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Discretion and (de)centralization in wage bargaining in the construction, hospitality, urban transport and waste management sectors: A Study on Bulgaria

BARWAGE Report No. 4

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Abstract

This report identifies and analyses the wage setting practices in Bulgaria, focusing on four specific sectors – construction, hospitality, urban transport, and waste management. General practices of wage setting are outlined in the context of wider global trends towards individualization and employer discretion. Evidence on the four sectors is summarised together with the most relevant trade unions and employer organization in each, with particular attention paid to low-paid jobs in the sector. Wage setting and collective bargaining in the four sectors are traced in detail, accounting for wage setting at several levels, including the statutory, municipal, sectoral, company and individual level.

Keywords: wage setting, collective bargaining, statutory minimum wage, industrial relations

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BARWAGE

BARWAGE investigates the potential of collective bargaining as a tool for ensuring adequate minimum wages in the European Union. It explores the size of four wage-setting arenas across EU countries and industries: the national or peak level, sector-level collective bargaining, firm-level collective bargaining, and individual (non-collective) negotiations. BARWAGE uses microdata to identify what share of the workers are earning under 110% of the statutory minimum wage are covered by sectoral or enterprise collective bargaining. Using coded data of 900 CBAs from 9 EU countries, the presence and nature of pay scales in the sectoral and firm-level collective bargaining agreements (CBAs) are analyzed. To deepen the insight into the impact of collective wage bargaining, national level data will be used to detail the wage arenas in 2 EU countries (Netherlands and Italy). The project lasts 2 years (2022-2024) and includes 6 work packages.

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Introduction

Wage setting belongs to core issues in collective bargaining (CB). As part of the BARWAGE project,² this report seeks to shed more light on the wage setting processes in Bulgaria. Besides general country-level wage setting institutions, the report focuses on four sectors with incidence of low-wage work to analyse the levels at which the workers' wages and their components are negotiated. The report aims at understanding how exactly wage setting is occurring, which actors are involved, what is the starting point of this process and where does it lead to in terms of institutional stability or change of the wage setting institutions.

The broader context for the report is questioning how collective wage setting in Europe is changing or shifting towards more individualized/discretionary wage setting mechanisms; how collective and individual wage setting co-exist and interact with each other, and whether discretion over wage setting is undergoing a shift, e.g. from collective to more individual discretion of employers and the workers. The following wage setting levels/arenas are considered in the current report:

- Wage setting regulation – legislative regulatory tools (e.g., law on minimum wage)
- Collective and solidaristic wage setting for a broader labour market segment – collective wage bargaining (at various levels, e.g., sectoral or regional)
- Collective wage setting with greater employer discretion – wage bargaining at the company level (yet still with organized interest representatives on the workers' side)
- Individualized wage setting – with the highest discretion of the employer over determining wages

The report is structured to provide general information about the Bulgarian labour market, wage developments and wage setting, followed by an insight into sectoral specificities before the conclusions.

This report is based on desk research and semi-structured research interviews with stakeholders in Bulgaria. Desk research relied largely on English-language Eurofound reports providing detailed information about specific industries, wage setting mechanisms and collective bargaining, and available academic literature and research on social relations in Bulgaria. All individual interviews were conducted online in English and later transcribed using the Sonix software. Both trade union representatives and employer representatives of the four main research sectors – construction,

² BARWAGE – The importance of collective bargaining for wage setting in the European Union, funded by European Commission. Directorate-General for Employment. Social Affairs and Inclusion – 101052319.

hospitality, urban transport and waste management or employers in case there were no relevant trade union or employer organizations were contacted for the interview. Nevertheless the employer organizations representatives did not take the opportunity to provide us with information on wage setting from their perspective. However, the interviewed industrial relations expert provided complex information.

Table 1. Detailed information on interview respondents

Interview number	Institution	Position	Date
BG01	Institute for the Study of Societies and Knowledge, Bulgarian Academy of Sciences	Senior Researcher	May 10, 2024
BG02	Confederation of independent trade unions in Bulgaria (CITUB)	Senior experts	May 20, 2024
BG03	The Federation of Independent Trade Unions in Construction in Bulgaria (FITUC)	Senior Official	May 17, 2024
BG04	Federation of Transport Trade Unions (FTTU) at CITUB	Federation Chairman	May 20, 2024
BG05	The Confederation of Labour PODKREPA	Senior Economic Advisor	May 27, 2024

