legislation. Pursuant to Article 15, Para 2 of Statutory Acts Law "In case a statutory act shall be in contradiction to a Regulation of the European Union, the Regulation shall be applied."

For the same reason, after 1 January 2007 decisions of the European court are binding for all Bulgarian bodies administering justice that hear and decide on such litigations.

It is also correct to point out the great direct effect on the national labour legislation of the European Social Charter whose revised edition is ratified by Bulgaria.

B. National Legislation

The national legal framework of employee-employer relations including the cases of restructuring and reorganization of companies is contained in the main law - the Labour Code - and in a few other individual laws:

- Informing and Consulting the Employees of Multinational Undertakings, Groups of Undertakings and European Companies ACT;
- Employment Encouragement ACT;
- Settlement of Collective Labour Disputes ACT;
- Protection against Discrimination ACT (Title amended - Official Gazette issue 68 dated 2006);
- Health and Safety at Work ACT;
- Guaranteeing the Receivables of Workers and Employees in Case of Employer Insolvency ACT;

Dozens (maybe already hundreds) of regulations have been added to this relatively small package of labour laws, which have been issued by the Council of Ministers, Ministry of Labour and Social Policy and other ministries and institutions. They are related to both the application of the laws mentioned above and the settlement of other employment related issues.

The National Legislation - Engine or Brake of Change and Reconstruction Processes

The attempt for neutral expert evaluation of the legal framework of the national legislation gives reason to conclude that it contains significant opportunities for the creation of appropriate environment for successful change.

Here is what the national legislation offers in its main elements of industrial relations and in employee-employer relations:

1. Information and Consultations – Labour Code (Article 130 b and Article 130 d) creates obligation of the employer to inform worker representatives in case of activity change, change of the economic state and the work organization of the enterprise. The law encourages the employer and worker representatives to sign agreement on the content of information and deadlines within which it shall be submitted to them, as well as on procedures to be followed in conducting the consultations related to restructuring.
2. Signing of employment contract with probation period – Labour Code (Article 70 and 71) provide exclusively broad (almost unlimited) possibilities for termination of employment contracts within a period of up to 6 months after starting a new job.
3. Employment at a flexible workplace, not fixed by the employer - Labour Code (Article 107) allows an opportunity to agree in the employment contract about performance of employment obligations which can take place at the home of the employee or at other premises at employee's choice outside the workplace of the employer; distance work (Article 107 h); hiring employees through temporary agency (Article 107p)
4. Variety of working time regimes – Labour Code (chapter Seven. Working time and Breaks) contains 14 different working time organizations which can be effected by the employer in accordance with envisaged procedures and with a view to the company's interests. Through applying and combining the various organizations, the employer may apply duration of the work day between 4 and 12 hours and of the work week between 20 and 56 hours without increasing labour costs.
5. A number of options for the employer to expand and change duties of the employees and impose on them disciplinary penalties for their non-fulfilment.
6. A number of possibilities for the employer to require from the employees full or limited financial liability for damages caused to the employer during or on the occasion of fulfilment of their employment duties.
7. Duty of the workers or employees to maintain and improve the professional qualification – Labour Code (Article 228b) defines that the worker or the employee shall be obliged to attend training formats arranged or financed by the employer for the purpose of maintaining or improving their professional qualification, for improving their occupational skills, as well as to make efforts for increasing their qualification level in accordance with the nature of the performed work.
8. A number of possibilities for the employer, which are not subject to judicial control, to unilaterally partially or fully close the managed enterprise, as well as to move it to another settlement.
9. A number of possibilities for the employer to terminate the employment contracts of hired employees on its own initiative due to different economic or management reasons.

10. Possibilities for the employer to make “mass layoffs” (more than 10% of staff) observing the envisaged procedures.

C. Social Dialogue and Collective Employment Contracts

In the last 25 years the Bulgarian public lived through a very serious change of the public values and attitudes. In the period of transition since 1989 Bulgaria passed through continuous states of political and economic instability and frequent changes of governments and parliaments. This situation had a negative impact on the transformation of the entire social sphere.

This environment was the background for the complex and difficult road of building the Bulgarian model of tripartite cooperation and social dialogue.

One of the achievements of our democratic development was undoubtedly this transition from centralized and predefined by the state industrial relations to the variety, contradictoriness and expanding freedom of market economy industrial relations. One of the most important results of this transformation is the beginning, development and acceptance by the society of the principles of the modern social dialogue.

The national legislation has regulated a robust system of tripartite and bipartite cooperation with reference to employment and industrial relations. The legal framework of this cooperation comprises four levels:

- National
- Sectoral
- Municipal
- Company

Moreover the Labour code contains a special norm regarding the social dialogue that has no analogue in many other EU member states. Pursuant to Article 2 of the Labour Code the state regulates the employment relations and those directly related to them, the social insurance relations and living standards issues, following consultations and dialogue with workers, employees, employers and their organizations, in spirit of cooperation, mutual compromises and respecting the interests of each of the parties.

Legislation, proclaiming the freedom of free association, provides a number of opportunities for both workers and employers, without preliminary permission, to freely establish a trade union, respectively employers’ organizations of their choice, to freely become their members and leave them, taking into consideration only their articles of association.

Labour Code (Article 50) recognizes the right of trade unions and employers, through the collective bargaining agreement concluded between them, to regulate a very big number of issues of employment and social insurance relations of workers and employees that are not regulated by imperative provisions of the law.

D. Internal company regulations

Our national legislation recognizes the right of the employer to develop, amend, supplement and revoke on its own initiative practically unlimited number of in-house rules, regulations, and other acts that refer to work organization, employment relations and the required amendments thereof. Practice shows that in a number of enterprises the number of these in-house acts is more than 30 even 40. In all these cases the bodies of trade union organizations in the enterprise are entitled to participate in the preparation of all drafts of in-house regulations and ordinances related to employment relations, whereas the employer is obliged to invite them.

