

ILR New Conversations Project



SUSTAINABLE LABOR PRACTICES IN GLOBAL SUPPLY CHAINS

Social Dialogue in the 21st Century

Mapping Social Dialogue in Apparel: **Bulgaria**

January 2021

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Labor Relations & The Strategic Partnership for
Garment Supply Chain Transformation

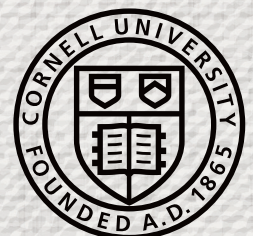
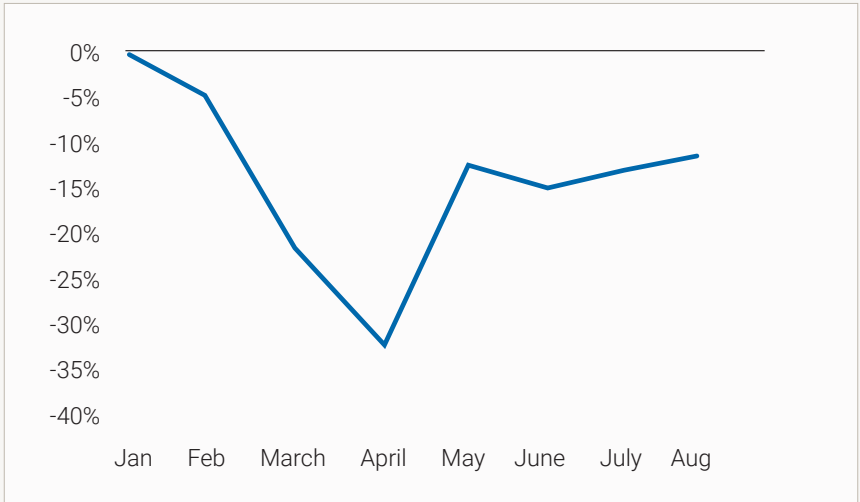


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Bulgaria COVID-19 Garment Industry Impacts

State of COVID-19 ¹	<p>As of January 7, 2021,</p> <ul style="list-style-type: none"> • Confirmed COVID-19 cases: 206,392 • COVID-19 deaths: 7,961 • Case-Fatality: 3.9% • Deaths/100K Pop: 113.34 																		
Year on year US & EU imports from Bulgaria 2020 vs 2019 show an overall 14% decrease from January to August with imports falling 34% in April and rebounding to a 11% decline in July.	 <table border="1"> <caption>Year on year US & EU imports from Bulgaria 2020 vs 2019</caption> <thead> <tr> <th>Month</th> <th>Import Change (%)</th> </tr> </thead> <tbody> <tr> <td>Jan</td> <td>0%</td> </tr> <tr> <td>Feb</td> <td>-5%</td> </tr> <tr> <td>March</td> <td>-20%</td> </tr> <tr> <td>April</td> <td>-34%</td> </tr> <tr> <td>May</td> <td>-13%</td> </tr> <tr> <td>June</td> <td>-15%</td> </tr> <tr> <td>July</td> <td>-11%</td> </tr> <tr> <td>Aug</td> <td>-14%</td> </tr> </tbody> </table>	Month	Import Change (%)	Jan	0%	Feb	-5%	March	-20%	April	-34%	May	-13%	June	-15%	July	-11%	Aug	-14%
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June	-15%																		
July	-11%																		
Aug	-14%																		
Length of apparel industry lockdown	No lockdown for apparel industry																		
Job losses or workforce capacity reduction percentage	Data not available																		
Government support specific to apparel industry	General government support, nothing specific for apparel industry																		
Characterization of social dialogue activities	Reinvigorated; social partners realized its importance as a mechanism of crisis management.																		

1. Data from the Johns Hopkins University Coronavirus Resource Center <https://coronavirus.jhu.edu/data/mortality>

2. Imports refer to imports of products with HS commodity codes 61, 62, 63, and 64. Data from UN Comtrade.

1.0 Introduction

The goal of this country report on Bulgaria is to provide information and initial analysis of labor relations and social dialogue in the country's garment sector, as part of the *Social Dialogue in the 21st Century Project* – a collaboration between the New Conversations Project at Cornell University's ILR School and the Strategic Partnership for Garment Supply Chain Transformation which includes the Fair Wear Foundation, CNV Internationaal, and Mondiaal FNV.

In the last few years, textile and garment production are one of the biggest industries in the economy of Bulgaria—second only to tourism in economic importance—contributing 20.3 percent of all industrial production in 2015.¹ The combined industry employs around 120,000 people across approximately 4,500 firms and contributes nearly 2 percent of the aggregate total Gross Value Added (GVA) of the Bulgarian economy. Among Bulgaria's total exports, apparel represented 5.3 percent in 2018, of which 90 percent was delivered to the European Union.²

The report uses various information sources: public analyses of labor relations, social dialogue and collective bargaining in Bulgaria at the national and sub-national levels, as well as analyses of the basic trends in Bulgaria's apparel and garment sectors; survey and statistical data provided by various organizations and agencies in Bulgaria; and interviews with various stakeholders in Bulgaria associated with the garment sector conducted in 2019 and 2020.

Section two of the report provides the general context and recent trends in Bulgaria's labor relations, with a special emphasis on social dialogue and collective bargaining. The third section outlines the major trends in the Bulgarian garment industry, and the key stakeholders that are currently active in this industry. The fourth section focuses on the institutional framework for social dialogue and collective bargaining in the garment industry. The fifth section describes the impact of the COVID-19 pandemic on social dialogue in Bulgaria.

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1. Fair Wear Federation. Bulgaria Country Study 2016.
 2. Data from the Ministry of Economy. July 2019.

2.0 General context of Bulgaria's labor relations

2.1 Overview: Historical Forces/Events Shaping the Current Labor Relations System in Bulgaria

2.1.1. Post-Communist Transformation in Bulgaria (1989-1997)

Bulgaria's extrication from state socialism began with an elite-initiated revolution by forces within the Bulgarian Communist Party. Initially it took the form of a palace coup – Communist leader Todor Zhivkov peacefully “resigned” on November 10, 1989. As many transition scholars argued, Bulgaria's close historical, linguistic, and cultural ties with Russia became important considerations for its transition period, in particular when compared to other Central and Eastern European (CEE) countries such as Hungary, Poland, the Czech Republic, and Slovakia. As part of this legacy, Bulgaria's Communist party was preserved as a reformed socialist party (Bulgarian Socialist Party) and acted as a major force in the political process after 1989.

Emergence of Social Dialogue

After the 1989 breakthrough, there was a broad social consensus that the society at large should move away from one-party rule, central economic planning, and a central focus on egalitarianism, and that it should build a new order based on democracy, the rule of law, and a market economy, with a readiness to accept greater social inequality as part of the price for economic prosperity. The transition plan worked out by means of social negotiations—with government, labor, and emerging business interests as the three main voices in a system of compromise commonly referred to as “tripartism,” “social dialogue” and “social partnership.”

Tripartism was, in broad terms, to distribute the burden and pain of transformation across the population as fairly as possible, with successful political and economic restructuring the anticipated reward. Among the elements of transition on which consensus was reached was the need to construct the three major capitalist institutions – private property, a market, and wage-labor. Successful accomplishment of this strategic goal was largely contingent on the commitment of the social partners to maintain “social peace.” This meant a continuous societal effort to balance the dynamic and intensifying conflicts between the “high” public interest in transforming the old social order and the “low” group and individual interest in keeping wages and living standards at high levels.

Societal and multi-tier tripartism developed to cope with this difficult transformational task. By helping to consolidate independent worker and business organizations so as to obtain their representation and participation, and by helping the state to diminish its (formerly overwhelming) intervention in the economy and control over society, tripartism aimed at correcting the institutional fusion that characterized the old state socialist arrangement, whereby the state and party became one with labor and business. Once such organizational independence was secured, tripartism had also to address the questions of political, economic, and social restructuring from the viewpoints of all social partners and participants in tripartite bargains (Iankova, 1998).

In Bulgaria, social dialogue emerged in December 1989, and in March 1990, a General Agreement was concluded between the government, the Confederation of Independent Trade Unions in Bulgaria, and the Union of Economic Managers. The Agreement was designed to manage the economic crisis and control the social unrest and disaffection that were anticipated in the wake of pending economic reforms. In April 1990, the signatories of the General Agreement became partners in a National Commission for Coordination of Interests. In the beginning of 1993, the National Council for Tripartite Cooperation was formed following the adoption of the new Labor Code, which made social partnership mandatory. The Council continues to function today.

Discussions focused on two major issues: wages and incomes policies (minimum wages and other protected payments, such as pensions and children's benefits; wages in state enterprises from industry and in the public sector; and other related topics); and employment and unemployment issues, including social protection. Social dialogue also included, on the one hand, discussions of economic reforms, such as restructuring and fiscal and privatization policies and questions of political liberalization, where it interfered with the standard social dialogue agenda. On the other hand, the legacy of the highly centralized state socialist economy and the unavoidable centralization of decision-making during the transformation caused the national social dialogue in Bulgaria and the other post-communist countries to become involved in numerous local cases of social and industrial tension.

Although the institutional arrangements of social peace were often termed "tripartite," the reality was more complicated. On the one hand, the bargaining extended beyond interest groups to the society at large; on the other hand, because of the initial lack of "true" private employers, the arrangements were often regarded as bipartite bargaining between the state and unions. The Bulgarian tripartite commissions of 1990 and 1991 were open to not only government, union, and employer representatives, but to any other interested organizations or institutions. The commissions' statutes emphasized this openness, specifying that any interested organization could participate in the tripartite talks. As political parties, youth organizations, religious organizations, different social movements, NGOs, and others became involved in various tripartite structures, the social dialogue in Bulgaria became multipartite, societal in character (Iankova, 2002).

Multi-Level Bargaining

To avoid the negative consequences of centralization during the post-communist transformations, tripartite negotiations and arrangements that emerged at the national level were quickly spread to lower sectoral and regional levels. In Bulgaria, sectoral social dialogue developed in all industries and branches, involving state authorities and organizations of unions and employers in processes of bargained exchange. On the one hand, centralization of bargaining structures was necessary, because the state remained the major employer in the still non-privatized state sector and the most important employer in the public sector. On the other hand, however, decentralization of bargaining structures was important for democracy. A move toward decentralization, away from state socialism's highly centralized regulation of the employment relationship, was necessary in order to democratize state governance.

At the regional level, regional employment councils comprising local governments, employers, and trade unions were established to complement the national employment councils, which were trying to tackle the most acute problem of the economic transition, namely, unemployment. In addition, sectoral and regional negotiations emerged in sectors and regions where there were acute restructuring problems caused by the collapse of old industries such as textiles and coal mining. Collective bargaining to regulate the terms and conditions of employment emerged at the company level, but it was closely interwoven with collective negotiations at upper levels, and in the more problematic cases representatives of upper bargaining structures became directly involved in company bargaining.

Tripartism during the uncertain post-communist transformation thus aimed to bring together national social partners, lower—sectoral and regional—decision-making bodies, and tripartite social dialogue forums in a multi-level bargaining structure that encompassed and linked together national, sectoral, regional, and company levels (Iankova, 2000).

The political change of November 1989 was followed by spontaneous strikes and other forms of industrial action, and led to significant reorganization on the trade union side. In order to survive, the official unions had to undertake radical internal reform and begin to defend the immediate interests of workers. In February 1990, the official unions constituted themselves as the Confederation of Independent Trade Unions in Bulgaria (CITUB). After the political change of November 1989, Podkrepa emerged into the open and was formally constituted as Podkrepa Confederation of Labor (CL) at its First Congress in March 1990. Podkrepa became part of the Bulgarian opposition and was one of the thirteen founders of the Union of Democratic Forces.

Legal Endorsement of Social Dialogue

A new Labor Code took effect on January 1, 1993, establishing the legal grounds for social partnership. The Labor Code required that the state regulate the terms and

conditions of social insurance and employment “after consultations and in partnership with the representative organizations of employees and employers.” The order and organization of such consultations were to be determined by the Council of Ministers, again after consultations with representative union and employers’ organizations.

The Labor Code regulated the conditions for recognition of employers’ and unions’ organizations as representative. Complex criteria for representation at all levels were introduced, including official registration of nationwide organizations and a certain number of branch and regional structures. Only nationally representative union and employers’ organizations could participate in social dialogue and collective bargaining at lower levels.

In January 1993, the government recognized several union and employers’ organizations as representative at the national level. Of the unions, only Podkrepa CL and the CITUB were recognized. On the employers’ side, the Union for Private Economic Enterprises, the Bulgarian Chamber of Commerce, the Bulgarian Industrial Association, and the Vazrazhdane Union of Private Entrepreneurs were recognized.

In line with the requirements of the new Labor Code, and after negotiations with the social partners, institutions of tripartite cooperation were created at all levels. The National Council for Tripartite Cooperation (NCTC) was reinstated in March 1993. It comprised representatives of the government and of the organizations of employees and employers recognized by the Council of Ministers as representative. The adoption of the new Labor Code reduced politically initiated breaks in social dialogue to a minimum.

Towards Expansion: Bulgaria’s Societal Tripartism

Until 1997, the sole approved arena for discussion of all questions related to the social and employment sphere in Bulgaria was the National Council for Tripartite Cooperation, with its regional and branch structures. Initially the NCTC was the only institutionalized form of an active civil society. As Bulgarian civil society developed, however, it placed increasing pressure on the Council to discuss a broad range of issues concerning the consolidation of civil society. Many civil organizations wanted to become members of the tripartite council, so that their voices could be heard. Before long, the Council had acquired new members who were not representative according to the 1993 Labor Code; moreover, the Council began to assume responsibilities much broader than those officially assigned to it, some of which even contradicted some constitutional stipulations.

As a result, the Kostov government, which came to power in 1997, initiated two major revampings of Bulgarian tripartism:

First, a systematic evaluation to confirm the qualifications of organizations for social partner status (the so-called “authentication” or “verification” of social partners); and

Second, expansion of the scope of tripartism through the creation of a well-elaborated web of tripartite institutions, and, consequently, inclusion of additional social actors, mostly from the “third sector,” in the work of the newly created tripartite forums.

From 1995 until the end of 1998, the trade union side in national tripartism was increased from two unions (the CITUB and Podkrepa) to seven, with the five additions officially recognized by the Videnov government and later by the Kostov government. These were the Edinstvo National Trade Union, OSSOB (led by Ermak Dimov), the General Centrale of the Branch Trade Unions in Bulgaria (led by Asen Chaushev), the Promjana National Trade Union, and the Association of Democratic Trade Unions.

