

The development and actual condition of industrial relations in Bulgaria as an element of national security in the transition period

Abstract

This article focuses on the extent to which industrial relations and co-operation between the social partners play a role in supporting national security and in the extent to which the absence of social co-operation presents a risk to social peace and indeed to national security. Taking as his example practical events and examples from the work of successive governments in Bulgaria immediately after the start of the transition in that country, including the reform of the social insurance system and the subsequent development of the institutions of tripartite dialogue, the author uses contemporary sources to illustrate his view that failures in social co-operation present clear threats to the executive but also that social co-operation is, by itself, a powerful instrument. Properly implemented, co-operation plays a role in engendering social peace but its misuse may lead to a variety of social and political confusions. The author particularly cites continuing developments in ex-Yugoslavia as evidence that a lack of co-operation between the social partners at the national level could have been particularly inflammatory at a time of great peril for the Balkans region as a whole.

Keywords *social co-operation, social partners, tripartism, tripartite institutions of social dialogue, social peace, transition politics, social insurance reform, trade unions, employer organisations.*

Introduction

In July 2008, Bulgaria was shocked by a series of conflicts connected to the metallurgical corporation *Kremikovtzi*. Distracted over a four-week period by the false promises that an emergency plan would have been presented and implemented by senior management, blue-collar employees lost their patience due to the difficult financial condition of the enterprise. The obvious management failure was worsened by *Kremikovtzi* being the only steel-producing Bulgarian enterprise with its own blast furnace production technology.

Blue-collar employees were seemingly convinced that senior management lacked any clear idea of how the enterprise could be saved, which was interpreted by them as an act of indifference towards their future and their good faith. As a result of the increasing pressure, and this perception of 'indifference', the workers and their trade unions decided to act on their own and take control of decision-making. It was only a matter of a few days in which the trade unions interfered decisively and even compulsively in decision-making, with respect to the possible courses of action, as well as in

selecting a potential buyer which intended to resolve the financial crisis in which the enterprise was embroiled.

The workers, members of the Confederation of Labour *Podkrepa* (successor to the independent trade union *Podkrepa*) took the initiative and organised a series of meetings, even blockading the administrative building of the enterprise. The climax was reached when a 'night hunt' was organised, with the 'prey' being the CEO of *Kremikovtzi*, the final goal of which was to exert pressure on him to cancel a work contract in operation. Instead of working with raw materials provided by the client, the workers wanted to influence the CEO to accept a new contract offered by a competitor firm.

Some further details, connected to the crisis in *Kremikovtzi*, are not of great significance. The important conclusion which can be drawn and re-drawn is that the smooth development of a country's economy, as well as its stable and favourable macroeconomic indicators, is not at all a guarantee that there will not be tough social conflicts which, in their development, could even threaten national security. Additional evidence that economic growth does not inhibit such social conflicts in some spheres could also be investigated to a large extent in some western European countries.¹

To illustrate this, the following example could be identified. In the summer of 2000, French society was shocked by unexpected sources of confrontation tied to the reaction of workers in enterprises located in depressed areas. These firms were threatened with bankruptcy and liquidation. The workers decided to take desperate action, including the occupation of their enterprises, in addition to making some threats of other extreme measures such as the dumping of highly toxic materials into the environment, the demolition of installations and buildings, etc. Such ultimatums were given during these events, which were connected to the firm 'Cellatex' located in the Ardennes, as well as in many other enterprises threatened with closure.² The protesting workers implemented such tactics in order to receive better severance payments.

The actions of protesting workers have been characterised by different authors and range from 'harsh blackmail' to the firm opinion of the French sociologist Michel Wieviorka that such actions 'are nothing else but terrorist-like blackmail'.³

The weakening of social co-operation and the neglect of the relationship between employer organisations and trade unions results in risks associated with an increased likelihood of extreme actions being taken in the case of labour and social conflicts. Of serious concern are those cases in which the role of the social partners in co-operation, and the potential of this to be a solution to the piling up of social conflicts at different levels – national, sectoral, regional or at the level of a single enterprise – is ignored.

- 1 The question of the possible outbreak of deep social conflicts in countries with excellent macroeconomic indicators and economic growth was analysed in Bulgarian and in European practice by the author in: Petrov, A (2007) 'Terrorism in industrial relations as a threat to sustainable development' in: *Panorama na truda* ed. 9-10, pp. 16-26 (in Bulgarian).
- 2 Husson, M (2000) *Social terrorism breaks out in closure disputes*, in: European Industrial Relations Observatory online, Id: FR0008186F, 28.08.2000, <http://www.eurofound.europa.eu/eiro/> [downloaded 20 August 2007].
- 3 www.reseau-ipam.org/IMG/rtf/Dossier_IPAM_Revoltas_urbaines.rtf

Of even more serious concern is those cases when industrial conflicts are characterised by workers losing confidence in their trade unions. Such a phenomenon creates a situation in which extreme actions and an anarchist philosophy are openly welcomed. Moreover, such a situation represents a real threat to public order and to the environment.⁴

These analyses and conclusions confirm the need for a close examination of the condition of industrial relations as an element of national security. This article attempts to examine the development of industrial relations as an element of national security in Bulgaria during the period of transition, which started in 1989. According to some prominent researchers, the transition period ended with the accession of Bulgaria to the EU on 1 January 2007. In the process of the further analysis of industrial relations as a key element in the national security situation, and in the examination of its place and exact role in that status, it is essential that tripartite and bipartite practices of social co-operation are taken into consideration as instruments of extreme importance when ensuring national security.