II. SOCIAL DIALOGUE AND COLLECTIVE BARGAINING POSSIBILITIES IN RESTRUCTURING

Two main conclusions are drawn about social dialogue and policy at enterprise level in restructuring. At first dialogue effectiveness is not affected by the form of restructuring but is rather affected by restructuring radicalism and its size. The second conclusion is that opposition between employers and trade unions at national level on the occasion of restructuring in industries or fundamental companies reaches a point of severe opposition and complete non-understanding at enterprise level.

Here are some tested social dialogue models and instruments related to the restructuring processes.[2]

- Positive practices of social dialogue and policy can be observed firstly in the manner of implementation of the structural layoffs and secondly in the subsequent dialogue with trade unions at the enterprise. For example, serious layoffs are performed through outsourcing peripheral activities of the company to subcontracting companies, including transportation of employees, their support and others. Companies winning the competition are imposed the obligation to guarantee the jobs of the employees of the enterprise, who have been doing the job for a year.

- Another good practice is to involve the trade unions in the decision-making process and defining the policy on the occasion of and after the restructuring. Organized are courses for their preparation, for clarifying the restructuring meaning and the goals. These preventive measures have a positive impact on the further behaviour of the trade unions. Reasons for discontent are eliminated, thus creating possibilities for the team of employers and employees to continue speaking the same language after the restructuring.

- In other cases related to important restructuring issues affecting the employees, commissions consisting of representatives of employer and trade unions are established. There is a commission for layoffs, social assistance commission, etc. Depending on the complexity of issues, commissions make decisions with consensus or with majority. Decisions of commissions are final. They do not have to be confirmed at a higher managerial level. This practice has a several positive

[2] Positive models of social dialogue effectiveness are implemented throughout the years in different cases of restructuring at Solvay Devnya, Odessos Ship repair Yard in Varna and Metal Standard OOD in Shumen.

consequences. Firstly, the chance to settle problems in a fast and fair way is better. Secondly, the employers are always in the heart of problems so they can foresee a conflict situation. Thirdly, trade unions are actually involved in the process of forming the new policy of the enterprise. Fourthly, but not least, they are given the possibility to actually protect the rights of trade union members and that automatically improves their image. Fifthly, the dialogue becomes a main form of communication. Reasons for strikes are reduced to a minimum.

- Another successful instrument applied in cases of restructuring of an enterprise is the development of a strong social programme whose main objective is personnel development. In these cases the widely used practice is to offer training courses, refreshing employees' skills. Employees are provided the options for training and retraining. Particular attention is paid to the qualification of senior and middle management, requirements are unified, the common policy is outlined, etc.

Results show that these are the correct steps. Through its continuous contacts with employees, their frequent and full information about the next steps to be undertaken in order to ensure effective restructuring, the management involves the employees in the company's management process and that proves to be the only winning strategy.

It is a pity that positive examples are less and not of such public resonance, unlike the unsuccessful cases of restructuring where problems are often the same.

Deficiencies in the Legal and Institutional Framework in the Implementation of Change and Restructuring Processes

1. It is hard to conduct negotiations for signing agreements or collective bargaining agreements related to restructuring. Quite often negotiations, as well as relations between employers and trade unions get formalized to the extreme. Employers make attempts to find workarounds or even disregard signed agreements or collective labour agreements. Trade unions become defensive. Quite often they are not inclined to see mistakes in their own behaviour. All reasons for bad social dialogue or the lack of it are only found with the employer. These two examples confirm another important conclusion - qualities and motivation of representatives of employer and trade unions are of greatest importance for the social dialogue and the policy implementation.

2. Analysis of activity of institutions and mechanisms of social partnership shows that development of social dialogue in its all forms is directly dependent on the will of social partners and the importance they attach to the processes of partnership. Equality of social partners in the tripartite cooperation is unstable and hesitant. At national level representatives of the executive power are always tempted to demonstrate forceful implementation of competencies and authorities vested in them by the Constitution and the Bulgarian Laws. Views of the government on the one hand, of the trade unions on the other hand and of employers on the third hand about the essence and the formats of consultancies and cooperation differ significantly in the search of decisions on individual problems.

3. Tripartite cooperation at sectoral and industry level, and in municipalities is unsatisfactory as a whole, implemented occasionally and inconsistently as a result of the impact of objective and subjective factors. The problem with equality of presence and participation of sectoral ministries and employers' organizations is unresolved even merely because of incompleteness of sectoral formations in all nationally presented employers' organizations. Tripartite cooperation at municipalities in recent years is at a standstill that is difficult to overcome.

4. Common shortcoming of all institutions and forms of manifestation of cooperation is the lack of established style for complete and objective information of the public about negotiations in progress, different views about the discussed problems, incurring crises and proposed alternatives by parties in the search of consensus.

5. The activity of significant part of social partnership institutions, in particular the classic ones and the specialized tripartite institutions are not sufficiently effective from point of view of the implementation of adopted decisions.

6. No control is exercised on the compliance with adopted decisions, reporting and evaluation of dialogue institutions activity, joint activity for improvement of the effectiveness of tripartite cooperation.

7. Evaluation of activity of various institutions and mechanisms of social dialogue in the different stages of the past 25 years from the beginning of the transition period provides grounds for the conclusion that performance of economic and social reforms is directly related to development of social partnership. As a rule, governments which had the will to perform reforms and sought public support for them had contributed for the development of social dialogue. And on the contrary - in periods of “freezing” or limiting institutions and mechanisms of social partnership reforms either failed or never started.

8. “Balanced compromise” is the prevailing evaluation on behalf of trade unions about labour and social legislation in effect. Nevertheless Labour Code is perceived as a compromise of previously achieved benefits, because the role of trade unions is relegated to consultations and that automatically reduces the opportunities to exercise protective functions towards their members.

Employers are at the entirely opposite position. According to them the Labour Code protects mostly the employees as it does not give them an option in case or restructuring to easily terminate their employment contracts, while having to observe a number of procedures that make the process inflexible and easily overthrown at court.