1. The labour market and wages in Bulgaria

Bulgaria has a population of 6,4 million people as of 2023. Bulgaria has in 2007 joined the European Union, underscoring its transformation from a centrally planned economy into an open market economy. In 2023 the growth of GDP declined to 1,8% and the unemployment rate was 4,3%.³ Bulgaria remains one of the poorest EU countries, exacerbated by a number of recent global crises, such as the COVID-19 pandemic, war in Ukraine, or the financial debt crises, which impact the national economy, but also foreign investments, trade and supply chains. In 2022, the purchasing power parity convergence reached 62% of the average GDP per capita in Europe.⁴

Bulgaria has the lowest wages and labour costs from the EU 27 countries. According to the data from the Ministry of Labour and the Social Policy, in the third quarter of 2023, the average monthly wage in Bulgaria was 2000 BGN⁵ (1022,58 EUR), corresponding to an annual increase of around 14.7%. Bulgaria has high regional differences in average salaries, in the capital of Sofia, the average monthly salary in the third quarter of 2023 was 2722 BGN (1392 EUR), which is 36.1% higher than the national average⁶. As of January 1st, 2024, Bulgaria has increased the minimum wage to 933 BGN (477 EUR), an increase from 780 BGN (399 EUR) which was the minimum wage from January 1st, 2023 (WageIndicator). In the years 2015-2020 the annual growth of the median income was 8%.⁷ Bulgaria consistently experiences a moderately high level of income inequality and belongs to the most unequal countries in the European Union, in terms of the Gini index the value of 40.5 in 2020.⁸ At the same time, incomes of those in the bottom 40% of the income distribution grew by 10.1% in the period between 2015 and 2020.⁹ Nevertheless, in the first quarter of 2024 hourly labour costs significantly increased in year-on-year by 15,8% on average with the sharpest rise in the construction sector of 19,3%.¹⁰ Over the year 2023, inflation in Bulgaria reached 8.6%, the Harmonised Index of Consumer Prices decreased from 14.3% in December 2022 to 5% in December 2023. According to Eurofound data, the rate of increase in minimum wage over the year 2022 in Bulgaria was 9,86% compared to the rate of increase in the harmonized index of consumer prices (HICP) inflation of 8,51%, indicating that the increase in

³ https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/bulgaria/economic-forecast-bulgaria_en

⁴ <https://www.worldbank.org/en/country/bulgaria/overview>

⁵ <https://www.nsi.bg/en/content/3928/total>

⁶ <https://bnr.bg/en/post/101921155/average-salary-in-bulgaria-reaches-102258-eur>

⁷ https://databankfiles.worldbank.org/public/ddpext_download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/current/Global_POVEQ_BGR.pdf

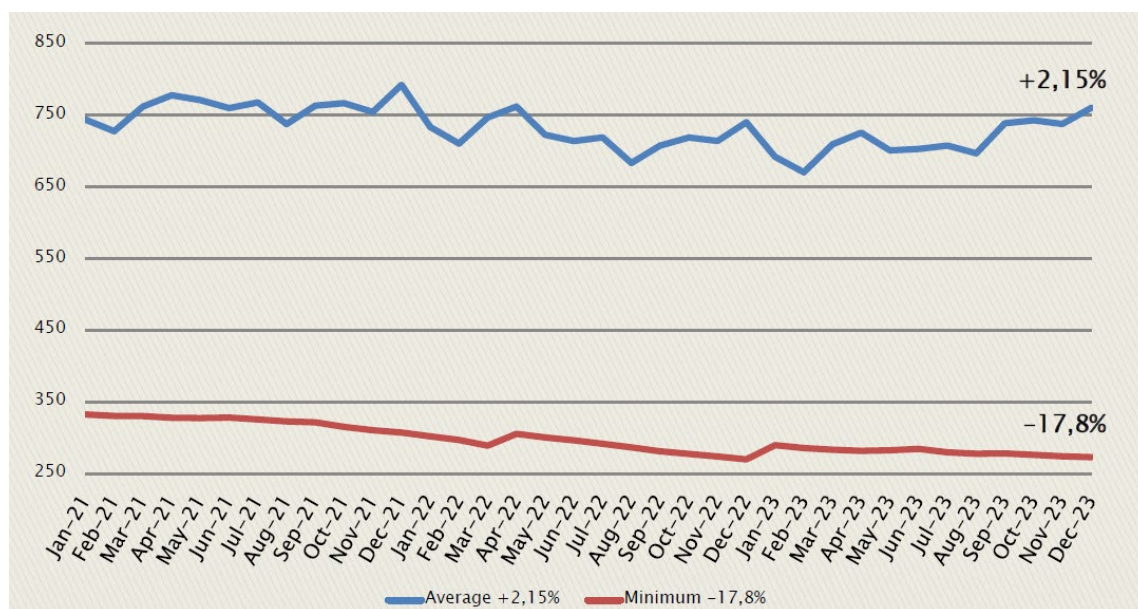
⁸ https://databankfiles.worldbank.org/public/ddpext_download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/current/Global_POVEQ_BGR.pdf

⁹ https://databankfiles.worldbank.org/public/ddpext_download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/current/Global_POVEQ_BGR.pdf

¹⁰ <https://seenews.com/news/bulgarias-hourly-labour-costs-rise-16-percent-yy-in-q1-1259458>

minimum wage minimized the negative impact of inflation on minimum wages in the year 2022.¹¹ See Figure 1. for comparison of the growth of real minimum and real average wages in Bulgaria in the period January 2021- December 2023.