Through a series of laws adopted in 1997-1998, the Kostov government created additional tripartite organs to complement the NCTC in all major areas of the social sphere, in accordance with the priorities set in the government program Bulgaria 2001 for the period 1997-2001. The program emphasized the social market economy as the economic guarantee for the development of industry and for the rights and freedoms of individuals. The government program emphasized the tripartite character of the management and control of a variety of social funds.

12 new social dialogue structures arose in Bulgaria after 1997, in addition to the NCTC— altogether eight tripartite forums, and five tripartite boards for the management of social funds. Many of the tripartite organs departed from their classical tripartite character and became multipartite, including non-governmental organizations and various professional organizations. Moreover, the tripartite organs developed not only as organs of consultation but as organs through which social groups became directly involved in the decision-making process in the respective sphere. The National Council for Tripartite Cooperation, established by virtue of the Labor Code, remained a purely tripartite structure, comprising the government, the representative organizations of employers, and the representative organizations of workers.

A Consultative Council for Legislative Initiatives was created by the Parliament in October 1997, under the initiative of the Chairman of the Standing Parliamentary Commission on Labor and Social Policy. The Consultative Council aimed to improve the quality of the social dialogue in Bulgaria and to guarantee transparency of public debates on the most important areas of social legislation: social reforms, and harmonization of Bulgarian social and labor legislation with the European common law.

2.1.2 The Currency Board Arrangement, IMF, Foreign Corporations and Social Dialogue

In the mid-1990s the economic situation in Bulgaria deteriorated dramatically when a series of banks went bankrupt, inflation skyrocketed and exceeded 500 percent and Bulgaria was facing bankruptcy for the second time in less than ten years. To provide macroeconomic stability, a currency board arrangement was introduced in July 1997. Initially, the Bulgarian currency (BGN) was pegged to the Deutsche Mark and later on – to the Euro.

With the introduction of the Currency Board, international institutions and organizations such as the International Monetary Fund (IMF) gained a prominent role in the

Bulgarian tripartite system of social dialogue. Before 1997, the IMF was the invisible, shadow partner in Bulgarian tripartism, laying down the framework within which governments could negotiate with unions and employers. Since then, the IMF has become more openly involved in tripartism. Its three-year standby agreement with the Bulgarian government (reached in 1997) put some clear restrictions and constraints on tripartite bargaining. For example, the IMF set clear ceilings on wage increases and linked them with productivity. Also noteworthy is the fact that the major requirements of the standby agreement with the IMF were drafted in accordance with the EU requirements and criteria for accession and reflected discussions among the social partners about the degree to which the agreement should conform to the European social model. Even when faced with a strike threat from major unions, the government could not avoid these restrictions (Iankova, 2002).

Further, the tripartite forum had to take into consideration the macroeconomic framework laid out by the Currency Board. The unions accepted their role in preserving social peace within these macroeconomic constraints, but with the condition that they would be consulted in the areas that directly concerned their members—structural reform, employment, prices and incomes, and social protection. The unions insisted on the expansion and deepening of social dialogue—which was accomplished with the 1997-1998 social laws.

Consulting foreign businesses was part of a new development in Bulgaria's social dialogue system. There is no doubt that the international business community in Bulgaria played a major role in the process of post-communist transformation and accession to the EU. Direct foreign investments, while considerably lagging behind the figures in central European countries such as Hungary, Poland, and the Czech Republic, have steadily increased since 1992.

The influence of foreign companies is twofold. First, lobbying takes place through the organization of international forums and round tables in Sofia, such as the Investment Forum and the European Round Table of Industrialists. The round-table format was initiated by the foreign investors in Bulgaria. In addition, the foreign investors and employers in Bulgaria founded the Bulgarian International Business Association (BIBA) in 1992 to represent the interests of the international business community before the Bulgarian government, political parties, interest groups, and the Bulgarian business community. BIBA became one of the most influential nongovernmental organizations in Bulgaria, acting as a catalyst for creating a better investment climate and business infrastructure. In 1999, BIBA had over 115 members from more than 20 countries.

Second, foreign investors in Bulgaria directly effect changes in the whole production patterns of different sectors, the organization of work, and the criteria for product and service quality, labor standards, collective bargaining, and labor-management relations. This facilitates the harmonization of Bulgarian practice and legislation with European standards. Thus the harmonization in law, primarily a government task, is paralleled by a harmonization in practice, strongly influenced by foreign investors.

2.1.3 Accession to the EU and Harmonization of Labor Legislation with the EU Common Law

If the PHARE Social Dialogue Program initiated in Bulgaria in 1993 played a positive role for the organizational development of the social partners and the consolidation of tripartism, the EU's Agenda 2000, the accession partnership agreement with Bulgaria concluded in 1998, and the EU decision to open accession negotiations with Bulgaria in February 2000 have determined Bulgaria's future direction and the priorities of the Kostov government.

The EU set three main criteria for beginning accession talks with the CEE applicants for membership: (1) stable political institutions guaranteeing democracy, the rule of law, human rights, and the protection of minorities; (2) a functioning market economy that can withstand competitive pressure from other EU countries; and (3) the ability to take on the obligations of membership, including adherence to the aims of political, economic, and monetary union, implementation of the EU's common law or *acquis communautaire*, and administrative and judicial capacity.³

Harmonization of Labor Legislation with the EU Common Law

The screening of social legislation (*Chapter 13. Social Policy and Employment*) as part of the overall screening process initiated by the EU in 1998 was an area in which the Bulgarian social partners became actively involved, through the elaboration of a Joint Action Plan with the Ministry of Labor and Social Policy. Moreover, with the opening up of accession negotiations in early 2000, the government decided to include the social partners from the NCTC in the EU accession negotiations, specifically in the discussions on the free movement of people, social policy, and employment. The social partners also took part in the management of the resources of the EU pre-accession funds.

The major reforms of the social security system and the labor code have been undertaken with a view toward the EU accession requirement for harmonization of laws with the European common law. At the end of June 1999, the screening of the thirteenth chapter on social policy was completed for Bulgaria. Legislative harmonization was considered easier in the social sphere than in the economic sphere because the EU requirements in the former are minimal, and because Bulgarian social legislation in some areas, such as social dialogue, already exceeded EU norms.

Establishment of the Bulgarian Economic and Social Council (2003)

In terms of social dialogue, the EU requirement was for the establishment of an Economic and Social Council as a purely consultative organ, whose recommendations need not necessarily be followed by the government; still, all draft laws had to be submitted beforehand to the Economic and Social Council for review. This Council directly corresponded to the European standards for economic and social councils.

3. European Council in Copenhagen, 21-23 June 1993, cf. Conclusions of the Presidency, SN 180/93, 13.

The Economic and Social Councils in the European Union are consultative public institutions of national interest, established to ensure the sustainability of social dialogue at national level. The Councils include representatives of the employers' associations, of trade unions, of the government and of other organizations of civil society, in socio-economic, civic, professional and cultural areas. The ESCs advise the national governments on strategic issues, providing, at request or by their own initiative, expert advice, opinions, studies and reports on economic and social matters to the government, the Parliament or the Presidency. They manage the communication between government, trade unions and employers, ensuring regular exchanges of views about laws and policies, with a view to reach compromise and achieve social peace. The advice – opinions, reports, studies, resolutions etc. – are usually adopted by consensus.

In response to the EU membership requirements, in most of the new Member States the existing national social dialogue structures, such as the National Tripartite Council in Bulgaria, were transformed into economic and social councils. In Bulgaria, however, in light of the extensive tripartite system that had been developed before EU accession, the National Council for Tripartite Cooperation was preserved as a separate institution and the Economic and Social Council was expected to complement it with its outreach to society at large.

The Bulgarian Economic and Social Council was established on 10 December 2003 as the “civil parliament” of the country. Its mission is to support and facilitate the communication between the society and the national government. The Council expanded to overlap civil society and developed as a multilateral inter-institutional structure, with representatives of trade unions, employers, women's organizations, consumers' organizations, and organizations of cooperatives, and a chair jointly appointed by the Council of Ministers, the Chairman of the Parliament, and the President. Functionally, the Council is a “consultative body expressing the will of civil society organizations in terms of the economic and social development of the country.” This is the definition of its status under the Economic and Social Council Act approved by the National Assembly in 2001. In this capacity, the ESC adopts opinions, resolutions and analyses and organizes public consultations on key economic, social, demographic, health, educational or other issues.

The establishment of the Economic and Social Council as a new institution of civil dialogue in Bulgaria marked a new phase of organised civil society development in Bulgaria. However, it would be wrong to argue that social dialogue developed in Bulgaria because of the European common law and the EU requirements for social dialogue. The institution emerged in Bulgaria long before those influences were born. But by the same token, it may well be that EU integration and EU norms regarding the establishment and maintenance of social dialogue as part of accession requirements have fortified social dialogue in the country, by preventing the advent of a strict neo-liberal government with no commitment to social partnership (Iankova, 2002).

2.2 Key Stakeholders in Bulgaria's Labor Relations and Social Dialogue System

2.2.1 Nationally Representative Trade Union Organizations

There are only two nationally representative trade union organizations in the country – Confederation of Independent Trade Unions in Bulgaria, and Podkrepa Confederation of Labor.

Confederation of Independent Trade Unions in Bulgaria

The Confederation of Independent Trade Unions in Bulgaria (CITUB) was formed in 1990 as the successor of the communist-era Central Council of the Bulgarian Trade Unions. It is recognized as a nationally representative organization by the Council of Ministers, and the recognitions are issued consecutively for a period of four years.

Membership. CITUB is the biggest non-governmental organization in the country with a total of 275,762 members (2019 data, CITUB website). The Confederation has 37 affiliated trade union federations, unions and alliances, one of them being the Federation of Independent Trade Union Organizations from Light Industry (where garment and textile production falls under). CITUB has also a number of affiliated members. It has 26 regional offices and 176 municipal trade union councils (CITUB website, July 2019).

International Affiliation. CITUB is affiliated with the International Trade Union Confederation (ITUC) and is a member of the European Trade Union Confederation (ETUC) since 1995. CITUB representatives also participate in the work of the European Economic and Social Committee.

CITUB has a considerable impact on the Europeanization of labor and social legislation in Bulgaria. Its major activities include trade union protection/defense; services and benefits; social dialogue; opinions and positions; research and analyses; international activities; projects; youth activities; charities; worker sports.

CITUB has its own research unit – this is the Institute for Social and Trade Union Research. The Institute was registered in 1995 in the consultative register of the EU PHARE Program. The Institute is a national correspondent to the European Observatory of Industrial Relations at the European Foundation for the Improvement of Living and Work Conditions. It also participates in the Global Policy Network (GPN) at the Institute for Economic Policy in Washington, D.C.; Global Union Research Network (GURN) at the ILO; the network for collective bargaining at the European Trade Union Confederation; and others.

Podkrepa Confederation of Labor

Podkrepa Confederation of Labor (CL) was formed in February 1990. It is recognized as a nationally representative organization by the Council of Ministers, and the recognitions are issued consecutively for a period of four years.

Membership. At the moment Podkrepa CL has over 150,000 members united in 36 regional trade unions, 30 federations and national trade unions, and four associated organizations ((2019, website). Podkrepa CL has 25 affiliated trade union federations (Dimitrov, 2018).

International Affiliation. Podkrepa CL is affiliated with the International Trade Union Confederation (ITUC) – it became member in 1991 and a full member in December 1995. In January 1994 Podkrepa acquired an observer status with the European Trade Union Confederation (ETUC) and in December 1995 it became its full member. Podkrepa CL representatives also participate in the work of the European Economic and Social Committee.

Relationship between the Two Nationally Representative Trade Union Confederations

The two trade union confederations underwent a period of sharp opposition at the beginning of post-communist transition. After becoming members of the European Trade Union Confederation and the International Confederation of Trade Unions, the tension between CITUB and Podkrepa visibly decreased, including under the influence of the international trade union movement. During the last five years, after leadership changes on both sides, the two confederations even come together with similar positions on important questions. There are still some remnants of the period of “cold war” between them which is manifested in the lack of sufficient coordination for joint action in some industrial conflicts. At the branch level, there are common positions of the branch federations – members of the two confederations, in the process of collective bargaining and the conclusion of collective agreements for various branches and industries.⁴

Funding Sources

Both trade unions assert that they are funded, first, by membership fees. Second, funding for their activities comes from Operational Program “Development of Human Resources” which is based on joint funding from the European Union and the government of Bulgaria. The Operational Program provides funding to both trade unions and employer organizations for the development of joint projects in the area of labor and industrial relations. Third, the various federations – members of CITUB and Podkrepa, apply for funding from various EU programs on a competitive basis, to support various activities. Fourth, both confederations are funded by renting real estate property owned by them.⁵

4. Interview with Ivan Neykov, November 2019.

5. Interview with Ivan Neykov, November 2019.

2.2.2 Nationally Representative Employer Organizations

According to data from the census 2011-2012, four employer organizations were recognized as representative at the national level for a four-year period – the Bulgarian Industrial Association (BIA), the Bulgarian Chamber of Commerce and Industry (BCCI), the Confederation of Employers and Industrialists in Bulgaria (CEIBG) and the Bulgarian Industrial Capital Association (BICA). The census of employers' organizations in 2016 recognized as representative five employers organizations, with the Union for Private Economic Enterprising (UPEE) regaining its representative status. The Bulgarian Union of Private Producers 'Vazrazhdane' also applied for recognition of representativeness but failed to meet the representativeness criteria (Dimitrov, 2018).

Bulgarian Industrial Association – Union of the Bulgarian Business (BIA)

The Bulgarian Industrial Association (BIA) was founded in 1980. BIA has 117 branch organizations in 117 economic activities; 5,668 members with 132,217 employees; and 143 regional chambers (2016 data, Dimitrov 2018).

International affiliation: BIA is the only business organization from Bulgaria which is a member of BUSINESSEUROPE, a confederate-like European business organization, therefore BIA is representing Bulgarian company and employer interests at the European level. BIA is also a member of the International Organization of Employers (IOE). BIA is additionally an active participant in the work of the International Labor Organization (ILO), the European Economic and Social Committee (EESC) and the South East European Employers' Forum (SEEEF). BIA is also among the founders of the Union of Black Sea and Caspian Confederation of Enterprises (UBCCE).

