Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

Analysis on the topic of:

"Analysis of the current state of wages in Bulgaria - conclusions and recommendations"

(pursuant to Decision No. 232 of the Council of Ministers of 15 April 2022)

Sofia

October 2022

Pursuant to Art. 5, para. 1 of the Economic and Social Council Act (ESCA) with Decision No. 232 of the Council of Ministers dated 15 April 2022 it was proposed to the ESC to develop an act under Art. 4, para. 1 of the ESCA on the topic of "Analysis of the current state of wages in Bulgaria - conclusions and recommendations".

Pursuant to the decision of the Presidents Board and the Plenary Session held on 22 July 2022 the elaboration of the analysis was assigned to a temporary commission co-chaired by the vice-presidents of the ESC from each group - Maria Mincheva, Plamen Dimitrov and Bogomil Nikolov, and members Rumyana Georgieva, Ivelin Zhelyazkov, Lachezar Iskrov, Atanas Temelkov (group I - employers), Lyuboslav Kostov, Asiya Goneva, Vanya Grigorova, Valeri Apostolov (group II - workers and employees), Katya Vladimirova, Ralitsa Yorgova, Detelina Smilkova, Lalko Dulevski (group III - civil sector). Maria Mincheva, Plamen Dimitrov and Katya Vladimirova were appointed as rapporteurs for the act.

At the meetings of the temporary commission held on 7 October 2022 and 19 October 2022 the draft of the analysis was considered and adopted.

At its plenary session held on 24 October 2022, the Economic and Social Council adopted the final analysis presented below.

List of abbreviations

• Gross Domestic Product: GDP

• Gross Added Value: GAV

• Internal Rules on Wages: IRW

• Statutory Minimum Wages: SMW

• Collective Labour Agreement: CLA

• Minimum Wage: MW

• Council of Ministers: CoM

• National Institute for Conciliation and Arbitration: NICA

• Labour Productivity: LP

• Average Wage: AW

• Purchasing Power Standard: PPS

• Directive on Adequate Minimum Wages: DAMW

I. MAIN CONCLUSIONS AND RECOMMENDATIONS

1.1. The topic of remuneration is essential for all three groups of the ESC. On some issues, there are diametrically opposed views between the employers' group and the trade unions. Therefore the present analysis presents different approaches and assessments.

1.2. According to the ESC, reaching GDP per capita, compensation per employed person and labour productivity in PPS up to 60% of the European average is an achievable goal by 2026.

1.3. Compared to most European countries, Bulgaria realised improved positions in terms of the rate of growth of AW in PPS during the period 2010-2021. Nevertheless, wages in our country remain significantly lower both in relation to some countries on the Balkan Peninsula and in relation to other EU member states. The level of inter-industry differentiation in labour remuneration remains higher than the European average[1]. In some low-paid economic activities, the growth rate remains significantly below the national average.

1.4. Bulgaria has the lowest MW in the EU. According to the employers, this position correlates with the fact that Bulgaria ranks last in terms of GDP and labour productivity. Each state includes different components in determining MW, which employers say skews the statistics. Over the past 10 years, a steady trend of growth of the MW has been observed. Employers do not accept the administrative, without objective criteria, increase of the MW. According to the unions, the increase in the minimum wage in Bulgaria did not lead to a decrease in employment in the period 2010-2021, but on the contrary, at times it has had a stimulating effect. This means that the level of MW is lower than what the market can afford, as there is significant monopsony power of business in hiring workforce and determining its price in small populated areas.

1.5. ESC supports the efforts of the social partners to negotiate minimum wages by industries/branches and personnel categories, which will build on the established national minimum wage.

1.6. ESC considers that there is a need for the preparation of a national strategy for a catch-up increase in labour income, on the basis of anticipated economic development. The position of the trade unions is that all workers, especially those on minimum wage, should be able to provide at least a subsistence wage through their labour income. Employers do not adopt a stand-alone strategy that is aimed solely at income growth, isolated from the processes of development of the country's economy, restructuring of GDP, increase of labour productivity, lifelong learning, at least in the medium term.

1.7. ESC declares its readiness to contribute to the fastest possible transposition of the Directive on Adequate Minimum Wages, and the state should define the national criteria for assessing the adequacy of the minimum wage through a dialogue with the social partners. The trade unions insist

[1] Source: Eurostat, Mean monthly earnings by sex, economic activity and occupation [earn_ses18_48].

on compliance with the indicative reference values according to Art. 5 of the Directive as a ratio of the statutory minimum wage to the gross average wage in the amount of 50%, as well as 60% of the gross median wage. According to the trade unions, these reference values should be seen as a minimum threshold for the amount of MW, which the social partners should then build up jointly, taking into account the necessary means of subsistence, measured by the "living wage". According to the employers, given the fact that the reference values compared to the average and median wage are only part of the criteria, the option under Art. 5, item 4 of the Directive on the application of other indicative reference criteria used at national level, in accordance with Convention 131 of the ILO.

1.8. ESC recommends that the state and the social partners jointly prepare a sufficiently ambitious plan to expand the scope of collective bargaining, which corresponds to the goal in the Directive of reaching 80% coverage with CLA.

1.9. ESC considers it necessary to annually produce a Map of the coverage of CLA, discussed by the social partners in the National Council for Tripartite Cooperation, by creating a methodology and toolkit for calculating the coverage of CLA and monitoring the process at all levels of concluding collective labour agreements.

1.10. ESC recommends creating the necessary conditions to promote branch/industry collective bargaining, where recommended wage growth indices are negotiated annually, and to ensure the protection of union members in the process of wage negotiation pursuant to Art. 4 of DAW.

1.11. ESC is of the opinion that in the course of preparation for the implementation of the DAW, it is necessary to carry out an analysis of the current primary and secondary legislation, including also with a view to providing information on the coverage of collective labour agreements. The Regulation on Wage Negotiation (RCoM 129/1991) is a good basis for the development of a national mechanism for determining the minimum wage.

1.12. ESC finds that in order to improve the scope and effectiveness of collective bargaining, it is necessary to specify and supplement the norms in the Bulgarian Labour Code and set out in the Civil Servant Act, in order to guarantee the right to collective bargaining in the state administration in accordance with the course of the budget procedure and in compliance with Art. 6 of the ECHR and the Charter of Fundamental Rights of the EU.

1.13. ESC believes that the process of ratifying Convention No. 154 for the Promotion of Collective Bargaining, adopted in 1981, should be completed.

1.14. ESC believes that a review of the legislation in the area of public procurement and concessions should be carried out with a view to the effective implementation of Art. 9 of the DAW, namely: "when awarding and executing contracts for public procurement or concessions, economic operators and their subcontractors must fulfil the applicable obligations related to the payment of labour, the right of association and collective bargaining on wage determination, as well as the applicable obligations in the field of social and labour legislation of the EU, at national level, collective agreements or international standards in the field of social and labour law, including Conventions 87 and 98 of the ILO".

II. INTRODUCTION

2. Statutory framework

2.1. Labour is a major factor in the production process and the natural regulator of its price is the demand and supply of labour. The management of wages is, by definition, a key element in the process of development of enterprises for simultaneously achieving cost optimisation and increasing employee motivation. The crisis and its manifestations confronted the economic and budgetary units with new challenges and very difficult decisions, among them the labour remuneration policies.

2.2. In Bulgaria, the main principles and rules of labour remuneration are contained in the Labour Code. These rules are generally valid and do not depend on the form of ownership of the enterprise.

2.2.1. However, the determination of wages in the real sector also takes into account the market situation and reflects more or less modern European patterns of industrial relations. Wages are negotiated in the individual employment contract or through collective labour agreements. The legislator laid down a statutory framework containing rules and principles in cases of collective bargaining, as well as in determining the specific amount of the monthly wage under the individual employment contract. Such rules are also contained in secondary legislation such as the Ordinance on Wage Negotiations[2] (OWN) and the Ordinance on Wage Structure and Organisation[3] (OWSO). According to Art. 22 of OWSO "the organization of wages in enterprises is regulated in internal rules on wages, which are an internal act of the enterprise within the meaning of Art. 37 of the Labour Code".