Figure 1. The comparison of real minimum and average wages in Bulgaria in EUR.



Source: Sintez Podkrepa. (March 1, 2024). Presentation at Trade Union Research Institute Meeting, Brussels.

In general, the average gross hourly wage for employees covered by CBAs is 8,3% higher than those not covered by CBAs and the gross monthly average wage is 18.6% higher and the annual average gross wage is 22.4% higher than the wages not covered by the collective labour agreements across all sectors (Interview BG05).

2. Industrial relations and collective bargaining

2.1 Trade union membership and union density

Trade union density in Bulgaria is 15.3% (2016); and employer organization density is 55.3% (2016). Adjusted bargaining coverage rate in Bulgaria is 27.8% (2018) (see also Table 2).¹²

¹¹ <https://www.eurofound.europa.eu/en/resources/article/2023/minimum-wage-hikes-struggle-offset-inflation>

¹² <https://www.oecd.org/employment/collective-bargaining-database-Bulgaria.pdf>

Table 2 Basic industrial relations characteristics - Bulgaria

Key features	2000	2016
Actors entitled to collective bargaining	Trade unions and employers/employers' organisations	
Predominant bargaining levels	Bargaining at company and industry level. Company-level bargaining prevails	
Collective bargaining coverage (%)	40 (2002), 29 (2012)	27,8 (2018)
Extension mechanism (or functional equivalent)	No	Yes, introduced in 2001 (but very rarely used in practice)
Trade union density (%)	26 (2002), 16 (2012)	15,3 (2016)
Employers' association rate (%)	50 (2012)	55,3 (2016)

Source: OECD and Kirov (2019).

Trade union membership in Bulgaria has been declining since the 1990s and currently, there are approximately 360 000 trade unions members in Bulgaria. Union density reaches around 16%, based on data from the 2016 National census. There are two major national trade unions with EU representation and affiliation to the European Trade Union Confederation (ETUC, see ETUC 2019):

- The **Confederation of Independent Trade Union of Bulgaria (CITUB)** is the largest trade union in Bulgaria, with membership of around 270 000 workers, which was established in 1990 after the regime change and a transformation from the union existence under the Communist regime. CITUB represents 38 sectoral and branch federations as well as trade unions and has representative municipal and regional organizations in the country.
- The **Confederation of Labour Podkrepa** was established in 1989 and evolved into the second largest union confederation in Bulgaria, present in all sectors and regions. Currently Podkrepa represents around 53 000 members united in 36 regional trade unions, 30 national unions and federations and further 4 associated organizations and since 1995 is a full member of the European Trade Union Confederation (ETUC 2019). In 2012, Podkrepa organized about 91,000 of members (Kirov 2019).

On the employers' side, pluralism has been greater than on the trade union side. In 2016, five recognized organizations operated at the national level (ibid.). The successors of the old structure of managers of state-owned companies, the Bulgarian Industrial Association (Balgarskata stopanska

kamara, BSK) and the Bulgarian Chamber of Commerce and Industry (Balgarskata targovsko-promishlena palata, BTPP), co-exist with more recently established organizations such as the Confederation of Employers and Industrialists in Bulgaria (Konfederaziata na rabotodatelite i industrialzite v Balgaria, KRIB), which claims to represent a significant part of GDP and employment, and the Association of Industrial Capital in Bulgaria (Assoziaziata na industrialnia capital v Balgaria, AIKB), representing former mass privatization funds.

From early 1990 until 2012, two organizations of small businesses, the Union for Economic Initiative (Saiuzat za stopanska initziative, SSI) and the Union of Private Employers 'Renaissance' (Saiuzat na chastnite predpiremachi 'Vazrajidane'), were active employers' organizations and recognized as nationally representative. Since 2016, SSI has again been recognized as nationally representative.

Until 2012, a company could be a member of more than one employer's organization, but the rules were changed, and now only one membership is permissible (Kirov 2019).