9. Another serious shortcoming in the process of restructuring is the rapid loss of trust between employer and the trade unions that happens very often. The position of employers is that they cannot allow conducting whatever social policy while the restructured enterprise is not stable yet and is not making the expected profit .One can

often hear intentions that after reaching the respective financial peaks they themselves shall propose the employees the required social benefits. Trade unions on their part hardly express readiness to give a chance of restructuring by assuming part of the responsibility to observe work discipline or production quality.

III. CONCLUSIONS AND PROSPECTS

During the past 16-17 years the labour market development in Bulgaria is in line with the main trends and processes of the economic development – restructuring of industries and productions, privatization, liquidation of inefficient productions and activities, launching new activities.

In this situation a significant part of employers in Bulgaria share the view that the requirements of labour laws lead to reduced potential for new jobs opening. Frequently there are criticisms not only by individual employers, but also by entire employers' associations against the collective bargaining. There were years when the same authors came up with the idea to stop ratifying new ILO conventions in Bulgaria, as well as to stop applying EU Directives in the social sphere, until the Bulgarian economy becomes strong enough. In the following we could like to remind about a relatively forgotten example. During the development and adoption of the Labour Code in March 2001 there were attempts to convince the Parliament to revoke the worker entitlement to legal protection in case of redundancy. This absolutely unacceptable thesis was not supported, but there are no guarantees that attempts to that effect will cease today.

Surely, a complex, bureaucratic and ultimately costly system of labour relations may force the entrepreneurs to circumvent the law or even discourage them from their initiatives.

In this economic and legal environment were witnessed an enormous “flourishing” of atypical, hidden, semi-legal or even “black” employment.

The shadow economy, or informal sector, in Bulgaria has its specific prehistory. It is rooted in decades of over-regulation and the absence of liberal economic paradigms, which was the main prerequisite for the occurrence of the reverse effect - the creation and redistribution of income outside the public control. Lack of appropriate legislation and clear “rules of the game” in the early years of transition, the existence of zones of ambiguous relationships between the state and the society, appeared to be the reason for “flourishing” informal economy in the early years of transition and tolerance to its negative effect on the industrial relations.

The analysis of the situation in Bulgaria indicates the need for a clear border line between two sets of rules related to restructuring:

- Provisions that protect the public interest and which are absolutely needed by the vulnerable groups of society, and
- Provisions governing the activities leading to high administrative and financial burdens.

The discussion, however, should not question the axiom that paid work should in all cases be protected by expanding application of labour standards. The fundamental human rights should not be undermined by excessively “flexible” forms of work.

7. Whether one accepts or rejects the practice of moving away from traditional ways of working based on employment contract, the objectivity requires one to have the courage to see reality and ask tough questions aloud:

- Why employment emerges, which reduces the quality of employment in terms of job security; productive jobs; safeguards of worker rights?
- How these forms of employment are more advantageous for the employer and the employee?
- Is this yet another "flexible" way to reduce the taxes and insurance contributions payable in case of employment contract?
- Should the insurance and tax treatment of the various non-traditional jobs not be the same /or very similar/ to that of the classical jobs, in order to not "tempt" the employer?

This "picture" becomes even more complicated by the fact that often short-term interests of the employer and the employees match in the effort to preserve the job, to obtain higher /by the Bulgarian standards/ remuneration today, at the expense of insurance contributions that will provide income after many years.

8. The main and very urgent issue before the Bulgarian politicians, social partners, researchers and practitioners in the field of labour is how to reduce the formalization of hired labour, while minimizing the negative effects of restructuring resulting from globalization and liberalization of the market relations.

Stakeholders should make this choice taking into account the following issues:

– Where does the truth lie – in order to discontinue the expansion of the "gray" economy we should increase the negative consequences for the "shadow" businesses, i.e. impose worse penalties, or realize the economic benefit of legal compliance?

– Is there a real danger of excessive liberalization leading to accusations by the European Commission for "social dumping" in unfair competition against established standards in the EU?

– Which is the minimum of the "hardcore" of the Labour Code, which should not be touched and should be observed by all employers?

– How important reason to circumvent the law is the lack of knowledge and skills, both of the entrepreneurs and in the workers, related to the labour laws?

– To what extent it is acceptable for the liberalization to lead to more uncertainty and to lack of security among the employees and society as a whole?

– Which effect on the labour market will be higher - the effect of the liberalization of labour legislation that will increase uncertainty or the effect of improvement and dramatic reduction of the time for judicial resolution of labour disputes?

– What should be our view of the liberalization of labour legislation - as a temporary, transition specific phenomenon in a situation of lack of investments or as permanent position and policy?

Restructuring and reorganization on branch level or at company level in Bulgaria is defined as a process that affects in terms of quality not only the economic but also the labour relations. The speed of restructuring on the one hand ensures a more painless process, but on the other

shortens the time for adaptation of social partners to the new situation. Very often we are bogged down in disputes and hesitation about which model to use; whether to start a “shock therapy” or on the contrary - to gradually move to the new restructured form of economic activity.

One of the main conclusions confirmed by a large number of specific cases is that the government, employers and trade unions generally support the restructuring and see it as the only way out of the difficult situation of many companies and even whole industries in the country.

However, trade unions assess both the restructuring itself and its results and consequences as rather negative. They argue that often there is no comprehensive strategy for a particular restructuring and adequate measures to address its consequences.

The main conclusion from a number of studies is that according to a significant part of employers in Bulgaria legislative regulations in the field of labour and labour relations in general and the Labour Code (LC) in particular, do not constitute as such immediate (direct) obstacle to the creation of new jobs and to the increase in employment growth in the country. Therefore, the effect of a further liberalization of labour legislation in Bulgaria should not be overestimated, and should not give rise to excessive expectations that this process will automatically generate entrepreneurship.

It should also be emphasized that the Bulgarian labour legislation has indirect (indirect) impact on business decisions to expand employment in own companies and conduct business. As part of the general legislative framework in Bulgaria labour legislation in general and in particular LC set out the *framework conditions* that make possible the realization of business and establish (and regulate) *the institutional structure* of the economic sphere and the different types of markets (including the labour market), thus determining the *behaviour* of economic actors. In the context of this understanding of the relationship between *framework conditions, institutional structure and economic behaviour* we would recommend some liberalization of some norms. What we mean is mainly provisions governing activities leading to high administrative and financial burdens.