Bulgarian Chamber of Commerce and Industry (BCCI)

BCCI is an independent, non-governmental organization for assistance, promotion, representation and protection of the business interests of its members. The activity of the chamber is based on the principles of voluntary membership, autonomy and self-financing. BCCI and the 28 Regional Chambers of Commerce and Industry are united in the Unified System of Bulgarian Chambers of Commerce and Industry, which is made up of approximately 53,000 members including traders, corporations and associations.

Membership: The Chamber has 73 branch organizations in 74 economic activities; 39 669 members with 341 409 employees; and 98 regional chambers (2016 data, Dimitrov 2018)

International affiliation: BCCI is a member of the International Chamber of Commerce with headquarters in Paris; the World Trade Centers Association, USA; and the EURO-CHAMBERS.

Bulgarian Industrial Capital Association (BICA)

Established in 1996, BICA is the most dynamic national organization representing the Bulgarian business sector. Its members include more than 50 holding and investment companies, 80 industrial chambers and 10,000 industrial enterprises employing at least 500,000 people. BICA is a network made up of regional chambers covering 171 Bulgarian municipalities.

Membership: BICA has 101 sectoral/ branch organizations in 60 economic activities; 8,281 members with 317,617 employees; and 171 regional structures (2016 data, Dimitrov 2018).

International affiliation: BICA is a member of the European Centre of Employers and Enterprises providing Public Services (CEEP), and participates in the work of the European Economic and Social Council. It is also a member of the International Organization of Employers.

Confederation of Employers and Industrialists in Bulgaria (CEIBG)

CEIBG has 114 sectoral/ branch organizations in 117 economic activities; 4,598 members with 378,869 employees; and 128 regional structures (2016 data, Dimitrov 2018).

International Affiliation: International Chamber of Commerce (ICC).

Union for Private Economic Enterprising (UPEE)

The Union was initially recognized as representative at national level, then its representation was lost; most recently it was again recognized as a nationally representative employer association. UPEE has 40 sectoral/ branch organizations in 39 economic activities; 2,651 members with 51,742 employees; and 88 regional structures (2016 data, Dimitrov 2018).

International Affiliation: European Association of Craft, Small and Medium-Size Enterprises (UEAPME).

Relations between the Employer Organizations: The Association of Bulgarian Employers

The four biggest nationally representative employer organizations in the country, excluding the Union for Private Economic Enterprising, created their own alliance, the *Association of Bulgarian Employers (AOBE)* or *Association of Nationally Representative Employers Organizations in Bulgaria*. Its members are the Bulgarian Industrial Association (BIA), the Bulgarian Chamber of Commerce and Industry (BCCI), the Confederation of Employers and Industrialists in Bulgaria (CEIBG) and the Bulgarian Industrial Capital Association (BICA).⁶

6. <http://aobe.bg/about/mission/#>

AOBE is a voluntary organization which aims to coordinate the positions of its members and to promote the consolidation and balancing of the representation of their interests at the national level, in the tripartite social dialogue with the government and the nationally representative trade unions. AOBЕ's main objective is to develop and strengthen the cooperation between its four members in the representation of their interests. To achieve this goal, AOBЕ work in the following areas:

- Creates conditions for constant contact between its members;
- Assists with the exchange of views and consultations among its members on all matters of mutual interest;
- Assists in the development of common positions on matters affecting the interests of employers such as the development of free enterprise, business initiative and the market economy;
- Works to establish and maintain relations of fair competition between Bulgarian employers;
- Assists in the resolution of member disputes.

Relations with Government and Trade Unions

In terms of the relations of the employer organizations with the government and the trade unions, the employer organizations are active participants in the social dialogue at the national and branch level. Their relations with the trade unions can be characterized as constructive, both at the national level and at the branch level. Conflicts between employers and trade unions arise predominantly at the enterprise level. The relations of the employer organizations with the government are partnership-based.

What is their capacity to participate in labor-related social dialogue? All employer organizations have small expert teams, employed under a labor contract, on issues related to the social dialogue. If necessary, they hire external experts for specific tasks.

Funding

Similar to the trade unions, the nationally representative employer organizations declare that they are funded on the basis of membership fees. Second, funding for their activities comes from Operational Program "Development of Human Resources" which is based on joint funding from the European Union and the government of Bulgaria. The Operational Program provides funding to both trade unions and employer organizations for the development of joint projects in the area of labor and industrial relations. Third, the member branch organizations apply for funding from various EU programs on a competitive basis, to support various activities (in case the project is approved).

2.2.3 Government Institutions and Agencies

Several government agencies are actively engaged in social dialogue and in the area of industrial and labor relations. These are:

Ministry of Labor and Social Policy

It establishes policies, strategies and drafts legislation related to labor, employment, pensions, work abroad, children and family, social assistance, social services, persons with disabilities, demographic policy, equal opportunities and public consultations.

Employment Agency

The Bulgarian Employment Agency is an executive agency with the Minister of Labor and Social Policy, implementing government policy in the field of employment promotion.

General Labor Inspectorate

The General Labor Inspectorate (GLI) is a budget-financed legal entity within the Minister of Labor and Social Policy. The Inspectorate is responsible for labor law compliance and exercises specialized control over the following: compliance with the Health and Safety at Working Conditions Act, the Employment Promotion Act and legislation related to the rights and obligations of the parties in employment relations. It is also responsible for providing information and technical advice to employers and workers on the most efficient methods for compliance with the labor laws and the implementation of the Employment Promotion Act.

National Social Security Institute (NSSI)

NSSI is a public institution that manages the state social security in Bulgaria. NSSI administers the compulsory social security for sickness, maternity, unemployment, accident at work and professional diseases, disability, old age and death.

National Institute for Conciliation and Arbitration (NICA)

NICA is an executive agency under the Minister of Labor and Social Policy, established on a tripartite basis. The supervisory board includes two representatives from each of the following: representative organizations of employers, representative organizations of employees, and the state. NICA's mediators and arbitrators are elected by the representative organizations of workers and employers, and by the state. NICA plays a key role in the settlement of industrial conflicts through mediation and arbitration as an alternative, out-of-court resolution of collective labor disputes. The main goals of NICA are to promote mutually-beneficial and timely settlement of industrial conflicts; to support the improvement of social dialogue; and to support the implementation of the European social model for solving industrial relations conflicts.

Ministry of Economy

The Ministry of Economy's mission is to develop and carry out clear and transparent economic policy that protects the national and public interest and is based on principles of the European Union. Among their tasks are the promotion and acceleration of investments, innovations and competitiveness.

InvestBulgaria Agency

InvestBulgaria Agency (IBA) is a government organization established to attract investment to the country, to assist project set-up and to ensure successful project development resulting in new jobs, exports and know-how transfer for the Bulgarian economy. The Agency helps potential and existing investors explore the investment opportunities in Bulgaria and carry out greenfield investment projects in the country.

Relationships with social partners

During the last two-three years there is a definite trend towards the normalization of tripartite dialogue in its various forms. The emerging disputes are targeting the “public” – for example, in regards to the minimum wage, the payment for the first three days of a sick leave (these three days are paid by the employer organizations), or for the wages of nurses. At the end, an agreement is reached at informal meetings for mutually acceptable decisions, which are later translated into official normative documents.

2.2.4 Relationships Among the Bulgarian Social Partners

All relationships between the Bulgarian social partners are highly institutionalized, and this is a consequence of Bulgaria's membership in the European Union. The European Union is a highly institutionalized economic and monetary union, with a dense web of institutions – common law, policies & governing bodies. As a result, the relations between the Bulgarian social partners in the area of industrial and labor relations are institutionalized in:

- First, the National Council for Tripartite Cooperation and its branch and regional divisions (established in 1990 and strengthened with the 1993 Labor Code) which have not only advisory but also co-governance functions in determining the minimum wage for the country and other important issues;
- Second, the additional tripartite bodies for social dialogue that were established on the basis of social legislation adopted in 1997-98, to complement the NCTC – eight tripartite forums in the social sphere, and five tripartite boards for the management of social funds; and
- Third, the Economic and Social Council of the Republic of Bulgaria (established in 2003), which is the country's “civil parliament,” providing official opinions to the government institutions on all matters concerning labor and industrial relations.

The ultimate goal of such institutionalizations is to channel cooperation and avoid conflict between the social partners.

The functioning of the National Council for Tripartite Cooperation and its regional and branch structures, as well as of the additional tripartite bodies has already been discussed extensively in the first section of this report. Below is information about the Economic and Social Council of the Republic of Bulgaria.

Economic and Social Council of the Republic of Bulgaria⁷

The establishment of the Economic and Social Council in 2003 as a new institution of civil dialogue in Bulgaria marked a new phase of organised civil society development in Bulgaria. The ESC is a “consultative body expressing the will of civil society organisations regarding the economic and social development of the country.” The ESC is “the civil parliament” of Bulgaria. Its mission is to facilitate the communication between Bulgarian society and the national government.

The ESC is characterised by real representation of the three main groups of civil society organisations – employers’ group, employees’ group, and the group of various interests. The Council is the unique national body that brings them together at a common forum. These three groups of organizations have equal quotas in the Council’s plenary session. The plenary session comprises a President and 36 members, which are organised in three groups of 12 members as per representation. A member of the Council is also its President, which is elected by the National Assembly on a proposal from the Council of Ministers and after her/his nomination has been agreed with all the organisations as represented at the ESC. The members of the plenary session have a four-year term of office.

The Council expresses and protects civil society interests by communicating agreed statements and proposals submitted by its members to the executive and legislative authorities. In this relation, the ESC adopts opinions, resolutions and analyses and organises public consultations on key economic, social, education, demographic, health or other issues. The Plenary Session of the Council adopts opinions on bills, national plans and programs of the Council of Ministers; on acts of the National Assembly; on strategic issues of the economic and social policy as well as on annual memorandums for economic and social development of the country. The plenary session may also adopt analyses on topics of social significance. The session also adopts resolutions on current issues of the economic and social policy and of the civil society. The opinions are elaborated and adopted at the request of the President of the Republic of Bulgaria, the Chairman of the National Assembly and of the Council of Ministers. The Economic and Social Council also elaborates own-initiative documents when approached by at least one-third of its members, by the standing commissions, by the President of the Council or by the Council’s Presidents Board.

7. <http://www.esc.bg/>

2.2.5 International Governmental and Non-Governmental Organizations

International Labor Organization – Budapest Office for Central and Eastern Europe

The ILO office for Central and Eastern Europe (CEE) was established in 1993 in Budapest, with additional offices in the region established later. It provides advisory services to governments, employers' and workers' organizations in the region. This is done mainly through Decent Work Country Programs, which are the main vehicle for ILO support to member States.

The ILO Decent Work Technical Support Team and Country Office for Central and Eastern Europe provides advisory services to 18 member countries to develop policies and programs that promote more and better jobs for all women and men. The work of the office focuses on the four strategic objectives of the ILO, promoting rights at work, encouraging decent and productive employment, enhancing social protection, and strengthening social dialogue. Geographically, the office concentrates on the Western Balkans, Moldova, and Ukraine.

In 1993 the first tripartite conference ever held in Bulgaria, based on the findings of a survey conducted in 1992 by ILO in over 500 industrial establishments. The Survey and the Conference were instrumental in defining the priorities of the labor market reform for the coming years in Bulgaria: effective legislation, strong institutions, and the labor market inclusion of vulnerable groups.

In 1995 the ILO brought together over 60 trade union leaders to discuss the impact of multinational companies in the CEE region.

In 2003 the ILO contributed to the amendments of the Bulgarian labor legislation in compliance with the universal and European standards in the field of non-discrimination, freedom of association (right to strike); the settlement of collective labor disputes, and maritime standards.

European Economic and Social Committee

The European Economic and Social Committee (EESC) is a consultative body of the European Union (EU) established in 1958 to advise EU decision-makers and ensure that ordinary people across the continent have a say in Europe's development. It is composed of "social partners" and is a unique forum for consultation, dialogue and consensus between representatives from all the different sectors of "organized civil society" including employers, trade unions and groups such as professional and community associations, youth organizations, women's groups, consumers, environmental campaigners and many more.

The mission of the EESC is to help ensure that EU policymaking and legislation is more democratic, more effective and genuinely reflects the needs of EU citizens. The Committee has three key tasks: to advise the European Parliament, the Council and the European Commission; to make sure the views of civil society organizations are

heard in Brussels and to increase their awareness of the impact of EU legislation on the lives of EU citizens; and to support and strengthen organized civil society both inside and outside the EU.

Currently, EESC membership numbers 350. Bulgaria has 12 members of the EESC. Members are appointed by the Council (by qualified majority) following nominations made by the government of the respective Member State. However, once appointed, the members are completely independent of their governments. They have a renewable term of office of five years.

Members of the EESC are divided into three groups of equal number: Employers; Workers; and Various Interests (such as farmers, consumer groups, professional associations and others).

The EESC issues between 160 and 190 opinions and information reports a year. It also organizes several annual initiatives and events with a focus on civil society and citizens' participation.

The United Nations Global Compact Bulgaria

The Global Compact is an initiative of the former UN Secretary General, Kofi Annan that brings business and non-governmental organizations, academic institutions, cities and UN agencies together in a global forum that promotes sustainable growth and civic responsibility. The ten principles of the Global Compact are aimed at implementing responsible business practices in the field of human rights, labor standards, environment and anti-corruption.

The Bulgarian Network of the UN Global Compact operates as part of the global network and was launched in 2003. It is an association of 30 companies and NGOs that share the common beliefs that: man's mission is to be useful; free labor is creativity; in creating for others, you can create for yourself; and this is a way you can be a role model to your children.

The UN Network in Bulgaria is a platform for the responsible business in Bulgaria and during its existence, it has developed collective projects with public importance, making a positive impact on the sustainability of business and society. The network does not simply promote adherence to the values of the Global Compact, but uses the ten principles as a tool that creatively addresses the needs of society while stirring a change in culture.

No global brands from the garment sector are members of the UN Global Compact Bulgaria.

Friedrich Ebert Foundation

The Friedrich-Ebert-Stiftung (FES) is a non-profit organization from Germany, committed to the values of social democracy. It is the oldest political foundation in Germany, established in 1925 by the German government, and is headquartered in Bonn and

Berlin. The Foundation is committed to the advancement of both socio-political and economic development in the spirit of social democracy, through civic education, research, and international cooperation.

The Foundation developed a ***Regional Project on Labor Relations and Social Dialogue for Central Eastern and Southeast Europe***.⁸ The FES Regional Project on Labor Relations and Social Dialogue for Central Eastern and Southeast Europe is based in Bratislava, with field offices in Belgrade and Warsaw. It started to operate in January 2015 when the two former sub-regional projects for CEE and SEE respectively were merged into one project, allowing for an even more integrated approach within the whole region.