2.2 Collective bargaining

Collective bargaining in Bulgaria is anchored in articles 50-60 of the Labour Code and allows collective agreements on the sectoral, municipal or company level. In general, the collective labour agreements may not contain clauses setting less favourable conditions than those agreed upon in other collective labour agreements or law. The coverage of collective bargaining in 2016 was around 23% a decrease of 33% in coverage since 2000 from the ICTWWS database (Visser, 2019).

In general, collective bargaining coverage in Bulgaria is decreasing and the trend is towards deregulation and decentralization (Kirov 2019). Collective bargaining largely takes place on sectoral and company levels and single-employer bargaining is the most prominent, while civil servants are excluded from collective bargaining.

The interviews conducted revealed that at the industry level, both the organizational structure and the attitude of employers' organizations make collective bargaining difficult. In some industries, there are no employers' organizations with which trade unions can negotiate. In other cases, employers' organizations exist at the industry level but are not willing to negotiate, and, as in other countries in the region, their role is limited to business representation and lobbying.

In recent years, the prevailing attitude of employers has been to avoid joining employers' associations or not to authorize them to conclude sectoral/industry agreements. This is the case not only among local employers but also large multinational companies (Kirov 2019).

In the Bulgarian labour legislation, there is a procedure for benefiting from the enterprise collective agreement's provisions for non-union members, but only upon agreement. Parties to the agreement negotiate under what conditions and order this accession to the collective agreement can take place, including the possibility to request a cash contribution for joining the collective agreement. In general, the conditions of CBA only extend to union members, but trade unions are campaigning for extension legislation of CBAs to cover all employees. The estimates for the collective agreement coverage varies according to different sources, but according to the latest information from the European Trade Union Institute the coverage is around 30%¹³ and according to the 2018 EUROSTAT Structure of Earning Survey, the coverage was around 28%.¹⁴ According to information provided by the Podkrepa Trade Union from 2021, there were 1589 active collective labour agreements in force, covering 352 000 workers (Interview BG05).

2.3 The system of wage fixing and wage bargaining

The right to minimum wage is guaranteed to workers and employees in the Article 48(5) of the Constitution as well as anchored in the Labour Code and Decrees no. 129 on transition towards negotiations on wages¹⁵, further in the Collective Agreements and Joint Committees Act, and in the Act Concerning Employment Promotion and Competition (WageIndicator 2024)¹⁶. Bulgaria sets one national minimum wage, which currently reaches 933 BGN (477 EUR) as of January 1st, 2024, an increase of 153 BGN (78 EUR) or 20%. The increase from January 2024, has been done following a newly adopted mechanism, in line with the EU Directive 2022/2041 on adequate minimum wages in the European Union.

The new mechanism for minimum wage setting adopts the approach of the minimum wage being equivalent to at least 50% of the average gross wage of a 12-month period, that includes the first two quarters of the current year and last two quarters of the previous year as the base for calculating the minimum wage, which takes place annually in autumn on September 1st. According to experts, this

¹³ <https://www.worker-participation.eu/national-industrial-relations/countries/bulgaria>

¹⁴ <https://www.nsi.bg/sites/default/files/files/publications/Strzapl2018.pdf>

¹⁵ <https://lex.bg/laws/ldoc/1594373121>

¹⁶ <https://wageindicator.org/labour-laws/labour-law-around-the-world/minimum-wages-regulations/minimum-wages-regulations-bulgaria>

mechanism does not sufficiently reflect on large regional differences in average wages in Bulgaria (Nikolov & Ime, 2024).

According to OECD findings, prior to 2024 Bulgaria did not have a clearly defined mechanism for annual minimum wage setting due to disagreements among social partners¹⁷. In general, minimum wage tripartite consultations take place as part of the Income and Living Standards Committee of the National Council for Tripartite Cooperation (NCTC)¹⁸. The issue of official and transparent minimum wage setting mechanism has been repeatedly raised within the EU Semester framework and has been included in the Country Specific Recommendations (CSRs) since 2014 and in 2016 an expert working group has been set up with trade union and employer representatives, which prepared a Conceptual model for setting the minimum wage. This proposal has not been accepted due to disagreements of the social partners related to the level of the upper threshold of the minimum wage (Kahancová & Kirov, 2021). In 2018 Bulgaria ratified the International Labour Organization Convention C131 on Minimum Wage Fixing.¹⁹

In addition to the statutory minimum wage, negotiations are practiced also around the so-called 'minimum insurance income' (MII), which serves as the basis for calculating the minimum social security contributions across nine professional categories for each economic sector (Kirov 2019), which the employer is required to pay. Similarly, there is a maximum insurance income from which social security contributions are paid by the employer, as of January 1st, 2024 at the level of BGN 3,750, agreed upon by the National Assembly. For illustration, the minimum insurance income for self-employed persons, farmers, and tobacco growers increased from BGN 780 (399 EUR) to BGN 933 (477 EUR) as of January 1st, 2024.²⁰ If industry-level social partners cannot reach an agreement on the MII, it is administratively set by the Ministry of Labour and Social Policy. In the years 2016, 2017, and 2018, employers' organizations withdrew from these MII negotiations. While the government establishes the monthly minimum statutory wage, higher minimum wage levels can potentially be negotiated at the industry or company level, although this is a rare occurrence in practice (Kirov 2019).