IV. ARGUMENTS FOR LEADING PROPOSALS FOR RESTRUCTURING SUPPORT THROUGH LIBERALIZATION OF LABOUR LAWS

Proposal	**"FOR"**	**"AGAINST"**
1. Many employers support the thesis that the main reason for the excessive rigidity of the labour market in Bulgaria is <u>the excessive level of regulation of labour relations.</u>		**2. The analyses of the World Bank regarding the legal restrictions on labour market flexibility state: "Our analysis shows that <u>legal restrictions on the labour market flexibility in Bulgaria are modest,</u> broadly in line with those in other economies in transition, characterized by a relatively flexible labour market".**
2. Employers are entitled to present a preliminary version of the collective agreement /opportunity that is now available only to the trade unions art. 51a para. 2 and Art. 51b para. 2 LC/	**2.1. Such a decision would make the collective bargaining process more dynamic.** **2.2. There are no international legal and other obstacles impeding such an amendment to the Labour Code.**	**2. Arguments in favour of the existing legislation are:** **– long-established practice;** **– the theoretic understanding that the CLA is mostly in the interest of trade unions**
3. Transferring a detailed definition of the conditions for exemption to the collective and individual employment contracts	**3. Establishment of such an approach will enable very accurate consideration of the particularities and specific requirements to working at a particular enterprise**.	**3.1. The Labour Code provides 52 /fifty two!/ different grounds for termination of the employment contract on the initiative of the employer or the employee. It is hard to imagine that we are facing "a shortage in the legislation" of grounds for dismissal. Perhaps in this case, we are rather facing a proposal to introduce a dismissal practically without reason. Such an approach, as tempting as it may be, cannot be supported for the following reasons:** **– Contradiction with the principles established in the Bulgarian labour law /Art. 66 LC/, according to which the employment contract can be used to agree other conditions related to the provision of work, incl. Dismissal, only when such conditions are not are settled in the imperative provisions of the law;** **– danger of coercing workers to accept in their labour contracts termination terms contrary to**

		morality and decency; – **Difficulty in the implementation of legal protection and the establishment of a permanent and lasting case law regarding disputes relating to termination of employment contracts.** **Attention! This proposal - to establish new terms for termination of employment, largely can be realized in terms of the current labour legislation pursuant to Art. 187, para. 10 and Art. 190, para. 7, in conjunction with Art. 66 para. 2 LC. Regular practice in many enterprises is that employers impose a number of additional requirements to the worker, failing which the worker shall be dismissed for disciplinary reasons.**
4. Adding an economic or technological reason in the list of reasons for dismissal /Art. 328 LC/	**4. There are no international legal and other barriers to such amendment of the Labour Code. In fact even now the labour legislation contains such reasons for termination of employment contracts /Art. 328, para. 1, p. 1, 2, 3, 4 LC/. The potential adoption of this amendment will make these grounds an essential tool for termination of employment contracts.**	**4. This idea has been subject of discussion in Bulgaria for more than 10 years. The main reasons why it was not supported were the great difficulties faced by the employee to prove during litigation the virtual absence of the specified grounds for termination of the particular employment contract. In fact, the opportunities of the worker for legal protection against unauthorized use of these grounds by the employer are minimal.**
5. Repeal of the Labour Code clause concerning the right of workers of retirement age to receive certain benefits upon dismissal /Art. 222, para. 3 LC/ and regulation of this option in the individual and collective bargaining agreements.	**5. There are no international legal and other barriers to such amendment of the Labour Code.**	**5. Such an amendment would raise objections due to the following considerations:** – **It concerns repealing decades of practice, which is extremely popular in Bulgaria;** – **Such a practice exists in nearly every country in Europe;** – **Cancellation of the mandatory nature of this benefit will lead to different practices not only by different companies, but even within the same company when different workers are concerned.**

6. Repeal of Labour Code clause of Art. 331 in the part and regarding the amount of compensation and provision determining the amount of stakeholders /probably in individual employment contracts/.	**6. There are no international legal and other barriers to such amendment of the Labour Code.**	**6. There is not yet established consistent practice in the implementation of this provision /in effect since April 2001/. Possible amendment may reduce interest in its implementation.**
7. Repeal of the clause prohibiting repeated renewal of fixed-term employment contracts /Art. 68, para. 3 LC/ while limiting the total duration of successive fixed-term contracts or the number of renewals allowed	**7. The potential adoption of the proposal will lead to the introduction of a common practice to work on the basis of fixed-term contracts and will allow employers to minimize significant part of their commitments imposed by the law /e.g. on benefits, notices, special protection, etc./**	**7.1. The adoption of the proposed amendment would be contrary to the principle of Directive № 1999/70 / EC - *"employment contract for a fixed term shall be concluded whenever and insomuch as the nature and the characteristics of work so require."* 7.2. The effect of the proposed amendment on the labour market flexibility and respectively support for the restructuring is questionable because for several years /until April 2001/ this option of uncontrolled use of fixed-term contracts existed without tangible effect of positive changes on the labour market.**
8. Repeal of the clause prohibiting overtime	**8. There are no international legal and other barriers to such amendment of the Labour Code. The international legal framework does not place demands on national legislation to establish a ban on overtime, but upholds the principle that overtime work must be limited-ILO Convention № 1 of 1919, ILO Convention № 30 of 1930, Recommendation № 116 of ILO 1962**	
9. Increase of number of overtime hours performed in one year to 200.	**9. There are no international legal and other barriers to such amendment of the Labour Code. The international legal framework upholds the principle that overtime work should be limited, but does not indicate the maximum allowable overtime hours.**	**9. Bulgaria will be among the countries allowing the greatest amount of overtime hours.**

10. Reduction with more than 50% of mandatory premium rate for overtime	**10. There are no international legal and other barriers to such amendment of the Labour Code. The international legal framework requires the increased overtime pay and establishes a premium rate of minimum 25% /ILO Convention № 1 of 1919/, but does not indicate explicitly the maximum amount of the premium rate.**	**10.1. Bulgaria will establish the absolute minimum for premium rate for overtime permitted by ILO Conventions.** **10.2. Bulgaria will become the only EU Member State which has established a premium rate for overtime under 50%.**
11. Repeal of the clause, which prohibits the employer to reduce the amount of remuneration in case of suspended production /Art. 267 LC/.	**11. There are no international legal and other barriers to such amendment of the Labour Code.**	**11. There is a risk that the adoption of this proposal will lead to practical use of a lockout by the employer, although this is actually prohibited by the Law on Settlement of Collective Labour Disputes.**

CHAPTER II.