2.2.2. In the budget sector, with the introduction of the new labour remuneration model in 2012 the determination of the amount of wages is carried out on the basis of a centralized system with detailed rules for determining and limits for changing individual wages and for the relevant position. Each administration further develops and specifies its ways of distributing the funds within the framework of the general rules. Failure to comply with the rules constitutes an administrative and financial violation.

2.3. The state, in the form of the government, has various tools to directly or indirectly influence the levels of remuneration in the country.

2.3.1. First of all, by determining the amount of the minimum monthly wage (MW), which according to Art. 244 LC is determined by the Council of Ministers (CoM). The minimum monthly wage is a tool for conducting the income policy and affects the determination and increase of the remuneration of the employed persons. Determining the amount of the MW is conducted by an act of the government and is consulted with the social partners in the National Council for Tripartite Cooperation, but to a large extent the process is formal.

[2] Prom. State Gazette, no. 55 of July 12, 1991, last. change SG No. 40 of May 11, 1993, in force.
[3] Prom. State Gazette, no. 9 of January 26, 2007, last. change State Gazette, no. 66 of July 24, 2020, in force.

2.3.2. The CoM determines the types and minimum amounts of mandatory additional labour remunerations and benefits under the employment relationship. They can be promoted through collective bargaining.

2.4. In 2018 Bulgaria ratified Convention No. 131 of the ILO on determining the minimum wage. According to Art. 3 of the Convention, when determining the minimum wage, the needs of workers and their families are taken into account, taking into account the general level of wages in the country, the cost of living, social security benefits and the relative living standards of other social groups, as well as economic factors , including the requirements for economic development, productivity levels and the desire to achieve and maintain a high level of employment.

2.4.1. Despite the existence of a consensus of employer and trade union organizations on the ratification of the Convention, unanimity has not yet been reached regarding the introduction of a transparent mechanism for determining the minimum wage due to disagreements between the parties, to what extent and how the individual indicators laid down in the Convention should be taken into account.

2.4.2. The lack of effective social dialogue in determining the amount of the minimum wage and the lack of a specific and agreed-upon mechanism for forming the specific amount of the minimum wage have a negative impact on the functions laid down in the minimum wage, as well as on poverty and inequalities.

2.5. After the entry into force of the Adequate Minimum Wages Directive, Member States have 2 years to implement it in their national legislation. In the present analysis, the social partners dedicate a special section to the Directive, setting out their main views on its implementation, as well as outlining their role in the process.

2.6. The level and dynamics of labour income are most directly related to the economic development of the country. The relationship between them depends on many factors, among which the primary distribution of income at the company level, labour productivity, and the implemented labour income policy are of primary importance.

3. The impact of MW on employment, unemployment, labour productivity and inequalities

3.1. When arguing their positions related to the annual determination of the amount of the MW, the social partners often rely on various studies related to the impact of the MW on employment, unemployment, labour productivity and inequalities.

3.2. There is an intense discussion in theory and practice about the impact of the minimum wage on the main parameters of the labour market, such as the employment rate and the unemployment rate. In this sense, it is important for employers to objectively assess how much the change in the minimum wage in a specific time interval and taking into account regional differences in the labour market has had an impact on the change in employment and on the main indicators of the labour market. Usually the employment rate correlates negatively with the growth of MW. At least these are the assumptions of classical economic theory.

3.3. According to the unions, the increase in the minimum wage in Bulgaria does not lead to a decrease in employment, nor to an increase in unemployment. No such links are established both from the literature studied on the subject and from the available empirical data from national statistics. On the contrary, there is a significant positive influence in the period 2010-2021, i.e. when MW increases and so does the employment rate.

3.4. According to employers, when assessing the impact of the unemployment rate on the levels of employment and unemployment, the phase of the economic cycle should always be taken into account, since during a phase of decline (recession, crisis) of the business cycle of the Bulgarian economy, the increase in the levels of the unemployment rate has the potential to lead to increase in unemployment[4]. An increase in the MW has a low impact on aggregate demand because low-wage workers consume a limited range of goods and services.

3.5. Regarding the topic of labour productivity and its relationship with the level of pay, the issue is not new to expert and academic debates, but in the context of the fast-changing labour market in the post-crisis period its adjustment is again on the agenda. There is a growing need for new empirical research on this issue, because a significant part of economic dependencies in the current conditions of a market economy are often questioned.

3.6. Most studies demonstrate that there is asymmetry in the relationship between labour productivity and wages before and after the global financial and economic crisis. As a result of the rate of technological development, the impact of labour productivity on wages has weakened in the post-crisis period. After all, the degree of technological development has a significant impact on the change in the relationship between labour productivity and wages (Kostov, 2020). However, the impact of acquired skills on higher productivity and pay levels should also be taken into account here. For example, transport workers with skills to work with specialized machinery and equipment have no problem adapting to the process of digitization in the transport sector and receive a salary higher than the industry average.

3.7. The amount of wages is also evaluated from the point of view of the uniformity in their distribution, illustrated by the Lorenz Curve[5]. The following more important findings can be made[6]: a) 50% of those employed in the lowest 5decile groups receive about 24% of the total amount of wages; b) the highest paid 10% of employees receive slightly more than 32% of the total amount of wages. The concentration of more and more funds in the hands of fewer and fewer people in Bulgaria is a process that has been going on for several decades. Similar processes are also observed in other EU member countries, but in comparative terms the level of concentration in Bulgaria, and hence the level of income inequality, are among the highest. Of course,

[4] See, for example, a regression analysis published on the BSK website: https://www.bia-bg.com/uploads/files/analysis/2021-12-03-MRZ_analiz.pdf.

[5] This curve shows at each point what percentage of employed persons receives the corresponding part of the total amount of wages, and thus the degree of unevenness in their distribution. The inequality line is strongly drawn up after the 5thdecile and especially in the last 10thdecile, where the 10 percent of the highest paid employees by employment and service legal relationship fall. The space between the line of uniform distribution and the Lorenz curve shows the real extent of inequality in the wage distribution. The more curved the curve, the higher the degree of unevenness, and vice versa - the closer to the diagonal, the less uneven.

[6] NSI, Wage structure 2018, Sofia, 2021, p. 47.

inequalities are useful up to a point, but the level of social utility needs to be determined, as there is research that proves that excessive inequalities lead to both worse social performance and increased poverty, as well as lower levels of economic growth. (Koronek and Stiglitz, 2018). Employers pay attention that when forming policies to reduce pay inequalities for these groups of persons, an important aspect is that they are accompanied by measures to increase the qualification levels of individual decile groups. Highly skilled workers have greater labour productivity, are fewer in number and earn higher incomes. Low-skilled workers are the bulk of workers, have lower labour productivity and receive lower incomes. This is an incentive for them to improve their qualifications.

3.8. Inequality in the general distribution of income from all sources in Bulgaria is the highest in the EU and has been increasing continuously in recent years. In 2021 the difference between the incomes of the poorest and richest 20% of households is 7.8 times; decreases compared to 2020, when it was 8.5 times. Of course, wage income is not the only reason for this inequality. The Gini coefficient reached a value of 39.7, decreasing compared to the previous year by 0.3 p.p. The review and comparison of the data over the years show a negative trend of rising coefficient values.

3.9. Scientific contributions on the subject

3.9.1. Minimum wage analyses show a competitive labour market for one type of labour, with a positively sloped labour supply curve and a negatively sloped labour demand curve. In the absence of a minimum wage, there is an equilibrium wage W and an equilibrium quantity of labour employed L. With a minimum wage higher than W, fewer workers are hired for two reasons. First, employers substitute already more expensive labour and move to other factors of production where the chosen technology in the industry or enterprise allows interchangeability. Second, because the costs are higher with this new factorial technological combination, product prices rise, under conditions of imperfect competition, which further reduces the demand for labour. These two effects lead to lower employment.(Neumark andWasher, 2007).