¹⁷ Detailed methodological note on minimum wage setting mechanisms, OECD/AIAS ICTWSS DATABASE, OECD 2021, available at https://www.oecd.org/els/emp/DetailedMethodnote-MW-OECD-AIAS_DB.pdf

¹⁸ https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef19028en.pdf

¹⁹ https://normlex.ilo.org/dyn/normlex/en/f?p=1000:11300:0::NO:11300:P11300_INSTRUMENT_ID:312276

²⁰ <https://www.parliament.bg/en/news/ID/5897>

3. Predominant level of collective bargaining on wages

Collective bargaining in Bulgaria takes place primarily at the company level (Organization for Economic Co-operation and Development, 2021).²¹ Tripartite consultations within the National Tripartite Cooperation Council, the Economic and Social Council or other governing bodies also take place to set the scene for actual wage bargaining. Industrial tripartite consultations take place as part of around 50 industrial councils within respective ministries (Kirov, 2019). However, employer representatives are not legally obliged to participate in social dialogue and in collective bargaining and a deadline for signing the collective agreement does not exist. This prolongs the negotiations and can be used to put pressure on trade unions to accept less favourable conditions (Interview BG02). Collective bargaining at the company level usually includes clauses on wage levels, social security contributions, and labour relationships (Eurofound, 2020). Collective agreements signed at the company level cannot be extended to non-signatories, unlike CBAs concluded at the sector level.

4. Sector profiles on wages and bargaining

4.1 Construction

The construction industry in Bulgaria has slowed in recent years due to the COVID-19 pandemic and the war in Ukraine but has been growing again since 2022. In 2022 the relative share of gross value added of the construction sector was 3.1% of the GDP, amounting to 2 636 million EUR (European Industry Construction Federation, 2021). The construction sector in Bulgaria represents 5.7% of total employment, a 1% increase compared to 2021. In 2024 the employment in the sector was 247,400, of whom 228,000 were men. The unemployment in the sector is 9.2% of the total unemployment. Between 2010 and 2020, the share of full-time employment declined by 8.7% and the share of self-employed workers increased by 16.1% from 25.500 to 29.600 (European Commission, 2021).²² The average salary for construction worker is 2050 BGN (1048 EUR), which is slightly above the national average wage.²³

The collective bargaining coverage in the construction sector is estimated to be 2.3% (Eurofound, 2015, 48). There are two main employer organizations in the construction sector – Bulgarian Construction Chamber (BCC) and Bulgarian Industrial Association, and five labour organizations – the major Confederation of Independent Trade Unions of Bulgaria (CITUB) and Confederation of Labour Podkrepa, and specific ones Federation Construction, Industry and Water Supply – Podkrepa (FCIW-

²¹ <https://www.oecd.org/employment/collective-bargaining-database-Bulgaria.pdf>

²² https://single-market-economy.ec.europa.eu/system/files/2021-11/ECSCO_CFS_Bulgaria_2021.pdf

²³ <https://www.salaryexplorer.com/average-salary-wage-comparison-bulgaria-construction-building-installation-c33f17>

Podkrepa), Federation of Independent Trade Unions in Construction (FITUC), Construction Workers Union. The density in the Bulgarian Construction Chamber is 8.6% of companies in the sector and 16,2% of employees (Eurofound, 2015, 31). Bargaining by the Bulgarian Construction Chamber is multi-employer and covers 60 companies and 3000 employees. Two trade unions engage in collective bargaining - FITUC and FCIW-Podkrepa with 3,300 employees covered within each trade union. The level of involvement is both single-employer and multi-employer bargaining (Eurofound, 2015). Between 2011 and 2021, 12 collective labour agreements at company level were in force on average, covering 4810 employees. In 2020, there were 8 agreements in force, covering 4752 employees (Eurofound, 2024).

4.2 Hospitality

In 2015, 124 933 people were employed in the hospitality sector in Bulgaria, with 83.3% working as employees (Eurofound, 2018). National statistics data for 2021 indicate that 124 000 people work in the hospitality sector, with the majority working in micro and small enterprises, 14.4% in medium sized enterprises and 7.7% in large companies (Eurofound, 2024).