This Regional Project aims at promoting the social dimension of the European Union, including the accession countries, by strengthening labor relations and social dialogue in CEE and SEE. The project supports the enhancement of trade union capacities and knowledge about the European social dimension, the fostering of networks between trade unions in the region and Germany, the development of trade union organizing strategies in different sectors, and the promotion of the participation of young trade union members.

Regional round tables, workshops, seminars and conferences are organized as part of the project. There are also regular publications on the development of labor relations and social dialogue in the region. The “Annual Reviews of Labor Relations and Social Dialogue” provide a yearly analysis of notable developments in the wider field of labor relations for 19 countries of Central Eastern and Southeast Europe plus Turkey. Important data about collective bargaining, the system of (tripartite) social dialogue, social and economic indicators as well as numbers of national trade unions and employers’ organizations for each country are gathered in the respective annexes. For 2018, some of the dominant topics in the region were the shortage of qualified workers, an increase in precarious working conditions, as well as widespread dissatisfaction in most countries about the state of tripartite social dialogue.⁹

The 2018 Annual Review of Labor Relations and Social Dialogue in Bulgaria was authored by Plamen Dimitrov, President of CITUB, and is available here: <http://library.fes.de/pdf-files/bueros/bratislava/15354.pdf>

8. <http://www.fes-socialdialogue.org/about/mission-of-regional-project/>

9. See in <http://www.fes-socialdialogue.org/news-list/e/the-2018-annual-reviews-of-labour-relations-and-social-dialogue-for-19-countries-in-central-eastern-europe-and-southeast-europe-are-online/>

3.0 Bulgaria's garment industry: overview and first-tier stakeholders

The garment industry in Bulgaria was shaped by a variety of factors, including the above discussed historical determinants of the post-communist transformation, the establishment of a currency board arrangement, and the requirements of EU membership as part of the EU accession process. More specifically, these include macroeconomic, political and legal factors (the specifics of Bulgaria's post-communist restructuring and privatization in particular, legal reforms and the institutional framework of labor relations and social dialogue in the country); policy factors such as government's economic development strategies for the garment sector, including the attraction of foreign direct investment; and international factors such as the requirements and obligations of EU membership, and the activities of various international organizations with an impact on the garment sector.

3.1 Overview of the Bulgarian Garment Industry

3.1.1 Post-Communist Restructuring

During the communist period, the textile and apparel industries became one of the leading sectors of the Bulgarian economy despite the main focus on heavy industry and industrialization of the economy. Within the Council for Mutual Economic Assistance (COMECON), Bulgaria was one of the key producers of textile, apparel, leather and shoes, and the main supplier for the huge markets of the USSR. Huge investments were made in new modern equipment and technologies especially in the textile sector. The production volume had doubled during the 1970s-1980s. In 1990, at the start of the post-communist transformation, the relative share of the textile and apparel industries was 5.5 percent, and of the garment industry – 1.6 percent of the whole production volume, and these branches secured employment for 180,000 people.¹⁰

However, a persistent issue with the garment industry during the communist period had been the low quality of its products. The industry also suffered from lack of customization and catering to the specific needs of its Bulgarian customers. As one researcher had put it, the ready-made garment industry had been “nascent” during the socialist period. In the late 1950s, it still manufactured clothing in three sizes only, following ancient Greek principle for the proportions of the human body, rather than actual measurements of the Bulgarian population.¹¹ Besides, the technical equipment

10. Report of the Bulgarian Association of Textile and Clothing (BATEC) “170 Years Light Industry in Bulgaria: The Challenges of Accession to the European Union” (in Bulgarian).

11. In Rossitza Guentcheva, “Material Harmony: The Quest for Quality in Socialist Bulgaria, 1960s-1980s.” In *Communism Unwrapped: Consumption in Cold War Eastern Europe*. Edited by Paulina Bren and Mary Neuburger. Oxford University Press, 2012.

and technologies used in the industry have already been in place for more than 15-20 years at the start of the transition.

The period of post-communist restructuring (1990s) marked a process of restructuring and privatization of the light industry, including garment, with the major goal of survival in the difficult times of dramatic economic decline and turbulent processes of privatization and restructuring of the national economy. The major characteristics of the industry during this period include:

- Decentralization and de-monopolization of the industry, and restructuring and privatization of the state firms; proliferation of issues with the privatization of state enterprises in the sector after 1995;
- Dissolution of the system of technological interconnectedness between the companies-producers of textile and garments; and dissolution of the whole system of supply security for the textile producers;
- Steep decline in production (from 30 percent to 60 percent in some branches), due to the decrease in consumption and reduced purchasing power of the population during the post-communist restructuring (decrease of 50 percent) and loss of major markets (about 80 percent of the products lost their traditional markets);
- Huge credit indebtedness of the firms (more than 85 percent of the firms in the sector were indebted to banks and/or suppliers);
- Lack of clear government policy for the development of the sector and for the protection of domestic production;
- Proliferation of the gray sector.

The whole sector is one of the first privatized sectors of the Bulgarian economy. In 1999, 94 percent of the firms were privatized; in 2000, 99 percent of the firms were privatized. The sector includes production of textile, apparel, leather processing and production of leather goods such as clothes, shoes.¹² However, there were many issues with the privatization of the sector which led to the worsening of the work conditions in the newly privatized firms. For example, many firms were liquidated during the process of mass privatization when the new owners fired the employees and sold the existing equipment, for personal benefits. Wages marked a decline and were not paid on a regular basis. Many social benefits that had been negotiated with collective agreements, were abolished. The hyperinflation worsened these processes as it reached 218 percent in the beginning of 1997 and led to a steep decline in incomes and devaluation of the Bulgarian national currency, the lev.

Overall, in the situation of economic recession and privatization, the firms have been left on their own; the state withdrew from most of its responsibilities to the firms. It did not come up with a national strategy for the development of the sector and the advancement of production and exports.

12. Report of the Bulgarian Association of Textile and Clothing (BATEC) "170 Years Light Industry in Bulgaria: The Challenges of Accession to the European Union" (in Bulgarian).

One of the contributing factors for the survival of the textile and garment branches during the process of post-communist restructuring was the initiation and establishment of constructive social dialogue between the branch chambers of the Bulgarian Industrial Association and the Federation of Trade Unions in the Light Industry, at the Confederation of Trade Unions in Bulgaria.¹³ The social partners made numerous requests and initiated a number of protest actions against the non-regulated and non-controlled importation of cheap, low-quality textile and apparel products, which had led to further decline of the Bulgarian production of such goods. The coordinated actions of the social partners led to the gradual improvement of the situation and the establishment of more fair competition on the domestic market.

3.1.2 Current Production, Employment, Wages

Nowadays, textile and garment are one of the biggest industries in the economy of Bulgaria. In comparison with most other EU member states, Bulgaria's textile and clothing sector is second only to tourism in economic importance, employing around 120,000 people. Together with manufactured leather products, the created GVA in the garments and textile sector is nearly 2 percent of the aggregate total GVA of the Bulgarian economy and more than 13 percent of the GVA in the processing industry.¹⁴ Since the second half of 2015, the production activity index has increased in both garments and textile.

There are about 4,500 firms operating in the Bulgarian clothing/apparel, leather and knitwear industries.¹⁵ According to Eurostat, the Bulgarian companies in the sector have invested in tangible assets EUR 87.8 million in 2014, marking an increase of 30.1 from 2013. This investment activity is at its highest level since 2009, but the annual gross investments remain 50 percent below the peak values reported during pre-crisis years 2006 and 2007.¹⁶

The dominant type of production (90 percent) in the garment sector became the so-called "ishleme" or work done (subcontracting) with materials supplied by the client. Most of the "ishleme" clients are foreigners. The garment sector attracted foreign investors/suppliers mostly because of its cheap labor and energy, as well as the qualified workforce which could guarantee high product quality.¹⁷ The two most significant garment-producing regions in Bulgaria are the Yuzhen Tsentralen (South Central) region and the Yugozapaden (Southwest) region.

Garment and textile production continues to provide the largest number of jobs (nearly 21 percent) among all subsectors of the processing industry, despite the noticeable decline of the number of employees since 2006.

13. Report of the Bulgarian Association of Textile and Clothing (BATEC) "170 Years Light Industry in Bulgaria: The Challenges of Accession to the European Union" (in Bulgarian).

14. Fair Wear Federation. Bulgaria Country Study 2016.

15. Data from the Ministry of Economy, July 2019.

16. Fair Wear Federation. Bulgaria Country Study 2016.

17. Report of the Bulgarian Association of Textile and Clothing (BATEC) "170 Years Light Industry in Bulgaria: The Challenges of Accession to the European Union" (in Bulgarian).

Garments / total processing industry (507,878) = 18 percent
Garments / total industry (577,881) = 15.85 percent
Garments, textile, leather / total processing industry = 23 percent
Garments, textile, leather / total industry = 20.3 percent

Source: Fair Wear Foundation. *Bulgaria Country Study 2016*.

The total number of employees under labor contract in the textile, apparel, leather and otherwise-related products within the manufacturing sector was 117,906 persons in 2015, a decrease of 5.5 percent compared to 2014. In 2015 the country's population numbered 7.154 million, women making up 51 percent. In general, women's employment rates have been steadily rising for the past few years, reaching 59.8 percent in 2015. The garment industry in Bulgaria demands low-skilled labor, and the majority of workers are women. Traditionally, women employed in the textiles and wearing apparel exceed 80 percent of the total employed in the sector.¹⁸

According to data from the Bulgarian Ministry of Economy, the number of employed under labor contract in the clothing sector (apparel) have marked a decrease since 2010. For the period 2010-2018 the average annual decrease is of 3.8 percent while the total decrease of the employed persons for the whole period is 22.8 percent. In 2010 there were 102,222 employed in the clothing sector (representing 20.1 percent of the total employed in industry), while in 2018 the number of employed in the clothing sector has dropped to 80,469 or 15.7 percent of employed in manufacturing (industry).

The average wages in light industry are traditionally low, one of the lowest for the country – only 70-72 percent of the average wage for the country.¹⁹ However, there is a noticeable growth of average gross wages for the period 2014-2015, which is higher in the subsector 'garment production' and which outstrips the productivity growth. Wages in the sector appear to align closely to the national minimum wage in Bulgaria, despite the lack of official statistics on the matter.²⁰

Work conditions in the garment sector have improved with the transposition of the EU common law into the Bulgarian legislation, as a condition for EU membership. The employers had a six-year grace period, which expired in 2004, to improve work conditions, especially health and safety at work, and align them with the EU standards for healthy and safe work conditions.

18. Fair Wear Federation. *Bulgaria Country Study 2016*.

19. Report of the Bulgarian Association of Textile and Clothing (BATEC) "170 Years Light Industry in Bulgaria: The Challenges of Accession to the European Union" (in Bulgarian).

20. Fair Wear Federation. *Bulgaria Country Study 2016*.

3.1.3 Exports

At the end of October 2003, the European Commission approved a Communication on The Future of the Textiles and Clothing Sector in the Enlarged European Union. Based on this Communication, a National Export Strategy was developed for Bulgaria for the period 2004-2010 which defined 19 priority sectors with considerable export potential, and one of them is the textiles and apparel sector.

At the beginning of the transition period, the garment branch exported 75 percent of its production to the Soviet Union and the other countries from the Soviet Bloc – members of COMECON. As a result of the restructuring of markets, in the mid-2000s, 82 percent of the exports went to European Union member countries and 10 percent – to the United States and Canada.

The revival of internal demand in the EU member states, combined with the strong demand of textile products and garments by third countries (non-EU), had a favorable impact on the Bulgarian export of textile products and garments. In 2015, the export revenues of Bulgarian companies from the sector reached a record EUR 1.91 billion euro, an annual increase of 2.6 percent. The export quantities mark a decrease in garments sales, but due to an increase of the average statistical price of exports, it has reached EUR 2.5 euro/kg (4 percent more than the previous year). In 2015, the average price for exports grew from 7.1 percent up to EUR 27 euro/kg, especially for garments, up 50 percent from 2007. Such development indicates a repositioning of Bulgarian companies towards the production of higher added value and more complex garments.²¹

The exports of apparel and clothing marked a 22 percent increase in the period 2010-2018. The highest increase of exports in the clothing sector was in 2011, 12 percent. In 2018, the exports of apparel represented 5.3 percent of the total exports of the country.²²

Throughout the past 20 years, the main export market for the Bulgarian garments and textile are traditionally EU member states, with a 90 percent share in 2015. This is both an advantage and a challenge, depending on the economic trends of major trade partners including Germany, Italy, France, Greece and Great Britain. Exports to these five countries in 2015 represent nearly three-fourths of the exported garments, totaling €1 billion euro.²³

Main exports from the garment industry: Garments represent 75 percent of the textile products sold abroad. The leading product groups that form nearly half of the total exports include: men's suits and outfits, women's suits and outfits, and knitwear (Fair Wear 2016).

21. Fair Wear Federation. Bulgaria Country Study 2016.

22. Data from the Ministry of Economy. July 2019.

23. Fair Wear Federation. Bulgaria Country Study 2016.

3.1.4 Investments and Major Brands Operating in the Bulgarian Garment Industry

Bulgaria's garment sector serves almost all European brands mass production in the middle price segment. Garments are exported under the Outward Processing Trade scheme ("Ishleme"/ "Lohn"-System) and subcontracted by Turkish, Greek and Western European buyers. Many major European brands and retailers sell garments produced in Bulgaria.

The Bulgarian subcontractors form production clusters, often with 20-30 different local small enterprises, integrated along the value and supply chains of the major European brands. These clusters are not incentivized administratively or through grant financing from the European funds. These are real business-driven production clusters. As a whole, the sector is highly integrated in the European Single Market, with 90 percent of all exports going to Europe.

These Bulgarian companies for clothing have quite stable material resource and building fund. Almost 80 percent of them dispose with private production buildings, and about 50 percent of them have private stores. Some of the clothes are produced with materials supplied by the client on a subcontract work. Some of them are made by Bulgarian and other quality materials.²⁴

Even nowadays the investments in the branch are considered to be low and short-lived.