3.9.2. The alternative view to the neoclassical assumption is based on a different assumption, namely that many employers exercise some degree of “monopsony power" - i. e. they have market power in hiring a particular type of low-skilled labour, often in a particular local labour market (retail workers in the service sector for example) and can hold wages below their contribution to productivity (Liu, 2016). This theory suggests that when faced with higher labour costs, employers may have an incentive to increase their profits by expanding output and employment. So-called "demand models" also show that in imperfectly functioning labour markets, higher wages for those at the bottom may, up to a certain point, be offset by a combination of reduced profits, lower wage increases for managers, or other costs or with postponement of investments in new technologies, delay in replacement of depreciated equipment and in the next production cycle – bankruptcy of the enterprise.

3.9.3. Macroeconomic theories emphasize the fact (Brown, 1999) that higher wages raise labour costs for employers but also increase consumption among low-wage workers and their families. Assuming no major negative effects on export-oriented economies' external competitiveness or investment, such positive "consumption effects" can lead to increases in aggregate demand and

employment. Macroeconomic perspectives show that even if some firms reduce employment or go out of business, this does not necessarily mean that aggregate employment will be reduced, other things being equal.

3.9.4. In the 1990s and to this day, empirical studies have debated the presence of significant negative effects on employment as a result of the growth of the MW. This has led the literature to allow alternative theories that explain the relationship between minimum wages and the labour market.

3.9.5. Card and Krueger (1992) manage to find empirical evidence that an increase in the minimum wage always leads to a decrease in employment. Their research is important because it focuses on observing low-skilled employment in New Jersey and Pennsylvania for specific industries where standard theory would suggest that there should be a decline in low-skilled employment as a result of an increase in the MW. In fact, their research does not simply show a zero correlation between the two variables, but at times even suggests a possible positive relationship between the two phenomena. The fact that David Card received the Nobel Prize in Economics for 2021 is a proof of his contribution to the development of the theory of MW.

3.9.6. Doctoral students Mancheva andStamatev (2017) examine the role of the minimum wage on economic development and productivity in Bulgaria in the period from1999 until 2015. The analysis focused on the correlations between economic growth, income, employment and unemployment using basic econometric technique. The authors conclude that the impact of adjustments in MW on economic growth is uncertain, but certainly not negative. Therefore, if the study is found to be reliable after applying all the statistical controls for credibility, an increase in MW does not always lead to higher economic growth and activity, but is not likely to make the economic situation worse, except for the severe economic crisis of 2008 which occurred in the middle of the period under study.

3.9.7. During the last 10-15 years, there have been a number of studies in Bulgaria. For example, Chobanov (2012) studies the impact of wages on labour productivity. He allows the presence of a significant relationship between wages and labour productivity, arguing that achieving full employment while maintaining price stability is the key to symmetrical growth of both variables.

3.9.8. Panteleeva (2012) also reaches specific conclusions. She examines the factors that can lead to an economically justified nominal and real increase in the minimum wage. In the rest of the research on Bulgaria on this topic, the authors study other variables that have an impact on labour productivity and the average salary.

III. ANALYSIS OF WAGES

4. Dynamics and general trends of wages in Bulgaria and the EU

Comparison of MW in Bulgaria with other EU countries in PPS

4.1. For the purposes of international comparisons, the terms "purchasing power parity" and "purchasing power standard" are used[7]. Compared to most European countries, Bulgaria realised improved positions on AW in PPS during the period 2014-2018. Despite this, wages in our country remain significantly lower both compared to other countries on the Balkan Peninsula and compared to older EU members from Eastern and Northern Europe. The information on this indicator is limited due to the periodicity of the Eurostat and NSI "Wage Structure" survey - every 4 years.

Table 1. Amount of the average monthly salary in PPS in 2014 and 2018.

Country	Amount in PPS		In % form EU-27	
	2014 г.	2018 г.	**2014 г.**	**2018 г.**
European Union – 27 Member States (since 2020)			**100**	**100**
28 Member States (2013 - 2020)	2 541	2 581	116,5	113,4
Belgium	2 959	2 927	**35,4**	**45,3**
Bulgaria	900	1 168	57,1	64,7
Czech Republic	1 452	1 669	118,6	122,4
Denmark	3 014	3 160	118,1	121,5
Germany	3 001	3 135	55,5	64,0
Estonia	1 409	1 653	121,6	109,8
Ireland	3 090	2 833	72,0	64,8
Greece	1 829	1 672	84,6	82,7
Spain	2 150	2 135	101,4	98,7
France	2 577	2 548	63,0	65,1
Croatia	1 600	1 681	94,0	94,3
Italy	2 388	2 435	80,4	82,3
Cypress	2 043	2 123	45,2	58,7

[7] Purchasing power parities (PPPs) measure price ratios in the countries being compared and are used to convert value indicators into a single notional currency, called a "purchasing power standard" (PPS), which equalizes the purchasing power of different national currencies, i.e 1 PPS buys the same average amount of goods and services in all countries, while to buy the same amount of goods and services depending on the national price level, a different amount of national currency will be needed.

Latvia	1 149	1 514	44,3	55,3
Lithuania	1 125	1 427	137,4	138,6
Luxembourg	3 492	3 576	55,5	59,9
Hungary	1 410	1 546	83,7	95,9
Malta	2 127	2 475	106,2	103,2
The Netherlands	2 699	2 663	104,4	106,1
Austria	2 652	2 738	69,1	71,9
Poland	1 755	1 855	60,1	56,3
Portugal	1 528	1 452	38,6	68,1
Romania	980	1 758	76,3	76,4
Slovenia	1 938	1 972	54,0	56,6

Source: Eurostat, Mean monthly earnings [earn_ses18_19], Industry, construction and services (except public administration, defence, compulsory social security)

4.2. In general, the rates of convergence are more pronounced compared to the old member states, but the differences there seem unattainable to catch up in the coming decades. The rapid pace of wage growth in Eastern Europe is accelerating convergence, but Bulgaria has made very little improvement in its position, especially compared to countries such as Romania, which managed to record an increase from 38.6% in 2014 to 68.1% in 2018 compared to increase from 35.4% to 45.3% for Bulgaria during the same years.

4.3. The comparison of the dynamics and the reached levels of the monthly wages in Bulgaria in PPS (Tab. 1) and the labour productivity of an employee in PPS (App. 8) compared to the rest of the EU-27 member states, shows convergence on both indicators. It should be emphasized that in 2018 in only 4 EU Member States, the achieved level of monthly wages in PPS exceeds that of the productivity measured in PPS. Wages usually grow faster. This is a normal process in the conditions of technological transformation and the need for real convergence between the individual economies within the general integration union.

4.4. For Bulgaria, the slow rates of wage convergence and the set target of 60%, which has clearly not been achieved yet, are a good reason to put this indicator under "monitoring".

Comparison of the MW in Bulgaria with the other EU member states that have the MW regulation