There are three main trade unions in Bulgaria Independent Trade Union Federation of Employees in Commerce, Cooperatives, Tourism and Services (ITUFECCS), National Federation of Commerce, Services, Customs and Tourism Podkrepa CL (NFCSCCT Podkrepa CL), and Syndicate of Tourism in Bulgaria (STB). The most relevant employer organization in this sector is the Bulgarian Tourist Chamber (BTC). All of these participate in tripartite bodies as parts of the National Tourist Council and Inter-governmental council (Eurofound, 2018) but there is a higher degree of sectionalism in coverage of different sectors and none of the trade unions represent catering and only the ITUFECCS includes also restaurants, whereas NFCSCCT Podkrepa CL and BTC represent only the hotel industry.

Both sector and company level bargaining are common (Eurofound, 2024). In December 2022, there were 10 active collective labour agreements covering 2240 workers (Eurofound, 2024). The average monthly salary in the hospitality industry was 1339 BGN, which makes 685 EUR. (Interview BG05).

4.3 Urban transport

There are three main trade unions in the sector of urban transport in Bulgaria – Syndicate of Railwaymen in Bulgaria, Federation of Transport Trade Unions in Bulgaria (FTTUB), Federation of Transport Workers Podkrepa (FTW Podkrepa) all of whom engage in single-employer bargaining, which is more dominant, and FTTUB and FTW Podkrepa also in multi-employer level bargaining. The active

membership of the trade unions includes the urban transport and railways subsectors, where the FTTUB has 6,695 members, FTW Podkrepa 4000, and the Syndicate of Railwaymen 14 000 members. There are four major employers in the transportation sector that engage in collective bargaining, but only one in the subsector of public transport – Stolichen Electrotransport EAD, which employs over 2000 workers (Eurofound, 2017).

Currently there are 15 collective labour agreement in force covering 16 372 employees in the entire land transport and transport via pipelines sector.²⁴ There are two key sector-specific bodies for bargaining the bipartite Central Council for Cooperation on the level of municipalities, with all trade unions participating and the tripartite Council for Social Cooperation for Urban Transport in the Sofia municipality, where the FTTUB is represented. The estimated collective bargaining coverage for the entire transportation sector (including railway transport, freight rail transport and urban transport) is 85% (Eurofound, 2017).

4.4. Waste management

According to the available data the number of workers employed in the waste management sector, including the water supply, remediation activities and sewerage, was in the year 2021 around 30 500, a decline from the year 2012, when the number of workers in the sector was around 33 800²⁵. The average wage in the water supply, sewerage, waste management and remediation activities sector in the first quarter of 2024 was 1625 BGN (831 EUR), which is below average wage²⁶.

Waste management sector in Bulgaria being dominated by private companies since 2007, and the jobs in this sector are considered low-paid. In the waste management sector, the low-skilled jobs, which require no formal education include especially street sweeping, which is a job done largely by women with fixed lower wages. The area of waste collection is carried out by men, with fixed higher wages, compared to street sweeping. From available data from a study the average monthly wages for street sweepers were between 180 – 194 EUR, whereas for waste collectors slightly higher, around 204 – 296 EUR (Sardadvar et al., 2015), demonstrating a level of gender segregation reflected also in wages.

In the waste management sector, trade union organization is rather weak, also due to the privatization of the sector but the available information on collective bargaining is discussed in the next section.

²⁴ [National Institute for Conciliation and Arbitration \(nipa.bg\)](http://nipa.bg)

²⁵ <https://www.statista.com/statistics/385380/number-of-employees-water-supply-sewerage-waste-management-bulgaria/>

²⁶ <https://www.nsi.bg/en/content/3928/total>

5. Relevance of bargaining arenas to realising adequate wages

5.1 Construction

According to an industrial relations expert, in the construction sector the minimum wage represents the baseline set by law and accounts for around 50% - 60% of wages earned by low-skilled workers (Interview BG01). Legislation also sets the allowance required to be paid for night and shift work, which is set as a percentage of a base salary.

As revealed in a research interview, there was one collective agreement on the sectoral level valid until 2022, which included the increase of the basic paid annual leave to no less than 23 working days, the increase of the value of free meals and/or supplements to it, the increase of the percentage of seniority to 1%, the increase of each night hour worked by the amount of not less than 50% of the minimum hourly wage for the sector, as well as the determination of the minimum monthly basic wage for the sector on the basis of the minimum wage for the country, increased by a factor $K=1.25$ (Interview BG05).

