

PD ABF-368
S 1077

QUARTERLY REPORT
TO THE
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Regarding activities and expenditures
undertaken pursuant to **Grant No. EUR-0017-G-00-2025-00**

for the Fourth Quarter of 1992
(October 1, 1992 through December 31, 1992)

TABLE OF CONTENTS

	PAGE
PROJECT ACTIVITIES	
Introduction	3
<u>POLAND</u>	
NSZZ Solidarnosc	4
Economic Foundation of the NSZZ Solidarnosc	6
Rural Solidarity	8
Warsaw Office	10
<u>OTHER COUNTRIES</u>	
Albania	11
Baltic States	12
Bulgaria	14
Czechoslovakia	16
Hungary	18
Romania	20
<u>REGIONAL</u>	
Development of Independent Trade Unions by Trade and Industry	23
AFL-CIO Technical and Policy Formation Assistance Program	24
Assistance to Trade Union Publications in Central and Eastern Europe	26
Multilateral Democratic Education and Training	28

Regional Documentation Center - Warsaw	30
Regional Office -- Sofia	31
Regional Conferences	34
FINANCIAL SUMMARY	35
REPORT DISTRIBUTION LIST	37
ATTACHMENTS	38

INTRODUCTION

This report briefly presents information by country or regional project for the period October 1, 1992 through December 31, 1992. All activities discussed herein were funded under the terms of the grant agreement between the U.S. Agency for International Development (A.I.D.) and the Free Trade Union Institute (FTUI).

This report covers only those efforts already underway as of December 31, 1992. In some cases, even where narrative program reports have been received, complete reporting of overseas financial transactions (and documentation thereof) cannot be completed and verified within 30 days. In these cases, financial information will be completed in subsequent reports.

In the amendment that was approved in September, 1992 additional funds were allotted to the Warsaw Office, the Regional Office in Sofia and for a new project, the Regional Documentation Center in Warsaw, all in one project for \$122,211. We are proposing, for reporting purposes, to separate this project -- add \$34,861 to the Warsaw Office budget; add \$37,350 to Regional Office - Sofia and then report on the Regional Documentation Center in Warsaw (\$50,000) separately. See the following page for the breakdown by project and budget.

A financial summary is included at the end of the report.

CONSOLIDATED USAID 1992 GRANT SUMMARY

3A

	<u>Current</u>	<u>Amendment</u>	<u>Total</u>
<u>POLAND</u>			
NSZZ Solidarnosc	\$1,250,000		
Economic Foundation, NSZZ Solidarnosc	75,000	\$ 137,500	\$1,387,500
Rural Solidarity	45,000		75,000
Warsaw Office	150,000	34,861	45,000
			184,861
<u>OTHER COUNTRIES</u>			
Albania	\$ 30,000		30,000
Baltic States		291,155	291,155
Bulgaria	50,000	226,938	276,938
Czechoslovakia		50,000	50,000
Hungary	350,000	225,002	575,002
Romania	127,356	200,208	327,564
<u>REGIONAL</u>			
Development of Independent Unions by Trade and Industry	\$ 77,675		77,675
AFL-CIO Technical and Policy Formation Assistance Program	212,650		212,650
Assistance to Trade Union Publications in Central and Eastern Europe	200,000		200,000
Multilateral Democratic Education and Training Program	100,000		100,000
Regional Documentation Center - Warsaw		50,000	50,000
Regional Office - Sofia	<u>250,000</u>	37,350	287,350
Regional Conferences		<u>45,000</u>	<u>45,000</u>
Total Direct Costs	\$2,917,681	\$1,298,014	4,215,695
Indirect Costs	<u>355,958</u>	<u>158,358</u>	<u>514,316</u>
TOTAL	<u>\$3,273,639</u>	<u>\$1,456,372</u>	<u>\$4,730,011</u>

1. **POLAND/NSZZ SOLIDARNOSC - \$1,387,500**

A. Summary Description of Project Activities for the Quarter ending 12/31/92:

The Education activities included training programs for labor educators in the field of health insurance, work area safety and health and national economics. A three-day seminar was held in Sopot for 32 people September 27-29 on health insurance.

The Legal Support Program's 25 offices conducted over 1000 consultations during the quarter. Examples of the type of work performed by the legal staff include: requests from unemployed members seeking compensation for vacation entitlements, retirement or severance pay; intervention in state agencies regarding conditions of work at the job site, including safety and health; application and revision of work contracts and payment for work; consultation in civil administration, including problems related to housing; direct intervention at the workplace related to hiring and firing. A summary of the cases includes 750 legal consultations for members, 230 consultations in civil law, 80 direct interventions at job sites, and 60 court cases. The demand for assistance from the legal support attorneys has grown in recent months, in part due to private employers flouting the law and because of the increased number of unemployed workers seeking free assistance from the union.

The 13 offices of the NSZZ Solidarnosc Consulting and Negotiating Bureaus (BKN) completed approximately 2400 cases and phone consultations during the quarter. As evidence of the distinction the BKN's are receiving, the Kurier Mazowsza published in its pages 20 different texts of BKN origin. Other BKN, in Lublin and Katowice for example, published their own documents, numbering 10 and 8, respectively. Education programs of the BKN staff covered a variety of topics, including analyses of company financial data and negotiations techniques. BKN staff also issue opinions on government documents, such as the national budget, for NSZZ Solidarnosc leadership.

The portion of the report on activities relating to the Economic Development program were not received in time to include in this report.

A portion of the grant supports the costs of 3 staff people in Solidarity headquarters, 2 professionals and a support staff.

B. Implementation Status:

The implementation is on schedule.

C. Activities Planned for the Next Quarter (1/1/93 - 3/31/93):

FTUI expects to transfer funds for the purchase of computer equipment that will link all regional offices of Solidarity. At an appropriate time, probably in the subsequent quarter, the staff person responsible for computers in the FTUI office will travel to Poland to examine the system.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

FTUI Program Officer Carolyn Lauer and FTUI Representative John Glaser will travel to Poland in February.

E. Reasons Why Established Goals Were Not Met:

Solidarity is still not linked by computer network, a goal that it falls short of due to a slow bidding process for the purchase of equipment. The bidding period closed in late December. Consummation of the purchase is expected in February.

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

The budget was increased from \$1,250,000 to \$1,387,500 in the September 1992 amendment to FTUI's AID grant. The increase will be used towards NSZZ Solidarnosc's headquarters operating costs for an additional three months, the Consulting and Negotiating Bureaus (BKNs) and the Legal Support program.

2. POLAND/ECONOMIC FOUNDATION - \$75,000

A. Summary Description of Project Activities for the Quarter ending 12/31/92:

Activities during the quarter centered on three types of activities: 1) counteracting the negative effects of unemployment; 2) collecting and distributing company economic data; and 3) stimulating the privatization process.

1) Countering the negative effects of unemployment: the Economic Foundation has a program called Small Business Promotion, which is designed to reduce unemployment by encouraging the development of small businesses. In the interest of assisting its regional offices, the national office of the Economic Foundation conducted a course during the last quarter for future managers and consultants who will specialize in promoting small businesses. A second level course to assist those who have already undertaken some type of economic activity, entitled "My Small Business -- It Is Possible," was also conducted. In each case, regional staff of the Economic Foundation are encouraged to cooperate with local labor ministry offices to fight against structural unemployment.

2) Obtaining Economic Information: a new Polish/English data base (referred to as BIG, or Economic Information Bank) was formulated during the last half of 1992. Building on the previously issued catalog and computer base, the new data base is capable of providing on-screen information on companies in Poland and then generating the information in printed form.

3) Stimulating Privatization: the goal of this effort is to encourage transformation of property to private hands, while attempting to protect Polish economic interests. The Economic Foundation participates on the National Property Boards created by the General Privatization Process rules.

In accordance with the grant, the Economic Foundation regional offices in Bydgoszcz, Slupsk, Piotrkow Trybunalski, Opole, and Bialystock purchased computers, and/or printers.

B. Implementation Status:

The project is progressing better than anticipated. Clear directives and new policy guidelines issued by the national headquarters during the last quarter have enhanced the institutional structure. Regional mandates and accountability to the national office have been clarified.

C. Activities Planned for the Next Quarter (1/1/93 - 3/31/93):

The Foundation will continue its efforts to reduce unemployment by promoting small businesses and encouraging the privatization of industry.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

Program Officer Carolyn Lauer and FTUI Representative John Glaser will travel to Poland to monitor the project in February.

E. Reasons Why Established Goals Were Not Met:

Goals are being met.

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

None to report.

3. **RURAL SOLIDARITY - \$45,000**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

The Rural Solidarity grant focuses mainly on training. During the quarter, the activities included a seminar entitled "Cooperative Banking System" in October (4-7); and two training courses on ecological farming in Mokrzeszewo, in October and in December. Other training opportunities were arranged by the staff of the Rural Solidarity training department, whose salary costs the grant supports.