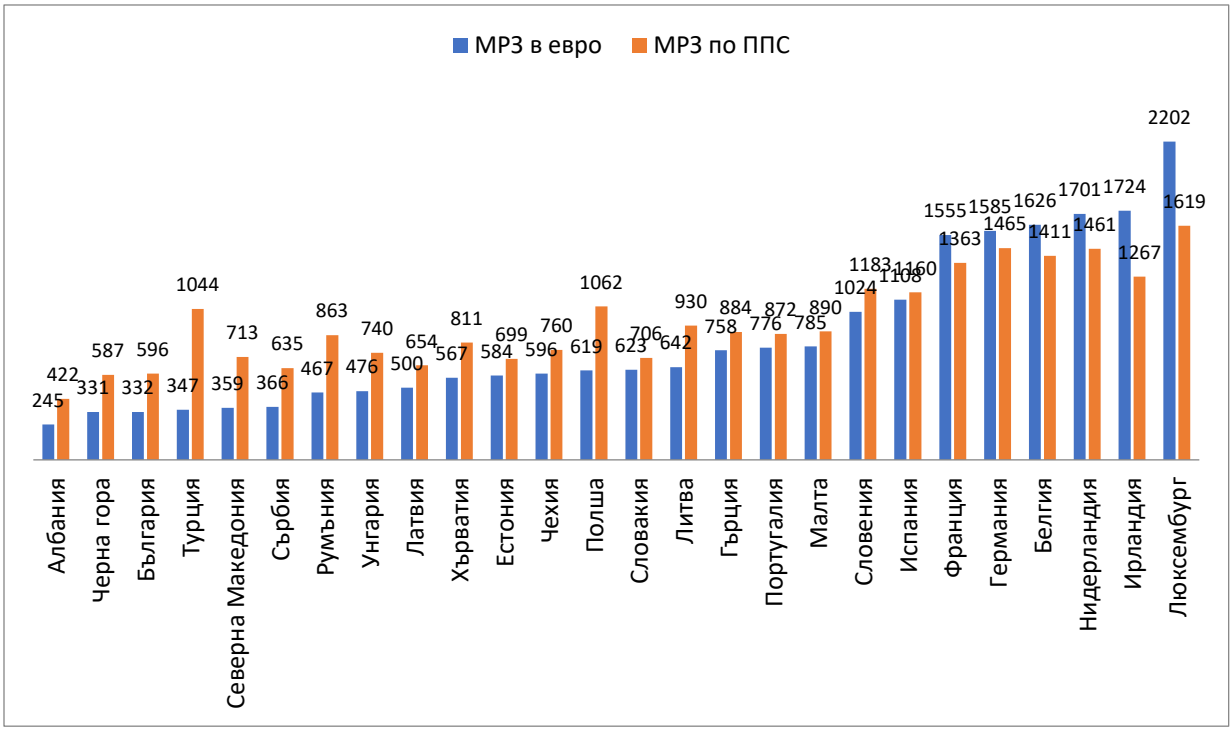
4.5 In the EU, 21 out of 27 EU member states have national minimum wages. Exceptions are Denmark, Italy, Cyprus, Austria, Finland and Sweden. Based on the levels of minimum monthly

wages in euros, these 21 Member States can be divided into three main groups: with minimum monthly wages below EUR 1,000, above EUR 1,000 and above EUR 1,500.

4.6. According to Eurostat data in January 2022 13 member states have a minimum wage below EUR 1000, including Bulgaria - Bulgaria (EUR 332), Latvia (EUR 500), Romania (EUR 515), Hungary (EUR 542), Croatia (EUR 624), Slovakia (EUR 646), Czech Republic (EUR 652), Estonia (EUR 654), Poland (EUR 655), Lithuania (EUR 730), Greece (EUR 774), Malta (EUR 792) and Portugal (EUR 823). In two countries the minimum wages are slightly above EUR 1000 - Slovenia (EUR 1074) and Spain (EUR 1126) In the remaining 6 member states the minimum wages are above EUR 1500 - France (EUR 1603), Germany (EUR 1621), Belgium (EUR 1658), the Netherlands (EUR 1725), Ireland (EUR 1775) and Luxembourg (EUR 2257).

4.7. Bulgaria has the lowest MW, but a growth trend is observed. The size of the MW in Germany is 4.8 times higher than that in Bulgaria, in Poland 1.9 times, in Romania 1.5 times. The situation is similar and in terms of PPP, Bulgaria is again at the bottom, although the difference is narrowing slightly.

MW in European countries, second half of 2021.



Source: Eurostat

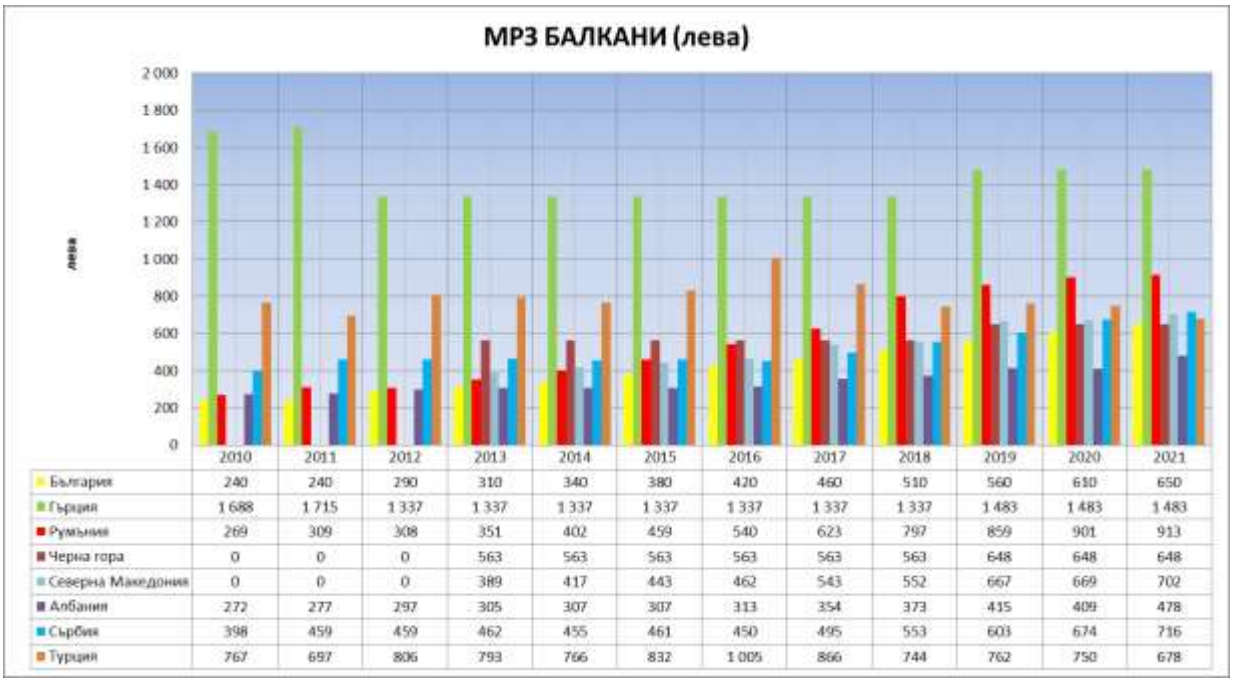
4.8. Except for 2013 (when Romania reports the lowest GDP) during the observed period, Bulgaria remains at the bottom of the ranking among EU countries in terms of the absolute size of GDP, which also corresponds to its last place in terms of GDP and labour productivity. Comparing the minimum wages by means of purchasing power parity, the country is again in the last position

compared to other European countries, significantly lagging behind on the level of the indicator compared to Romania, for example, which ranks in the middle of the MW ranking by PPP.

For recent years, statistics show that Bulgaria continues to have the lowest minimum wage in the region, with the exception of Albania, and Greece has the highest.

4.9. Despite this fact, a sustained and significant increase in the number of MW in Bulgaria clearly stands out. With the largest increase is Romania - 3.4 times, followed by Bulgaria with 2.7 times for the period 2010-2021. In addition, the low base levels of the size of the MW, even with this growth, it is not enough to climb up from the bottom.

Chart 1. Minimum wage in the countries of the Balkan Peninsula in the period 2010-2021.



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
България	240	240	290	310	340	380	420	460	510	560	610	650
Гърция	1 688	1 715	1 337	1 337	1 337	1 337	1 337	1 337	1 337	1 483	1 483	1 483
Румъния	269	309	308	351	402	459	540	623	797	859	901	913
Черна гора	0	0	0	563	563	563	563	563	563	648	648	648
Северна Македония	0	0	0	389	417	443	462	543	552	667	669	702
Албания	272	277	297	305	307	307	313	354	373	415	409	478
Сърбия	398	459	459	462	455	461	450	495	553	603	674	716
Турция	767	697	806	793	766	832	1 005	866	744	762	750	678

5 Dynamics of average wages at the national and sectoral level

5.1. For the period 2010-2021 the average wage (AW) increased by about 2.4 times and in 2021 its amount reached BGN 1551 (preliminary data), after in 2010 it was BGN 648. During this ten-year period, nominal growth was 139.4%, and real growth was 99.0%, with a cumulative average annual inflation of 20.3%.

5.2. The data from Appendix 6 show that in the period from 2010 to 2017 the process of nominal and real growth of AW slowed down. During this period, AW nominally increased by only about 6-9% on an annual basis. At the same time, to a large extent, this growth was due to dynamic changes in the structure and number of employed persons. Since 2018 a double-digit increase in AW has been observed.