I. ORGANIZATION, IMPLEMENTATION AND RESULTS OF THE LIQUIDATION OF SUB-SECTOR URANIUM MINING

1. Type of case study

SECTOR (rather SUB-SECTOR)

2. Name of case study
CLOSURE OF URANIUM MINING

3. Description of restructuring

The beginning of uranium mining in Bulgaria began for the first time in 1938 and was done by German companies. They were extracting the ore only 20 km away from Sofia, near Buhovo, where it was coming out at the very earth surface. As one of the hypotheses for its use was the one for the construction of atomic bomb.

Bulgaria ranked 4-5 in Europe in the period 1946 – 1990 based on quantities of extracted uranium (16,357 tons) and based on proven uranium deposits. At the time of liquidation decision there were 48 uranium mines and 30 were in process of survey.
The studies showed that uranium mining causes irreparable damages to the health and environment. The radioactive and toxic substances emitted in the air, soils and waters by the uranium mines, as well as mining waste, aggravate the health of workers and local population, causing a growth of cancer instances. This was the main reason to make the managerial decision to cease the uranium extraction.

The beginning of liquidation was set by CMD 163 dated 20.08 1992 for liquidation of uranium mining in Bulgaria.

Since then, during the next 22 years, the legal framework of restricting was implemented by the adoption of:

- 13 new or amended, or supplemented Council of Ministers Decrees
- 4 new Ordinances of the Ministry of Health, Ministry of Finance, Ministry of Regional Development, Ministry of Economy and Energy.

4. Instruments used for restructuring

Problems related to the liquidation management

To ensure the maximum coordination of the liquidation process, an Interdepartmental Expert Council for the Liquidation was established as a consultation body at the Energy Committee.

Termination of uranium mining is done by closing the uranium mining sites on the basis of annual programs and projects developed, approved by the Ministry of Industry, coordinated with the Ministry of Finance and the Committee on the Use of Atomic Energy for Peaceful Purposes.

Uranium mining activities in Bulgaria were suspended gradually - first in underground mines, and then in opencast mines.

Winding up and liquidation of consequences of mining and processing of uranium ore involved the following steps:

- maintaining the ecological status;
- technical liquidation;
- technical and biological reclamation;
- purification of polluted waters and monitoring
- restructuring of activities, and
- creating new jobs.

Six years after the beginning of liquidation a specialized state enterprise "Ecoengineering-RM" EOOD was established and entrusted with the organization and control of the technical liquidation, the technical and biological reclamation, as well as any type of monitoring to eliminate the effects of uranium ore survey, mining and processing.

Problems related to the termination of employment contracts of employees in the liquidated sector

Uranium mining employed some 13,000 people as at 1992.

Most of these employees were dismissed based on the Decree of the Council of Ministers and in accordance with Art. 328, para. 1, p. 1 of the Labour Code due to liquidation of companies. Ministry of Finance provided funds for payment of arrears to employees and social security contributions due, as well as the costs of salaries and contributions associated with the closure itself.

The state budget provided funds for payment of damages awarded for occupational diseases of employees and workers from the closed uranium mining sites.

All dismissed due to the liquidation of the sub-sector, who have not been transferred to a new job were paid unemployment benefits.

Persons dismissed from liquidated companies that had the required contributory service for retirement, but missed three years to required retirement age for length of service and old age, received compensation amounting to 90 percent of their eligible pension until they reached the retirement age, if the compensation was more favourable than that provided unemployment benefits. In order to achieve greater flexibility the dismissed that were entitled to that compensation could receive it as a lump sum payment. The period during which they received this compensation was considered contributory service for retirement.

The funds for payment of these benefits were charged to the state budget.

Problems related to liabilities of the liquidated companies to banks

All liabilities to banks related to uranium mining activities were transformed in government debt.

With the entry into force of this decree the creditor banks suspended the accrual of interest on loans granted to the companies.

Commercial banks - creditors of uranium mining companies, whose receivables have not been paid, covered the uncollected amounts with their reserves.
In case of shortage of funds for repayment of debts to suppliers, the uncollected amounts were covered at the expense of their reserves, profits or their authorized capital.

Problems with employment for the workers dismissed from the liquidated companies

Two ministries (ME and MLSW) and 19 municipalities on whose territory the closed uranium mines and processing plants were located were assigned with the development and presentation of projects to create new jobs, that were to be funded under the "State Fund for Reconstruction and Development".
Such commitments were also imposed on the uranium mining companies, who had to develop programs for the restructuring of production and creation of new jobs.
MLSW and the 19 municipalities were assigned with the development of vocational training and retraining of dismissed workers, who were supposed to be provided the newly created jobs. The funds for these programs were at the expense of the NSSI's fund "Professional Qualification and Unemployment".

Health problems of workers in the uranium mining

A special regulation on the terms and procedures for carrying out preventive examinations and dispensarization of former workers in uranium mining was adopted.

5. Best practice criteria:

5.1. Restructuring anticipated and carried out in a structured way?

Despite the lack of experience in implementing the liquidation of an entire sub-sector, the restructuring was a result of deliberate management decision based on extensive research about the harmful effects of the industrial activity on employees and the environment.

From the very beginning of the liquidation process until now (over 22 years), it is held under the direct management of eight elected governments and several caretaker governments. Definitely it can be argued that this is one of the few economic precedents in which we observe complete continuity and consistency in the efforts of all governing political forces in the country.