Much in that spirit, it has been acknowledged that the tripartite practices of social co-operation have contributed much to the maintenance of the social peace at some crucial and critical moments from the transition period in the countries of central and eastern Europe.⁵

Researchers often quote Elzbieta Sobotka,⁶ who formulates the tripartite co-operation mission as follows:

The building of a new social order in Poland, based on the principles of social dialogue and partnership, creates an opportunity to gain public acceptance for costly and painful transformation processes which have entailed both high unemployment and a decrease in the standard of living. Social dialogue constitutes the fundamental axis of the new system of collective labour relations. The system reflects the interrelationship between the employee, the employer and the state. In some areas, the role of the state is reduced and relations are primarily bilateral (such as in the negotiation and conclusion of collective agreements). Other issues remain, however, which cannot be solved without the involvement of the three parties – workers and employers (represented by their organisations) and the state. The dialogue between social partners cannot replace the government and the parliament in the state's decision-making process. It rather facilitates the search for a practical consensus and balanced decision-making, thus enhancing the chance that decisions will gain public support.⁷

According to Lajos Héthy, the 'architect' of Hungarian tripartite co-operation, tripartite practices:

- 4 *loc. cit.*
- 5 The problem is analysed deeply in: Dechev, T (2007) *Industrial relations in the countries of central and eastern Europe: the reconstruction of tripartite practices and modern their evolution* PhD dissertation in sociology, code: 05.11.01, Sofia (in Bulgarian).
- 6 Vice State Secretary in the Ministry of Labour and Social Policy in Poland for several terms.
- 7 Sobotka, E (1999) 'The Role and Functioning of Tripartite Institutions in Social Dialogue at the National Level in Poland' in: Casale, Giuseppe (ed.) *Social Dialogue in Central and Eastern Europe* International Labour Office, CEET: Budapest, p. 264.

Offer market economy education and economic policy alternatives to the players in labour relations – both for workers and for employers (as well as for politicians). At the same time, tripartite practices keep the main players at the discussion table in critical cases when the trade union leaders lead many desperate and disappointed workers.

In other words, it can be said that tripartite co-operation to some extent neutralizes potential 'trouble makers'. It represents an alternative to strikes and to street demonstrations and plays the role of an 'emergency steam valve', which has the potential to release social tension.⁸

Teodor Dechev argues that:

During official conversations connected to tripartite co-operation, it was firmly believed that the events of 1990 in Romania, when mine workers from the Jiu Valley entered Bucharest and vandalised the city, armed with wooden sticks and rubber truncheons, were not a mere accident. Rather, they were a direct result of the lack of social dialogue institutions. Opposite to that case seems to be the Hungarian experience. It is characterised by only a few strikes during the 1990s, no matter that, throughout the whole period, mines were being closed one after another. Furthermore, the number of mine workers (privileged in the times of Kadarism with high salaries) during the above-mentioned period was decreasing hugely.⁹

From these facts, it can be precisely concluded that an analysis of industrial relations as an element of national security is not at all a peculiarly Bulgarian characteristic. It is entirely connected to the processes that have taken place, and are even now present in Europe, dating from the establishment of the International Labour Organisation (ILO) in 1919.¹⁰ Moreover, it should be mentioned that these processes have been extremely intensive in central and eastern Europe from 1989 up to now.

Tripartite co-operation has developed in the whole of central and eastern Europe as a form of 'emergency aid' in the context of increasing social tensions and the possible threat of a 'social explosion'. The key players in that co-operation have been governments which, quite often, have been undertaking major and unpopular measures regarding economic policy, and trade unions, with the latter representing exactly those members of society which are suffering the consequences of the government

8 Hethy, L (2000) *Social Dialogue and the Expanding World. The Decade of Tripartism in Hungary and in Central and Eastern Europe 1988–99* (re-print of an unrevised translation from the Hungarian text), European Trade Union Institute/Friedrich Ebert Stiftung: Brussels, February 2001/Budapest 2000, p. 155.

9 Dechev, *op. cit.* pp 51-52. The author remains critical regarding a probable 'one dimensional' comparison between the Romanian and the Hungarian cases and underlines the possibility of the miners being manipulated from 'a centre of influence behind the curtains'.

10 Here, it should be mentioned that industrial relations are an element of national security in different countries, as well as an element of security at the regional and even the global level. Thus, the establishment of the ILO can be better explained as a part of the peace treaties associated with the end of World War I. In each and every one of the treaties, in a chapter entitled 'Labour', the establishment of the ILO is presented, as well as the obligation for large-scale social reforms. The eight-hour working day was established in Bulgaria as a result of the nevertheless quite devastating peace treaty from Neuilly-sur-Seine.

measures. In the later phases of this period, the role of the employer organisations has gained in importance.

In Bulgaria, the different governments that have been in power after 10 November 1989¹¹ will be remembered in history with a quite different role: from the perspective of implementing social co-operation as an instrument aimed at the stabilisation of national security.

Even within a term of one and the same government, there have been contradictory perceptions questioning leaders' expertise when using instruments of social co-operation. Some of them have used social co-operation as a tool that has guaranteed social peace, while others have directly confronted the social partners. There have been cases in which ruling politicians were moderate in their relations with trade unions and employers alike.

