



**БЪЛГАРСКА АСОЦИАЦИЯ НА  
МЕТАЛУРГИЧНАТА ИНДУСТРИЯ**



**СИНДИКАЛНА ФЕДЕРАЦИЯ  
"МЕТАЛИЦИ"**

## **SECTOR ANALYSIS OF THE ECONOMIC ACTIVITY „PRODUCTION OF BASIC METALS”**

### **A. MAIN INFORMATION REGARDING THE DEVELOPMENT OF THE SECTOR**

#### **1. Major trends in the economic development, workforce development and training**

Metallurgical industry in Bulgaria was fully privatized and significant changes in the structure and technology of production have been made in the last 10 years. Outdated and inefficient facilities ceased operating, new schemes and advanced technological equipment were introduced, the energy efficiency was increased, the working conditions and the protection of labor and environment were improved. The competitiveness of the sector which is export-oriented significantly increased.

The share of manufactured iron and steel in the total industrial output of the country is high - in the range of 10-12%. The global economic crisis had a very negative impact on production and exports in 2009, which led to business closures and reduction of staff. A process of stabilization and growth of the indicators has begun since 2010, which is evident from the following data:

<b>INDICATORS</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Number of enterprises	221	200	193	172
Number of employees	21 430	16 051	12 936	12 211
Produced metallurgical output, thousand BGN	6 206	4 685	6 331	7 102
Share of total industrial production, %	<b>11,0</b>	<b>10,4</b>	<b>12,1</b>	<b>11,7</b>
Export of goods, total, billion BGN	29 736	22 882	30 488	39 357
incl. metallurgical products	6 094	3 629	5 342	7 619
Relative share from the total export, %	<b>20</b>	<b>16</b>	<b>18</b>	<b>19</b>

The greatest reduction in staff was observed in 2009 and 2010, i.e. during the economic crisis. The decrease of the number of employees and workers was achieved at the expense of the low skilled and supporting staff. It has become increasingly difficult to find a staff with good qualifications, especially young people motivated to work in the heavy industry. That's why in that period the number of qualified young people (up to 34 years) was retained and their share in the structure of the staff increased from 20.1% to 23.5%.

## 2. Number and profile of the companies in the sector

In sector **24. Production of basic metals /according the Classifier of Economic Activities -2008/** in recent years changes in the number of the enterprises and their staff took place and those parameters are given in the following table:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Enterprises – total number</b>	<b>221</b>	<b>200</b>	<b>193</b>	<b>172</b>
<b>Employed people - number</b>	<b>21 430</b>	<b>16 051</b>	<b>12 936</b>	<b>12 211</b>
<b><u>24.1 Production of iron, steel and ferroalloys</u></b>				
Enterprises - number	6	6	6	4
Employed people - number	8 395	5 331	2 728	1 457
<b><u>24.2 Production of pipes, hollow profiles and related steel fittings</u></b>				
Enterprises - number	15	14	17	17
Employed people - number	1 149	875	471	1 039
<b><u>24.3 Manufacture of other products of first processing of steel</u></b>				
Enterprises - number	35	26	25	13
Employed people - number	577	434	400	324
<b><u>24.4 Manufacture of basic precious and other non-ferrous metals</u></b>				
Enterprises - number	38	40	41	33
Employed people - number	5 384	5 141	5 081	5 195
<b><u>24.5 Casting of metals</u></b>				
Enterprises - number	127	114	104	105
Employed people - number	5 925	4 270	4 256	4 196

Every year the number of the operating enterprises decreases and this tendency is typical for all production activities in the sector. In the four years' period as a total 49 enterprises have ceased production, a relatively large decrease is recorded in the activities of the ferrous metallurgy and casting, where the number of enterprises is reduced with 22. In the production and processing of ferrous metals the change is insignificant. The bigger part of all operating enterprises is SMEs, according the criteria for the number of employees and the volume of the production.

There are 7-8 large enterprises in the sector, which produce about 80% of the total output and determine the indicators, the relative share and the significance of this industry for the Bulgarian economy.

### 3. Number of employed

The total number of people employed in metallurgy, including their respective profile breakdown by economic activity is given above in items 1 and 2.