5.2. Systematic inclusion of social partners and active participation?

In the summer of 1992 trade unions, including workers in the uranium mining and employer representatives managing the state enterprises in this sub-sector were involved in negotiations with the government.

The beginning of the liquidation process was back in 1992, i.e. nearly ten years prior to the establishment in 2001 of a modern system of social dialogue and tripartite cooperation. This is one of the reasons why the social partners were not formally included in the design and implementation of the legal framework for the liquidation.

On the other hand, trade unions were largely informed about the scientific research results about the dangerous influence of the work environment on the employees' health. All partners recognized that the used manufacturing techniques do not guarantee safety of the environment, life and health of employees in the uranium mining, as well as country's population.

Meanwhile, uranium mining sites were scattered throughout the country, mostly in relatively small settlements, which prevents the easy accumulation and activation of protesters among the employees to be dismissed.

5.3. Success of anticipation and management?

Liquidation of the uranium mining sites to date is over. The exits of the underground excavations for classic extraction were closed. Vertical excavations with surface exit were filled. Reinforced concrete slabs were built on their shafts. Liquidation has been implemented for seven uranium quarries. Production facilities are dismantled and the land on which they are located, are reclaimed, with the exception of 265 decares covered with concrete platforms and foundations.
However, there are opinions that so far the environmental damage from uranium mining before 1992 has not been remediated; there has been no quality reclamation of land to ensure a clean and healthy living environment for the population. Measurements of state institutions and non-governmental organizations show high levels of radiation in the regions of former uranium mines.

6. Further information

The continuing multiannual economic crisis and the subsequent rise in unemployment periodically generates "nostalgia" to the times of "full planned employment" and generous and unrealistic promises for rapid creation of thousands of new jobs. For these reasons, in

2006, 2008 and 2013 the Ministers of Economy were causing unrest announcing that there are opportunities for resumption of uranium mining in Bulgaria.

In 2009 this issue was discussed also at a meeting of the Parliament's Energy Commission. As a result of the discussion the Commission found that to date there are no serious economic and situational arguments for the resumption of uranium mining in the country.

II. ORGANIZATION, IMPLEMENTATION AND RESULTS OF BULGARIAN RAILWAYS RESTRUCTURING

1. Type of case study

COMPANY (THE BIGGEST ENTERPRISE IN THE COUNTRY)

2. Name of case study

BULGARIAN RAILWAYS RESTRUCTURING

3. Description of restructuring

What were the problems of the Bulgarian railways as of 2001 that resulted in the necessity of serious restructuring can be formulated in the following aspects:

Infrastructure:

- Low speed and parameters - while designed speed is 120-130 km/h, movement of trains is at average speed of 75-80 km/h for the railway lines and for certain sections it is limited to 40-60 km/h.
- Poor operation and maintenance of the infrastructure as a whole – safety coefficient of the railway track is at the risk limit.
- In general there are 154 places of danger along the main railway tracks and that necessitates speed limits for trains, since the elimination of malfunctions is impossible.
- Condition of safety facilities and telecommunications is directly related to security and safety of the railways. These devices can easily be called veterans. These systems are amortized and this results in frequent disruption of movement relying fully on the human factor. With the modern systems for management of train movement this issue is the most important regarding safety and security.
- Locomotives are of age of over 25 years in average (71.6%);
- Coaches are of age of over 20 years in average (63%);
- Goods wagons are of age of over years in average (63.8%);
- The bad quality of the railway service makes the railways non-competitive on the transport market;
- There is an outflow of goods and passengers as a major source of revenue in the railways;
- High price of the railway service because of the high continuous operational costs and low labour productivity per person;
- Eighty percent of railways revenue is from 20 percent of the railway track length;
- The financial condition of the carrier does not allow modernization of the rolling stock and the transport technologies;

- Incomplete coverage of costs for the mandatory public services on behalf of the state (only 80%) to the railways results in decapitalization of freight services.
- Lacking is information system for effective management of freights and costs of the railways.

What were the objectives of the railways restructuring?

The ultimate goal of the new investment policy and the financial commitment of the state is the quality of the railway service and its safety.
This requires:

1. Modernization of the railway infrastructure along the Trance-European rail network and those of national importance and of serious impact on the market of railway services and revenues
2. Investments for delivery of mechanization and technological equipment for maintenance and operation of the railway infrastructure within the framework of the designed technical and technological parameters.
3. Investments for new transport technologies, delivery of trains, coaches and locomotives, respective speeds along directions of priority.
4. Investments for modern technical bases for maintenance and operation of trains, locomotives and coaches in accordance with requirements for safety and security of the railways.
5. Investments for building infrastructure for the development of the intermodal and container transportation as the most important source for generating revenue from international and transit transport.

To achieve these objectives a number of structural changes in the railways were undertaken. At the end of 2001 BDZ National Company was split into two independent companies - National Railway Infrastructure Company and BDZ EAD.

In order to guarantee safe technological and effective financial interaction between the carrier and the infrastructure in the process of separation, a decision was made for the establishment of a three - year consortium BDZ EOOD.

Additional support to the restructuring was provided through the implementation of a two-year period of licensing solely for railway forwarders, carrying out transit transportation. This will guarantee the required time for financial-economic recovery of BDZ EAD and will prepare the company for competitive participation under market conditions.

Managerial decisions related to management of processes and activities of restructuring continued for a decade.

The following three subsidiaries were established on 26 of October 2007 and BDZ EAD remained a holding company of the group:

- BDZ —Passenger Services EOOD
- BDZ —Freight Services EOOD
- BDZ — rolling stock (locomotives) EOOD; it was known at that time that it will merge with BDZ EAD in the near future.

At the beginning of 2011 a contract for reorganization between Holding BDZ EAD, BDZ - PP EOOD and BDZ -Freight Services EOOD (BDZ - TP EOOD) was finalized under the terms and conditions of Article 262c of the Commercial Act.