B. **Implementation Status:**

Training activities and implementation of the program are on schedule.

C. **Activities Planned for the Next Quarter (1/1/93 - 3/31/93):**

Education programs will continue.

D. **International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):**

FTUI Program Officer Carolyn Lauer, along with the newly appointed FTUI Representative for Warsaw John Glaser, will travel to Warsaw in February. Meetings with officials of Rural Solidarity will be held.

E. **Reasons Why Established Goals Were Not Met:**

Training goals are being met.

F. **Other Pertinent Information:** (includes analysis and explanation of any cost overruns or high unit costs)

[Note: The following report is the third quarter report. It was received late last quarter.]

3. **RURAL SOLIDARITY - \$45,000**

A. **Summary Description of Project Activities for the Quarter ending 9/30/92:**

Rural Solidarity conducted and supervised educational projects and prepared training materials and informational bulletins. The training projects featured the following topics: organization and scope of activities of rura! cooperatives; principles for Rural Solidarity and scope of activities in local rural structures; principles and organization of cooperative banking system; implementation of cooperative bank projects.

B. **Implementation Status:**

Training programs are being implemented according to schedule.

C. **Activities Planned for the Next Quarter (10/1-12/31/92):**

Training activities will continue.

D. **International Travel Requirements Expected for the Next Quarter (10/1-12/31/92):**

None at this time.

E. **Reasons Why Established Goals Were Not Met:**

Established goals are being met.

F. **Other Pertinent Information:** (includes analysis and explanation of any cost overruns or high unit costs)

None.

4. **WARSAW OFFICE - \$184,861**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

A search for the resident representative for the FTUI Warsaw office yielded a candidate who will begin his contractual relationship with FTUI in February.

Other activities relating to the goals of the project were undertaken by the FTUI Project Evaluator, David Kopilow, who traveled to Poland in October to monitor and evaluate FTUI programs.

B. **Implementation Status:**

With the hiring of the residential representative, the implementation of the project is on target.

C. **Activities Planned for the Next Quarter (1/1/93 - 3/31/93):**

John Glaser, the FTUI residential representative who will be based in Warsaw, will travel to Poland in mid-February. The purpose of the initial visit is to introduce Mr. Glaser to leaders of Solidarity and to government representatives at the U.S. Embassy and to secure an apartment.

D. **International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):**

John Glaser will be accompanied by Program Officer Carolyn Lauer. They will travel to Poland in mid-February.

E. **Reasons Why Established Goals Were Not Met:**

Established goals are being met.

F. **Other Pertinent Information:** (includes analysis and explanation of any cost overruns or high unit costs)

An amendment in September, 1992 added \$34,861 to the budget of the Warsaw office, therefore, increasing the total from \$150,000 to \$184,861. The additional funds are for salaries, benefits, housing allowance and regional travel & per diem.

5. **ALBANIA - \$30,000**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

There have been no activities during the quarter due to the extremely difficult conditions i.e. lack of heat and water.

B. **Implementation Status:**

Activities will begin in April, 1993.

C. **Activities Planned for the Next Quarter (1/1/93 - 3/31/93):**

There are no activities planned for the next quarter. Implementation of the program will begin in April.

D. **International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):**

None.

E. **Reasons Why Established Goals Were Not Met:**

Deteriorating conditions in the country made the implementation of training programs impractical at this time. The program is set to resume in late April.

F. **Other Pertinent Information:** (includes analysis and explanation of any cost overruns or high unit costs)

None at this time.

6. **BALTIC REPUBLICS - \$291,155**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

Preliminary discussions were held with the Lithuanian Workers Union (LDS) concerning FTUI's plans to provide the union with an offset printing press under this project. FTUI has transmitted electrical and room size specifications to the LDS, so that the union can locate suitable space for the press. The LDS also began the process of setting up a separate legal entity to operate the press, so that the union will not be directly involved in the commercial operations which will help to cover the costs of purely trade union publications. Finally, the process of hiring personnel to run the printing press and coordinate publishing activities was also begun.

B. **Implementation Status:**

The groundwork has now been laid to make substantial progress in implementation during the first quarter of 1993.

C. **Activities Planned for the Next Quarter (1/1/93 - 3/31/93):**

An American, expert in print shops and knowledgeable about various types of printing presses, will be sent by FTUI to Lithuania during the next quarter (first quarter 1993). He will be accompanied by an employee of FTUI's Warsaw office who has already worked extensively with the LDS. This printing consultant will assess the union's printing needs, examine possible locations for the printing press, and make a recommendation to FTUI concerning the most suitable type of print shop for this project. The trip is projected to take place in late February.

After receiving these recommendations and analyzing them, FTUI plans to begin the equipment procurement process. It is unlikely that this process will be completed before the end of the next quarter.

In terms of training, FTUI plans to conduct a five-day basic trade union course for leaders of local LDS organizations in late March (tentative dates are March 22-27). This course will cover the statutes and structure of local trade unions, the legal rights of the trade union, recruitment of new members, and techniques for conflict resolution

and collective bargaining. The instructors will include FTUI/Warsaw Education Consultant, Ewa Sawicka, from Polish Solidarity's Bialystok Region, and the LDS' own Education Director, Krystyna Krupowiczenie.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

A printing expert/consultant will be sent from the U.S. to Vilnius, most likely during the last week in February. Since FTUI has not yet formalized these arrangements, we are unable to provide the name and exact dates at this time. However, normal notification procedures will be followed as soon as the information becomes available.

All other travel will be made from Poland. FTUI's Warsaw Office Manager, Joanna Pilarska, will accompany this consultant to Vilnius. FTUI's Warsaw Education Consultant, Ewa Sawicka will go to Vilnius for the trade union course in March.

E. Reasons Why Established Goals Were Not Met:

This program was slow getting underway due to the difficulty of securing specialists to assist in printshop procurement. Implementation is now proceeding well.

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

This is a new project that was approved in the amendment to FTUI's AID grant in September, 1992.

7. **BULGARIA - \$276,938**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

No specific program activities were planned for the quarter as noted in the previous quarterly report.

In December, FTUI conducted program consultations with Podkrepa President Konstantin Trenchev in Washington, D.C. to discuss 1993 program implementation in the light of the difficult political situation in Bulgaria and the Balkans generally. President Trenchev reviewed in detail the current trade union situation with AID/Washington Office Project officers.

The FTUI regional representative travelled out of country during part of the quarter. Details are reported under the Sofia Regional Office project.

B. **Implementation Status:**

Programs scheduled thus far have been implemented as planned.

The Confederation of Labor, Podkrepa receives occasional educational assistance from some European unions affiliated to the International Confederation of Free Trade Unions. (ICFTU) Consequently, the need for FTUI to coordinate program schedules may cause delays in implementing seminars as originally scheduled. This is primarily due to the fact that Podkrepa has a small staff of four who are responsible for managing all educational assistance to the union.

C. **Activities Planned for the Next Quarter (1/1/93 - 3/31/93):**

Four seminars entitled, "Trade Unions and Democracy" are scheduled for January 8 - 23, 1993 to take place in the cities of Velingrad and Varna. These seminars will include the participation of both branch specific and regional leaders.

Four additional seminars are scheduled for February/March 1993.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

Travel for one labor educator to Bulgaria, Jan. 8 - 23, 1993. Dates for travel in February/March are being confirmed with the Confederation of Labor at this time. Two labor educators will travel to Bulgaria for the February/March seminars.

E. Reasons Why Established Goals Were Not Met:

Most of the original program goals have been met.

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

The budget was increased from \$50,000 to \$276,938 in the amendment to the FTUI AID grant in September, 1992. The increase in funds accommodates additional training programs, purchase of newsprint, and translation and publication of materials.

8. CZECHOSLOVAKIA - \$50,000

A. Summary Description of Project Activities for the Quarter ending 12/31/92:

No substantive project activities were conducted during the fourth quarter.

B. Implementation Status:

Implementation of the project has been delayed pending the dissolution of the country into its two constituent republics. It is not yet clear if the Czech and Slovak Confederation of Trade Unions (CSKOS) will survive much beyond January 1, 1993, although the organization continues to request that programs be channelled through its headquarters in Prague. Discussions have been held with an American trade unionist of Slovak origin who may be willing to undertake the initial exploratory mission, probably to Slovakia, that is required to begin the program.

FTUI continues to anticipate that the project will be implemented in 1993.

C. Activities Planned for the Next Quarter (1/1/93 - 3/31/93):

As mentioned above, FTUI expects to send a consultant to Slovakia during the first quarter of 1993. At a time when certain human rights may be in jeopardy in Slovakia, maintaining a visible relationship between the AFL-CIO and the Slovak Confederation of Trade Unions will indicate that respect for the protection of such rights is paramount.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

A consultant as well as a FTUI staff visit to the Czech Republic and the Slovak Republic are expected.