The first term of office of Andrey Lukanov undoubtedly started formal tripartite co-operation between the social partners. It should be mentioned, however, that this start is the subject of misconceptions and denial due to the lack of any employer participation in it. The National Council of Industrial Managers in Bulgaria (NCIMB) represented a grotesque employer organisation because its members were the CEOs of 'socialist enterprises' with 100% state ownership which were manipulated by the economic sections of the regional and municipal committees of the Bulgarian Communist Party. The irony is that NCIMB was created as an initiative of the trade unions and, more specifically, of the Confederation of Independent Trade Unions of Bulgaria (CITUB). Above all, 'the general agreement' was the starting point in the validation of tripartite co-operation in Bulgaria and, at the same time, it played the role of an important 'milestone' in the development of industrial relations in the country.¹²

This first term of Andrey Lukanov, as well as the 'second version' that followed, left succeeding governments with a 'ticking bomb' threatening the social peace and which would have exploded ten years later. Under the immense pressure of the accelerating 'strike wave', the government showed ignorance in how to negotiate with the social partners, as well as a striking irresponsibility towards the future of the social security system of the country. At a point when the social security system was deemed to be in crisis, because of unprofessional, subjective mistakes originating in the period between 1981 and 1989, Lukanov's office let the rules of early retirement¹³ be the subject of exchange in the process of dealing with the tension created by workers on strike. According to different sources, during the time of the last two single-party governments of the Bulgarian Socialist Party (BSP),¹⁴ to the number of workers which had the right to early retirement were added between 200 000 and 1 100 000 people.¹⁵ That was the 'ticking bomb' which additionally 'drained' the social insur-

11 On 10 November 1989, Todor Zhivkov, the totalitarian dictator for 33 years, was removed from the position of Secretary General of the BCP. That is the formal start of the Bulgarian transition period.

12 From the formal point of view, the first administration of Andrey Lukanov will go down in the history of industrial relations with the first 'quasi-tripartite agreement' between CITUB, NCIMB and the government. For further analysis, see: Milcheva, E (2001) *The National Council for Tripartite Co-operation and the Establishment of the Tripartite System in Bulgaria* Sofia University 'St. Kliment Ohridski', Faculty of Philosophy, Department of Political Science, January (in Bulgarian).

ance system on top of the total number and the demographic factors affecting the Bulgarian population.

This 'bomb' was left 'ticking away' without any break during the following ten years. But, by around 1998-1999, it had become clear that some radical methods were desperately needed for the reformation of the social security system.¹⁶ It can be stated that the measures in the sphere of early retirement legislation were specifically tough. They included the mass exclusion from the right to early retirement of workers from the most privileged labour category – the 'first' in the list of employees who were 'in work under the ground, under the water or in the air'.

This exclusion from the right to early retirement of more than half a million people would have had the potential to 'detonate' some serious social conflicts unless the reform, in the period between 1998 and 2000, was undertaken with the major participation of the social partners and, particularly, the trade unions.

The execution of the three-pillar system of social insurance, i.e. the introduction of pay-as-you-go systems with respect to additional voluntary and additional obligatory insurance, as well as these serious restrictions in early retirement, were measures which had been designed in consensus among the partners in tripartite co-operation. At the last moment, some serious concessions were made (for example, to sustain the retirement age for women), which helped both the government and the trade unions explain and defend the proposed measures to the general public.

Nowadays, few people realise what kind of risks and hidden obstacles regarding the social peace that the social partners (the government, the trade unions and the employers) succeeded in neutralising or averting during the execution of the retirement reform. The risk of possible disaster was huge while, at the same time, the conse-

- 13 In totalitarian states which were members of COMECON, the categorisation of labour is a common characteristic. Then in Bulgaria (and even now), three categories of labour existed. In the case of the first and second categories of labour, some rights to early retirement are present. There are no such rights regarding the third category of labour. During the totalitarian regime, the category of labour was dependent on such factors as labour conditions in enterprises (and in single workshops) and on some general policies of the ruling party. After 1989, the categorisation of labour was one of the most problematic points discussed by the social partners over a long period of time.
- 14 The Bulgarian Communist Party was renamed in April 1990 as the Bulgarian Socialist Party.
- 15 On the eve of the transition in 1989, the Bulgarian population was approximately nine million people, taking into consideration that, in summer 1989, between 200 000 and 300 000 Bulgarian Turks left the country because of the involuntary change of their Turk-Arabic names to Bulgarian ones. During the official census in 1991, the Bulgarian population was 7 928 901 people. Their distribution was as follows: 6 655 210 Bulgarians; 746 664 Turks; 370 908 Roma/Sinthi; 69 204 other nationalities. Some 62 108 did not give a definition of their ethnic origin and 24 807 people kept their ethnic origin secret.
- 16 Regarding the inefficient delay, and for further analysis of the reformation of the social insurance system, see: Hristoskov, Y (1999) 'The Social Insurance System in Bulgaria: Problems, Challenges, Solutions' in: G. Karasimeonov and E. Konstantinov (eds.) *Social Policy: The Philosophy of the Problems* Friedrich-Ebert-Stiftung and the Institute for Political and Judicial Research, Sofia: Gorex Press, pp. 15-37.

quences of such a disaster would have had not only national but also regional significance. In that period, the Balkans was suffering severe tensions.

Serbia was undergoing a deep political crisis related to Milošević's attempt to 'steal' regional ballots and, especially, those in Belgrade. Such events were still echoing as the defeat of Serbian troops in Eastern Slavonia and the country's need to deal with an influx of refugees, while the crisis in Kosovo was at the gates (which should take into consideration that the crisis was present but, at that time, with a course that was hard to predict).

In Albania and in FYROM, society was shaken by a series of corruption scandals regarding the crash of financial pyramid schemes ('Ponzi systems'). In FYROM, the situation was rescued only through political crisis, in comparison to the events in Albania where the tension resulted in armed conflicts.

In Bulgaria, the government of the Union of Democratic Forces (UDF) had taken over after the collapse of the national banking system and following a severe social conflict in the form of a continuing winter protest during January 1997 which ended with the fall of the government of the democratic left-wing on 4 February 1997.

Here, a new, deep-seated social conflict related to the reform of social insurance would have had an entirely negative impact on the condition of national security in Bulgaria and which, at the same time, would have created a chain reaction in the neighbouring Balkan states, too.¹⁷ The stake was high because of the unconventional measures in the reform of social insurance, which were having an impact on hundreds of thousands of people who remembered rather well how they had removed from power the previous government as a result of its negligent attitude towards the collapse of the banking system and the disappearance of people's savings.