4. Instruments used for restructuring

Three Parliaments, five Bulgarian governments, the World Bank and the European Commission were involved in the process of restructuring the Bulgarian railways
The legal framework within which the restructuring of the Bulgarian railways was performed includes a couple of laws (Railway Transport Act, Law on the Provision of Rescue Aid to BDZ Holding EAD), a number of Decrees, Decisions and Programmes of the Council of Ministers and the management of BDZ Holding.

Several times the Council of Ministers adopted recovery programmes and visions about new policy for the development of the Bulgarian railways.

At company level a number of Plans were adopted about activities for social adaptation and training of staff.

One of the most recent documents is Plan for restructuring and Financial Stabilization of BDZ Holding EAD for the period 2010 - 2016 (The Plan) drafted in 2010. The Plan is notified in the part for rescue state aid to the amount of BGN 248.6 million with decision C (2010) 9423 of the European Commission dated 15.12.2010 in accordance with Regulation (EC) 794/2004 of the Commission dated 21 April 2004 implementing Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty

5. Best practice criteria:

a. Restructuring anticipated and carried out in a structured way?

The analysis of the market of transport in Bulgaria in the nineties shows limitation and decrease of railway transport and reduction of revenues from NC BDZ activity. Meanwhile costs of the company registered increase due to sharp rise of fuel price, the rate of the USA dollar, etc. BDZ NC could not generate sufficient funds as to pay off accumulated old debts and repay its current liabilities. The Company was included in the list for financial recovery and monitoring of the financial status of state companies

Measures undertaken after the Programme for recovery adopted by the Council of Ministers including the separation of 14 railway factories and other supporting activities from BDZ National Company, downsizing with about 25 per cent the movement of passengers trains as a loss-making activity, reduction of number of staff with about 20,000 persons for 4 years (2003 – 2007), etc. did not bring the expected financial result.

With the transfer of assets and activities from the restructuring company to the receiving companies another 1600 persons were discharged for the period from June 2011 to 31 of December 2011. For the same period reappointed were 3 302 persons from the system of the group in BDZ-PP EOOD.

b. Systematic inclusion of social partners and active participation?

In the past years the participation of trade unions in the process of restructuring of the Bulgarian railways had two different aspects.

- On the one hand the central offices of the trade unions and the industry trade unions actively participated in a number of negotiations of various formats regarding the consequences of the restructuring.

With their active participation Memorandum of Understanding for the Development of the Bulgarian Railway Sector dated the month of March 2011 was developed and signed by Minister of Labour, Social policy and the Minister of Transport Information Technologies and Communications and the Presidents of Confederation of Labour Podkrepa and Confederation of Independent Trade Unions in Bulgaria.

After initiative of the trade unions was established Interinstitutional Working Group at level deputy ministers by the MF, MLSP and MT with the management of both companies and the management of Confederation of Labour Podkrepa and Confederation of Independent Trade Unions in Bulgaria to review in details the investment programmes of the companies.

- On the other hand the process of restructuring of many years was marked by a number of sectoral conflicts.

On 10 of March 2011 one-hour warning strike was held in the system of BDZ and NCRT and from 24 of November 2011 to 18 of December 2011 the trade union of railway employees in Bulgaria – Confederation of Independent Trade Unions in Bulgaria and the Union of Transport trade unions in Bulgaria – Confederation of Independent Trade Unions in Bulgaria jointly with Confederation of Labour Podkrepa, carried out effective strike in protection of labour and social rights of employees of BDZ system. The strike continued 24 days. Although the specific reason for the strike was the signing of new collective bargaining agreement, it is of no doubt that the main reason for the protests were the consequences from the restructuring.

We continue to witness growing pressure and loss of trust between the Ministry of Transport, the management of the railway companies and the trade unions organizations.

c. Success of anticipation and management?

It is beyond dispute that the restructuring of the Bulgarian railways and the subsequent transformation of BDZ Holding EAD (company under restructuring) and BDZ-PP EOOD, respectively BDZ-TP EOOD (receiving companies) is objectively determined and adequate compared to the public interest of performing public transport services in the field of railway transport on the territory of Republic of Bulgaria at acceptable for the population prices of the services.

Although this position is shared by all stakeholders, today, almost 15 years after the start of the process we are still far away from the conclusion that the restructuring of the Bulgarian railway transport is successfully approaching its "final station".

What are the main reasons?

- In carrying out the process of transformation and restructuring of the individual companies there are no systematic approach and no specific and detailed operational plan - a mechanism with deadlines and persons responsible for implementation in stages of the organization, the planning, coordination and motivation of the staff of the company, as well as by functional spheres and activities, in compliance with activities and processes additionally ensuing from the restructuring. This prolonged the restructuring process and incurred risk for the achievement of the main objective of the change - provision of safe, reliable and modern railway transport.
- In recent years the Government and the Ministry of Finance, in contradiction with the Law on the Provision of Rescue Aid to BDZ Holding EAD do not provision the respective funds in the preparation of the annual state budgets. As no bridging financing of up to BGN 140 million has been provisioned, the processes related to the financial recovery of the Holding and its subsidiaries, respectively BDZ-PP EOOD are in fact suspended. We have all been witnessing for a number of years the inconsistent state policy in the field of the railway transport. There is no clearly structured strategic vision and serious commitments for the development of the railway sector in the country that would engage all governing structures of the executive power performing functions related to applying and implementing the state policy.
- The process of transformation of BDZ Holding EAD, BDZ-PP EOOD and BDZ-TP EOOD is not fully finalized yet, i.e. through the separation of the Holding's property and its transfer to the two receiving companies. This objectively presupposes impossibility for the establishment of a complete system for internal control.

6. <u>Further information</u>

The process of transformation of the Bulgarian railways continues for inadmissibly long time due to lack of systematic approach applied in the process of its implementation. This is risky for the achievement of the main objective of the reorganization and results in loss of the broad support for its realization.

Even in the last months of 2014 we are again witnessing requests to the Government to provide state budget funds for the normal activity of the railways and the search of a loan from financial institutions for the settlement of the debt problem and the avoidance of a bankruptcy.