E. Reasons Why Established Goals Were Not Met:

Attention during the previous 6 months has been focused on the dissolution of the federal relationship between the two republics. FTUI has demonstrated its neutral support for both republics by maintaining telephone contact with representatives of the CSKOS. Implementation of the project in one republic at the apparent expense of the other seemed unwise.

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

This is a new program that was approved in the September 1992 amendment to FTUI's AID grant.

9. **HUNGARY - \$575,002**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

The League and the Hungarian Workers Councils continued to distribute and publish informational flyers regarding the national trade union elections scheduled for March/April 1993 at a slowed pace.

Much of the quarter's activity focused on planning and coordinating activities for the League's Congress scheduled for January 29-31, 1993. International trade union leaders from Central and Eastern Europe, the U.S. and the former Soviet Union have been invited to attend. New elections will be held at the Congress and some changes in the leadership are expected. Larger branch unions and regional organizations will have the right to nominate Executive Committee members and relevant by-laws will be changed accordingly.

B. **Implementation Status:**

The cooperation between the League and the Workers Council continues to be excellent on all levels. Meetings between the two unions have occurred on a daily basis with regards to the planning of election programs.

As mentioned in the previous report, elections re-scheduled for November, 1992, have been delayed until March/April 1993. At this writing, a scheduled date has not been selected by the parliament for the commencement of the elections within the above mentioned time frame. This indicates that there is a strong likelihood that elections may again be delayed.

An updated memorandum on explaining the current status of the trade union elections and other relevant trade union developments is attached.

C. **Activities Planned for the Next Quarter (1/1/93 - 3/31/93):**

The League and the Workers Council plan to finish preparations for printing and distribution of final election materials. Special inserts for regional and daily newspapers will be prepared by headquarters and placed between March 1 and March 18, 1993. As mentioned in the previous report, all of the League's large branch unions and regional

organizations will receive financial assistance to duplicate these projects on the local level.

In addition, media projects such as placing radio and T.V. advertisements to be aired between March 1 and March 18, 1993 will be undertaken by the League.

Election observers from the League and the HWC organizing staff will also be trained to monitor and document the openness of the voting process in the workplace.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

One FTUI senior staff member will travel to Hungary under a separate NED funded project to attend the Congress and monitor election programs of the League and the Hungarian Workers Councils.

E. Reasons Why Established Goals Were Not Met:

As reported last quarter, while program implementation continued on schedule, the end results cannot be measured until the trade union elections, mandated by law, are finally held. They have now been postponed by Parliament until March/April 1993.

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

This project received supplemental funding of \$225,002 approved in September 1992. These funds may only be used for post-trade union election projects outlined specifically in the project proposal. The majority of funds under this amendment will be used to support a post-election membership/organizing effort of the League.

10. **ROMANIA - \$327,564**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

During the quarter, a consultation was held in Washington, D.C. with the FTUI in-country representative, Anca Hassing, in October, 1992. As a result of that consultation, the following activities occurred:

- The FTUI representative travelled to all the cities where the FTUI pre-election program had been conducted and evaluated the results. The representative also distributed the publications as a follow-up to the pre-election civic education program.

During the quarter, Ms. Hassing travelled to Iasi where she met with leaders of the BNS, Alfa Cartel, Fratia and its affiliate Sanitas. In November, she travelled to Timisoara, Cluj and Tirgu Mures to meet with local and regional leaders. She also travelled to Brasov to attend the ACI 15 November first Congress held from December 11-12, 1993.

- The representative also: conducted an in-depth assessment of the impact of the election results on all the trade union formations. She met with many trade union leaders to discuss their organizational strategies in the new political environment. From these meetings, an assessment will be made of the training and education needs of the trade unions according to the leaders.

- Continued coalition building and networking activities by having meetings with civic and human rights groups and leaders.

- Began to lay the groundwork for the upcoming training programs to be held in Romania i.e. select topics, select teachers, develop and translate materials, pick cities to have programs in, and various other in-country details.

- Further became acquainted with the BNS' activities, membership, leaders of affiliates and executive council members.

- Monitored worker and human rights abuses and reported back to FTUI headquarters.

- Began the process of registering the FTUI office with the authorities.

- Verified the location and condition of the equipment loaned to the ACI 15 November. She submitted a detailed report with the conclusions of her inspection mission.

The ACI 15 November sent FTUI a report on their activities during the quarter. They supported the Democratic Convention and its candidate Emil Constantinescu during the national elections held in September, 1992. The confederation participated in the electoral campaign by distributing get-out-the-vote materials to its members throughout the country. They confirmed that the equipment sent to them by FTUI helps in the production of educational materials for their members.

The FTUI office has a functioning fax machine again and a copier has been purchased.

B. Implementation Status:

The program is proceeding according to schedule and is reviewed regularly through consultations with the field representative.

C. Activities Planned for the Next Quarter (1/1/93 - 3/31/93):

A consultation will occur with the in-country representative in January and March, 1993. The results of those consultations on program planning will be detailed in the next quarter report to AID.

Mrs. Hassing will continue planning for the training programs at the grassroots trade union level. She will also continue to meet with all the trade unions; to monitor the ACI 15 November's activities and its use of the equipment; and to report monthly on the political, economic, and trade union situation in Romania.

An American trade union specialist will be sent to evaluate the BNS confederation in early March 1993, to determine how FTUI can provide assistance.

The FTUI database currently comprises about 450 names of union leaders from 12 cities. A complete file includes the name, trade, city, affiliation at different levels, function in the union/federation/confederation, addresses (office & home), telephone number (office & home), observations. Approximately 200 more persons have to be processed. The files are by and large based on the participants in the 1992 FTUI seminars.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

Our representative will return for consultations and training at the George Meany Center for Labor Studies in March 1993.

E. Reasons Why Established Goals Were Not Met:

Established goals are being met.

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

The budget has increased from \$127,356 to \$327,564 to accommodate another 6 months of salaries, operating costs and programs of the FTUI office in Romania. The increase was included in the September 1992 amendment to the FTUI AID grant.

11. **DEVELOPMENT OF INDEPENDENT UNIONS BY TRADE AND INDUSTRY - \$77,675**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

No substantive project activities occurred during the quarter. Discussions with the Director of International Affairs of the International Ladies Garment Workers Union were expected to yield a proposal for activities in Poland or Czechoslovakia, but it now appears that the remaining funds will be directed elsewhere within the same parameters of the program. Late in 1992, FTUI received a proposal from the Communications Workers of America for a study program in the U.S.

B. **Implementation Status:**

Implementation is slightly slower than anticipated, but FTUI expects to have a firm commitment from an AFL-CIO affiliate during the first quarter of 1993.

C. **Activities Planned for the Next Quarter (1/1/93 - 3/31/93):**

FTUI expects that a firm commitment will be made with the Communications Workers of America.

D. **International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):**

No travel under this program is anticipated.

E. **Reasons Why Established Goals Were Not Met:**

The anticipated participation of an affiliated union did not materialize.

F. **Other Pertinent Information:** (includes analysis and explanation of any cost overruns or high unit costs)

Nothing to report.

12. **AFL-CIO TECHNICAL AND POLICY FORMATION ASSISTANCE PROGRAM - \$212,650**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

No project activities were undertaken during this quarter. However, money has been allocated from this project for activities listed under section "C".

B. **Implementation Status:**

Money for this project was reprogrammed twice. First it was reprogrammed for the purpose of mobilizing worker support for defense conversion. Later it was reprogrammed back to its original purpose when it turned out that the special office USAID had set up specifically for defense conversion had allocated all of its money without consideration for a labor component.

C. **Activities Planned for the Next Quarter (1/1/93 - 3/31/93):**

Leon Wickersham will be hired as a consultant to coordinate FTUI's technical assistance activities.

Consultants from Poland's Solidarnosc will travel to Bulgaria to provide technical assistance to Podkrepa on restructuring enterprises.

The New York State School of Industrial and Labor Relations of Cornell University will receive a grant to continue its cooperative program at the Center for Participative Management and Industrial Development in Lodz, Poland. The purpose of the center is to develop expertise within Poland for establishing new work systems in enterprises, thereby enabling them to remain solvent in the new economic environment of a free market. The approach involves cooperation between workers and the management of the firm.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

Two Solidarity activists will travel from Poland to Bulgaria.

Peter Lazes of Cornell University will travel to Lodz, Poland.

E. Reasons Why Established Goals Were Not Met:

See "implementation status."

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

Nothing to report.