Based on the information provided by the FITUC representative, the new minimum wage multiplier in the new sectoral collective labour agreement sets the coefficient at $K=1.4$, increasing the sectoral minimum wage. The use of multiplier coefficients to determine the sectoral minimum wages automatically reflects the yearly increases of statutory minimum wage and ensures that increases of sectoral minimum wage reflect it, the increase in statutory minimum wage then causes a cascade of sectoral wage increases if the use of multiplier is employed. The sectoral agreement increases the minimum wage for the construction sector, which according to the latest contract, sets the minimum wage for the sector based on the coefficient at 1306.20 BGN or 667.84 EUR. Collective bargaining in the construction sector also sets the daily meal allowance at BGN 5 (2.56 EUR). There is also a minimum wage set for skilled workers, which shall reach at least 2481.78 BGN (1269.17 EUR) (Interview BG03).

In the construction sector there are 7 active CBAs at the company level as of June 2024, which cover 2071 employees (Interview BG05). These may set higher multiplier coefficients or minimum wage than the sectoral one. Collective bargaining at company level may provide for higher wages and bonuses than sectoral contracts. Individual bargaining allows for customized agreements covering higher wages, bonuses or other incentives.

At the same time, it is crucial to note, that the construction sector is characterized by a significant degree of informality, despite legislative and policy changes aiming to limit its scope. Use of daily rates for informal workers is common and these are much higher than the corresponding proportions of

minimum wage in the sector. This also results in dominance of envelope wages, where parts of wage are paid in cash and only some parts of wages are paid following the official contract and accompanied by social security payments (BG01). Large proportion of work in the construction sector is informal and the most common informal low-paid jobs include construction helper, rough construction worker, construction erector, or tile worker (Interview BG 03). In general, the construction sector has relatively low trade union density and most companies do not engage in collective bargaining.

5.2 Hospitality

The HORECA sector in Bulgaria features the lowest wages, averaging 1339 BGN, (685 EUR) per month. There are 8 company level collective labour agreements in force, covering 2019 employees, thus covering only 1% of the workforce in the sector, which is made up of 152 000 workers. In the sector, around 96 000 of employees are women, which reflects that women receive lower wages.

Based on the information provided by the senior economic advisor from the Podkrepa trade union, there is one sectoral level collective agreement between, but it covers only employees of three enterprises and was made with one employer representative and currently there is no legal mechanism, which would allow the extension of this agreement to the whole sector. This sectoral CBA does not set minimum wage, but instead stipulates that each company sets its own, which is usually the national minimum wage of 933 BGN, equal to 477 EUR (Interview BG05). The sectoral CBA stipulates the working conditions and security, the minimum base for holidays, extra pay for night work, and it sets the rate of wage increase after 5 years of employment for the company.

In the HORECA sector there is very low rate of trade union membership as the sector is typical for short-term and seasonal employment and high numbers of foreigners employed, around 6800 currently. The sector also registers very high levels of labour shortages (Interview BG05). Individual level bargaining plays a major role for wage setting in the HORECA sector and can result in individual wages much higher than the minimum wage, especially in international establishments.

5.3 Urban transport

In the sector of urban transport there is a prominence of municipal employers, with a corresponding municipal budget. There is a high trade union density in the urban transport industry and collective bargaining is transparent, regulated and clearly defined. Most public companies engage in collective bargaining and all public companies have transparent pay scales, detailing wage levels based on the time worked as well as additional bonuses and payments (Interview BG01).

Collective labour agreements are most often bargained at the municipal level and always contain provisions setting the minimum wage, with significant regional differences. For example, a transport company in the city of Varna it is the minimum wage, but a company in Sofia – Sofia Metropolitana – sets higher municipal minimum wages, where after protests workers secured a 15% wage increase (Interview BG01). According to data from the Bulgarian transport union, usually, wage increases between 10-30% a year are achieved through bargaining on the municipal level. When it comes to single employer collective bargaining, the average yearly increase in wage setting was around 10-15% in some enterprises. Individual bargaining then goes above the rates agreed on in CBAs and there are significant regional differences as well as difference between companies (Interview BG04).

There was a sectoral CBA, which expired in 2022 and new CBA is currently being negotiated. The sectoral CBA included the following terms: an increase of the basic paid annual leave to at least 22 working days, the increase of the value of free meals and/or its supplements, an increase of the percentage of seniority to 1%, an increase of each hour worked at night by the amount of at least 40% of the minimum hourly wage for the sector for those involved in the transport process and not less than 25% for other employees, as well as the determination of the minimum monthly basic wage for the sector on the basis of the minimum wage for the country, increased by a coefficient of $K=1.3$ (Interview BG05).