III. ORGANIZATION, IMPLEMENTATION AND RESULTS OF KREMIKOVTSI METALWORKING PLANT RESTRUCTURING

1. Type of case study

COMPANY (THE BIGGEST METALWORKING PLANT ON THE BALKANS)

2. Name of case study

KREMIKOVTSI

3. Description of restructuring

The metalworking plant Kremikovtsi was established in 1956 by Decree of Council of Ministers. The construction of the plant began in 1960. In 1963 its first production facilities were commissioned. It was transformed into a single owner PLC with a Decision of Council of Ministers in 1991, and its privatization started after 1995. At that time, the plant employed over 10,000 workers.

In 1999 71% of the share capital of the company was privatized. Accumulated debts to the state, suppliers and customers exceeded half a billion lev.

In the following years the economic situation of the plant constantly deteriorated. All stakeholders considered the restructuring inevitable.

Aid for the restructuring of ailing metal producers is strictly prohibited in the EU. During the pre-accession process however, before their obligation to comply with the EU rules on state aid in favour of steel producers, candidate countries may be allowed to grant a single restructuring aid for their metallurgy.

Bulgaria took advantage of this opportunity and in 2004 decided to support its largest metalworking plant Kremikovtsi with restructuring aid totalling about 222 million EUR, in order to help it become competitive in the long term and survive on the market without further state aid.

The conditions for granting the aid were specified in a special protocol (Protocol 2) to the EU Treaty of Accession. Specifically, Kremikovtsi agreed to set up a business plan to restore its viability by year 2006. In the end of 2006 however, the company had carried out only part of the plan and continued to be in poor condition.

The Commission agreed to extend the restructuring period until 2008. In order to ensure that Protocol 2 to the EU Treaty of Accession will be observed, EU and Bulgaria agreed on specific rules for monitoring the progress of plan implementation at a meeting of the Association Council EU-Bulgaria on 29 December 2006. In this context, Bulgaria committed if necessary to request from Kremikovtsi to recover the aid.

Since December 2008 the work in most of the company practically stopped, while the main facilities were maintained in safe standby mode. The government and plant management were frantically searching for a new investor, operator or other alternatives for financing and continuation of work, but without success. The plant did not pay salaries, as well as the daily used gas. This gave rise to additional debts, social unrest and ongoing protests by metalworkers.

On May 15, 2009 the gas supply to the plant was cut-off. The coke production facilities that need uninterrupted gas supply were stopped as well. Stopping the coke plant is irreversible - its work cannot be resumed. According to the press and opinion leaders this forever eliminated one of the biggest polluters in the Sofia field.

4. Instruments used for restructuring

In the course of restructuring of Kremikovtsi privatization procedures were applied and the Council of Ministers remitted and rescheduled significant state receivables.

In 2006 the Government made a decision to include Kremikovtsi in the so-called "List of companies placed in isolation".

Special business plan for the restructuring of the plant was developed and then approved by the European Commission.

A recovery plan of the plant was developed in 2009. The recovery plan envisaged capitalization of receivables, i.e. creditors become shareholders of Kremikovtsi. This idea was supported by the then finance minister and some of the creditors; therefore the plan was not accepted.

5. Best practice criteria:

a. Restructuring anticipated and carried out in a structured way?

The permanently poor economic condition of the plant Kremikovtsi, the obsolete facilities, the economic destabilization during the 1996-1997 hyperinflation made restructuring expected and inevitable. However, the following developments made Kremikovtsi a learning example for badly designed restructuring.

The European Commission concluded that the metalworking plant Kremikovtsi has not fulfilled the business plan developed for its restructuring and approved by the Commission in 2006 on the basis of the special protocol on the metallurgy in the European Treaty governing the relations between EU and Bulgaria before its EU membership in 2007. The company received about 222 million EUR restructuring aid between 1998 and 2005, but failed to modernize its infrastructure and reduce its production costs. In August 2008, the company was declared bankrupt and in the context of ongoing liquidation proceedings Bulgaria initiated the recovery of the aid, together with interest.

b. Systematic inclusion of social partners and active participation?

For nearly 20 years the trade union federations and headquarters and their organizations in the plant participated extremely active in the restructuring processes. To protect the interests of its

members, they used all available tools - from negotiations and bargaining to strikes and civil protests.

Several times they participated in litigations in order to stop the winding of the plant.

In 2009 the unions proposed the idea to develop an analogue solution to the project "Dortmund" implemented in Germany, which revealed many new opportunities for permanent employment and general development of the economy in the municipality of Dortmund. The proposal was not accepted.

c. Success of anticipation and management?

The definite assessment of the European Commission was that even at the end of the initial period of restructuring in 2006 Kremikovtsi had not been able to achieve the restructuring goals. As a special exception the company was granted a two-year extension of the restructuring period. During this period, however, the situation did not improve and eventually ended up declaring the company bankrupt.

The Commission believed that it was of an utmost importance for the company and its owners to make substantial efforts, as a condition to receiving restructuring aid. The company should have made its "own financial contribution" to the financial aid provided by public funds. Own investments, on which the business plan for Kremikovtsi was founded, were not provided. Lack of investment capital for modernization and lack of working capital were the main reasons for the failure of the company to achieve viability.

In accordance with their obligations under the monitoring in the Treaty, the Commission concluded that Kremikovtsi had failed to execute the business plan in a satisfactory manner. In fact, initially planned major modernization and environmental investments were not made. The company also failed to reduce its production costs and continuously suffered from a lack of working capital due to internal reasons, which adversely affected its operations. As a result, the company was declared bankrupt in August 2008.

While in the period 1993-1995 over 10,000 people worked at the plant, in 2008 Kremikovtsi employed only 5,190 people. Today the divested plant employs about 500 people, engaged with the physical liquidation of buildings and facilities.

6. Further information

During the recent years the trustee carries out sale of property of the plant in liquidation.

In March 2014, anticipating the upcoming early parliamentary elections, a Draft Decision for discussion was proposed in the Parliament for recovery of operations and the production of Kremikovtsi. The Parliament was dissolved without ruling on the proposal.