13. **ASSISTANCE TO TRADE UNION PUBLICATIONS IN CEE - \$200,000**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

Hungary

Equipment and supplies were shipped to the Democratic League of Independent Trade Unions in December 1992. Delays in consolidation of commodities have postponed the scheduled arrival date of equipment until January 1993.

Specific Training and installation schedules were finalized with FTUI's procurement agency and with the manufacturer's representatives. In Hungary training and installation is scheduled for February 8 - 19, 1993.

Bulgaria

During the quarter under review, FTUI finalized and ordered the selection of the printshop for Bulgaria. FTUI field representative and Washington staff held meetings in October and selected final list of commodities for Bulgaria. The Confederation of Labor, Podkrepa also began preliminary site inspection for the location of the shop.

B. **Implementation Status:**

Installation and Training on all equipment will be completed by early February, 1993 in Hungary.

In Bulgaria, the arrival of equipment is scheduled for March 15, 1993.

C. **Activities Planned for the Next Quarter (1/1/93 - 3/31/93):**

FTUI's procurement agency will facilitate and coordinate all in-country training for selected printshop staff of the League.

Installation and Training programs for Bulgaria will be finalized during the quarter.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

Three roundtrips, U.S. to Budapest for equipment installation and training will be required. FTUI Senior Policy Advisor will travel to Hungary during the next quarter and will report on the status of the printshop implementation.

Three roundtrips, U.S. to Sofia, Bulgaria for equipment installation and training. The FTUI field representative will monitor the progress of this project and coordinate program plans with the Confederation of Labor, Podkrepa.

E. Reasons Why Established Goals Were Not Met:

Progress continues to be made on this project despite typical shipment complications. The Democratic League in Hungary has selected a master printer to manage the project and has prepared for the arrival of the large shipment.

In Hungary, there were typical customs clearance delays, however, the equipment did arrive in January, 1993.

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

A cost overrun on shipping may be incurred due to the equipment which was held in customs for an additional 3 days in Hungary.

14. **MULTILATERAL DEMOCRATIC EDUCATION AND TRAINING PROGRAM - \$100,000**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

Two seminars on the topic of Privatization were conducted from November 9-14, 1993. Both seminars took place in the Sofia region and included the participation of 74 regional, branch and national level leaders of the Confederation of Labor, Podkrepa.

Both seminars were taught by Collin Gonze, FTUI consultant and Daniel Sieber, Swiss Federation (SGB). Mr. Sieber's full participation will continue to be an in-kind contribution to this project in 1993. Two economists also participated in the seminars from the newly formed Bulgarian Privatization Agency and from Podkrepa's Economics Department.

Documents and materials distributed at the seminars included "The Solidarity Approach to Polish Privatization" by Richard Kuszleyko, Executive Council Member, Katowice, Poland; "The Economic Crisis, Employment and Unemployment in Bulgaria" by Dr. Todor Radev, Institute of Economics, Bulgarian Academy of Science.

Relevant attachments and seminar schedules are attached. Also attached is one newspaper article from the newspaper, DUMA, which reported briefly on the seminars.

B. **Implementation Status:**

This education program has been well received by all leadership levels within the Podkrepa structure. Information about all aspects of the concept of privatization continue to be woefully inadequate at all levels within the trade union. Thus, Podkrepa has requested more workshops and seminars about the process itself, calling on the testimony of other East Europeans as well as Western lecturers with experience in market-oriented economies.

Through this project, FTUI hopes to assist Podkrepa ultimately in: 1) developing a consensus and policy on the trade union's approach to privatization and 2) assisting Podkrepa to develop a small cadre of Podkrepa specialists on the topic who can provide basic guidance to 15 branch and 35 regional and sectional representatives during the economic transition of the country.

C. Activities Planned for the Next Quarter (1/1/93 - 3/31/93):

Four seminars are planned for regional and branch organizations of the Confederation of Labor, Podkrepa for January 18 - 24 and February 8 - 12, 1993. These seminars will continue to expand on the topic: "Podkrepa in the Transition To a Market Economy" and new regional and branch leaders from around the country will be invited.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

One labor educator will travel to Bulgaria to teach four seminars on privatization scheduled for January 18-24, 1993 and February 8-12, 1993.

E. Reasons Why Established Goals Were Not Met:

Program goals continue to be met.

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

Nothing to report.

15. **REGIONAL DOCUMENTATION CENTER - WARSAW - \$ 50,000**

A. **Summary Description of Project Activities for the Quarter ending 12/31/92:**

There were no project activities during the quarter.

B. **Implementation Status:**

This program has not yet been implemented.

C. **Activities Planned for the Next Quarter (1/1/93 - 3/31/93):**

None at this time.

D. **International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):**

None at this time.

E. **Reasons Why Established Goals Were Not Met:**

There have been scheduling and logistical problems which have delayed the meeting of the established goals.

F. **Other Pertinent Information:** (includes analysis and explanation of any cost overruns or high unit costs)

This is a new project that was approved in the September 1992 amendment to the FTUI AID grant.

16. REGIONAL OFFICE -- SOFIA - \$287,350

A. Summary Description of Project Activities for the Quarter ending 12/31/92:

From October 1-26, the FTUI representative travelled to Washington for program and administrative consultations. As a result of these consultations, basic education topics and seminars approved for implementation in the field include:

- Union's role in a democratic society
- Effective leadership and communications
- Union administration and Finance
- Collective bargaining and negotiations
- Membership services
- Union Organizing
- Union's role in transition to a market-oriented economy
- Safety and Health

In November, the field representative attended a regional trade union conference sponsored by FTUI, November 16-18, 1992 in Warsaw, Poland. FTUI Field personnel from the Former Soviet Union (FSU), Poland, Kiev attended the conference in addition to trade unionists from Poland (Solidarnosc), Hungary (Liga), the FSU and Bulgaria (Podkrepa). This was the first opportunity for leaders to share trade union perspectives on the current role of labor unions in the economic transitions within each of their respective countries. The AFL-CIO's President Kirkland opened the three day conference.

The FTUI field representative remained in Poland for an additional three days to consult with Solidarnosc's leadership on the possibility of assisting Podkrepa with future projects that would address unemployment, and industrial restructuring as it relates to the trade unions. As a result of this visit, FTUI will involve Solidarnosc's experts and trainers in future FTUI/Podkrepa educational programs.

From December 14 - January 18, 1992, the field office representative returned to Washington for field staff consultations and to finalize development of a Worker Rights Pilot Program.

The Worker Rights Pilot Program:

As a result of high level discussions with AFL-CIO/FTUI staff, the FTUI representative began to develop a basic worker rights pilot program. This program which is scheduled to begin in Bulgaria in June, is an

effort to equip trade union leaders with a concrete understanding of the international community's accords on fundamental human and worker rights in the face of an increasing number of human rights violations occurring daily throughout the region.

B. Implementation Status:

FTUI's office continues to be a fundamental link to the successful implementation of all FTUI programs. Noting the current fluid political and economic transition in Bulgaria, FTUI continues to support the need for a permanent office in Sofia, Bulgaria.

The FTUI representative continues to pursue solving the previously mentioned problems of:

- o finding permanent housing
- o obtaining legal registration for the FTUI office
- o hiring additional qualified staff

Other detailed AID-funded seminar program activities implemented with the full assistance of the regional office can be found under two separate projects entitled Multilateral Democracy and Bulgaria.

C. Activities Planned for the Next Quarter (1/1/93 - 3/31/93):

FTUI has scheduled the following primary activities for the next quarter:

1. Assist in the implementation of in-country seminars planned for January - March, 1993 under separate AID funded projects.
2. Proceed with the coordination and formation of FTUI/Podkrepa Printshop Committee.
3. Coordinate the in-country logistics for the installation of the printshop scheduled for March 1993 and the training of its staff.
4. Attend and report on one regional conference sponsored by the U.S. Department of Labor on Unemployment and Massive Layoff response systems scheduled for February 24-27, 1993.
5. Complete training of in-country staff on office equipment.
6. Provide full in-country support to all AFL-CIO/FTUI visitors and educators travelling to Bulgaria during the next quarter.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

No international travel is scheduled for the Sofia Regional Staff at this time.

E. Reasons Why Established Goals Were Not Met:

Implementation schedules for the goals of this office continue to be met.

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

In September 1992, an amendment was approved which added \$37,350 in additional salary support and in-country travel for the Sofia Office for a period of three months.

Communications and Postage costs have slightly exceeded the budget due to the underestimation of air-shipment costs. FTUI hopes to alleviate this problem by obtaining basic mail privileges from the U.S. Embassy.

17. REGIONAL CONFERENCES - \$45,000

A. Summary Description of Project Activities for the Quarter ending 12/31/92:

There were no project activities during the quarter.

B. Implementation Status:

Groundwork is being laid to implement this project in the near future.