5.3. When taking into account the incomes of the employed, there is a strong preponderance of employed persons in the private sector, as they represent about 75% of the total employed. During the observed period 2010-2021 statistical data report a retention of the rate of growth of persons employed in under employment and service contracts. There was a slight increase in the years 2016-2019, followed by a serious decline during and after the 2020 crisis. In 2021 the total number of employed persons decreased by 135 thousand, which is about 5.8% compared to 2019. In the private sector, there was a decrease in employment by 137,000 persons in 2021, or about 7.7% less than those employed in the private sector in 2019. For the same period, those employed in the public sector increased by 2,274 people (+0.4%).

5.4. Within a ten-year period, the absolute amount of MW in the private sector equalled that in the public sector. This is due to the restrictive policies in the budget sector in the period from 2010 to 2018. For this reason, an adequate income policy is needed in the public sector.

5.5. In the last two years of the pandemic, salaries in the public sector marked an accelerated growth. The reason for this can be the 30% increase in salaries of frontline workers during the pandemic (incl. health workers, social workers, labour intermediaries, labour inspectors and other employees in government agencies), as well as the salary increase in the education sector. Hence the major contribution to the growth of the average wage in 2021 is made by the public sector, where the increase is by 16.5%, with the absolute amount reaching BGN 1,674.

5.6. Over the observed period, private sector wages after 2018 registered a lower growth and reached an amount at the end of the period of BGN 1510. The trend is reversing after in the period 2017-2018 a process of convergence of wages in the two sectors (public and private) is observed as a result, on the one hand, of the government's highly restrictive policy regarding the growth of wages in the public sector, and on the other hand, of the strong competition that the private sector was exposed to in Bulgaria from the common European labour market. It should be borne in mind that in the pre-pandemic period, the number of people employed in the private sector grew by 2.6%, while employment in the public sector shrank slightly (by 0.1%).

5.7. Comparing the remuneration in the various economic activities, significant differences in labour remuneration are observed. Inter-sectoral differentiation in wages remains at high levels, although the difference between the average wage in the highest and lowest paid economic activity slightly decreased from 6.5 times in 2010 to 6.4 times in 2021. This is an expression of a static GDP structure containing industries with low added value in the context of the transition to a digital economy. This also leads to lower salaries in them, i. e. lack of state support for GDP restructuring.

5.8. Over a ten-year period, the cumulative growth rates outline a picture of a heterogeneous distribution of MW by economic activities. The rate of growth of MW exceeds the rate of average levels. Such economic activities are: creation and distribution of information and creative products; telecommunications; administrative and auxiliary activities; human health and social work, professional activities and research; education.

5.9. In some low-paid economic activities, the growth rate remains significantly below the national average. These are: water supply, sewerage services, waste management and recovery; culture, sport and entertainment; hotels and restaurants; agriculture, forestry and fisheries.

AW increase in 2021 based on 2010 = 100, in %



Source: NSI

5.10. The strong asymmetry in terms of pay and in terms of employment can be defined as a structural problem for the Bulgarian economy, which has been present for more than a decade during the post-crisis period. During the observed period, the amount of AW was lower than the average for the country by about and more than 30% in the districts: Blagoevgrad, Kyustendil, Vidin, Haskovo, Silistra. In this way, the "scissors" of inequality continue to open and deepen social inequalities by area.

5.11. Opportunities to overcome income inequalities from the point of view of employers can be achieved through intensive economic growth[8] while promoting better use of available resources (including under operational programmes), protection of competition, promotion of entrepreneurship in sectors with high added value, especially in small and medium-sized enterprises, and targeted active labour market policies. A step in this direction is the wider

[8] ESC Opinion "Income inequalities in Bulgaria: economic policies and prevention", 2022, https://esc.bg/wp-content/uploads/2021/10/ESC_04_011_2022.pdf.

application of collective bargaining in compliance with the principles of equal pay for equal work, application of minimum social standards and social dialogue for fair distribution of added value in the economy. Education and the promotion of lifelong learning have unlimited opportunities to reduce inequalities in pay, including in an ever-changing economic environment in which new occupations emerge and the need for new skills. In addition, the process of continuous qualification improvement and lifelong learning is important in order to obtain higher incomes from work.

MINIMUM MONTHLY WAGE

6. Dynamics of MW at the national and sectoral level

6.1. The minimum wage not only influences the state's income policy, but also plays an important role in determining the remuneration of a large part of the employed, bearing in mind that nearly 20% of the employed work for the minimum wage.

6.2. It is important to note that with the ratification of Convention No. 131 of the ILO for determining the minimum wage from 2018. the country undertakes to determine the MW based on the factors that should be taken into account when determining the level of the MW, according to Art. 3 of the Convention, which include:

a) needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits and the relative living standards of other social groups;

b) economic considerations, including the requirements of economic development, the level of productivity and the expediency of reaching and maintaining a high level of employment.

6.3. For the period since 2010 the GDP in Bulgaria has grown by 189.6% in nominal terms, and when inflation is taken into account, the growth has reached nearly 121%. For the first time since 2011 however, there has been a decline in the purchasing power of the MW. This is due to the inflationary pressure in the country, which started at the end of 2021. Thus, the nominal growth of 9.2% GDP from April this year is not sufficient to compensate for the growth in the price levels.

6.4. It should be noted that the nominal increase of the MW in the last two years has been at a slower pace than in the period 2012-2020. Even in the period 2014-2016, when deflation was reported in the country, the GDP grew nominally more than in 2021 and 2022. Undoubtedly, the covid pandemic has tested businesses with disrupted supply chains and increased production costs, leading to layoffs across a number of industries. At the same time, however, broad state support for employers is activated, the effect of which should be taken into account in order to examine the state of companies.

6.5. During the period 2010-2021 the ratio of the minimum wage to the average gross monthly wage (AW) of those employed under employment and service contracts varied between 37% and 44%.

6.6. The net amount of the minimum wage for the country permanently remains slightly above the official poverty line, which, according to the trade unions, is a prerequisite for maintaining a constant contingent of "working poor" (with an equivalent disposable income below the poverty risk threshold, which is set at 60 % of the national median equivalent disposable income after social transfers[9]). Again, according to trade unions, the "working poor" are mainly those employed in the garment, textile, shoe and leather industries, retail trade, social services, building and landscaping services, agriculture and forestry.

6.7. According to NSI data[10], the working poor are 10.0% of the employed in the 18-64 age range, and their share has remained relatively stable in recent years (10.0% in 2017, 10.1% in 2018, 9 .0% in 2019, and 9.7% in 2020.). Compared to the share of unemployed and economically inactive persons, the data show that the presence of a job practically reduces the probability of being at risk of poverty. At the same time, the relative share of the working poor with primary and no education is the highest - 61.1%. For comparison, the share of the working poor with higher education is only 3.6%. The analysis of the data from the indicators clearly shows that poverty is closely related to the levels of education and economic activity of the working population.

6.8. The discussions surrounding the increase of the minimum wage also impact the effect of its growth on the number of employees of the Ministry of Health. Freezing the MW at the 2009 level is unable to maintain the employment of those employed for this wage. In 2010 their number decreased by about 34,000 people. According to the unions, the increase of the minimum wage after 2011 has a positive effect on the number of employees of the Ministry of Health. The reduction of minimum wage workers in 2020 is the result of the crisis caused by the covid pandemic and the reduction of low-paid workers.

According to employers' organizations, this dependence is determined by the phase of the business cycle in which the economy is located, and isolated conclusions should not be drawn.

For example, employment grew at a moderate pace in the period 2006-2008 (second trimester - pre-crisis period) - during the same period, the MW also grew, with the largest increase being noted in 2005 – 25%. Here the connection is direct – in one direction (NSI, 2021). Therefore, according to the trade unions, it can even be argued that the growth of MW increases employment. According to the employers, the positive effect is due to the observed economic growth in the specified period, following Bulgaria's membership in the EU in 2007.