Despite the high relative share of the production in the total output of the country - over 10%, the employed in this sector as a share of the total number of the employed in this industry are much less. These benchmarks by years are as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
24. Production of basic metals				
- Share of the employed in the industry, %	2,6	2,1	1,8	1,8
- Share of the produced total output, %	11,0	10,4	12,1	11,7

The data show that productivity per employed in the sector is more than 4 times higher than the average in the processing industry. The factors affecting this indicator are the implemented modernization and restructuring of production facilities, accompanied by reduction of staff and mostly the high prices of metals and their products on the global markets, especially the ferrous and precious metals:

### 4. Structure of employment

**The age structure** of the people employed and the changes in it for the period 2008 – 2011 is the following:

<u>years</u>	<u>15-24</u>	<u>25-34</u>	<u>35-44</u>	<u>45-54</u>	<u>55-64</u>	<u>over 65</u>
2008	853	3 463	6 613	7 536	2 807	158
2009	573	2 578	4 768	5 835	2 168	129
2010	492	2 181	3 716	4 546	1 870	131
2011	596	2 280	3 378	3 945	1 857	155

The data analysis shows the following trends:

- The relative share of the young people up to 34 years increased over this period from 20.1% to 23.5%;
- The share of workers in the age range 35 to 54 years decreased by 6%, respectively, from 66% in 2008 to 60% in 2011;
- The share of the older staff increased from 13.8% to 16.5%.

We can make a conclusion that the employers retain their skilled staff, if possible they prefer young people and their share is growing, or keep their skilled workers to higher age.

This conclusion is confirmed also by the data on the **Qualification structure** of the employed people in the sector of "Metallurgy" in 2011, according the categories of staff and their positions (National Classifier of the Professions and Positions)

<b>Category of staff</b>	<b>Number / Relative share, %</b>	
Managers	777	6,36
Specialists	950	7,78
Technicians and specialists	1 056	8,65
Supportive and administrative staff	532	4,36
Staff in the sphere of services, trade and safeguarding	220	1,80
Skilled workers	5 033	41,22
Machine operators and assemblers	1 883	15,42
Professions requiring no special qualification	1 668	13,66
Not belonging to a professional group	92	0,75
<b>TOTAL NUMBER OF EMPLOYED:</b>	<b>12 211</b>	<b>100%</b>

Skilled workers, including machine operators and assemblers are almost 60% of the staff employed.

Despite the positive trend of increased percentage of young people employed in the metallurgical sector in the country there is a high youth unemployment as a whole alongside the existing shortages of labor market specialists with technical or other vocational education. Economic and social changes negatively affected the desire to get a good technical education and led to the closure of many technical and vocational schools.

## 5. Status, structures and practices of the Social Dialogue (at sector and enterprise level)

The social dialogue in the country is regulated by the national legislation and its related additional legal documents and they fully comply with the European standards.

The social dialogue is carried out at **national, sectoral/branch and enterprise level**. The main documents outlining the rules and obligations of the parties in this dialogue are:

- the Labour Code;
- the Law on Information and Consultation of the Workers and Employees in the Multinational Companies, Groups of Undertakings and European companies;
- the Law on Health and Safety at Work;
- the Social Security Code;
- the transposed EU Directives, Requirements of the ILO and the World Health Organization;
- Other regulations and secondary legislation.

The structures that are authorized to conduct the social dialogue and to implement into this process the current legislation are:

### At national level

- **the National Council for Tripartite Cooperation** with representatives of the state and the national representative trade unions and employers' organizations;
- **the National Council on Working Conditions**, also created on the basis of participation of the three parties involved in the dialogue - state, trade unions and employers;
- **Sectoral Councils for Tripartite Cooperation (SCTC)** – established at the respective ministries on a branch principle with the participation of all parties;
- **Sectoral Councils on Working Conditions (SCWC)** - created on the principle of SCTC

### At sectoral level

- Contact Groups for preparation and conclusion of Branch Collective Labour Agreements;
- Branch Council for Social Cooperation (BCSC), established on the base of the acting Branch Collective Labour Agreement (BCLA);
- Conclusion of annual agreements between employers and trade unions regarding the amount of the minimum insurance income by professional groups for the respective branch;
- Participation as partners in the implementation of joint projects related to social partnership, improvement of the dialogue, good practices and their application; implemented seven projects (for the period 2007 - 2011), now five new projects are being implemented.