C. Activities Planned for the Next Quarter (1/1/93 - 3/31/93):

Meetings will be held with FTUI field and headquarters staff to discuss the schedule for the regional conferences.

D. International Travel Requirements Expected for the Next Quarter (1/1/93 - 3/31/93):

None.

E. Reasons Why Established Goals Were Not Met:

The achievement of established goals are behind schedule, due to the need to focus on other priority projects.

F. Other Pertinent Information: (includes analysis and explanation of any cost overruns or high unit costs)

This project was approved as a part of an amendment to the FTUI AID grant in September, 1992.

**Financial Summary of AID Grant No. EUR-0017-G-00-2025-00
for the Period 10/1/1992 through 12/31/1992**

	<u>Budget</u>	<u>Prior Expenses</u>	<u>Current Expenses</u>	<u>Cumulative Expenses</u>
1. NSZZ Solidarity	\$ 1,387,500	\$ 373,790.24	\$ 227,863.10	\$ 601,653.34
2. Economic Foundation	75,000	- 0 -	- 0 -	- 0 -
3. Rural Solidarity	45,000	19,371.00	- 0 -	19,371.00
4. Warsaw Office	184,861	5,573.10	- 0 -	5,573.10
5. Albania	30,000	373.68	- 0 -	373.68
6. Baltic States	291,155	- 0 -	- 0 -	- 0 -
7. Bulgaria	276,938	27.22	20,296.73	20,323.95
8. Czechoslovakia	50,000	- 0 -	- 0 -	- 0 -
8. Hungary	575,002	86,165.00	- 0 -	86,165.00
9. Romania	327,564	45,326.66	33,675.12	79,001.78
10. Union-to-Union	77,675	- 0 -	- 0 -	- 0 -
11. AFL-CIO Technical Assistance	212,650	- 0 -	2,572.00	2,572.00
12. Assistance to Trade Union Publications in Central and E. Europe	200,000	100,000.00	78,356.80	178,356.80
13. Multilateral Democratic Education and Training Program	100,000	3,231.66	24,974.53	28,206.19

**Financial Summary of AID Grant No. EUR-0017-G-00-2025-00
for the Period 10/1/1992 through 12/31/1992**

	<u>Budget</u>	<u>Prior Expenses</u>	<u>Current Expenses</u>	<u>Cumulative Expenses</u>
14. Regional Center - Warsaw	50,000	- 0 -	- 0 -	- 0 -
15. Regional Office - Sofia	287,350	45,930.49	73,791.27	119,721.76
16. Regional Conferences	45,000	- 0 -	- 0 -	- 0 -
Total Program	\$ 4,215,695	\$ 679,789.05	\$ 461,529.55	\$1,141,318.60
FTUI Administration	<u>514,316</u>	<u>156,370.02</u>	<u>32,029.75</u>	<u>188,399.77</u>
TOTAL	\$ 4,730,011	\$ 836,159.07	\$ 493,559.30	\$1,329,718.37

FREE TRADE UNION INSTITUTE
PROGRAM PERFORMANCE REPORT DISTRIBUTION LIST

<u>No. of Copies</u>	<u>Office Sent to</u>
3	Mr. Gerald Hyman EUR/DR/DPI 320 21st Street, N.W. Room 4440 Washington, D.C. 20523-0053
1	A.I.D./POL/CDIE/DI 1601 N. Kent Rosslyn, Virginia
1	Mr. William Joslin USAID/Warsaw Agency for International Development APO, N.Y., 09213-5010
1	Ms. Diane Blane AmEmbassy/Tirana PSC 59 Box 100 APO-AE, 09624
1	Mr. Gerald Zarr AmEmbassy/Sofia 1 A Stamblosky Blvd. APO, N.Y., 09213-5740
1	Mr. David Cowles USAID/Budapest Agency for International Development APO, N.Y. 09213
1	Mr. Richard Hough USAID/Bucharest Agency for International Development APO, N.Y., 09213-5260

LIST OF ATTACHMENTS

- 1. Hungary project**
- 2. Multilateral Democratic Education and Training project**

ATTACHMENT 1

MEMORANDUM ON HUNGARY

The Works Council elections will be held between March 18 and April 2, 1993. The exact day will be chosen by the President of the Hungarian Republic before the 18th of January 1993. Since the law prescribes that the election must be held on a Friday, the election will be conducted on the 19th or 26th of March.

The Works Council elections will be held on the shop premises, under the supervision of a committee composed by the individual trade union federations.

The election law presented to the Parliament states that the election campaign will start 35 days before election day and must end at midnight before election day. Radio and television will give equal time to all eight trade union federations.

The Hungarian Labor Code adopted by Parliament in 1992 directs that elections must be conducted in every workplace with fifteen or more employees. One or more employees will be elected as representatives to these statutory Works Councils. Attachment # I provides an overview of the Hungarian Labor Code and information on the composition and functions of the Works Councils.

In addition to the specific functions granted to the Works Councils, the outcome of these workplace elections will also have a direct impact on the representational rights of individual trade unions. LEAGUE and the Workers' Council are the two principal democratic union federations that have emerged to challenge the hegemony of the former Communist trade union, MSZOSZ.

The Labor Code requires employers to recognize and bargain with unions that are "representative." If a union's candidate wins a 65 percent majority of the total vote cast in the Works Council election, alone his union is authorized to negotiate a collective agreement with management, even in the presence of other unions. If, however, a union fails to receive at least ten percent of the votes at the election of the Works Council, it can be excluded from the process of collective bargaining. Thus, the outcome of these Works Council elections are most important to the new democratic trade union federations.

ELECTIONS FOR SOCIAL SECURITY BOARDS:

Elections for an autonomous Health Insurance Board and an autonomous Pension Insurance Board -- to direct the Hungarian social security system -- will be held on the same day as the Works Council elections. The trade union federations will have 30 places on the Health Insurance Board and 32 places on the Pension Insurance Board. Employers and Government together will nominate the same number of individuals.

In order to participate in the elections, trade union federations must have representation in minimum 100 work places; be represented in at least five counties out of Hungary's nineteen; and have representation in at least three branch unions.

The election for the Boards will be conducted as a general election, supervised and paid for by the Government. The polling places will be the same as in a general election. All citizens over eighteen years of age are eligible to vote, with the exception of members of the Parliament, members of the Government, and employees of the Social Security system. No minimum participation is required to make the first round of the election final.

Rules for the campaign are the same as for the Works Council elections. (see above)

Since the six major trade union federations agreed on the division of the assets, the Social Security Board elections will replace the so-called sympathy elections. The results will show which federations are the most popular.

SOCIAL CONTRACT FOR 1993:

In early November, the LEAGUE and the Workers' Council decided to suspend participation in the tripartite committee meetings until the Government nominates a high-level delegation to replace the low-level Ministry of Labor employees conducting the negotiations.

Pressed by worker unrest in the country, on November 19 the Prime Minister suddenly nominated a high-level committee -- composed of the Minister of Finance, Mihaly Kupa; the Minister of Health, Laszlo Surjan; and the Minister of Labor, Gyula Kiss -- to discuss a new "Social Contract" for 1993 with labor and employers'

representatives at tripartite committee meetings.

On November 21, following a marathon talk of 30 hours, an agreement was reached on the 1993 Social Contract. The main points are:

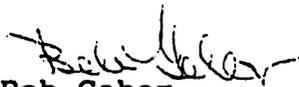
- a) From February 1, 1993, the minimum wage will be raised to Forint 9,000 -- an increase of 15 percent;
- b) Old age pensions will be raised on March 1, 1993, by an average of 14 percent;
- c) Family allowances -- as of March 1, 1993 -- will increase monthly by 150 Forints;
- d) Ten billions Forints will be allocated from the budget for the wage increases of public employees;
- e) The present 6 and 25 percent VAT rates (sales tax) on medicines and household energy will not be increased;
- f) The duration and sum of unemployment benefits will change from March 1, 1993.

All trade unions participating at the tripartite meeting, with the exception of Szolidaritás, signed the above agreement. The Social Contract was presented to the Parliament on November 26.

TRADE UNION ASSETS:

The LEAGUE and the Workers' Council signed the aforementioned agreement only after receiving written assurances from the Government that the law of July 1991 concerning trade union assets will be changed. The paragraph on necessity of a consensus vote will be amended to allow a two-thirds majority; in this manner the agreement reached between the six major trade union federations on the break-up of the former communist trade union assets will be ratified. (see my policy paper dated November 19) The bill was presented by the Government -- asking for urgent vote -- to the Parliament on the 21st of December.