A 2017 Gepard ranking of the Top 20 companies in the apparel and textile sector in Bulgaria (conducted by the influential Kapital media group) reveals that the majority of these companies are foreign-owned. At the top place is Continental Company, owned by Greek's DGP of Dimitrios Avgerinakis. The company produces sport pants and apparel and employs 40 people on CMT (ishleme). The major markets are Europe and the United States. Second and third positions are also held by Greek-owned companies (HKS and Annitex 1); fourth is Richmart (Italy, Germany and the Netherlands). Fifth position is held by Zagora Chorap, owned by the Turkish ICS Group, one of the biggest producers of socks in Turkey. The sixth company in the ranking, VioModa, is also a foreign investment from Austria. The seventh is also foreign – Galp, owned by the Italian Ricardo Gaudenci. Other foreign investors in the Top 20 include Voya Fashion and Katerini Tekstil (Greek-owned), C&C Textiles (Turkish); C&P Textile (Cyprus).

24. "Bulgarian Textile, Clothing and Fashion Industry: Present, Future and Opportunities." <https://beauty.bgfashion.net/article/4508/42/bulgarian-textile-apparel-industry-present-future-and-opportunities#popup2>

3.2 First-Tier Stakeholders in the Garment Industry

3.2.1 Representative Trade Union Organizations in the Garment Industry

Trade union and employer organization density in the garment industry is low, partly because there are many small enterprises in the sector that remain difficult to unionize. While no definite data is available about the trade union density in the garment industry we can confidently conclude that it is lower than the general trade union density (number of trade union members to the number of total employees, percent) for the country which stood at 16.4 percent for 2012 (Dimitrov, 2018, p. 15), and at 15.1 percent in 2018. Total employers organizations density for 2016 was 53.1 percent as a percentage of all employees in the country (Dimitrov, 2018, p. 16).

CITUB's Federation of Independent Trade Union Organizations in the Light Industry

The Federation was established in May 1990 as a voluntary union of independent and equally standing trade union organizations, whose members are comprised of employed workers, specialists and employees from the light industry, united for protecting their labor, professional and social interests. Its mission is to defend the labor rights of those employed in the light industry.

Membership. The Federation functions on professional and territorial principles, encompassing trade union organizations from several industrial branches: textile, knitwear, shoes, leather accessories, furs, glass and white ware, machinery, household goods and children's toys. Trade in such goods is conducted in state-owned, private, mixed, collective, cooperative and other such business entities (Fair Wear, 2016). In 2016 the Federation had 7,399 trade union members (individuals), down from 8,904 in 2012 (Dimitrov, 2018). It has five branch unions: wool and silk textile; cotton and hemp textile; knitwear, garment, shoes, leather and furs; glass and porcelain; and machinery, children's toys and household items. The federation has regional structures – regional councils for coordination at the level of region (oblast).

International Affiliation: IndustriALL Europe and IndustriALL Global Union.

The Federation is a member of the IndustriALL European Trade Union seated in Brussels and of IndustriALL Global Union, seated in Geneva. It is also a member of the International Textile, Garment and Leather Workers Federation (ITGLWF) and of the European Trade Union Federation of Textiles, Clothing, Leather and Shoes (ETUF:TCL) (Fair Wear, 2016).

Federation of Light Industry at Podkrepa Confederation of Labor

Membership: The Federation had 2,366 members (individuals) in 2016, down from 3,096 in 2012 (Dimitrov, 2016).

International Affiliation: IndustriALL Europe and IndustriALL Global.

3.2.2 Representative Employer Organizations in the Garment Industry

Bulgarian Association of Apparel and Textile Producers and Exporters (BAATPE)

At the end of the 1990s, there was a consolidation on the employers' side in the textiles and clothing sector. As a result, the Bulgarian Association of Textile and Apparel Producers and Exporters was created.

The Bulgarian Association of Apparel and Textile Producers and Exporters (BAATPE) is a non-profit employers' association for the Bulgarian textile and clothing industry. It was founded in 1999 as an NGO in the field of economic development and international cooperation.

Membership. Members of BAATPE include more than 150 export-oriented companies producing cotton yarns, woven fabrics, ladies and men's casual and sportswear, industrial wear, knitted apparel, bath towels, luxurious lingerie and others. About 90 percent of their production is designated for foreign markets, including Germany, Greece, France, Italy, the United Kingdom, the US, the Netherlands, Belgium and Austria.

International Affiliation: Member of European Clothing Association EURATEX

The mission of BAATPE is to help ensure health and sustained growth of the Bulgarian apparel and textile industry and to assist its members in raising their competitiveness.

In 2003-2004, BAATPE participated in preparing a Sectoral Strategy "Premjana Bulgaria," elaborating the policy of the government about the future development of the apparel sector.

In 2000, BAATPE and its members contributed to the abolishment of the registration regime for export of textiles and clothing to the EU, which had existed for two years after the quotas for Bulgaria were removed.

Through its activities BAATPE creates an environment for communication and cooperation between its members and with other companies in the sector; aims at increasing the international competitiveness of the sector by organizing seminars, training, providing inter-branch, economic, legal and other information to its members; promoting the Bulgarian clothing and textile industry abroad; and assisting its members in establishing business contacts with foreign companies.

BAATPE organizes the Balkan Gate Apparel and Textile Exhibition - BGate. This is a specialized business-to-business exhibition, offering professional environment for meetings between producers of textiles, apparel, shoes, leather and accessories and equipment, as well as designers, merchants and service providers for the fashion industry.

Branch Organizations at the Bulgarian Industrial Association – Union of the Bulgarian Business

BIA's Members relevant to the garment sector include:

1. Association of the Companies in the Light Industry
(<https://en.bia-bg.com/branch/view/56/>)
2. Branch Union/Association of Leather, Fur, Footwear and Leather Goods Industry
(<https://en.bia-bg.com/branch/view/23/>) website <http://www.leather-shoes.eu>
3. Branch Union/Association of Textile Manufacturers
(<https://en.bia-bg.com/branch/view/417/>)
4. Branch Association of Apparel and Textile Producers and Exporters
(<https://en.bia-bg.com/branch/view/71/>) <http://www.bgtextiles.org>
5. Bulgarian Branch Union/Association of Knitwear Industry
(<https://en.bia-bg.com/branch/view/79/>)
6. Chamber of the Garment Industry
(<https://en.bia-bg.com/branch/view/33/>)

3.2.3 Domestic Non-Governmental Organizations

Balkan Institute for Labor and Social Policy

The Balkan Institute for Labor and Social Policy (BILSP) is a non-governmental, voluntary, independent, non-political and non-profit association established in September 2001. It works in priority areas such as EU funds management, international donor fund management, corporate social responsibility, lifelong learning, labor market, human resources, industrial relations, social insurance and social protection, occupational safety and health, labor legislation, social policy, social entrepreneurship and vocational training.

Specialized Cluster Institute for Apparel and Textile Danube (SCIAT-Danube)

The Specialized Cluster Institute for Apparel and Textile Dunav is a non-profit organization established in 2005 with the goal to offer consultancy and training services in the field of the textile and clothing/garment industries. The cluster has been developed as a progressive and dynamic organization representing the textile and apparel business sectors in the country. In December 2018 SCIAT-Danube started a partnership project with the Employment Agency "Open and responsible partnership management between citizens, the business and the Employment Agency for the improvement of the socio-economic environment in the textile and clothing sector." The project is funded by the European Social Fund (85 percent) and the Bulgarian government (15 percent national co-financing). Through their partnership, SCIAT-Danube and the Employment Agency try to stimulate the Bulgarian business in the textile and apparel industry to overcome existing structural issues, namely labor shortages.

3.2.4 International Civil Society Organizations

IndustriALL European Trade Union

IndustriALL Europe is a European trade union federation, founded on 16 May 2012. The Union represents 7.1 million working people of nearly 200 European trade unions. It was formed by the consolidation of three former European trade union federations: EMF, European Metalworkers' Federation; EMCEF, European Mine, Chemical and Energy Workers' Federation; and ETUF-TCL, European Trade Union Federation – Textiles Clothing and Leather.

Most IndustriALL European Trade Union affiliates are also members of the IndustriALL Global Union. Both organizations cooperate on issues of common interest.

IndustriALL Global Union

IndustriALL Global is a global trade union federation, founded in Copenhagen on 19 June 2012. It is made up of approximately 600 unions and represents more than 50 million working people in more than 140 countries, working across the supply chains in mining, energy and manufacturing sectors at the global level.

The IndustriALL Global Union is the result of a merger of three former global union federations: IMF, International Metalworkers' Federation; ICEM, International Federation of Chemical, Energy, Mine and General Workers' Unions; and ITGLWF, International Textile, Garment and Leather Workers' Federation. Many IndustriALL Global Union affiliates are also members of the IndustriALL – European Trade Union. Although they are separate organizations, both cooperate on issues of common interest.

The organization's goals are to: defend workers' rights; build union power; confront global capital; fight precarious work; and promote sustainable industrial policy. A major part of the organization's work is building international company networks, where union activists from different countries who work for the same company can meet and share strategies.

Clean Clothes Campaign

The Clean Clothes Campaign is an advocacy group for garment workers, a global alliance dedicated to improving working conditions and empowering workers in the global garment and sportswear industries.

CCC was formed in 1989 in the Netherlands, as a grassroots network of hundreds of organizations and unions, both in garment-producing and in consumer markets. CCC brings together trade unions and NGOs covering a broad spectrum of perspectives and interests, such as women's rights, consumer advocacy and poverty reduction. Its goal is to ensure that the fundamental rights of workers are respected. It educates and mobilizes consumers, lobbies companies and governments, and offers direct

solidarity support to workers as they fight for their rights and demand better working conditions.

The Clean Clothes Campaign has campaigns in more than 15 European countries, including Bulgaria. The CCC has produced Reports on Bulgaria in 1998 and 2014.²⁵

Fair Wear Foundation

The Fair Wear Foundation (Fair Wear) has been active in Bulgaria since 2006, when an audit team was formed. The Fair Wear Foundation published a ***Bulgaria Country Study 2016*** as part of the Strategic Partnership for Garment Supply Chain Transformation, with support from the Dutch Ministry of Foreign Affairs.²⁶ According to the latest Fair Wear annual report, Fair Wear member companies were sourcing from 21 Bulgarian suppliers.

According to the Fair Wear's 2016 Report, labor legislation in the country is at a level equivalent to most other EU countries. However, there are some problems with compliance to the law and according to local experts and trade unionists, non-payment of back wages is a big issue. Other major issues identified in Bulgaria are: no fixed working hours, excessive overtime without correct compensation and double bookkeeping to evade taxes including social security costs.

25. <https://cleanclothes.org/file-repository/livingwage-europe-country-profiles-bulgaria/view>

26. Fair Wear Federation. Bulgaria Country Study 2016.

4.0 Collective bargaining and social dialogue in the Bulgarian garment industry

4.1 Freedom of Association and Collective Bargaining

The freedom of association of Bulgarian workers, including in the garment industry, is guaranteed by the Bulgarian Labor Code. There are functioning trade union organizations of CITUB or Podkrepa CL, or even on some occasions both, in some of the garment factories.

As reported by multiple sources, the Bulgarian trade unions have experienced obstacles created by employers whose workers want to establish trade union organizations. This issue is most severe in the small and mid-sized factories. According to the leadership of CITUB's Federation of Independent Trade Union Organizations in the Light Industry, there are serious problems for garment industry workers trying to exercise their right to Freedom of Association. There have been attempts by employers to eradicate trade union organizations, as well as an unwillingness to sign collective bargaining agreements (CBAs) at both the industry and company levels.

There are also cases when the employers would put pressure on workers to abandon their trade union membership, using different forms of coercion. In other cases, employers, for different reasons, would not provide the information necessary to draft collective agreements or they would delay the CBA negotiations for months. Moreover, even with signed CBAs, some of the main agreements are not being complied with. These cases reflect the cancellation of social benefits, a failure to update wages, the non-payment of overtime work, and violations of the labor code. When trade unions request wage increases, the employers would agree only at the cost of layoffs. The leadership of CITUB's Federation of Trade Union Organizations in the Light Industry admits that it is very difficult, even almost impossible, to form trade union organizations in the companies from the light industry that have been established in the past 10 to 15 years.

There has been no industry-wide collective bargaining agreement in the garment sector for the past 8-10 years. The last industry-wide agreement had been signed in 2008. This is due both to the great difficulties faced by the garment industry with the outburst of the global economic crisis in 2008, as well as to the extraordinary competition which the Bulgarian garment producers faced from mainly Asian producers. Another reason emphasized for the lack of an industry-wide CBA in the garment sector is the existence of many nationally representative employer organizations in the sector, which are competing among themselves and are not able to agree on common terms for signing a collective agreement with the representative trade union organizations.

Meanwhile, CITUB analyses reveal that despite almost no collective bargaining at the industry level, the situation is rather better at the company level. CITUB has reported that in 2014, company level CBAs had been concluded in seven textile factories and one knitwear factory. In 2015, such agreements had been concluded in five textile factories (covering 2,559 workers) and one knitwear factory (covering 297 workers).²⁷ Since 1991, thanks to actual social dialogue, employers and trade unions have regularly signed collective bargaining agreements with companies like Amer Sports Bulgaria Ltd., Knitex-96 JSC, Mizia- 96 JSC, Technotex JSC, E. Miroglio, and Pirin Tex Ltd.

Overall, however, there is no union structure and presence in most small companies in the garment sector, which represent the overwhelming majority of companies in the sector. This means that there can be no company agreement. Moreover, most small companies are not members of an employers' association, which means that industry-level agreements would not apply to their employees. The result is that those working in Bulgaria's many small garment companies are, in the overwhelming majority of cases, not covered by any collective agreement. Actually only about 10 percent of the employees in the industry are covered by a collective bargaining agreement.

The official statistics on collective bargaining agreements (CBAs) is published by the General Labor Inspectorate (GLI) and the National Institute on Conciliation and Arbitration (NICA). According to the website of the NICA, only two CLAs have been concluded in the industry, and none of them are currently active: Collective Labor Agreement for the Textile Industry, concluded in December 2010 and expired in December 2012; and Collective Labor Agreement for the Knitwear Industry, concluded in May 2010 and expired in May 2012.

A special report about the concluded labor agreements in the garment industry was issued by the National Institute on Conciliation and Arbitration in October 2017.²⁸ According to this report the Institute's database had a total of 18 subjects (enterprises) from the garment industry with 62 registered collective labor agreements and 14 annexes. There are only eight enterprises with active collective agreements towards October 30, 2017. Of these eight, two are foreign-owned. The negotiated wages with these agreements are at the level of the mandatory minimum wage for the country.