## **6. Strengths and weaknesses of the social dialogue in Bulgaria (the sector of metallurgy)**

### **6. 1. Strengths**

#### **National legislation**

- Stability of employment relations - maintaining labor relations in case of transformation of the employer. Principle of legal permanence of the grounds for the termination of the contract – every dismissal must be pursuant to an article from the law. The procedures for a dismissal are complicated as a mechanism for reduction of the cases of illegal dismissals;
- Real freedom of association – a trade union structure could be established by 5 or minimum 3 workers/employees. After declaring the existence of the trade union structure in one of the nationally representative trade unions a certificate of legitimacy of the new structure is given;
- Regulation of the trade union activity;
- Protection against dismissal of workers' representatives, members of the Work Conditions Committees, Work Conditions Groups;
- Commitment by the employers for the starting date of the negotiations (CLAs) (an obligation imposed by the law);
- The right of the worker to receive from the employer a certified document for due wages or benefits.

#### **Social dialogue – national level**

##### 1. Well-structured legislation

- National Council for Tripartite Cooperation
- Sectoral Councils for Bilateral Cooperation
- Councils at the respective ministries

2. There is a legal obligation- all laws relating to labor relations or social security and living standards - to be discussed in the National Council for Tripartite Cooperation.

3. Joint agreements are made at national level to cope with the crisis - especially in areas such as employment and wages.

- Discussions at national level regarding long-term reforms such as the pension reform have been carried out.

### **Social dialogue - sectoral level**

1. Regular, constant forms at sectoral level, based on the European and national legislation
2. Good cooperation with the employers when participating in tripartite sectoral councils on working conditions; social cooperation
3. Carrying out of joint activities with employers specifically related to working conditions, health and safety at work.
4. Participation in joint projects for capacity building of the social partners in the negotiation process.
5. Organizing of joint forums for preparing statements/objections to the changes in the legislation related to the protection of the sector, the people employed in it and their jobs.
6. Establishment of joint structures to deal with issues of qualification and requalification of the workforce and to evaluate its competencies and skill (analysis and assessment of the labor market, development of new professions, assessment of the condition of the labor force at a particular time)

### **Collective bargaining - sectoral level**

1. Constant forms of social dialogue, employers - trade unions.
2. Negotiations and conclusions of Branch Collective Labour Agreements lasting two years. Minimum wage in the branch at the time of the analysis: € -205 compared to the minimum wage for the country € 121. Additional payments - night work, overtime (0.25 for the country compared to 0.60 according the BCLA).
3. Compensatory mechanisms in case of inflation. Additional benefits in case of dismissal, illness, retirement.
4. Special protection of the trade union members in the event of dismissal. Ensured health and safety at work.
5. Lower levels of CLAs in comparison to the levels negotiated in the BCLA cannot be concluded in the enterprises and companies in the branch.
6. The terms for the trade union activity are a subject of negotiation.
7. There is an agreed social policy (funds for holidays on the occasion of professional and public holidays)

## **6.2. Weaknesses**

### **National legislation**

1. Lack of respect for the law by some employers. In response insufficiently effective control by the respective state authorities (particularly in medium, small and micro enterprises, which represent a large share of the country's economy (more than 87% for Bulgaria)
2. Phenomenon - different branches of the same multinational company have a different style of management in Bulgaria. The noncompliance with core labor standards is on the principle of the Balkan proverb, "If it goes – it goes".
3. The right of association has been violated.
4. At national level collective agreements are not concluded only the minimum wage for the country is determined.
5. Irresponsibility regarding the requirements for safety and health at work is recorded and also irregular payment of salaries.
6. The establishment of labor courts is prevented.
7. Given the high level of unemployment 12% , the intermediation of the temporary work agencies is risky for the sustainable functioning of the labor market by facilitating the transition to temporary employment as a permanent phenomenon.
8. Lack of an overall strategy for the development of the industrial relations and the assessment of the real crisis points in the economy of the country.

### **Social dialogue – national level**

1. The social dialogue and collective bargaining still have a limited impact on the labor market.
2. There is a payment gap, especially for businesses and companies that do not have trade unions.
3. It is yet to be seen by employers that "good social policy of the company as a lever for improving work motivation and productivity growth" and by the unions that "old answers to new questions is not working".
4. Very big trade union fragmentation – fragmented and unclear employers' structures.
5. Lack of a joint policy for keeping young people in the country and in the industry; the trend of young people joining the union is lost;