December 23, 1993


Bob Gabor

ATTACHMENT 2

Conference and workshops in November 1992:

Podkrepa in the Transition To a Market Economy

Dates: - 1st seminar 09 - 11 November
 - 2nd seminar 12 - 14 November

Podkrepa in the Transition To a Market Economy			
structure and method content in tagwords	teaching-form tools for teacher	Tools for participants	time
<p>Task before seminar What is your membership expecting from Privatization</p> <p>Bring the results with you</p> <p>1. Opening welcome and Introduction</p>	Jean/Sascho	Questionnaire to be distrib. before seminar	Monday/ Thursday 10
<p>Outline of - program - contents and method</p> <p>Podkrepa's actual situation (concerning Privatization) and our ideas on a systematic approach to the transition</p> <p>specialy: Organisation of own seminars by participants "What can I use for my own sem.?"</p>	Daniel	plenary	20
<p>- presentation of participants Responsibilities and expectations</p> <p>Presenting result of member- ship-consultation</p>	TR collin/daniel	documents	 45
		Flip by regions or branches	

Podkrepa in the Transition To a Market Economy			
structure and method content in tagwords	teaching-form tools for teacher	Tools for participants	time
2. <u>Preparing for change</u>			
2.1. Techniques and processes in managing change	Collin ✓		30
2.2. Goals of privatization: Survival, improvement and growth	Daniel		30
2.3. Exercise: Listing expectations of Podkr. Consequences for TU-work?	Daniel		90
2.4. Texts in documentation country surveil and TU rights		reading and discussion	
3. <u>The privatization project in Bulgaria</u> (as it exists in theory)	Collin/Daniel as Chairmen		
3.1. Legislation on Privatization, ownership and joint ventures	Exp. of Privat. Agenc.		45
3.2. Practical plan of Privatization - Schedule - Form, handling			
3.3. 6 Axloms on privatization	Collin/Daniel		20
3.3. Workshop to prepare questions	Workin-group document		30
3.4. Questions and answers Form (?)		Panel	60
4. <u>Good and bad Experiences in Eastern Europe</u>	Collin/Daniel as chairmen		Tuesday/ Friday

Handwritten notes:
 1. 1995-1996
 2. 1995-1996
 3. 1995-1996

Podkrepa in the Transition To a Market Economy			
structure and method content in tagwords	teaching-form tools for teacher	Tools for participants	time
Countries under aspect of: - Process of Privatization - labor movement response			
4.1. Hungary	X Valters ^S Bauer	Documents	45
4.2. Poland	?	Documents	45
4.3. Workshop to prepare - Questions - Drawing tentative conclusions from their experiences			45
4.4. Discussion of conclusions		60	
4.5. Workshop to improve conclusions under aspect of Bulgarian situation Presentation			60
5. <u>Identifying problems of the Bulgarian Economy</u>	<u>Collin/Daniel</u> as chairmen		
5.1. Inheritance of soviet model in industry, commerce, banking, agriculture and militarization of the economy	Podkrepa Econom.	45	
5.2. What hopes for these sectors? Introduction in method of systematic analysis and action	<u>Collin/Daniel</u>	30	
5.3. Workshops in main economic sectors Hopes and acts	Collin/Daniel	60	
5.4. Plenary discussion			45
6. <u>Podkrepa and Privatization</u>			
6.1. Presentation of policies and proposals concerning:	<u>Collin/Daniel</u> as chairmen		Wednesday/ Saturday

1/k

Podkrepa in the Transition To a Market Economy			
structure and method content in tagwords	teaching-form tools for teacher	Tools for participants	time
<ul style="list-style-type: none"> - legislation - mutual aid fund - collective bargaining with privat empl. - unemployment as a result of - privatization - new qualifications - retraining and education 	Podkr. exp.		45
<p>6.2. Workshop on <i>2/5/8/10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/100</i></p> <ul style="list-style-type: none"> - present policies - future policies <p>to deal with transition</p>			45
<p>Prepare a draft resolution</p>			60
<p>6.3. Plenary discussion of draft recommendations</p>			
<p>6.4. Voting on recommendations</p>			
<p>7. <u>Preparing other workshops</u></p>	Daniel		90
<p>8. <u>Evaluation</u></p>			45
<p>26. Oktober 1992 / cg & ds</p>			

СИНДИКАЛЕН СЕМИНАР

ЧУЖДИ СПЕЦИАЛИСТИ НА УЧАТ НА ПРИВАТИЗАЦИЯ

Отново в Близост работна инициатива, организирана от синдикатите на Международната конфедерация на свободните професии. Темата ще бъде:



Карел Гиер

„Ролята на „Подкрепа“ в процеса на приватизацията в България“. Какви са изискванията си?



Даниел Вебер

ниче към КТ „Подкрепа“ по отношение на организацията.

дизайнерът Колин Гейт, експерт на АФТ-КП, и специалист - Даниел Вебер от Обединените професионални професии. Секторът по социално обучение

Продължава на стр. 3

48

„Подкрепа“ щяла да контролира приватизацията

ЕКАТЕРИНА ПОПОВА

Да помогнат на КТ „Подкрепа“ при изясняването на позицията ѝ в предстоящия процес на приватизация е амбицията на синдикалисти от американските, швейцарските профсъюзи и от полския „Солдарност“. Те са основни лектори на открития вчера в Баня семинар за мистото на „Подкрепа“ в прехода към пазарна икономика. Ние сме тук не да даваме рецепти, а да съдействаме на българските си колеги сами да ги намерят, обясни г-н Даниел Зибер от Швейцария.

„Подкрепа“ ще бъде директно ангажирана в този процес най-вече като упражнява контрол например при определяне на продажните цени на предприятията, подчерта американският синдикален експерт г-н Колин Гонс. Освен теоретични лекции по различни аспекти на приватизацията участниците в семинара ще анализират и опита на източноевропейските страни.

от п
неде
собс
пан
радс
земл
Е

ния
шнв
вопа

меж
Мо
Пл
реп
ло
пр
ни
се
ят

УМА

RICHARD KUSZLEYKOS

THE "SOLIDARITY" APPROACH TO POLISH PRIVATISATION

It seems now obvious that the Polish privatisation scenario cannot be similar to that in the West. A restructuring of property rights constitutes in Poland (as in other former COMECON countries) a prerequisite of a right radical change of the whole economic mechanism, while the Western-style privatisation is aimed at improving efficiency of some selected spheres of economy. The creation of an appropriate mechanism of structural adaptation of enterprises to the stabilization programme is what really matters in Poland now. Our main task is to stimulate a drive for the optimum use of resources and to halt quickly the economic decline, with the enormous contribution of the public sector to the country's output. So to change quickly the system we have to perform the privatisation as a mass-move, having in view a true free-enterprise economy as a key objective, even if some capital-market facilities might be threatened. At the same time, however, speeding up the process is desirable not only because of the necessity to invest owners as soon as possible, but also for capital market reasons. The number of participants has to reach certain level, after all, to set capital market on foot and to establish fair market values. It should be kept in mind that it is not the immediate wealth of the State Treasury but the creation of go-ahead owners which matters most now in this country. Besides, the privatisation must be performed with some degree of social justice. The sensitive political question is how former state assets will be sold or distributed to ordinary Poles who worked out Poland's limited existing wealth. No government here can afford to be seen selling off assets that belong to the people cheaply to foreigners. Foreign equity investment is seen as vital, the general public must, nevertheless, have priority in the great sell-offs, with foreigners having opportunities to buy at later stages.

It is obvious, however, that there are few individuals within Poland who have capital to invest in the privatisation. So there would be no possibility of extensive selling of shares unless a substitute is accepted for payment. The main solution could be some coupons, granted to every citizen of this country. Under actual circumstances we in "Solidarity" try to carry into effect an employee buy-out procedure on our own terms. We are convinced that the employee ownership principle must be accepted in Poland, irrespective of how far the participation of workers in the economic process might be appreciated elsewhere. The mass-based workers' movement is the only power that is expected to support adequately the present privatisation in Poland, in order to help people to get to their feet. If the economy is not to grind to a halt we cannot leave changes in the hands of the bureaucracy alone. The workers must become interested in the results of their work, how the business is run, and how they get profits from the stocks they hold.

Many "Solidarity" people are quite taken with the above vision. At the end of September 1990 the regional "Solidarity" meeting in Katowice passed a resolution demanding quick and broad privatisation based on a universal granting of property rights and the approval of transferring ownership to the employees. At the beginning of May 1991 the

National Commission set the pace of "Solidarity" struggle for such a mode of privatisation. Some criticism was then expressed about the feet dragging that has accompanied the process.

The existing act on privatisation of state-owned enterprises in Poland covers only general outline of the privatisation procedure. The more detailed programme is still vague. The concept of coupons led to appropriate statutory regulations contained (as one of the possible solutions) in the act, but the details have to be accepted by Parliament. So most enterprises must now be "privatised through liquidation", as the process is known. This means that the ministry will either sell or lease the enterprise's assets to its employees. "Solidarity" - being convinced of the merits of workers buying shares in the businesses where they work - bothers of course about an acceptable employee buy-out practical procedure.