4.2 Social Dialogue in the Garment Sector

Social dialogue for the garment industry is carried out at the national level within the Branch Council for Tripartite Cooperation "Light Industry" at the Ministry of Economy. According to its Statute, the Branch Council for Tripartite Cooperation for the Light Industry is an organ for consultations and cooperation for the regulation of labor relations, social insurance and living standards for the employees in the different branches of light industry. The Branch Council meets once in three months. More specifically,

27. Fair Wear Federation, Bulgaria Country Study 2016.

28. National Institute on Conciliation and Arbitration. Skljucheni i dejstvashti kolektivni trudovi dogovori kym 30.09.2017 v shivashkata promishlenost." Sofia, October 2017.

its activities focus on nine key areas: labor relations; education and professional qualification; health and safety at work; social and health insurance; strategies for the development of the sectors in the light industry; economic issues with an impact on labor and insurance relations; incomes, employment and unemployment; improving the conditions for the conclusion of collective labor agreements at the industry, sector and company levels; and cooperation for the peaceful resolution of collective labor disputes in the light industry.²⁹

The social partners represented in the Branch Council are: the Ministry of Economy; trade union federations that are part of the nationally representative trade union organization (CITUB's Federation of Independent Trade Union Organizations in the Light Industry, and Federation "Light Industry" at Podkrepa Confederation of Labor); and branch organizations of employer associations that are recognized as nationally representative (a total of 15-18).

A general issue for the work of the Council is the proliferation of employer organizations that are part of the nationally representative employer organizations. There are 18 employer organizations participating in the work of the Branch Council for Tripartite Cooperation in the Light Industry (and only two trade unions). Of these 18 employer associations in the industry, only four are more active: the Garment Chamber at the Bulgarian Industrial Association; the Bulgarian Association of the Textile and Apparel Producers; the Branch Organization for Textile and Apparel; and the National Fashion Chamber – Bulgaria.³⁰

The major issues discussed at the Council are qualifications and education of the workforce; the lack of workers in many branches of the light industry; and wages. The employer organizations express their concerns that with the regular annual increase in the mandatory minimum wage for the country the differences between the wages of low-skilled and high-skilled workers are decreased administratively, not as a result of productivity gains. Overall, in terms of wages 90 percent of the company-level collective agreements negotiate wages that are at the level of the mandatory minimum wage for the country.

Work conditions are more frequently discussed in the specialized national tripartite structure on work conditions.

There are no specific social dialogue structures at the factory level, beyond collective bargaining with the participation of the factory-level organizations of the nationally representative trade unions.

29. Statute for the Organization and Work of the Branch Council for Tripartite Cooperation "Light Industry." Ministry of Economy, 2019.

30. Interview with Valentin Gruev, Head of the Social Dialogue Directorate at the Ministry of Economy. July 2019.

4.3 Work Conditions and Compliance

The lack of industry-wide CBAs leads to wages in the sector as low as the level of the national minimum wage, not even reaching the minimum social insurance thresholds. The lack of signed CBAs in the garment industry also leads to deteriorating work conditions in the sector.

The largest non-compliance issue to date falls under “payment of a living wage,” usually found during social audits. Such audits are organized by the Balkan Institute for Labor and Social Policy, for the Fear Wear Foundation. Additional frequently-found violations with work conditions in the garment sector fall under “working hours.” Overtime work is a common problem within the garment industry due to seasonality, urgent orders, etc. However, it can also be the result of bad organization, overlapping orders in order to retain clients or the perception that overtime in the industry is normal. Some workers prefer to work overtime, as it is paid at premium rate according to the Bulgarian labor code, which means workers can earn a bit more to add to insufficient wages. Other workers prefer to not work overtime, desiring a better work-life balance.

Health and safety non-compliances most frequently concern non-ergonomic chairs, congested shop floors with blocked evacuation routes, workers not using personal protective equipment (PPEs) when required, incomplete first aid kits, non-performed medical checks and non-performed physical factors measurements.

A *2014 Clean Clothes Campaign Survey* of the work conditions in the garment sector in ten Eastern European countries, including Bulgaria and Turkey revealed that poverty pay is endemic across the garment industry and that the idea of “Made in Europe” or more expensive clothing being made in better conditions is just a myth. In the report, Bulgaria is called a “sewing sweatshop for Europe.”³¹ The clothing brands, for which the interviewed factory workers sewed garments were Zara, Levi’s, H&M, S.Oliver, oTTo, Max Mara, Calvin Klein, Cerruti, Peter Luft, mS mode, Tom Tailor, Lee, Benetton, Massimo Dutti, among others.

The Report further outlined that about 100,000 people work in the garment industry in registered employment. In addition to this, an estimated 50,000 workers work under semi-formal or informal conditions with no labor contracts or with contracts that do not reflect the real employment in terms of working hours and wages, without social insurance protection and without any employment security. These workers may work in factories or at home. In many areas of the country, garment manufacturing is the only job opportunity. Women make up 86 percent of the workforce. According to national statistics, the salaries in the garment industry are the second lowest compared to other sectors - the lowest wage is earned in hotels and catering.

Anne-Marie Mureau of IndustriALL noted that Bulgaria lost 25 percent of its population in the past 30 years. The garment industry is not attractive for young people who pre-

31. “Bulgaria is ‘The Sewing Sweatshop of Europe’ – Report.” Novinite.com, June 19, 2014. <https://www.novinite.com/articles/161426/Bulgaria+is+%E2%80%9CThe+Sewing+Sweatshop+of+Europe%E2%80%9D+-+report>

fer to leave the country to find better work and living conditions abroad. It is a shared interest to make the sector more attractive and sustainable in the long-term.”³²

4.4 Experiments and Innovations

4.4.1 Better Work Program of the ILO – CEE Budapest

In the spring of 2018 the ILO – Budapest Office for Central and Eastern Europe initiated a conversation with key stakeholders in the Bulgarian textile and garment industry about making social dialogue work on the factory floor.³³ The initiative has been part of the ILO **Better Work Program** which is a multi-partner alliance with the objective to improve working conditions in the garment industry and make the sector more competitive.

The ILO – CEE Budapest brought together three global brands from the garment industry operating in Bulgaria (Inditex, H&M, and ASOS), their Bulgarian suppliers, representatives from the Ministry of Labor and the two representative trade union organizations in the country to discuss how to place fundamental rights at work at the center of the global brands’ sustainability strategies while also making a clear business case for this approach. According to the ILO-CEE Office report about the workshop, the participants in the event concluded that the low level of wages in the garment industry was part of a more complex situation “to be further addressed,” along with skills mismatches and the difficulty to attract young workers for the industry. In their global sustainability strategies, these brands have pledged for a central role of freedom of association, the right to collective bargaining, and non-discrimination in the workplace as reflected in the ILO fundamental conventions. The companies approached ILO to facilitate an exchange on good practices and challenges of the industry among the brands, their suppliers, the Bulgarian Ministry of Labor, and employers’ and workers’ organizations in Bulgaria.

The ILO-CEE report on the workshop mentions that the global brands outlined their activities undertaken in order to ensure the effective application of international labor standards. Inditex and their global trade union counterpart IndustriALL have signed a Global Framework Agreement in 2007, which has been renewed in 2014. Based on this agreement, Inditex commits to observe all fundamental conventions of the ILO throughout the global supply chain. The same commitment is also reflected in the Inditex Code of Conduct. H&M has been implementing dispute resolution mechanisms in its suppliers, national monitoring committees and training workers’ representatives in Turkey. ASOS’ sustainability strategy has as a core component the respect of freedom of association and gender equality in the workplace.

32. Multinational textile brands for social dialogue, https://www.ilo.org/budapest/whats-new/WCMS_628804/lang-en/index.htm

33. ILO – CEE Budapest. Making social dialogue work at the factory floor in the Bulgarian textile industry. 10 May 2018. https://www.ilo.org/budapest/whats-new/WCMS_628804/lang-en/index.htm

The Bulgarian suppliers who attended the workshop signaled problems in finding engineers, skilled and motivated workers who could secure the future of the industry in Bulgaria. The trade unions pointed out the lack of interest of employers' organizations to engage into collective bargaining at industry-level. Currently, in Bulgaria there are only 18 company collective agreements and no sectoral one.

4.4.2 IndustriALL Europe's Initiative for Strengthening Sectoral Bargaining in the Bulgarian Garment Industry

In November 2018 IndustriALL Europe organized a two-day seminar in Sofia with a focus on strengthening social dialogue, unions and employer structures on a path towards industry-level collective bargaining and living wages in the Bulgarian garment and footwear industries. The event was attended by 40 national and local-level union representatives, industry associations, major brands, key suppliers, a Deputy Minister of Economy, and Kemal Ozkan, assistant general secretary of IndustriALL Global Union.

The national seminar has been part of an EU-funded project under the title "Strengthening the Capacity of Trade Unions in South-East Europe to Improve Wages and Working Conditions in the Garment and Footwear Sectors." The project is carried out in cooperation between IndustriALL Global Union and IndustriALL Europe. The project targets seven countries in the SEE region: Albania, Bulgaria, Croatia, Macedonia, Montenegro, Romania, and Serbia.

All participants outlined the need for higher qualifications, productivity, living wages and getting rid of the informal sector. The government promised support for developing social dialogue with the employers and unions at the industry level. The union leaders reminded that the unions needed a counterpart for sectoral collective bargaining. Two industry associations – BAATPE and the Bulgarian Industrial Association – attended the seminar, but the participants outlined that the representativeness on the employer organizations' side had to be improved. The trade unions wanted to be part of the solution and emphasized the necessity for a common strategy of all stakeholders.

4.4.3 Fair Wear Foundation's Monitoring of Labor Practices in the Garment Sector

The Fair Wear Foundation published a *Bulgaria Country Study 2016* as part of the Strategic Partnership for Garment Supply Chain Transformation, with support from the Dutch Ministry of Foreign Affairs.³⁴ According to the latest Fair Wear annual report, Fair Wear member companies were sourcing from 21 Bulgarian suppliers.

Fair Wear has developed a functional complaints handling procedure and conducts audits as part of its members' monitoring activities. *Implementation of the FWF Code of Labor Practices* offers detailed information about the implementation of the FWF code of labor practices within Bulgarian factories.

34. Fair Wear Federation. Bulgaria Country Study 2016.

In 2016, Fair Wear implemented Workplace Education Program trainings in Bulgaria. Fair Wear's Workplace Education Program (WEP) provides short, targeted onsite training for managers, supervisors and workers. The training aims to raise awareness about labor standards and effective methods for communicating about problems and resolving disputes. Managers, supervisors and workers also learn about FWF's complaints mechanism.

4.4.4 Clean Clothes Campaign in Bulgaria as an Eye-Opener

The Clean Clothes Campaign is active in monitoring the state of work conditions in the Bulgarian garment sector. The goal is "to raise awareness of the poverty wages and shocking working conditions they endure to produce clothes for some of the biggest brands across Europe."

Clean Clothes Campaign produced several reports in that regard:

- 1998. Bulgaria – a Clean Clothes publication.
- 2001. Social Environment and Standards at the Work Place in the Garment Industry in Bulgaria: Results from a Preliminary Research Carried Out within a Clean Clothes Campaign International Study. Authored by Verka Vassileva, Ivan Tishev, Kapka Stoyanova and Alla Kirova.
- 2014. Bulgaria Country Profile. The 2014 report was based on a multinational survey conducted by Clean Clothes Campaign in ten countries from Eastern Europe, including Turkey.
- 2017. Europe's Sweatshops. The Results of CCC's Most Recent Researches in Central, East and South East Europe.

**CCC's Publications on the Region:
an Eye-Opener for Many**

2014: [Stitched Up](#)
2016: [Labour on a Shoestring](#)
2017: [The Real Cost of Our Shoes](#)

Far from being a problem confined to garment workers in Asia, these reports have found that the idea that "Made in Europe" means better conditions for workers is a myth.

EUROPE'S SWEATSHOPS

Clean Clothes Campaign

See <https://cleanclothes.org/livingwage/europe/europes-sweatshops>

The reports on Europe were prompted in response to increased media reports on and customer awareness of the Asian garment industry. Some brands had started advertising clothes and shoes with “Made in Europe” or “Made in EU” labels. Often the European origin is simply equated with fairness and social responsibility. However, as the CCC reports find out, this is “sadly a myth.” “No need to go to Bangladesh to find harrowing working conditions and poor wages: the Clean Clothes Campaign reports that even within the European Union, in Bulgaria, seamstresses work for H&M for 98 euro a month.”³⁵

4.4.5 CITUB’s Initiative for Common European Economic and Social Semester

At an international conference in Sofia for European Semester in Central and Eastern Europe (May 29, 2019), CITUB announced its position for close interconnectedness between the European Semester and the European Pillar of Social Rights, growing into a Common European Economic and Social Semester in the next few years. The latter should provide assessment of what has been done and achieved in the social sphere by the different member states. The assessment should identify “states at risk.” The inclusion of trade unions in the European Semester at the national level is not effective (Ljuben Tomev). At the same time, the communications between the representative organizations of trade unions with the European Commission and the ETUC are the best channel for overcoming the blockage of social dialogue at the national level. This is a way to bring important national issues of labor and social policy to the attention of the European Commission. The CITUB proposal is in response to the deterioration of national social dialogue in Bulgaria.

35. Pauline Neerman. “Sweatshops in European Union No Exception.” Published in Fashion on September 25, 2018. <https://www.retaildetail.eu/en/news/fashion/sweatshops-european-union-no-exception-0>

5.0 Impact of the covid pandemic

5.1 General Legislative Measures in Response to the Pandemic

The COVID crisis erupted in Bulgaria in early March 2020, when on March 8 the first four COVID cases were announced. As of October 1, 2020, there have been 20,833 infected, of which 14,634 recovered and 825 deceased.³⁶ Globally, as of 1 October 2020, there have been 33,842,281 confirmed cases of COVID-19, including 1,010,634 deaths, reported to WHO.³⁷

Bulgaria declared a state of emergency on March 13th (The State of Emergency Measures Act³⁸) to try to stem the spread of the virus with travel bans, the closure of educational establishments and many businesses, as well allowing the police to intervene against those breaking the rules. The worst situation was in tourism, hotel and restaurant businesses, as well as entertainment facilities, i.e. those that were closed mandatorily by the lockdown measures. In mid-March, Bulgaria closed all schools, bars, restaurants, hotels, cultural and sports centers and gyms, as well as shops, apart from food and drug stores. Socializing in public spaces was also prohibited, and an obligatory quarantine was introduced for most people entering the country.

The ban to travel from one city to another was abolished as of May 6th. The mandatory fourteen-day quarantine remains in force for citizens of **selected countries**. Those that do not fulfil the quarantine requirements are subject to a fine of BGN 5,000 (EUR 2,556).