6.9. The situation is reverse in the period after 2010. According to the trade unions, when there is no increase in the minimum wage after 2010, employment decreases or remains unchanged. In the period from 2011 until 2020 a smooth increase in employment is observed, at the same time the unemployment rate increases again. Employers note that it is during this period that the effects of

[9] Eurostat, EU statistics on income and living conditions (EU-SILC) methodology - in-work poverty https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_statistics_on_income_and_living_conditions_(EU-SILC)_methodology_-_in-work_poverty#Description

[10] NSI, Indicators of poverty and social inclusion for the country as a whole https://www.nsi.bg/bg/content/8258/indikatori-za-bednost-i-sotsialno-vkluslen-obscho-za-stranata

the global economic crisis are visible, when GDP recorded negative growth of -5.5% in 2009, followed by weak growth of around 1% in the following few years.

6.10. The growth of GDP and labour productivity over the years has made it possible to increase the statutory minimum wage, which has a pushing effect on the average wage. This effect is controversial in economics, but in conditions of imperfect competition it rather stimulates consumption. But it is also a pro-inflationary factor. For many years, the Bulgarian economy has been driven by domestic demand, which is the main driver of growth (MoF, 2021). According to the employers, this is one of the reasons why Bulgaria does not have an export economy that is competitive in international trade. It can be assumed that there is a certain relationship between the increase in the minimum wage and economic growth precisely in this indirect way, when it does not cause high inflation. The autumn macroeconomic forecast of the MoF from October 2021 can be cited as proof of this. This means that income policy, which is realized through growth in MW, has the effect of generating higher real economic growth through the elements of increased consumption instead of through increases in gross private investment and net exports.

7. IMPACT OF THE COLLECTIVE LABOUR AGREEMENT ON THE MONTHLY WAGE

7.1. The collective labour agreement is a means of ensuring more favourable conditions for workers. It builds on the minimum rights guaranteed by the legislation. It is illegal to include clauses in the CLA that are less favourable to workers than those established by law.

7.2. The upward convergence of wages is an initiative that, on a European scale, implies the implementation of coordinated collective bargaining policies, strengthening the role of sectoral CLAs, but also a wide use of the principle of "equal pay for work of equal value". This principle applies with particular force to European transnational companies with branches in different Member States. Unions see the application of this principle as an important tool to overcome inequalities and huge differences in pay. These differences exist both at the international level and at the national level – inter-industry, inter-firm and within enterprises and organizations.

7.3. Labour remuneration is an element of all industry and branch collective labour agreements concluded during the period. The internal legal regulation of collective labour agreements is contained in Chapter Four of the Labour Code - "Collective labour agreement" (Art. 50 - Art. 60 LC). They contain the general principles and conditions of the process - subject, parties, levels of negotiation, obligations of the employer to provide information, conclusion and registration, etc. In the separate sections of the Labour Code, there are scattered legal norms allowing for collective bargaining.

7.4. At the level of secondary legislation, collective bargaining is regulated by the Regulation on Wage Bargaining, which regulates rules, procedures and algorithms that outline very clearly the technology and relationships in determining wages through collective bargaining and agreements of the highest national interprofessional level, to the enterprise level. Moreover, the Regulation

also contains sufficiently clear technological stipulations, mechanisms and parameters for negotiating the minimum wage for the country.

7.5. The trade union assessment of the content of this act of the Council of Ministers is that it contains sufficiently up-to-date and practically necessary norms and provisions that deserve to be updated and brought to the legal level in order to create a generally valid and sufficiently detailed regulation for the determination of wages. Without rejecting such ideas, employers find it more correct to carry out a comprehensive review and evaluation of the current regulations related to the remuneration of labour.

7.6. Again, at the level of secondary legislation, collective bargaining is regulated in various texts of the Regulation on the Structure and Organization of the Wage. It stipulates that "with a collective labour agreement, with internal rules for the monthly wage and/or with an individual labour contract, other additional labour remunerations can be determined. (Art. 13, para. 1). According to the Regulation, with a collective labour agreement, with internal rules for the monthly wage or with an individual labour contract, higher amounts of the additional remuneration determined by the Regulation can be determined. There are other texts in the Ordinance emphasizing the role, place and importance of the collective labour agreement.

7.7. The international legal framework is primarily contained in the ILO Convention No. 98 on the Right to Organize and Collective Bargaining, adopted in 1949, and Convention No. 154 for the Promotion of Collective Bargaining, adopted in 1981, which at present has not yet has been ratified by the Bulgarian state, and its ratification is undoubtedly imperative.

7.8. Also Art. 28 of the Charter of Fundamental Rights of the European Union talks about the right to collective bargaining and action; Art. 6 of the European Social Charter (revised) - "Right to conclude collective labour agreements".

7.9. Collective bargaining and the persons covered by it are subject to monitoring by various state authorities.

7.10. According to a study by the NSI's Wage Structure[11], about 28% of the employed persons in the observed population in 2018 are covered by a collective labour agreement[12]. Of the remaining 72% of workers for whom working conditions and pay are not affected by the terms of the CLA, approximately 50% are in enterprises with 1 to 49 employees.

7.11. For employees covered by CLA at the enterprise level, the average gross monthly salary is 18.6% more than the same salary of individuals who are not covered. In the case of annual wages, the increase is 22.4% for those covered by CLA at the enterprise level compared to those not covered by CLA. Approximately 29% of employed persons received social benefits in 2018, mainly in economic activities with a more significant scope of collective bargaining.

[11] Wage structure, 2018, p. 25, https://www.nsi.bg/sites/default/files/files/publications/Strzapl2018.pdf

[12] According to Regulation No 530/1999 of the European Council, Regulation No 1916/2000 of the European Commission (amended) and Regulation No 1738/2005 of the European Commission, monitoring is carried out at four-year intervals.

7.12. On the one hand, it is the National Institute for Conciliation and Arbitration (NICA), which according to Art. 53, para. 5 of the Labour Code creates and maintains an information system for collective labour agreements. A database is available on the NICA website, which enables searching for data of different scopes, available in different sections[13]. As can be seen from NICA data, the number of persons covered by CLA at the enterprise level is steadily increasing, with the predominant share of those covered belonging to the public sector.

Year	Number CLAs at the level of the enterprise (by 31 Decemebr)	Covered persons	Public Sector		Private sector
			CLA	Number of covered persons	Number of covered persons
2010	1 047	156 783	910	95 602	61 181
2011	1 995	279 114	1 753	186 642	92 472
2012	2 168	347 861	1 902	235 974	111 887
2013	2 120	329 224	1 868	223 793	105 431
2014	2 010	322 027	1 773	228 721	93 306
2015	1 961	311 303	1 728	222 614	88 689
2016	1 867	314 857	1 635	223 795	91 062
2017	1 805	316 554	1 585	215 367	101 187
2018	1 657	356 155	1 451	264 187	91 968
2019	1 673	332 833	1 469	248 047	84 786
2020	1 531	385 464	1 354	303 179	82 285

7.13. According to NICA data at the end of 2021 the total number of active CLAs is 1589, incl. 1515 in an enterprise, 19 in an industry/branch, 55 in municipalities[14]. There is a decrease in the total number of CLA compared to 2020, by 7 pcs.

[13] https://www.nipa.bg/%D1%81%D0%BF%D1%80%D0%B0%D0%B2%D0%BA%D0%B0-%D0%B7%D0%B0-%D0%B4%D0%B5%D0%B9%D1%81%D1%82%D0%B2%D0%B0%D1%89%D0%B8-%D0%BA%D1%82%D0%B4/?lang=BG

[14] Since 2018 NICA reflects in its database only CLAs by municipalities for the activity "Education" (and that incompletely for various reasons) due to the fact that for the other activities "Health", "Social services", "Culture" and "Other activities", the contracts do not correspond to the requirements of Art. 51в, para 1 LC, i.e. they do not have an employer structure as a party, and only the mayor of the municipality is a party under the CLA.