The principle of privatisation coupons was first revealed as a conclusion of the address given by J. Lewandowski and J. Szomburg (from Gdańsk) at a conference held in November 1988 at the Central School of Planning and Statistics in Warsaw. This line of thought led to a radical solution of the problem. To offset the weakness due to financial shortages a part of the (communal on principle) state-controlled assets would be, according to this proposal, bestowed upon all Polish citizens by means of coupons equally distributed to everybody. Together with this, privatisation coupons pave the way for global balancing, for they would be used as means for payment on the capital market. The citizen would not have to be a shareholder of a company he works with. Using the coupons he could buy any shares. He simply has to take his chances, just as any other citizens. The public demand for social justice could thus be satisfied. Mass privatisation, vital for an enterprise-based economy, might thus be performed with the consensus concerning the reform programme, planned.

The privatisation coupons scheme is naturally by no means opposed to the idea of the employee ownership. As referred above, workers' movement could provide an invaluable aid in the process of the economic recovery. To encourage this movement in giving support, some concessions should be granted to the workers intending to buy shares of a company they work with. The rate of preferences in selling shares, for coupons e.g., should stimulate such transactions but cannot be too high, so as not to prejudice, among others, people working in enterprises doomed to bankruptcy. The coupons scheme does not rule out other solutions of the problem, e.g. a leverage buy-out procedure.

It should be said, however, that to have the game in our hands we must overcome difficulties related to a great dispersal of shares since, as things are, a full and direct implementation of property rights becomes problematic. As an institutional measure we could adopt mutual funds, but we could also make use of the existing self-management institutions. Knowing ins and outs of an enterprise and knowing the people there they seem to be fairly well prepared to take on a precursor role, particularly towards the activities of the general meeting of shareholders. They could also lead to the integration of the efforts of individual workers - shareholders, so as to produce a coherent owners front.

In the beginning, the privatisation coupons idea was strongly opposed. Many authors were hesitant about the broad scope of the proposition, pointing out that, as a rule, no importance is attached to property acquired without any effort. Against that prejudice, however, we find illuminating examples of people who were surprisingly thrifty under those circumstances. And so these beliefs have to die out as the ruin of the economy stares us in

the face. Being aware of that as early as February 1989 the second secret general meeting of the Silesian "Solidarity" gave its backing to this issue. Gradually, the growing public support for the concept of coupons led to appropriate statutory regulations, however in generalities only. In 1991 Mr. Lewandowski, as the minister for ownership changes, launched a "Programme of Universal Privatisation" based on coupons indeed, but it can be hardly accepted because of its substantial divergence from the original shrewd conception.

Gliwice, 5th November 1992.

* * *

The author is a member of the "Solidarity" executive council in Katowice, responsible for privatisation.

Consulting membership of Podkrepa

Questionnaire concerning

PRIVATIZATION

What do you think about the following statements:

- 1 - agree strongly
- 2 - agree slightly
- 3 - don't know
- 4 - disagree slightly
- 5 - disagree strongly

Please make a cross in the corresponding column

	1	2	3	4	5
1. I know enough about the process of privatization in Bulgaria					
2. Information about privatization I get <i>by far</i> my Podkrepa section is sufficient					
3. I have a lot of questions concerning privatization					
4. Concerning privatization my friends are usually worse er informed as me <i>than</i>					
5. The consequences of privatization will be generally positive <i>for living standards</i> in Bulgaria					
6. Its effects on aspects of economic life will be positive					
7. Even in private life the effects will be positive					
8. Specially on the following subjects privatization's effects will be positive: <ul style="list-style-type: none"> - attraction ^{ing} of foreign investment - economy as a whole - improve ^{ment} of individual income - better employment-condition - higher wages - lower prices 					

✓
✓
✓
✓

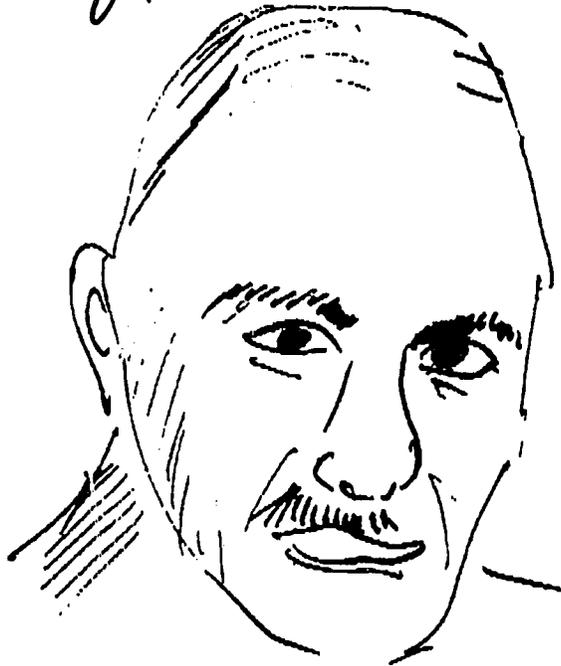
Please make a cross in the corresponding column

	1	2	3	4	5
<p>9. Privatization will have bad effects on the following aspects:</p> <ul style="list-style-type: none"> - I'm afraid to lose my job. - Lay-offs will be generally easier to realise - In case of lay-off, it will be impossible to find a better job. 					
<p>10. Podkrepa's position concerning the process of privatization is transparent for</p> <ul style="list-style-type: none"> - its membership. - Bulgarian population 					
<p>11. After privatization Podkrepa will be more powerful.</p>					

Please fill out this questionnaire and send/bring it back to the person, who sended it to you.