The reform of the social security system in Bulgaria was introduced smoothly and without obvious conflicts due to the optimum utilisation of the instruments of social co-operation and due to international support having been secured from the World Bank and the American Pensions Project (APP). The first factor played a key role in sustaining the social peace and national security, while the second enhanced international political and logistical support for the reforms. Today, nobody remembers the role of those two institutions in the reform of Bulgarian retirement, but their contribution is undoubted.¹⁸

17 It could be regarded as mere coincidence, but the collapse of the TAT financial pyramid in FYROM (the seriousness of the case was deepened by some prominent Macedonian politicians having withdrawn their money just before the collapse), was followed by a chain reaction of financial pyramid collapses in Albania, Serbia and Bulgaria.

18 The innovative alternative to substitute the traditional 'Bismarck'-type pay-as-you-go social security system with a three-pillar scheme (in which the first pillar is the same 'Bismarck' system and the other two are cash balance systems) was actively supported by the World Bank. The second pillar is obligatory for those who were born after 1 January 1960, while the third pillar is a voluntary social security system. The support received from the World Bank played a key role in the introduction of the new three-pillar system and its infrastructure. The APP, at the same time, donated a mathematical computer model which contributed much to the predictions of demographic changes and to their accuracy.

This period, with the attitudes of two governments towards the social insurance system and the resulting consequences for social peace and national security, could be regarded as a textbook example in the history of Bulgarian industrial relations. The incompetence, or the lack of will, of the Lukanov administration to negotiate seriously, and with a great deal of responsibility, with the members and organisers of the series of strikes at the beginning of 1990, in addition to the lack of a strict course of policy aiming at tackling the problem in advance of the elections to the Grand National Assembly (GNA), led the government to accept voluntary demands for distributing the right to early retirement to numerous categories of workers. Such a policy eroded the social security system and was one of the main factors that threatened its very existence. The problem was resolved ten years later through the full mobilisation of the resources of the social partners.

The relationship between political stability and social co-operation

It was already mentioned that the last single-party government of the socialists in Bulgaria, under Prime Minister Andrey Lukanov, was removed from power with a national strike organised by IFL-*Podkrepa* and supported by CITUB. In fact, it was during the first administration of Andrey Lukanov that the first national tripartite institution was established – the National Tripartite Commission for the Co-ordination of Interests (NTCCI), which started to operate in April 1990. On 5 April 1990, the ‘General Conditions for the Design of Collective Labour Agreements in 1990’ were accepted.¹⁹ These defined in a new manner the subject and the scope of the implementation of the Collective Labour Agreement (CLA) as well as its contents, the processes of implementation controls and activities, and the marking and monitoring of disagreements connected to it.²⁰ Despite the first results in the sphere of tripartite co-operation, the acceleration of the economic crisis created a severe political conflict and the trade unions organised a national strike, forgetting the harsh disagreements between them up to that moment.²¹

19 ‘General Conditions for the Design of Collective Labour Agreements in 1990’ *Trade Union Practice* Book 3, 1990, pp. 13-20 (in Bulgarian).

20 Milcheva, E. *op. cit.*

21 It should be mentioned that, on the eve of the national strike – in the period from September to November 1990 – relations between IFL-*Podkrepa* and CITUB were extremely tense. The trade unions even engaged in direct confrontation when CITUB unilaterally decided to end any kind of communication between the two organisations. The reaction that followed from IFL-*Podkrepa* was also extreme. The culmination of that counter-reaction was when Dimitar Manolov (a future Vice-President of IFL-*Podkrepa*) stated starkly in the pages of the *Podkrepa* newspaper: ‘The CITUB declaration has a couple of clear goals... the illustration of IFL-*Podkrepa* as a bad-tempered organisation, the support of ‘trade union methods’ for the BSP position and views regarding IFL-*Podkrepa* and the suspension of negotiations with respect to the property of CITUB. That aimed at creating the false impression that, at some point in time, there was a coalition between IFL-*Podkrepa* and CITUB. Ultimately, the actions of the BSP aimed at intensifying the social tension were supported by CITUB in order for a military situation to be proclaimed.’ See: ‘The circus has ended. CITUB has changed its “after 10 November” skin. A historical time has started’ *Podkrepa* newspaper, 13 November 1990, Sofia, p. 7 (in Bulgarian).

Andrey Lukanov's administration stepped off the political stage after four days of 'all-out national strike', which had taken place from 26 to 29 November 1990. The strike was organised by IFL-*Podkrepa* and started on 26 November; on 29 November 1990, CITUB effectively supported the strike and, on the same day, Lukanov submitted his administration's resignation.

On 12 December 1990, the first consultations with the newly-elected administration of Dimitar Popov took place. On 8 January 1991, the government, trade unions and employers signed the 'Agreement for Sustaining the Social Peace'. Its due date was defined to be the end of July 1991. The agreement was signed by the trade unions represented by CITUB and IFL-*Podkrepa* and by the employers (represented by NCIMB; the Central Co-operative Union (CCU); the National Union of Worker Producer Co-operatives (NUWPC);²² the Bulgarian Union of Private Entrepreneurs 'Vazrazhdane' (BUPE 'Vazrazhdane'); the Union for Private Economic Enterprise (UPEE); and the Bulgarian Industrial Association (BIA)).

In the atmosphere of coalition government between the BSP, the Union of Democratic Forces and the Bulgarian Agrarian People's Union 'Alexander Stamboliyski' (BAPU 'Alexander Stamboliyski') – which did not confess its coalition character – the NTCCI increased its influence and, even more, its ambitions even though sometimes it did not even have the support of any of those three parties. The NTCCI willingly dealt with some questions which were not within the sphere of the traditional concept of the scope of tripartite co-operation, in addition to its usual activities.