### **Social dialogue – sectoral level**

1. The scope of collective bargaining is very limited within the law.  
Benefits which are not mentioned as negotiable in the Labour Code are not agreed between the social partners.
2. The work of all bodies of social dialogue with regard to enhancing the flow of information to and from workers/employees is still insufficiently effective.
3. Lack of commitment by the employers to a sustainable increase of the incomes in the sector.
4. Insufficient joint activities to find and keep the skilled workers in the metal sector.
5. Problems with the coverage of the Branch Collective Agreement (in establishments which according to the National Classifier of the Economic Activities fall within the same group or in subgroups)

### **Collective bargaining – sectoral level**

1. Striving in every subsequent agreement the specific texts related to costs, benefits and payments to be minimized.
2. Only the minimum wage for the branch is negotiated – it is not bound to bargaining on the categories of staff.
3. There is no negotiation policy which includes criteria for income growth in the branch.
4. There are problems regarding the coverage and access to information related to the economic performance of the enterprise and the long term business strategy.
5. There are problems and controversies concerning the structure of payment – the correlation between the basic salary and the bonuses.
6. Controversial views regarding the flexible employment.

## **B. BRANCH POLICY – FRAMEWORK CONDITIONS FOR CONTINUOUS TRAINING**

### **1. Legislation in the sector/Collective agreements to promote training and continuous vocational training**

In the process of collective bargaining at branch or enterprise level, the issues of the improvement of the qualification of the employed, of determining their competences and continuous training are placed with due weight and consideration. Therefore, in the current BCLA for the „Metallurgy" sector the following text is included:

**Art. 43.** The Parties agree to consult, exchange information, interact and with common initiatives defend their joint interests in the sphere of:

**Point 3. Development of human capital, increase of qualification, empathy, social security and incomes of workers in the branch.**

**Point 4. Integration of vocational education with the business objectives.**

Similar and more specific provisions are included in the Collective labour agreements at enterprise level.

### **2. Support/cooperation to the members (workers/enterprises) by the trade unions/employers' organizations**

The social partners constantly follow and inform their members of any up-to-date information on current national programs for training, retraining, promotion of employment and employability.

If necessary BAMI makes the coordination between the enterprises and the educational structures to organize specific training and job qualification in accordance with the business needs.

For its member-companies BAMI annually organizes training of their staff in accordance with the Act for Health and Safety Work Conditions.

### **3. Cooperation in the sectoral social dialogue (bipartite committees, regular meetings, current problems, issues, etc.)**

Employers' organization and the trade union structures in the metal industry have regular contacts and exchange information on all issues of mutual interest. In case of social issues concerning certain enterprise information is exchanged and if necessary it is submitted for discussion in the framework of the **Branch Council for Social Cooperation (BCSS) – a bipartite structure based on the BCLA.**

The social partners annually organize and participate in joint activities, such as:

- Conferences, roundtables, forums on issues of mutual interest;
- Presentation of general opinions and positions on legal documents, proposals for changes in legislation;
- Annual review of the state of working conditions in metal industry.

#### **4. Role and function of the social dialogue with regard to the issues of the continuous vocational training**

The parties included in the sectoral social dialogue exchange information and cooperate actively to solve the social and economic issues related to the prosperity of the enterprises and the people working in them and to the sustainable development of the sector.

The vocational training, qualification and the continuous training of the staff is the key element for achieving these goals.

Within the framework of the project "Development and implementation of an information system to determine the competence of the workforce by sectors and regions" a Sector Advisory Council (SAC) "Metallurgy" was established which on sectoral and enterprise levels participates in:

- Developing skills for 15 key positions;
- Verification of the models in the six pilot enterprises, with the participation of trade union representatives at company level.
- Training of representatives of employers and trade unions for evaluators of competences.

#### **5. Starting points for cooperation in the Sector Skills Councils (SSC)**

The established Sector Consultation Council "Metallurgy" at BAMI is built on a tripartite basis: with the participation of employers, union representatives and state agencies, including educational institutions.

**Key Functions** of the Sector Consultation Council:

- Collection and analysis of information;
- Coordination of recommendations, initiation of measures related to the labor market and the skills;
- Development and promotion of models for sectoral competencies and standards;
- Forecasting the demands for new skills;
- Feedback to the institutions regulating the state educational requirements;
- Discussion and initiating legislative changes;
- Implementation of the competency approach in the management of the companies in the sector;
- Support of the cooperation between the companies in the sector with universities and organizations in the sphere of the vocational education and continuing training.

For the sustainable development of the sector, creating good conditions for career development, decent work and decent wages, the social partners - employers and trade unions have the ambition to participate actively in policies on the labor market, the needs of professionals in the industry and their training.