7.14. For the period 2011-2021 a decreasing trend of the total number of CLA is emerging. The decrease in the number of concluded collective agreements is mainly in those at the enterprise level. The main share of concluded CLAs and their annexes is at the enterprise level, followed by municipal CLAs and annexes and CLAs and the corresponding annexes at the industry/branch level. Given the specificity, especially with the changes to the 2016 Labour Code, of collective bargaining in the state administration, in the NICA database within the "enterprise" level, collective bargaining agreements and annexes to them, which also include agreements for civil servants concluded in the structures of the state administration.

On average, for the years of the researched period, the most operating CLAs are in the activities P "Education", although a significant decline has been reported in this activity in recent years, Q "Human health care and social work" and C "Manufacturing industry", making up 70,4% of the total annual average number. In the case of employed persons within the scope of the active CLA, on average for the period, the first three places are C "Manufacturing industry", O "State administration" and P "Education", with a share of 49.4% of all employed within the scope of the active CLA. The data show that, while 602 operating CLA as of 31.12.2021 in education are in force for 40,280 people, the 103 operating CLA in the processing industry cover 57,133 employed workers and employees.

7.15. By type of ownership, the concluded CLA and annexes on economic activities from the point of view of ownership - public and private, for the period 2010-2021 show that of the total concluded CLA and annexes in the private sector make up 14.1%, while those in the public sector are 85.9%. For the same period 2010-2021 the share of concluded CLA and their annexes, including agreements for civil servants in the state administration, within the public sector is 7.6%. The share of concluded CLA and annexes to them in enterprises with predominant foreign capital is over 45% of all CLA and annexes in the private sector.

The private sector with the active CLA on average for the period 2011-2021 covers nearly 1/3 (29.6%) of the employed workers and employees for whom these CLA are in force. In the private sector, on average for the period 2011-2021, the enterprises with operating CLA, owned by foreign companies, are nearly 40%, and within their scope of action are nearly 57% of those employed in the private sector.

Towards the end of 2021 compared to the base year 2011 the employed persons for whom the current CLA at the "enterprise" level are in force are over 10% points more, with the serious growth of 245.1% points in the administration as of 31.12.2018 compared to 2017 is due to a signed agreement for the employees of the Ministry of the Interior.

7.16. The data on the distribution by sector of the active CLA and the employed according to economic activities are respectively:

Real sector - 179 CLA applied to 93,520 – 4.6% relative share ofall employed persons.

Budgetary sector – 1336 CLA applied to 259 183 – 11.24% relative share of all employed persons.

Distribution of the current CLA at the enterprise level and employed persons to whom they apply, by administrative areas and by municipalities[15]. The relative share of employees covered by CLA in enterprises is in some areas higher than the average for the country - for example the regions of Stara Zagora – 31.14% and Vratsa – 21.20%. In other areas, the relative share of coverage is lower than the average for the country - for example the regions of Pernik - 4%; Blagoevgrad – 4.4%; Vidin – 3.93%; Blagoevgrad 4.11%, etc.

7.17. From the NICA data presented above, it is established that due to the limited number of concluded branch collective labour agreements and the insufficiently developed extension mechanism, collective wage bargaining has critically low levels of coverage - 22.7% per branch and 15.6% per company level. Achieving a target value of 70% seems impossible with the generally stagnant and even decreasing number of CLAs at the branch/industry and company level in individual years.

7.18. In most CLAs, a minimum wage is determined for the industry/branch, in some cases a minimum hourly wage is fixed. The minimum monthly remuneration for the industry/industry more often than not exceeds the amount of the minimum wage for the country, and with each subsequent new contract, attempts are made to systematically moderately increase this basic parameter.

The NICA database shows that on average for the period 2021-2017 in nearly 70% of the operating CLAs with a scope of also nearly 70% of the employed workers and employees, the parties either do not agree on the MW for the enterprise, or they contract this amount at a level determined by Decree of the Council of Ministers or at a level established by the sectoral/branch CLA, i.e. in relation to the MW, these CLAs do not establish an "upgrade" above the statutory minimum or above the agreed level of minimum remuneration in the sectoral/branch CLA.

Out of a total of 1,515 operating CLAs at the "enterprise" level as of 31.12.2021 in 508 of them, or 33.5%, the parties have agreed on a higher amount of the MW for the enterprise than the current minimum - BGN 650 MW. Covered by these CLA are 102,895 employed persons, or 29.2%.

15.6% of those in force as of 31.12.2021 CLAs at the "enterprise" level, which are set higher than the MW for the country, use the method of negotiation based on a coefficient to the MW for the country, but it should be noted that these CLAs are in force for 36.9% of the employed persons covered by the CLA with whom a higher amount of the MW is negotiated. The number of operating CLAs at the "enterprise" level is very small, with which the higher amount of MW for the enterprise is tied to an agreed amount of MW in sectoral/branch CLAs.

7.19. Additional labour remunerations are also an inalienable emphasis in CLA. In general, their sizes are above the minimum level valid for the country. As a rule, more serious deviations in the positive direction are agreed for night work and for unhealthy working conditions, while the increase for overtime work is usually equal to or slightly above the legal standard. In individual cases, regulations apply for receiving various bonuses, including profit sharing and ownership. In view of the differences in the economic and financial situation of the enterprises in this branch,

[15] Appendix 6.

some agreements are rather recommendations for the direct transfer of the values of individual parameters to the enterprise level. Possibilities and procedures are foreseen for postponing or reducing branch parameters in case of lasting or emerging financial difficulties.

7.20. The sphere of influence and the scale of application of the sectoral CLAs derive from the employer representation and the degree of trade union presence. The low coverage of employed persons with CLA is a consequence of the existing only on paper legal possibility to extend CLA, its sections or individual arrangements, and to the high share of small and micro-enterprises in which there are no trade unions.

7.21. The practice of extending sectoral collective agreements is not implemented effectively enough for several reasons: lack of persistence on the part of the parties that concluded a sectoral agreement; non-participation of all branch employer organizations in collective bargaining; difficulties in determining the boundaries of individual branches.

7.22. The main weakness of CLA, especially in enterprises, is the absence of a direct relationship between wage growth and labour productivity, the underestimation of inflation as a factor with a negative impact on the purchasing power of labour remuneration, the unwillingness or inability to negotiate a system of bonuses related to the quantity and quality of labor.

7.23. There remain the problems of contracting in the state administration, which are caused by gaps and imperfections in the regulatory framework. The presence of two categories of workers in the state administration (workers and employees under the Labour Code and civil servants under the Civil Servant Act) necessitates negotiation with a different legal basis. The legal norms in the Labour Code, which regulate collective bargaining, are difficult to adapt for implementation in the state administration. It is necessary to supplement the collective bargaining part with norms regulating bargaining at the structural levels of the state administration - central and local.

7.24. The Civil Servant Act does not provide for collective bargaining for civil servants. Despite the lack of collective bargaining regulations in the Civil Servant Act (CSA), trade unions and their structures since 2000 have concluded agreements/contracts for civil servants with the relevant appointing authority on the basis of Art. 9 of the Obligations and Contracts Act. These agreements regulate the relationship between the parties and are a good basis for cooperation. It is unacceptable and illegal to regulate the right to collective bargaining of civil servants on the basis of an agreement with the Council of Ministers. The place for regulating the right to contract is in the Civil Servant Act. Taking into account the imperfections of LC and CSA regarding the collective labour agreement, the unions insist on:

- legislative changes in the Labour Code - additional settlement of the matter of contracting for the state administration, taking inot account its specificity (levels of negotiation, structural levels of the state administration – central and local, with separate regulation of negotiation for them);

- legislative changes in the Civil Servant Act for the introduction of real collective bargaining in the state administration according to Art. 6 of the ECHR (revised) and the Charter of Fundamental Rights of the EU.