On 17 April 1991, NTCCI stated that:

All its decisions should be immediately executed by all ministries, state agencies and the regional administration.²³

In that manner, NTCCI defined itself as a kind of 'second authority centre'.

The first serious impact of this decision was the political scandal that took place during June 1991 and which was associated with discussion on the proposed decree of the Popov administration for a reform of the Labour Law. The proposal was discussed in the GNA and was a negative addition to the confrontation related to the establishment of the new Bulgarian constitution, which had its culmination with the separation of thirty nine MPs from the UDF group. Later, they were better known as 'the group of 39'.

The Confederation Council of IFL-*Podkrepa* which took place on 1 June 1991 accepted a declaration about the work of the parliament in which the GNA was criticised for its inaction in the sphere of social legislation, as well as for the deliberate disregard of trade unions and the agreements achieved in the NTCCI. The GNA was advised to dissolve itself while IFL-*Podkrepa*:

- 22 Worker producer co-operatives in Bulgaria are those in which the members are self-employed in the co-operative.
- 23 Shopov, D (1999) *Industrial Relations* Sofia 'Trakia-M' (in Bulgarian).

Should not be held responsible for the following of laws which are related to social and labour relations and are accepted by the current members of the parliament.²⁴

At the same time, Dr. Konstantin Trenchev, the President of IFL-*Podkrepa*, sent a letter to the Prime Minister in which he insisted on the immediate withdrawal of a bill discussed in the GNA because its final text had not been discussed in NTCCI with the participation of the trade unions.²⁵

The accelerating conflict put the country into a dangerous political situation. On the one hand, the GNA was in a condition of extreme confrontation in which the ultimate goal of a smaller (but aggressive and relying on public support) member faction was to prevent the establishment of the new Bulgarian constitution. On the other, IFL-*Podkrepa* was threatening mass strikes as a result of the supposed changes to the Labour Law. The cumulative action of both protests would have had the potential to destruct the political stability in the country at the moment that neighbouring Yugoslavia was being threatened by an explosion.

Only a few months later, Philip Dimitrov's administration would have been confronted with the question of the recognition of FYROM, as well as the recognition of all the other republics that had left their membership of the Yugoslav federation. Up to that point, Bulgaria had no international support, the economic crisis was escalating and political crisis was endangering the whole of society. The crisis in social co-operation could have been the key moment which would have had the potential seriously to endanger the social peace and national security.

The direct result of optimum co-operation between the social partners and of the unwillingness of trade union leaders to support a side in the political struggles which had shaken the country, was that the conflict was resolved. On 13 June 1991, an 'Agreement for the continuation of economic reforms and protection of social peace'²⁶ was signed. Exactly one month later, the new Bulgarian constitution²⁷ was published in the 'State Newspaper', which was its formal validation.

With the 13 June 1991 agreement, a compromise was achieved for the restructuring of NTCCI into the Permanent Tripartite Commission for the Co-ordination of

24 Confederation Council of IFL-*Podkrepa*, Sofia, *Podkrepa* newspaper, 4 June 1991, p. 7 (in Bulgarian).

25 The *Podkrepa* newspaper summarised the discussions at the Confederation Council with the prediction: 'Trade union members have once more regretted that the existing chaos in public life makes them political in an involuntary way. Aside of the typical trade union assignments, the members have to destroy communist structures and create new employers and political partners in order that their interests be defended.'

26 'Agreement for Sustaining the Social Peace' *Trade Union Practice* Book 1, 1991, pp. 28-33 (in Bulgarian).

27 The trade unions (particularly CITUB) did protest against some texts of the new Constitution. The harshest criticisms were frequently directed to texts that abolished the right of trade unions to participate in any political activities. Even so, the displeased trade unions did not organise additional protests when the new constitution was accepted. It has already been mentioned that the trade unions preferred to seek more efficient ways to 'brake the system' and, in crisis situations, had not even followed that rule directly.

Interests (PTCCI).²⁸ The sides negotiated the employment of a mechanism in order to take into consideration the interests of all stakeholders at different levels, including their opinions on the problems of privatisation.²⁹

On 25 June 1991, the BIA joined the Agreement. On the pages of *Podkrepa* newspaper, the BIA propounded its 'Opinion on the second stage of economic reforms and the agreement for social peace'.³⁰

The case of the conflict from June 1991 showed the risks which are connected with social peace and national security when sharp disagreements occur between the social partners. It also illustrated the possible benefits for society which can be created by resolving such conflicts in a reasonable manner.

The scale of influence of tripartite co-operation immensely increased with the 13 June agreement. Actually, it encompassed all of the more significant points of economic reform and the transition to a market economy, including their social aspects. The result of these negotiated agreements aiming at an increase of the influence of social co-operation in the period from July to September 1991 was that a transition from normative to collective bargaining took place with respect to salary formation. This process started with a discussion in NTCCI and finally resulted in the passing of decree No. 129 of 5 July 1991. This decree abolished the entire normative base with respect to labour legislation, which had been present up to that moment, and presented new documents for salary bargaining.