On May 13th the State of Emergency Measures Act was replaced by amendments to the Health Act. The amendments replaced the term “emergency situation” with an “epidemic situation” which will be in force in Bulgaria until November 30, 2020. Prohibitions for mass gathering of people, like cinemas, theatres, shopping centers, sporting events, parks, etc. were gradually removed – starting on May 13 with the opening of parks, then fitness and shopping centers as of May 18, kindergartens as of May 22, and as of June 1 visits to indoor facilities like restaurants were allowed, while bars and discotheques were excluded. The Act to Amend the Health Act gave the Health Minister the power to either impose stricter measures to deal with the virus or relax existing restrictions, depending on how the outbreak develops. The Minister would also have the right to declare an epidemic emergency, if required.

Overall, Bulgaria’s policy response to the corona virus in the initial months of the health pandemic was often given as an example to follow within the European Union member states.³⁹

36. [https://coronavirus.bg/bg/news:Special Covid-19 website](https://coronavirus.bg/bg/news:Special-Covid-19-website) - <https://coronavirus.bg>

37. <https://covid19.who.int/>

38. <https://www.bnt.eu/en/news/legal-news/2942-bulgaria-emergency-measures-act-adopted?layout=bnt.news>

39. <https://madamebulgaria.com/covid-19-how-is-bulgaria-managing-the-crisis/>

5.2 The COVID Pandemic and the Garment Sector in Bulgaria

According to Radina Bankova, owner of the garment factory Chris Fashion Industries – Lovech and President of the Bulgarian Association of the Producers and Exporters of Apparel and Textile, the garment sector found itself in a difficult situation with the eruption of the pandemic.⁴⁰ The issue was not so much in terms of loss of employment. Some of the garment workers were actually in regular paid leave because the crisis coincided with the end of the production period for the Spring-Summer 2020 season. The issues were delays or cancellation of orders and delays in payments by clients. By March 2020 the majority of the Bulgarian garment factories had already shipped their production to their west European clients (shops and boutiques) but the later were closed as a result of the pandemic and found it difficult to pay for the ordered and/or already shipped merchandise. So the subsequent delay or cancellation of some of the orders, and the requests for delay in payments with 150 days by some of the west European clients created a lot of challenges for the Bulgarian garment factories.

There have been no news about bankruptcies or collective dismissals from among the garment factories in Bulgaria. Some garment factories have stopped working for a week or two in the beginning of the pandemic and many have sent their workers to paid or unpaid leave. The situation with the garment factories was much better compared with sectors such as tourism, hotel and restaurant businesses, as well as entertainment facilities, i.e. those that were closed mandatorily by the lockdown measures.

The crisis situation of the garment sector was exacerbated in some cities and regions with both a concentration of garment factories and a heavy reliance on the tourism sector to create employment (e.g. Varna region, Blagoevgrad, Sandanski). Under normal circumstances, if jobs are lost in one of these sectors workers are redirected to the other sector. With the pandemic hitting heavily the tourism sector this transfer of workforce became impossible and garment workers have fewer options to find work if their contract is terminated.

Some garment factories shifted their production to produce PPEs for Covid-19 for hospital staff and the general population. On March 8th the Bulgarian Prime Minister Boyko Borisov met with representatives of the textile industry and called for a large-scale production of waterproof protective clothing as quickly as possible in response to the COVID situation.⁴¹ He urged the representatives of the textile industry to come up with a design for the clothing as quickly as possible. The design for the clothing would be subject to approval by virologists.

By the end of March 2020 about ten factories shifted their production to making protective outfits, masks and other necessary protection for medical staff and the general population.

40. "Which company and sector what difficulties encounters and how problems are solved." Survey of Kapital Newspaper about the first days of work in a situation of lock-down. March 19, 2020. https://www.capital.bg/biznes/kompanii/2020/03/19/4043085_koia_kompaniia_i_sektor_kakvi_trudnosti_sresha_i_kak/

41. "Coronavirus: Bulgarian PM urges industry to produce waterproof protective clothing." <https://sofiaglobe.com/2020/03/08/coronavirus-bulgarian-pm-urges-industry-to-produce-waterproof-protective-clothing/>

Globally, the fashion industry is facing calls to step in and protect the wages of the 40 million garment workers in their supply chains around the world who face destitution as factories close and orders dry up in the wake of the Covid-19 epidemic (Kelly, 2020). Campaigners are demanding that brands take responsibility for the millions of workers in their supply chains who are likely to fall into crippling poverty as they lose their jobs and struggle to provide for their families.

For Bulgaria in particular, there is no information about international brands supporting suppliers and protecting workers.

5.3 Social Dialogue and COVID-19 at the National Level

Actually the social dialogue was reinvigorated in the country with the start of the pandemic, given the fact that at the end of 2019 the employer organizations had declared that they would not attend some of the meetings of the NCTC which would discuss the minimum social insurance thresholds.

It is important to note that the participation of the social partners, employer and union organizations alike, in social dialogue is conducted on a voluntary basis. However, there are questions (such as issues related to labor, labor relations, and social insurance) which have to be discussed within the NCTC, as stipulated by the Bulgarian legislation. The legislation also stipulates that if the social partners cannot reach consensus on any of these issues, the Minister of Labor has the power and the final word in determining the outcome.

One of the issues that is regularly discussed at the NCTC is the issue of the minimal insurance thresholds, by industries/branches and by professions. If the social partners cannot reach consensus about the minimum thresholds at which employers have to insure their employees (within an industry and by profession), the Minister of Labor would determine these thresholds. During the past few years the social partners were not able to reach any consensus on the minimum social insurance thresholds (by industry and by profession), and the Minister of Labor was determining these thresholds.

However, the Minister's decisions were much closer to the trade union positions on the thresholds than to the employer positions. As a result, at the end of 2019 the employer organizations protested and declared that they would not participate in any future discussions of this topic given the fact that the Minister of Labor would again side with the trade unions.

Overall, this position of the employer organizations and their decision not to participate in negotiations at the NCTC when the minimum social insurance thresholds are determined had a spillover effect and led to confrontation over other problems as well. That was the situation with the social dialogue at the NCTC when the COVID pandemic erupted in the country.

Shortly after a national emergency situation was declared in the country on March 13, 2020 the employer organizations reassessed their position and returned to the negotiation table without any further complaints. However, between March and up until October the conflict theme of the minimum insurance thresholds has not been put on the table for negotiations; at the same time the social insurance thresholds have to be discussed by the end of the year and we are yet to see how the situation would evolve.

5.3.1 Negotiations at the National Council for Tripartite Cooperation

Negotiations within the National Council for Tripartite Cooperation (NCTC) started immediately after the government declared a situation of national emergency on March 13, 2020. The first COVID-related meeting was held on March 27-28 and up until the summer of 2020 all meetings of the NCTC included predominantly COVID-related topics. Of these seven COVID-related meetings, six were held online, while the seventh one was an in-person meeting.

Table 1: COVID-Related Sessions of the National Council for Tripartite Coordination in Bulgaria, March-August 2020

Meeting Date	Online vs. In-Person	Discussion Topics	Outcomes
March 27-28, 2020	Online	1) Draft Government Regulation – Procedures for the payment of compensation to employers in order to preserve employment during the crisis situation	1) Consensus was not reached among all social partners. Association of Industrial Capital in BG did not support the government proposal – claim that the real support from the state is not 60-40 but 23-77. Confederation of Employers and Industrialists in BG partially supported the proposal. Bulgarian Industrial Association, Bulgarian Chamber of Commerce and Industry, Union of Economic Enterprising supported the government proposal. Confederation of Independent Trade Unions in BG and Confederation of Labor Podkrepa supported the government proposal in general, with small changes in the details requested.

April 13, 2020	Online	<p>1) Draft Government Regulation – Procedures for the payment of compensation to employers in order to preserve employment during the crisis situation</p> <p>2) Proposals by the Social Partners for the Adoption of additional economic and social measures to cope with the crisis</p> <p>3) Proposal of the Council of Ministers for Changes in the structure and organization of wages (Draft Government Regulation on Work Time, Vacations and Leaves)</p>	<p>1) Consensus was not reached among all social partners. Opposing: Association of Industrial Capital in BG (the proposal does not target increasing unemployment in the country). Supporting: Bulgarian Industrial Association, Bulgarian Chamber of Commerce and Industry, Union of Economic Enterprises, Confederation of Employers and Industrialists in BG. CITUB and Podkrepa Confederation of Labor supported the proposal, with proposals for some additional clarifications and discussions.</p> <p>2) CITUB proposed a package with additional measures to cope with the crisis, in terms of: (1) the rights of unemployed (60 percent of minimum wage for the country); (2) support for self-insured persons; (3) support for parents with children up to 14-years old; Podkrepa CL also proposed several measures: guarantees for wages and leaves for vulnerable groups; health and safety; the tax policy (delay in taxes not only for employers but for self-employed persons as well); abolishment of dividend and bonus payments during the crisis situation. The employer organizations also proposed various specific measures. Ministry of Economy and Ministry of Labor reported additional measures to be taken (securing funds for SMEs, also for unemployed to be able to receive unemployment benefits in the amount of 40 percent of the minimum wage in the country during the crisis situation).</p> <p>3) Consensus was not reached by the social partners to support the proposal by the Council of Ministers.</p>
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May 1, 2020	Online	<p>1) Proposals for anti-crisis measures by the social partners and government response to them</p> <p>2) Proposal by the Association of Industrial Capital for changes in the Health and Safety at Work Act.</p> <p>3) Proposal by the Association of Industrial Capital for discussion of embezzlements of unemployment compensation funds.</p>	<p>1) Consensus was not reached by the social partners for all anti-crisis measures proposed by the government. Consensus was reached over 27 of the government proposals; and lack of consensus over 11 of the proposals.</p> <p>2) Not discussed; to be discussed at next meeting.</p> <p>3) Decision to discuss the issue at the Social Insurance Commission first and then at the National Council for Tripartite Cooperation.</p>
May 21, 2020	Online	<p>1) Draft Government Regulation – Procedures for the payment of compensation to employers in order to preserve employment during the crisis situation</p> <p>2) Proposals of the social partners for sectoral/industry measures for overcoming the COVID crisis</p>	<p>1) Consensus was not reached. Opposing: Association of Industrial Capital in Bulgaria (discrepancies with other normative documents that technically would require the employers to pay more than officially stated in the government proposal). The two union organizations supported the proposed measures, incl. the 60-40 measure (60-state and 40-employers).</p> <p>2) Decision to send the measures where consensus has been reached by the social partners, to the Prime Minister.</p>
May 26, 2020	Online	<p>1) Support by all social partners of a Draft Government Regulation – Action Plan on the Bulgarian Social Economy 2020-2021</p>	<p>1) Consensus has been reached by all social partners.</p>

June 10, 2020	Online	1) Draft Government Regulation on Work Time, Vacations and Leaves 2) Other (Non-COVID related)	1) Consensus was not reached. Opposing: all employer organizations. Supporting: the two union organizations
June 29, 2020	In Person	1) Draft Government Regulation – Procedures for the payment of compensations for the preservation of employment after the state of emergency related to the COVID crisis.	1) Consensus has been reached by all social partners for support of the government regulation.
<p><u>Source:</u> Minutes/Recordings from the sessions of the National Council for Tripartite Cooperation.</p> <p><u>Note:</u> At the meetings in July and August the social partners discussed issues not directly related to the COVID situation.</p>			

As Table 1 demonstrates, the social partners focused their discussions on the damages that the COVID crisis is causing; on who was impacted; and on what should be done in response, as an action plan. More specifically, the major topics of discussion at these meetings were:

1. Draft of a Government Regulation on the procedures for the payment of compensation to employers in order to preserve employment during the crisis situation. The draft was discussed multiple times, as some of the employer organizations were opposing the government proposal, demanding higher compensations. Consensus was finally reached at the end of June.
2. Proposal of the social partners (both union and employer associations) for the adoption of additional economic and social measures to cope with the crisis situation;
3. Proposal of the Council of Ministers for changes in the structure and organization of wages (Draft Government Regulation on Work Time, Vacations and Leaves);
4. Proposals of the social partners for the adoption of sectoral/industry measures for overcoming the COVID crisis; and
5. Draft Government Regulation – Action Plan on the Bulgarian Social Economy 2020-2021.

The first round of discussions focused on COVID and what kind of support the state should provide to the population at large and to the vulnerable groups, in terms of changes in legislation and financial support on behalf of the state. According to interview data there were differences in opinions at these discussions; some of the anti-crisis measures proposed by the government were not supported by the social partners. In some cases both the union and employer organizations did not support the government proposals but in general the employer organizations have been more critical than the unions in terms of the government proposals for compensations to the business sector.

Thus during the debates over the Government Regulation on the procedures for the payment of compensation to employers in order to preserve employment during the crisis situation (and the 60/40 crisis measure) the employer organizations expressed opinions that the requirements to companies in order to get the compensation from the government are very restrictive (e.g. restrictions by sectors, revenues, the requirement for no tax and social security liabilities). There were also some opinions that the application procedures and the administration of the compensations are cumbersome and that even those accepting applications tended to change some of the conditions.

The social partners (trade unions and employers' associations) also took part in the negotiations related to the new wage compensation decree and most of their opinions were taken into account. Both parties requested changes in the list of businesses who can receive compensations for wages at ratio 60/40, as discussed above.

Overall, according to Ivan Neykov, President of the Balkan Institute for Labor and Social Policy, the impact of the social partners on the proposed state anti-crisis measures has been significant. The social partners participated actively in the policy formation as a response to COVID – actually some of the proposals for anti-crisis measures were theirs. These policy-making mechanisms were important as a response to the crisis. Without these measures things would have been much worse in terms of unemployment (much higher), business contraction (much higher) or the decline in the national economy (much higher).

Furthermore, both the employer and the union organizations had publicly declared their satisfaction with the results of the negotiations. Thus the biggest union, the Confederation of Independent Trade Unions in Bulgaria (CITUB), published its Position on the State of Emergency Measures Law which was adopted on March 13, 2020, on its website.⁴²

CITUB claims that as a result of its participation in social dialogue and aggressive lobbying in parliament the employers cannot force workers to take unpaid leave during the pandemic crisis (only paid leave, for up to a half of their annual paid leave). The draft law had the option for unpaid leave. Also, CITUB was able to defend its position that in a situation of distance work (work from home, telework) the employment relationship should stay the same – that is, no changes in wages or other aspects of the employment relationship.