IV. Directive on Adequate Minimum Wages

8. Basic requirements and criteria of the directive

8.1. Unions attach great importance to the Directive on Adequate Minimum Wages in the EU. The Directive establishes a framework for the adequacy of statutory minimum wages, the promotion of collective bargaining to determine wages and the strengthening of workers' effective access to the right to minimum wage protection. This legally binding instrument will encourage the implementation of a new minimum wage policy in the member states, and especially for Bulgaria, it will stimulate negotiations on the development of a transparent mechanism for determining the minimum wage for the country. The ambitions of the European leaders are the new legislation to promote the adequacy of minimum wages and to achieve decent living and working conditions for European workers/employees. This policy line follows the vision outlined in the sixth principle of the European Pillar of Social Rights (EPSR), Chapter 2 on fair working conditions. The EPSR further stipulates that all wages "should be determined in a transparent and predictable manner in accordance with national practices and respecting the autonomy of the social partners".

8.2. Key elements of the Directive relevant to the social partners:

Definitions (Art. 3):

8.2.1. The directive provides a legal definition of some concepts, including:

a. minimum wage: "minimum remuneration established by law or a collective labour agreement, which the employer, including in the public sector, is obliged to pay to workers for the performance of work during a certain period";

b. collective bargaining coverage: "the share of workers at national level to whom collective labour agreements apply, calculated as the ratio between the number of workers covered by CLA and the number of workers whose working conditions can be regulated by CLA, according to the national legislation and practices".

Promotion of collective bargaining to determine remuneration (Art. 4)

8.2.2. Member States, with the participation of the social partners, should promote the building and strengthening of the capacity of the social partners to participate in collective bargaining to determine remuneration and in particular - at national or sectoral level.

8.2.3. The social partners must have access to appropriate information to be able to perform their functions related to collective bargaining in relation to pay.

8.2.4. Member States in which the coverage of collective labour agreements is lower than 80% undertake to draw up an action plan that outlines a clear time frame and concrete measures to progressively increase the share of coverage of collective labour agreements. This plan is drawn up either after consultation with the social partners or on the basis of an agreement between them and on the basis of their common request.

Procedure for establishing adequate minimum wages (Art. 5)

8.2.5. Member States that have a Statutory Minimum Wage (SMW) should adopt a procedure for defining and updating the minimum wage. The procedure should be in line with clearly defined criteria contributing to the adequacy of the SMW, with a view to achieving a decent standard of living, reducing the "working poor" and the gender pay gap, which can be given relative weight, taking into account national socio-economic conditions. Member States should define these criteria in accordance with their national practices, either through a change in the relevant legislation, or through a decision of the competent authority, or through tripartite agreements.

8.2.6. National criteria should cover at least the following elements:

a. the purchasing power of SMW, taking into account the cost of living;

б. the general level of wages and their distribution;

в. the rate of wage growth;

to long-term levels of national productivity and development.

8.2.7. In addition, Member States may apply automatic mechanisms for the indexation of the SMW, as long as the application of these mechanisms does not lead to a reduction in its amount. In case of application of an automatic mechanism, the Directive stipulates that the SMW should be updated at a period not longer than 4 years. In case an automatic mechanism is not used, the amount of the SMW should be updated promptly and regularly at least once every two years (Art. 5,para. 5).

8.2.8. For the purposes of assessing the adequacy of the SMW, Member States shall use indicative reference values. The Directive indicates possible reference values used at international level, such as 60% of gross median wage and 50% of the gross average wage. Each country is free to determine the exact reference values to use - apart from those specified as an example in the Directive and others used at the national level (Art. 5,para. 4 of the Directive).

Involvement of social partners in determining and updating SMW. Advisory bodies

8.2.9. Each member state must determine or create one or more advisory bodies to advise the competent authorities on issues related to the SMW, ensuring the operational functioning of these bodies.

8.2.10. In addition to participating in the specially designated advisory body, Member States must take the necessary measures to ensure that the social partners are promptly and effectively involved in the process of defining and updating the SMW, by participating in the discussions during the decision-making process, including:

а. when determining and applying the criterion for determining the amount of the SMW and the formula for indexing the SMW and its change (in case such a formula exists);

б. selection and application of the indicative reference values for assessing the adequacy of the SMW;

в. the decisions related to the collection of data and the conduct of studies and analyses to provide the necessary information for the competent authorities involved in the determination of the SMW.

Public procurement and concession contracts

8.2.11. With the transposition of the Directive, respect for the right of association and collective bargaining must be guaranteed (incl. of Conventions 87 and 98 of the ILO) by economic operators and their subcontractors in the execution of public procurement and concession contracts. Together with the social partners, measures should be agreed to improve control by labour inspectorates, develop the capabilities of law enforcement authorities to pursue employers who do not provide MW, but also publicly available and easily accessible information on the amount of MW.

9. Opinions of the social partners on the implementation of the Directive

9.1. With the upcoming process of transposition of the Directive, it is expected that clear guidelines will be developed for the principles and criteria for the formation and dynamics of the MW. The social partners enter with different starting positions regarding the criteria for assessing the adequacy of the SMW.

9.1.1. The trade union organizations are focused on the understanding that the minimum threshold as the reference value of the MW should be equal to 50% of the MW for the first half of the previous year. On this basis, further testing of the amount with the necessary means of subsistence is necessary to reach a level of adequacy of the MW to ensure that the basic needs of the workers are met.

9.1.2. Employers are of the opinion that a set of criteria is needed to assess the adequacy of the MW. Prior to assessing the adequacy of the MW on the basis of comparison with any gross values of the average or the median wage of the country, employers raise the question of the concept of minimum wage, as far as the minimum wage is currently accepted as the basic wage, excluding the additional mandatory payments related to acquired work experience and professional experience. The comparison is between net and gross values, which, according to employers, leads to incorrect estimates in the ratios.

9.1.3. Employers are debating the need to change the components included in the minimum wage, including additional mandatory payments for work experience and professional experience. According to data from an ILO study[16], while in Bulgaria, Hungary and Spain all supplements to the salary are excluded, the legislation of a significant number of countries takes them into account[17]. The unions are demanding that an interpretative text of the understanding be requested on the ratio of MW/AW, as there are currently no official statistics from Eurostat or any other authorized institution to measure in the way employers are proposing. Eurostat's methodology measures the ratio of the statutory minimum wage to the gross average wage. The measurement approach for all member countries is the same.

9.2. With a view to planning the implementation process of the Directive, according to ESC, it is necessary to create a working group with the participation of the social partners, which will prepare a report on the necessary legal and organizational actions and their financial provision, including:

9.2.1. to carry out an analysis of the current legal and secondary legislation, including and with a view to providing information on the coverage of collective labour agreements and to make proposals for amending the regulations;

9.2.2. to identify measures related to increasing the capacity of the social partners, at the national and sectoral/branch level, and to indicate the sources of funding.

9.2.3. to prepare a concept for possible approaches and steps necessary to adopt an action plan to increase the coverage of collective labour agreements and for adequate MW, to increase the coverage of employees with CLA in the sectors - at the industry/branch level, at the enterprise level and by municipalities for activities financed from the municipal budgets.

9.3. According to ESC, regardless of the differences between them in the transposition of the Directive, the state should determine the national criteria for assessing the adequacy of the minimum wage through dialogue and negotiations with the social partners.

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[17] In Lithuania, the minimum wage consists of the basic wage and any direct additional payments paid by the employer to the worker or employee for the work performed. In Luxembourg, all salary supplements such as allowances and tips are included. The same is true in Belgium and France. In Slovenia, the minimum wage consists of the basic wage, a part of the wage for good results and additional pay. The Polish government states in its report that some bonuses are included in the minimum wage, for example seniority bonuses, bonuses related to the special nature of the work or a certain qualification, and other bonuses are not taken into account, such as annual bonuses and sharing the profit. In Portugal, the minimum guaranteed monthly salary includes sales commissions and performance bonuses, benefits due under the terms of the contract or otherwise, and those which, due to their importance and regular and permanent nature, should be considered an integral part of the salary in accordance with the practice. Finally, based on the collective agreements reviewed for the purposes of this study, it appears that some collective agreements provide for the inclusion of certain wage supplements in the calculation of the minimum wage. For example, in Italy, under the provisions of the national collective agreement in the construction sector, the minimum wage consists of the basic wage as well as a sector-specific allowance. Some countries include benefits in kind for minimum wage purposes (e.g. France, Portugal, Belgium, Luxembourg and Ireland).

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