After the elections at the end of 1991, the first UDF government under Prime Minister Philip Dimitrov stepped in. Dimitrov's administration was a detailed illustration that showed how some irrational attempts aimed at reforming social co-operation could lead to serious conflicts and even to the disintegration of tripartite co-operation. At the same time, the experience of the Dimitrov administration proved that the replacement of tripartite co-operation with a series of industrial conflicts and collective

- 28 Up to the end of 1991, when the Dimitrov administration dismissed the tripartite commission, its two names were valid – NTCCI and PTCCI. With the agreement of 13 June 1991, the structuring of NTCCI/PTCCI continued, with the establishment of seven 'problem sub-commissions'. These were the sub-commissions on: Finance, monetary policy and banking; Employment, qualifications and the re-skilling of the labour force; Calculation of the social minimum, wages and unemployment benefits; Labour conflicts; Privatisation of the state and municipal property; Social security insurance and social care; and Labour and social law. For the first time in the history of Bulgarian tripartite co-operation, there was an opportunity (when needed) for new sub-commissions to be formed on regional or sectoral lines.
- 29 'Agreement for Sustaining the Social Peace' *Trade Union Practice Book 1*, 1991, p. 32 (in Bulgarian).
- 30 'The BIA opinion on the second stage of the economic reform and the agreement for social peace' *Podkrepa* newspaper, 25 June 1991, p. 5. The 'Opinion' is of great interest because of the confession in it that the employer organisations were not sufficiently prepared to participate in social dialogue. In the 'Opinion' it was written that: 'On the stage of the economic and social development of society, the role of the employer is quite deformed in tripartite co-operation. With the perfection of the economic structure, its decentralisation and the introduction of management contracts, the government should step back as the main employer in the country. There is no civilised country in which the government is the sole employer. That place should be taken by the employer organisations and their associations which will clear their position and co-operation in the near future.'

arguments results in a highly negative public PR. The last phenomenon does not hold for countries with traditional and sustainable democracies but, under the conditions of transition from one political (i.e. economic) system to another one, neglecting tripartite co-operation causes more risks to social peace and national security.

On 28 November 1991, a 'Decision of the Ministerial Council ceasing the existence of the Tripartite Commission' was signed. The motives of the administration were that:

The trade unions try to rule the country and the Commission has acquired a political character.³¹

CITUB reacted sharply and took the administration's decision as showing disrespect towards the trade unions and their role as social partners. The trade union centre did not accept 'pseudo co-operation' (as it was termed by CITUB) and its own participation in commissions which did not have the potential to resolve concrete problems. IFL-*Podkrepa* made an appeal to the Ministerial Council to reconsider the decision. It instructed its structures in enterprises, municipalities and the economic sectors to continue their work in the commissions for interest co-ordination at the relevant levels. On 8 December 1991, on behalf of IFL-*Podkrepa*, Stamen Krivoshiev, the confederation secretary, explained that the decision of the government was appropriate only as regards NTCCI.³² Between the trade unions and the government, serious tension was rapidly growing while the two trade unions entered into a phase of complex and also tough relations.

The beginning of 1992 was characterised by severe confrontation between the government and the trade unions on different subjects. On 8 January 1992, CITUB organised a national warning strike. About 900 000 people participated in that strike, of which 300 000 were actively striking, according to CITUB. The data is without doubt over-stated but the strike led to significant results. The reason for the strike mostly concerned the confiscation of the trade union property of the former Bulgarian Trade Union organisation, succeeded by CITUB (the reconstruction of tripartite co-operation, by now underway, was left in the background). The confiscation was executed under the strong pressure of the IFL-*Podkrepa* lobby in parliament,³³ where a majority of the votes was commanded by UDF and the Movement for Rights and Freedom (MRF).

31 Shopov, D *op. cit.*

32 Krivoshiev, S (1991) 'Social co-operation will take a different level' *Sedem dni Podkrepa* newspaper, 5-11 December, p. 3, Sofia (in Bulgarian). Simultaneously, the Confederation Council of IFL-*Podkrepa* decided to resign its observer status at the Co-ordination Council of the UDF (even though it is a trade union, IFL-*Podkrepa* was one of the founders of the UDF). Then, just before the elections, IFL-*Podkrepa* appealed to its members to vote according to their conscience (!) and advised its structures not to engage in any political campaigning. In the atmosphere of high political activity at that time in society, that represented a step which was equivalent to a declaration of war.

33 The period of 'strike pressure' on the part of CITUB did not meet with the understanding of IFL-*Podkrepa*, for obvious reasons. Thus, the strike was mocked on the pages of *Podkrepa* newspaper. The journalists hid neither their sarcasm nor their reporting from the blow which CITUB had suffered.

On 22 and 23 February 1992, an unplanned congress of CITUB took place; a direct result of the extreme circumstances that were present at that time.³⁴ The main problem was the search for adequate techniques with which to react to the confiscation of the trade union property, but there were many other problems as well. In parliament, in accordance with a decision of the Ministerial Council of 30 January 1992, a bill was proposed by Svetoslav Luchnikov, Minister of Justice, that aimed to change the Labour Law.

The CITUB congress severely criticised the government for its 'aggressive anti-trade union policies'. These 'aggressive anti-trade union policies' focused in the main on the idea of the administration to legalise, through proposed changes, so-called 'labour councils' in enterprises which would have formed one side when negotiating a collective labour agreement. The idea of 'labour councils' was also attacked on the pages of *Podkrepa* newspaper.³⁵

In the whole history of industrial relations in Bulgaria, the mere mention of the phrase 'labour councils' has been accepted on the part of the trade unions as an attempt to eliminate them from bipartite social dialogue in enterprises. Even now, IFL-*Podkrepa* is extremely hostile towards labour councils of any kind. CITUB is more moderate and has experimented with the formation of labour councils at TK Holdings,³⁶ but even that trade union has been sceptical regarding the concept.

During 1991, Svetoslav Luchnikov's idea for the formation of labour councils was interpreted by the trade unions as an unpleasant challenge to them. It is a paradox how such an idea succeeded in synchronising the different views of the executives of IFL-*Podkrepa* and CITUB which, up to that moment, had had tense relations and arguments with one another, sometimes extending to pure hostility.

At its second regular congress during February 1992, IFL-*Podkrepa* decided to change its policy and not to follow the 'Agreement for Sustaining the Social Peace' because, in its opinion, the proposed model of tripartite co-operation from the government was:

In conflict with the accepted programme of IFL-*Podkrepa*, with international experience and even with the mechanism designed in the Agreement regarding the social peace.