5.4 Waste management

Based on information from the Podkrepa trade union expert, in the waste management sector there are 27 collective agreements at the municipal level for waste collection, waste disposal activities and materials and recovery. Every municipality receives concessions for contracting a private company for waste management services, but there are few municipal enterprises as well. There are further 4 collective labour agreements for mediation and other waste management services and 71 agreements for water collection and 2 additional agreements for sewage.

The information on whether these CBAs contain wage stipulations is not available, but the municipal CBAs likely set minimum sectoral wages higher than the national statutory minimum wage as well as improved working conditions (Interview BG05). Collective bargaining in the waste management sector is in general concerned with improving working conditions as large numbers of workers in the sector are of Roma origin and often lack transportation to and from work. They are usually employed in the low paid positions such as floor sweepers and receive slightly higher than minimum wages, where the statutory minimum wage constitutes around 80% of the wages (Interview BG01).

6. Conclusions: Uprating of wages in a cross-sectoral view and institutional change

In Bulgaria, the general tendency in collective bargaining is towards decentralisation and collective bargaining most often takes place at the enterprise level (Kahancová & Kirov 2022).

The most important wage-setting mechanism in Bulgaria is the statutory minimum wage, which increases yearly in January according to a new mechanism. The relevance of minimum wage is attributed to the low rates of collective bargaining on sectoral levels in most industries and a lack of national, sectoral and branch collective bargaining, with some exceptions. In some sectors, such as urban transportation or waste management, municipal collective bargaining is more common, due to the sector organization and the availability of public funds, especially when public companies are concerned. Most uprating of wages is done at the company level, but in the construction sector there is a sectoral collective labour agreement, which sets higher minimum wages via use of a multiplier coefficient. This multiplier is currently set at $K=1.4$ of the statutory minimum wage, meaning that the minimum wages in the construction sector are 1.4 times higher than the statutory minimum wages. Previously, in the waste management sector there was a minimum wage multiplier of $K=1.3$. The use of multipliers results in calculated increases after yearly increase of the minimum wage, which happen in January.

To conclude, employer representatives engage in lobbying for lower statutory minimum wages, but trade unions stress its importance as there is not enough collective bargaining to set adequate minimum wages for all workers (Interview BG05). Another major debate is related to the extension of collective agreements provisions to non-union members, under the current legislation extension mechanism can be implemented only with the agreement of the employer, which rarely happens. The non-extension is closely related to trade union membership, where for a trade union to be able to participate in certain levels of collective bargaining and to be considered a nationally representative trade union, it must have at least 50 000 members, a threshold reached only by two trade union organizations in Bulgaria. Therefore, the application of non-extension is a tool to ensure sufficient trade union membership to be able to engage in collective bargaining (Interview BG05).

Trade unions are pushing for additional wage setting mechanisms beyond the minimum wage as a benchmark. Currently, the trend in wage setting mechanisms is a move towards decentralisation with greater employer discretion. Employers mostly do not engage in coordinated wage bargaining beyond

the enterprise level (Interview BG02). In this context, the EU Directive on adequate minimum wages and its aim to increase collective bargaining coverage up to 80% may serve as a new impetus for changes to the established, yet decentralised, wage setting procedures.

However, the current situation in Bulgaria poses a challenge to meeting the EC Directive on Adequate Minimum Wages, namely, increasing bargaining coverage to 80% of employees. The main reasons include bargaining decentralisation trends, lack of interest of employers in coordinated bargaining, membership requirements for nationally representative unions, the lack of regulation and practice of extension of collective agreements' coverage, the fact that public sector workers are excluded from collective bargaining, as well as obstacles to the workings of the sectoral, regional, and municipal tripartite councils in coordination on matters related to wage setting. These challenges need to be addressed one by one in the country's overall strategy to increase bargaining coverage.

From a survey conducted by the Trade Union Advisory Committee (TUAC) to the Organization for Economic Co-operation and Development, recommendations have already been made to amend legislation such as the Labour Code, Civil Servants Act and others to allow collective bargaining of civil servants. Further steps include encouraging the adoption of measures to ensure effective working of tripartite bodies and consultations, for example by setting deadlines for reaching agreements, and allowing and encouraging the extensions of collective agreements to whole sectors (Trade Union Advisory Committee, 2024).

To tackle the informal employment and the use of envelope wages in the hospitality and construction sectors, the competencies of labour inspectorates should be strengthened, which could potentially increase trade union membership among declared workers and thus the coverage of collective bargaining. Finally, a shared commitment and willingness of all social partners and policy makers to engage in the above steps is necessary in order to increase bargaining coverage.

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