

"Collective bargaining in Bulgaria- overview and company- case study on the remuneration policy"

14th Annual TURI conference

21 - 23 September 2022

General overview of collective bargaining in Bulgaria

- Collective agreements (CA) in Bulgaria are concluded by enterprise, branch, industry and municipality. Only one collective agreement may be concluded at the level of enterprise, branch and industry (Labour Code, Art. 51).
- Collective agreements have declined in number over the last five years. **There are 1551 collective agreements in force down from 1903 agreements concluded in 2017 (decline of 18,5% up to 2022)*.**
- The shrinking number of agreements is due to the lowering number of company level agreements In terms of sector the decline is more evident in
 - the wholesale and retail sector (-55% decrease of collective agreements on undertaking level),
 - the education sector (-33% respectively) and
 - the healthcare activities (-19%).

In terms of company size the largest drop is observed within the

- micro size undertakings (-33,3%),
- small size undertakings (-22,3%),
- medium size undertakings (-17,6%).
- The decline of CAs within the large size undertakings is below 5% in the period 2017- 2022.

* Data from Q2 2022 compared to Q2 2017. Source: National Institute for Conciliation and Arbitration

General overview of collective bargaining in Bulgaria

- The branch/ industry level and the municipality level agreements remain stable up to 2022. In Q2 2022 there are 19 branch/ industry CAs (compared to 20 CAs in Q2 2017) and 56 municipal CAs (compared to 52 CAs in Q2 2017) in force. In 2022 the branch/ industry CAs cover the following economic activities (as classified under NACE Rev. 2 Sections A-S):
 - Mining and quarrying (B);
 - Manufacturing (C);
 - Electricity, gas, team and air conditioning supply (D);
 - Water supply, sewerage, waste management and remediation (E); Construction (F);
 - Transportation and storage (H);
 - Accommodation and food service activities (I);
 - Education (P);
 - Human health and social work activities (Q);
 - Other service activities (S).

Company- case study on the remuneration policy

- ISTUR was approached by a trade union (TU) leader of company X. The company has 4 trade union organizations which represent different categories of workers. The union which sought help organizes middle and bottom- paid workers within the company.
- The union requested support in analyzing the company's internal remuneration structure. The analysis is needed as the negotiations about a new CA are about to start well in advance before the end of the current CA. Negotiations should be focused on a number of topics but the union is eager to pay a lot of attention to the remuneration level as the inflation rate has already questioned the adequacy of the wages.

Company- case study on the remuneration policy

What we noticed when going over a number of internal company documents:

- Very complex remuneration regulation and a only a part of it is consulted with the TUs.
- Seniority (years of experience) and geographic location influence the level of the wage. Thus the “equal pay for equal work” principle is not applied within the company.
- Performance appraisal is actually missing. A standard form is applied across all occupations and a simple statement is made as a conclusion: either good or bad performance. Thus it is really not possible to distinguish good and top performers and to motivate employees on the basis of an awarding wage scale.
- The main wage (without bonuses and additional payments) differs among occupations. All occupations are ranked on the basis of 6 criteria and a coefficient is produced. This coefficient is then applied to a fixed rate of BGN 2520 (EUR 1288) and the main wage level is calculated.

Company- case study on the remuneration policy

- Out of the 6 criteria used to evaluate and rank the occupations only 3 are being described within the company's methodology. Furthermore, only one of these three criteria is bound with an objective description and is being measurable. The other two criteria are equipped with a three-point scale (normal, high and very high) but no description is provided on what is being measured and what numeric scale is being applied. Even worse, it is not clear who is responsible for the rating of the occupations and whether the procedure is consulted with the TUs. According to the Bulgarian Labour Code (Art. 37) company level TUs shall be entitled to participate in the drafting of all internal rules and regulations which are related to the labour relations, and the employer shall mandatorily invite them to do so.

Company- case study on the remuneration policy

- The maximum main wage is 11 times higher than the minimum main wage. A striking difference which is not explained by objective and measurable list of criteria.
- The main minimum wage is even lower than the national minimum wage. Because of the additional monthly bonus, the total pay however reach the minimum wage.
- No policy engagement is written down in terms of updating main wage level (i.e. whether wages will be impacted by the inflation rate, the living wage, the average wage of companies in the same sector, the national average wage).
- Employees are entitled to a bonus which complements the main monthly wage. The bonus is defined as a percent of the main wage. However the rate of this additional payment differs in terms of occupations (the highly qualified workers are entitled to a bonus which equals the wage while less qualified workers fall under a 40% ratio) and geographic location (employees outside the capital can get up to 80% bonus payment to the wage).

Company- case study on the remuneration policy

- ISTUR recommended a number of actions to help workers get equal pay for equal work. We also presented a framework on assessing the occupations and determining the coefficient used to form the main wage level.
- The results are highly questionable as the other TU organizations do not want to oppose the existing pay structure since their members are among the top paid employees and do not recognize the existence of pay imbalance. On the other hand, the employer is not willing to allocate resources in order to amend the existing procedures and expect TUs to produce a new rules and calculate the financial effect of the proposals (which goes beyond the expertise of the TUs).

Thank you for your attention!