One of the reasons CITUB left the Agreement was the:

Single-sided and unmotivated withdrawal of all social and labour bills discussed in the PTCCI.³⁷

- 34 On 29 February 1992, the government accepted a bill called a 'Concept for social co-operation between government, trade unions and employer organisations'. The trade unions probably knew in advance about that document and lobbied to receive a mandate to take part in the negotiations.
- 35 Mihova, R (1992) 'The cabinet does not want the Tripartite Commission' *Podkrepa* newspaper, 4 February, p. 1, Sofia (in Bulgarian).
- 36 TK Holdings was a former privatisation fund from the time of public privatisation, created with the active participation of CITUB under the name 'Labour and Capital'.
- 37 Trenchev, K (1992) 'IFL-*Podkrepa* leaves the Agreement for Sustaining the Social Peace' (a letter to the Prime Minister of Bulgaria), *Podkrepa* newspaper, 10 February, Sofia, p. 1 (in Bulgarian).

It should be underlined that, in its determination to differentiate itself from previous governments, the UDF government, which called itself ‘the first democratic government’, clearly forgot to take into consideration the unambiguous need for continuity of co-operation with the social partners and, especially, with the trade unions. It doomed the NTCCI/PTCCI to closure and also proposed the idea of labour councils. These actions unified the trade unions but, at the same time, sentenced the discussed bills (which were the result of great effort and compromise) in the sphere of industrial relations and social policy, designed at the time of the Popov administration, to failure.

From then on, some 400 strikes followed, as well as the discontinuation of tripartite co-operation.³⁸ There were, however, attempts at the renewal of co-opera-

- 38 Never-ending negotiations, which took approximately five months during 1992, started. On 13 March 1992, IFL-*Podkrepa* published its ‘Proposal about the principles and the technology for promoting social co-operation between the government, trade unions and employer organisations.’ It was published in *Podkrepa* newspaper under the title: ‘Dialogue between government and trade unions is the basis of social peace’, of 13 March 1993, p. 1-4 (in Bulgarian). On 23 March 1992, the Executive Committee of CITUB released a declaration entitled: ‘The ignorance of the government destroys social co-operation.’ In it, the Dimitrov administration was accused on the grounds that it ‘Does not want to accept the trade unions as equal partners in the further design of economic reform’. The government was also accused of ‘ignorance, smugness and carelessness’. See: ‘CITUB from the Founding to the Third Congress (events, facts, documents)’ *Trade Union Practice* Book 9-10, 1993. On 13 April 1992, CITUB, IFL-*Podkrepa* and the BIA published a common declaration. In it, it was written that these three organisations ‘found the process of de-politicisation in the economy beneficial, through the change of a part of senior management in enterprises for the sake of change in the system’. At the same time, they underlined that: ‘The criteria for professionalism should be the leading factor in the selection process’. On 14 April 1992, the Executive Committee of CITUB released a declaration with the title ‘No to salary stagnation and no to the price shock’. On 20 April 1992, a meeting was organised between K. Petkov and K. Trenchev, whereafter a document was signed called ‘A memorandum for the social defence of income and the population regarding price liberalisation’. In addition to the ‘Declaration of ending communication with the government’, the act of signing this document represented a new beginning in the escalating problem between trade unions and government. On 1 May 1992, CITUB proclaimed a ‘Situation of collective disagreement with the government, which can only be solved through a compensation mechanism designed with the participation of the trade unions’. On 20 May, CITUB and IFL-*Podkrepa* organised a meeting with the employer organisations – the UPPE, the BIA, the Bulgarian Union of Private Entrepreneurs ‘Vazrazhdane’ and the Movement for Economic Revival in Bulgaria. The meeting ended with a common declaration that the UDF’s political programme regarding economic policy not be followed and that this was the reason why the government refused to negotiate with the social partners.

tion,³⁹ although these ended in the total breakdown⁴⁰ of the government in its role as a social partner.

On 30 September 1992, the appointed meeting of the National Council for Social Partnership (NCSP) was a fiasco. The chair of the NCSP – Vice Prime Minister Nikola Vassilev – publicly refused to chair the meeting. Straight away afterwards, the trade union members who were teachers and physicians informed the society that they would effectively go on strike. Nikola Vassilev openly remarked:

The NCSP was a bastard and it was born against the will of its parents. It could not grow up. Nobody believed in it. Some of you prefer its extinction. Even if it survives, the others would despise it and ignore it. I am quite convinced that I could illustrate the common public opinion for the NCSP in detail.⁴¹

39 In the period from 25 to 29 May 1992, Nikola Vassilev, Vice Prime Minister, initiated a series of consultations with the social partners. On 29 May 1992 the ‘Rules and Regulations for the Functioning of the National System for Social Co-operation’ was signed (see: ‘Rules and Regulations for the Functioning of the National System for Social Co-operation’ *Trade Union Practice* Book 6, 1992, p. 7-11. In the period from 1 to 8 July, the first discussions in NTCCI took place. The discussed topics were: minimum compensation; child subsidies; and the salaries of physicians, teachers, etc. Under the pressure of the trade unions, larger percentages were accepted than those proposed by the government (see: ‘In dialogue with the government, the trade unions win’ *Podkrepa* newspaper, 2 July 1992, Sofia, pp. 1-2 (in Bulgarian)).

40 On 13 July 1992, a new conflict broke out in NTCCI. The government refused financial information to the trade unions. The trade unions blamed the government on the grounds that it wanted to define compensation in the education and medical sectors by itself, submitting a document for an agreement and then unilaterally leaving NTCCI. The leader of CITUB defined the event as: ‘An attempt to establish an administrative-budget dictatorship or economic fascism and an attempt to liquidate social co-operation’. (See: Sirakov, Ch (1992) ‘Government intolerance continues’ *Podkrepa* newspaper, 14 July, Sofia, p. 1 (in Bulgarian)).