42. The website is only in Bulgarian, <https://www.knsb-bg.org/>

Prior to the negotiations for wage compensation there have been several opinions of trade unions to the government on how to tackle the inevitable economic crisis caused by the lockdown. CITUB objected a text in the decree that was allowing the employer to send workers on unpaid leave and in the final version of the decree this text has been abolished. CITUB also proposed the wage compensation subject of the decree, as well as extending the deadline for annual tax payment for 2019. CITUB also proposed to request from companies to call meetings with the Health and Safety Committees and discuss measures to prevent contamination with the Covid-19.

It is also important to note that the negotiated anti-crisis measures have been implemented in practice – money for financial assistance were provided from the national budget, and laws have been changed. Thus the **State of Emergency Measures Law** which was adopted on March 13, 2020 led to special changes in the Labor Code. The underlying motivation was to create greater flexibility at the workplace and in the work of the enterprises.

5.3.2 Outcomes: Legislative Measures in Terms of the Employment Relationship

The State of Emergency Measures Act adopted by the National Assembly on March 13 outlined a number of anti-crisis measures in terms of the employment relationship. They can be summarized as follows:⁴³

During the state of emergency employees may be assigned to temporarily work from home or to work remotely without their consent being required unless assignment is impossible. Another option for employers is to introduce part-time working hours for full-time employees. Moreover, an employer or a state authority may order cessation of all or part of the activity of an entire enterprise until the state of emergency is lifted (an order already issued by the Minister of Health can be found [here](#)). In these cases, employers can grant annual paid leave to employees without their prior consent. This also applies to employees with work experience not exceeding 8 months. The employer must allow use of annual paid or unpaid leave requested by some vulnerable categories of employees (e.g. pregnant women).

During the period of inactivity employees are entitled to payment of their gross wages. In addition, 60 percent of their insurable earnings for January 2020 will be paid by the state during the state of emergency but for a period not exceeding three months. Compensation will be granted by the state only to companies operating in certain economic sectors laid down in a list adopted by the Government. Requirements and the procedure for applying for compensation were detailed in a decree of the Council of Ministers. According to the Act employers who fail to pay the total amount of wages would have to reimburse all funds received from the state.

43. Source: Analysis of the Balkan Institute for Labor and Social Policy, based on Act on measures and actions during the state of emergency declared by decision of the National Assembly from 13 March 2020 (Promulgated in the State Gazette issue No. 28 of 24 March 2020)

5.3.3 Outcome: Policies to Support the Business Sector

On March 30th the government introduced a draft of a decree for compensation of wages for the most affected businesses/employers. The ones most affected from the lockdown would be entitled to receive compensation without any conditions while all other businesses would be eligible to receive compensations provided they can prove a decline in sales of more than 20 percent compared to the same month in 2019. The garment factories fall in the latter category. A condition is also that companies do not have unpaid taxes. The government will cover 60 percent of the wages of workers (this would be also the income on which social and health insurance contributions would be calculated) and the employer should cover the remaining 40 percent. The 60/40 measure would be in effect until June 30th. Self-insured are not included in the wage compensation scheme.⁴⁴ The state will provide BGN 4.5 billion (USD 2.8 billion) to support the business sector, of them BGN 1 billion (USD 622 million) will be used to retain employment.

According to data from the National Statistical Institute, as of May 11th some 9,035 companies have applied for the 60/40 measure, for a total of 171,548 employees. Out of these, the largest share is of hotels and restaurants – 36.6 percent, followed by trade and motor vehicle repairs – 19 percent. The employers from manufacturing are about 11.5 percent and in culture, sports and recreation – 5 percent. The total compensations paid amounted to BGN 16 million (USD 10 million). This data demonstrates that businesses from the garment sector have not been active in applying for compensations.

5.3.4 Outcome: Government Policies to Protect Employees

Garment workers can find themselves in three different categories in terms of financial compensations. First, these are workers on unpaid leave. Workers who are on unpaid leave because of the state of emergency can sign a second employment contract in another company whose operations have not been damaged by the COVID-19 crisis.⁴⁵ Second, these are workers who continue to work and their salaries are covered by the 60/40 measure. And third, this is the group of workers who have lost their job. They can receive unemployment benefits under certain eligibility conditions. Unemployment benefits are a major safety net option for garment workers. However, the unemployment benefit amount would be negatively affected by the fact that part of the wages workers receive remain undeclared, which reduces the amount of benefit to which they are entitled. There are no indications that garment workers (or a particular segment thereof) can fall outside the scope of the available funds.

The newly proposed measures were considered insufficient by the Confederation of Independent Trade Unions in Bulgaria, both in terms of scope and monetary value, as of the end of March 2020.⁴⁶

44. <https://www.az.government.bg/pages/izplasztane-na-kompensacii-za-zapazwane-na-zaetostta/>

45. <http://www.mlsp.government.bg/public/index.php/rabotodateli-mogat-da-naemat>

46. <https://www.ituc-csi.org/bulgaria-citub-s-position-on-the>

5.4 COVID-19, Social Dialogue and Social Protection at Lower Levels

The key negotiations and subsequent decisions over the COVID crisis have been taken at the national level, within the National Council for Tripartite Cooperation; we have no information whether additional (and more favorable) emergency measures have been negotiated at branch/industry or enterprise level. The changes in legislation taken at the national level within the social dialogue structure apply directly to the enterprise and branch levels as well. Negotiations at lower levels are held with the goal to reach more favorable agreements than the agreements concluded at the national level. An example would be the changes in legislation that allow enterprises to adopt more flexible work conditions, such as part-time work – they concern directly the enterprise level but this does not exclude the negotiation of even more favorable conditions with part-time work through collective bargaining agreements at the enterprise level. Furthermore, there is a social insurance/unemployment program under the adopted crisis legislation, where the state would provide 60 percent of the employee wages and insurance. The remaining 40 percent would be provided by the employers. However, in some sectors this ratio went to 80-20 as a result of sectoral negotiations between the social partners. The textile/apparel/garment sectors were not part of these more favorable arrangements. Overall, given the shortness of the period after the eruption of the COVID crisis, information about lower-level negotiations at sectoral level and through collective labor agreements is not available.

There were no differences in the reaction to the crisis of unionized vs. non-unionized enterprises. First, the adopted changes in legislation were universal, equal for both types of enterprises; and second, trade unions were not included in the implementation of the anti-crisis measures.

About the 60 percent compensation provided by the state – it seems that the government is paying only to seven sectors that have been forced to shut down operations as a result of a government decision in response to the spread of the virus: retail shops; restaurants; hotels; tourism; transport; culture; and sports. CITUB has a Position on its website where it insists that the compensation should apply also to any company/sector that is impacted by the virus (forced to stop production) through market forces, not just by a government decision/decreed. Overall, it seems that the unions have not been able to achieve this. However, the unions have been able to defend a position that the government compensation should be paid directly to the employees, not given as a lump-sum to their employers.

5.5 Stakeholder Relationships and Civil Society Responses to COVID

How is COVID affecting the relationships among the stakeholders (unions, employers, suppliers, buyers)? First, as already mentioned above, social dialogue was reinvigo-

rated at the national level after the crisis erupted. Second, the dialogue became more reasonable, more effective; the parties were more willing to compromise in order to achieve agreement. Third, the social dialogue over the crisis situation led to positive spillover effects in other, non-crisis related sectors. For example, it contributed to more effective social partner negotiations over the social economy in Bulgaria (social pensions).

There has been no protest in the real sense of the word over COVID impacts or adopted anti-crisis measures, in any sector including apparel. There were different opinions expressed by the social partners but the social partners were able to negotiate compromises and harmonize their opinions at the end.

Both trade unions and employer organizations have been supportive of their members during this crisis, including in the garment sector. The most widely spread support was the provision of information with best practices of how to cope with the crisis.

The health crisis did not impact any civil liberties. Civil liberties were temporarily restricted in terms of the free movement of people from one location to another, for a period of about two weeks. There has been no suspension of the Labor Code, especially in terms of the right to free organization/assembly.

5.5.1 Fair Wear Foundation and the Balkan Institute for Labor and Social Policy in Support of Garment Workers

The Fair Wear Foundation collaborated with the Balkan Institute for Labor and Social Policy (BILSP)⁴⁷ to trace the impact of COVID in various areas of the employment relationship in the garment industry. As a result of this partnership the BILSP created a series of webinars in May 2020 which are available for free viewing on YouTube. The webinars/videos discuss three key issues in light of the pandemic: *Job and Wage Losses during COVID*;⁴⁸ *Health and Safety at Work*;⁴⁹ and *Leave Entitlements*.⁵⁰

There is a clear statement at the beginning of each webinar/video that it is produced by Fair Wear Foundation in partnership with the Balkan Institute for Labor and Social Policy. The webinars are in Bulgarian but there is text in English as well. They are in a Q/A format and address the most important and prevalent questions asked by garment workers during the pandemic.

In addition, the Balkan Institute for Labor and Social Policy produced a five-page report at the request of Fair Wear Foundation, entitled *COVID-19 Pandemic Impact and Responses: Bulgaria* (June 2, 2020).

47. <https://bilsp.org/>

48. https://www.youtube.com/watch?v=7dB99iqkwAU&list=PLcjJXI27s_Wnezw9uK-mtWqi0CmnWp_q1

49. https://www.youtube.com/watch?v=LLJLK8eXDxg&list=PLcjJXI27s_Wnezw9uK-mtWqi0CmnWp_q1&index=2

50. https://www.youtube.com/watch?v=leFKG_GFLh4&list=PLcjJXI27s_Wnezw9uK-mtWqi0CmnWp_q1&index=3

5.5.2 CITUB's COVID Fund

The Confederation of Independent Trade Unions in Bulgaria, the biggest trade union in the country, created a trade union fund at Dr. Zheljazko Hristov Foundation. The Foundation itself was created by CITUB after the death of its President Dr. Zheljazko Hristov. It provides stipends to children of workers who have lost their lives as a result of work-related accidents; organizes kitchens for poor people; and now provides stipends to workers who have suffered from the virus. CITUB held a national charitable campaign for COVID and then opened a special COVID account at the Foundation. Towards September 28, 2020 the Foundation has provided the following funds for COVID-related issues: it paid 61,000 lv to 251 CITUB members who had suffered from COVID (or about 150 lv. per person, 75 euro).

The CITUB Federation of Light Industry (which covers the garment industry) has provided additional funds to its members (200 lv per person, 100 euro) beyond the Confederation's support at the national level.

6.0 Conclusions

As part of the process of post-communist restructuring since the fall of communism in 1989, industrial relations in Bulgaria became decentralized. Four levels of industrial-relations system emerged – national, sectoral, regional and enterprise-level. Importantly, the Bulgarian social dialogue model is implemented on both a tripartite and a bipartite basis.

The Bulgarian industrial relations system includes industry-wide, branch-specific, and municipal councils for tripartite cooperation where social dialogue is performed on both bipartite and tripartite basis. The industry and branch-specific councils for tripartite cooperation comprise representatives of the respective ministry or government agency, and lower-level organizations of the nationally representative trade unions and employer organizations. The municipal councils comprise representatives of the municipal government and regional organizations of the nationally representative trade unions and employer organizations.

The relationships between the Bulgarian social partners are highly Europeanized (because of Bulgaria's membership in the European Union since 2007) and hence – highly institutionalized because the European Union is a highly institutionalized economic and monetary entity, with a dense web of institutions – common law, policies and governing bodies.

One of the contributing factors for the survival of the textile and garment branches during the process of post-communist restructuring was the initiation and establishment of constructive social dialogue between the branch chambers of the Bulgarian Industrial Association and the Federation of Trade Unions in the Light Industry, at the Confederation of Trade Unions in Bulgaria.⁵¹

Social dialogue for the garment industry is carried out within the Branch Council for Tripartite Cooperation “Light Industry” at the Ministry of Economy. The social partners represented in the Branch Council are: the Ministry of Economy; trade union federations that are part of the nationally representative trade union organization (CITUB's Federation of Independent Trade Union Organizations in the Light Industry, and Federation “Light Industry” at Podkrepa Confederation of Labor); and branch organizations of employer associations that are recognized as nationally representative (a total of 15-18).

There has been no industry-wide collective bargaining agreement in the garment sector for the past 8-10 years. The last industry-wide agreement had been signed in 2008. This is due both to the great difficulties faced by the garment industry with the out-

51. Report of the Bulgarian Association of Textile and Clothing (BATEC) “170 Years Light Industry in Bulgaria: The Challenges of Accession to the European Union” (in Bulgarian).

burst of the global economic crisis in 2008, as well as to the extraordinary competition which the Bulgarian garment producers faced from mainly Asian producers. Another reason emphasized for the lack of an industry-wide CBA in the garment sector is the existence of many nationally representative employer organizations in the sector which are competing among themselves and are not able to agree on common terms for signing a collective agreement with the representative trade union organizations.

The lack of industry-wide CBA leads to wages in the sector as low as the level of the national minimum wage, not even reaching the minimum social insurance thresholds. The lack of signed CBAs in the garment industry also leads to deteriorating work conditions in the sector.

Meanwhile, CITUB analyses reveal that despite almost no collective bargaining at the industry level, the situation is rather better at the company level. CITUB has reported that in 2014, company level CBAs had been concluded in seven textile factories and one knitwear factory. In 2015, such agreements had been concluded in five textile factories (covering 2,559 workers) and one knitwear factory (covering 297 workers).⁵² Since 1991, thanks to actual social dialogue, employers and trade unions have regularly signed collective bargaining agreements with companies like Amer Sports Bulgaria Ltd., Knitex-96 JSC, Mizia- 96 JSC, Technotex JSC, E. Miroglio, and Pirin Tex Ltd.

Overall, however, there is no union structure and presence in most small companies in the garment sector, which represent the overwhelming majority of companies in the sector. This means that there can be no company agreement.

With the eruption of the COVID-19 pandemic, Bulgarian social dialogue was reinvigorated. The social partners realized its importance as a mechanism for crisis management and the preservation of social peace in the country. Social dialogue became very intense in the period March-August 2020, with frequent meetings of the National Council for Tripartite Cooperation. The positions of both trade unions and employer organizations in terms of the COVID-19 related anti-crisis measures were easily communicated to the government, extensively discussed within the NCTC, and reflected in the various government anti-crisis measures in response to the pandemic.

52. Fair Wear Federation. Bulgaria Country Study 2016.

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New Conversations Project

Cornell University, School of Industrial and Labor Relations

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www.ilr.cornell.edu/new-conversations-project-sustainable-labor-practices-global-supplychains

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