On 4 September 1992, social co-operation was officially restored. At the NTCCI meeting, some questions were discussed regarding the social security system, employment, unemployment and compensation. The trade unions insisted on writing a “White Paper for the social insurance system”, as well as for the separation of the social insurance system from the state budget. Moreover, they also insisted on a revision regarding the “Regulations of labour compensation”. Finally, they opposed the government decision for mineral production to be stopped without the opportunity of alternative employment and in respect of the social costs of this process for the dismissed workers.

During the following months – from July to September – the social dialogue was severely interrupted and characterised by low efficiency and a series of strikes with the participation of physicians, medical nurses, miners, geologists, transport workers and shipbuilders, and teachers.

On 24 September 1992, CITUB sent a note to the government entitled: ‘CITUB does not want to participate in a doomed economic policy’ (for further detail, see: Milcheva, E. *op. cit.*)

41 Vassilev, N (1992) ‘Social co-operation is an unlawful child and it could not grow up’ *Podkrepa* newspaper, 1 October, Sofia, p. 1-3 (in Bulgarian).

On 20 October 1992, the Trade Union Miners Federation-*Podkrepa* (TUMF) declared at the Committee of Power Engineering that it had left tripartite co-operation.⁴²

During the last weeks of the Dimitrov administration, tripartite co-operation and the social dialogue were literally non-existent. There is no doubt that the government was considering some steps for the renewal of tripartite co-operation, but it was obviously too late for such actions.

Research into the opinions of MPs failed⁴³ because, at the end of December 1992, after a miscalculated vote of confidence, the Dimitrov administration was removed from power and the new government of Prof. Lyuben Berov entered the political scene. This was formed with the mandate of the MRF, supported by Bulgarian President Zhelyu Zhelev, and backed by an irregular parliamentary majority which consisted of MRF MPs, a number of UDF MPs (called 'the blue ants') and the majority of MPs from the BSP (known to history as the 'dynamic majority').

Lyuben Berov's administration inherited without any effort all of the projects and bills in the sphere of tripartite co-operation which were designed by the social partners during Dimitrov's administration. The new majority passed them in parliament without any obstacles and, in this manner, the Berov administration 'cashed in' the work of the former government in the sphere of social co-operation. Such a measure resulted in a long period of comfort for the government in its relations with the social partners, especially with the trade unions.

The 'saga' connected to the failures in the field of tripartite co-operation during the first UDF government under Prime Minister Philip Dimitrov is an example which highlights the question as to how the executive could, by itself, erode and even, to a large extent, destroy a significant part of public support with actions which can be described as self-ignorant. This government failed to assess the extreme difficulties which were a result of the scale of the reforms undertaken and ignored the support of the social partners. Later, the government dominated by the UDF under Prime Minister Ivan Kostov would engage in a totally opposite philosophy but, in 1992, the first government of the UDF fought with the trade unions and with the employer organisations instead of playing the role of moderator and well-mannered partner.

Even in the future, the fall of the Dimitrov administration would be associated with all kinds of conspiracy theories, but not one minister (except for Nikola Vassilev, to some extent) would admit to crucial mistakes in the field of national co-operation. The resulting enormous social pressure was a real threat to national security which, at some point in time, was characterised by anarchy (during the transport strikes). The executive was under permanent stress at a point when Yugoslavia was disintegrating and crucial dilemmas were at stake, such as the recognition of FYROM.⁴⁴

42 Dimitrov, D (1992) 'We are leaving the NTCCI. Declaration of IFL-*Podkrepa*' *Podkrepa* newspaper, 21 October, Sofia, p. 1-2 (in Bulgarian).

43 On 27 October 1992, *Podkrepa* newspaper wrote of a secret meeting between Finance Minister Ivan Kostov and CITUB leader K. Petkov. In an interview for the newspaper, Petkov said the government probably tried to restore social dialogue 'without losing its dignity'.

44 Bulgaria was the first country to recognise FYROM, in addition to its constitutional name of Macedonia.

At this point in time, when the Yugoslav wars started, public life in Bulgaria was shaken by confrontation which went far beyond the usual political attacks and aggression between the political parties (in power and in opposition). Only Bulgarian common sense in general and pure luck saved the situation, as well as preventing the harsh negative consequences that would have occurred.

Conclusion

The cases described have proved the role and the condition of industrial relations as a key element in national security, and of social co-operation as an instrument which sustains the social peace and also stabilises institutions.⁴⁵

All of the examples detailed above illustrate the thesis that failures in social co-operation cause harm not only to the political future of the executive but also erode national security. In the transition period or, more specifically, in the period of the multiple transitions which have been executed, social co-operation has proved its role as a powerful instrument. Its proper implementation harvests social peace, the opposite to its misuse which leads to collisions, political instability, a lack of sense of security in society and a lack of confidence in both the executive and legislative powers.

- 45 Many examples could be given for governments that destroyed themselves in neglecting social dialogue. That is the case with Jan Videnov's administration, which undertook a series of hostile acts towards the social partners. The government took power at the end of 1994 and stayed until 4 February 1997. It was dominated by the BSP, with the participation of BAPU 'Aleksander Stamboliyski' and the Political Club 'Ecoglasnost'. The first step was to downgrade social dialogue to the level of Vice-Minister from that of the Minister of Labour. After that, a new licence procedure was established and legitimate trade unions were only those which did not oppose government policies. Some other hostile actions followed, especially in the sphere of the national budget, which made trade unions act decisively in pressuring the government to resign.