Rheinau/10-27-92/ds

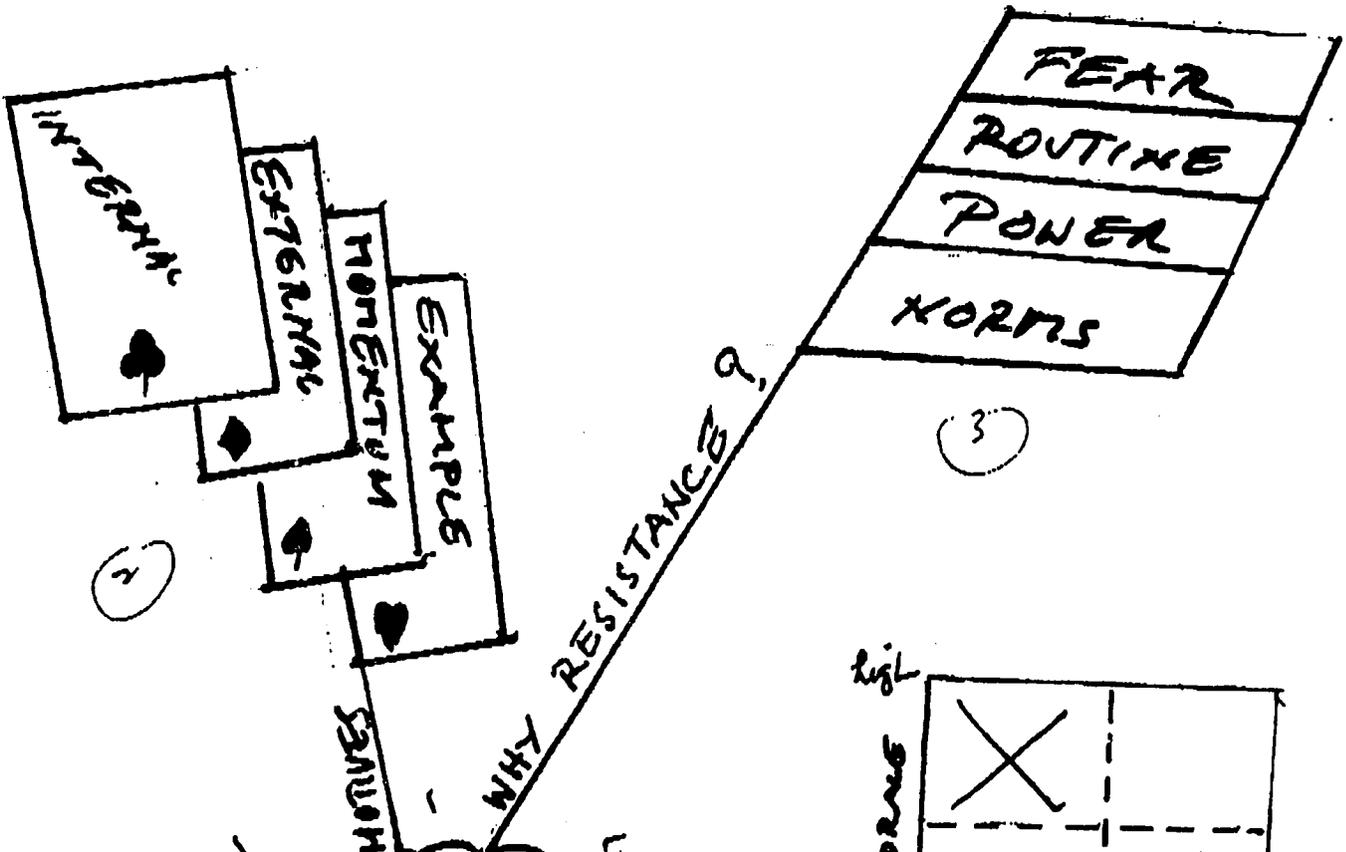
EXAMPLES
OF TRANSPARENCY
USED
DURING
SEMINAR



JOHN MAYNARD KEYNES
1883 - 1946

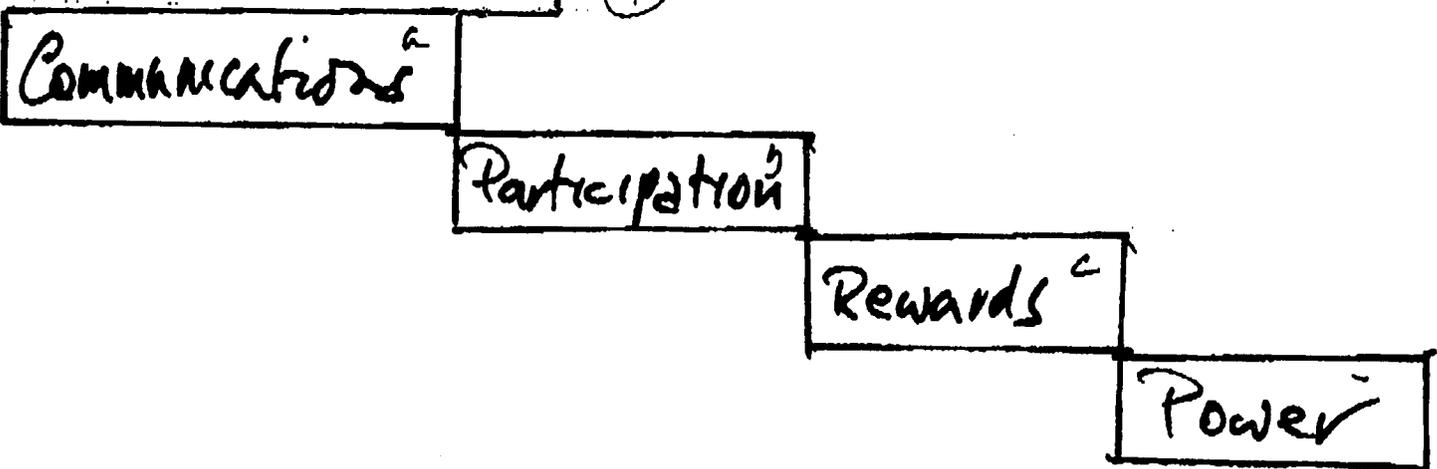
TO STIMULATE GROWTH :

1. STATE BORROWS & SPENDS
OR
2. CONSUMER SPENDS
OR
3. INVESTOR ACTIVITIES INCREASE



CHANGE
in status quo

STRATEGIES TO OVERCOME RESISTANCE



INDUSTRIAL DEVELOPMENT
UNDER COMMUNISM & PRIVATIZATION

1. OWNERSHIP
2. PHYSICAL PLANNING
3. ECONOMIC & SOCIAL PRIORITIES
4. WAGES & SALARIES
5. PRODUCTION SCHEDULING
6. PRODUCTION INPUTS
7. OUTPUT INCENTIVES
8. HUMAN RESOURCES
9. LABOR RELATIONS

КАК ДА ИЗГРАДИМ БАЗА ДАННИ ЗА НАШЕТО ПРЕДПРИЯТИЕ

1. ИСТОРИЯ
2. ОБЩО ОПИСАНИЕ
3. СХЕМА НА ОРГАНИЗАЦИОННАТА
СТРУКТУРА
4. ХАРАКТЕРИСТИКИ НА РЪКОВОДСТВО
ТО
5. ФИНАНСОВИ РЕЗУЛТАТИ
6. ПРОДУКТИВНОСТ И ЕФЕКТИВНОСТ
7. ЧОВЕШКИ ОТНОШЕНИЯ
8. ПРОБЛЕМИ НА СРЕДАТА
9. ВЪНШНИ ВЗАИМООТНОШЕНИЯ
10. ОБОБЩЕНИЕ И ЗАКЛЮЧЕНИЯ

HOW TO CONSTRUCT YOUR OWN ENTERPRISE DATA BASE

1. HISTORICAL BACKGROUND
2. GENERAL DESCRIPTION
3. DIAGRAM OF ORGANIZATIONAL
STRUCTURE
4. MANAGEMENT CHARACTERISTICS
5. FINANCIAL RESULTS
6. PRODUCTIVITY & EFFICIENCY
7. HUMAN RELATIONS
8. ENVIRONMENTAL ISSUES
9. EXTERNAL RELATIONS
10. SUMMARY & CONCLUSIONS

Dr. Todor Radev
Institute of Economics
Bulgarian Academy of Sciences

ECONOMIC CRISIS, EMPLOYMENT AND UNEMPLOYMENT IN BULGARIA

The trends in the economic development in the countries of Central and Eastern Europe during the last couple of years are rather similar. After the dynamic 1989, a period of serious economic, social and political cataclysms came which marked the transition from totalitarianism to democracy and from a centrally planned to market economy. The intensity of those cataclysms differed from country to country in accordance with the unequal influence of a range of internal and external factors.

Compared to the other countries, the economic crisis in Bulgaria was most profoundly expressed. The GDP decreased with 9.1% in 1990 and with another 16.7% in 1991. For this year, a new fall of 12% is expected. In other words, the GDP total fall compared to 1989 will be over one third - something unprecedented in the economic history of the country. In Romania, for instance, in 1991 the GDP fell by 19.4% compared to 1989, in Poland - by 17.8%, in Czechoslovakia - by 16.8% and in Hungary - by 12.6%. Still more profound is the decline in Bulgaria's industrial production - 17.5% for 1990 and 27.8% for 1991. New decline of over 16% is expected during this year, i. e. in comparison with 1989 the industrial production will be twice smaller. In Hungary and Czechoslovakia the decline in the industrial production in 1991, compared to 1989 is about one fourth, and in Romania and Poland - about one third. The increase of the inflation processes in Bulgaria indicates one of the most unfavourable results among Central and East European countries. After the artificial delay in the liberalisation of the prices in 1990 due mainly to political reasons, in the beginning of 1991 the country went through a real price shock. In March 1991, the price level of consumer goods was over 4 times higher than three months earlier (December 1990). The price level of consumer goods in December 1992 is expected to be twice higher than in the end of 1991, although according to government prognosis the inflation level should be a little lower.

In the fight with inflation and following the policy for market stabilization, the Government adopted a restrictive monetary policy which was comparatively successful and as a result a relative financial stability was achieved as early as the autumn of 1991. The demand for money was controlled through the high interest rate of the Bulgarian National Bank (BNB) which from 45% in January 1991 reached its highest level of 54% in August 1991. After that the interest rate began decreasing and in September 1992 reached 41%. Notwithstanding those high levels of the nominal interest rates, the real interest rates were negative for the whole period. Thus the real average annual interest rate

for 1990 was minus 82.8%, for 1991 minus 79.8% and for this year is expected to be about minus 40%.

Another line of curbing inflation was the policy of limitation of the money incomes of the population and of the budget spending. The level of real labour remuneration for the country fell (basis December 1990=100) to 42% in March 1991 and rose to 62% at the end of the year. In March 1992 the average real labour remuneration again fell to 55% lower than the level of 1990 and since then there is a tendency of rising. As a whole, a rise of 8% in the real labour remuneration is expected for 1992 though real incomes will be about 3% lower in comparison with the previous year. The above difference results from increasing unemployment and from the fact that less and less of the population are getting salaries.

The currency policy of the BNB may be cited as especially successful because with no hard currency reserve it implemented at the beginning of 1991 single exchange rate to foreign currencies for the Bulgarian lev. Despite some fluctuations this exchange rate has been stable for one and a half year now - about 21-23 leva for 1 USD. The high interest rate combined with the stable rate leva to dollar helped for dollarization of Bulgarian economy and for achieving greater confidence towards the national currency. Apart from those positive effects, the anti-inflation and restrictive budget policies of the government had a pronounced negative impact on the production of goods and services as well as in the field of health care, culture, education and research. Compared to the other countries in Central and Eastern Europe, the process of impoverishment of the population and of decreasing employment was most clearly expressed and concentrated in a relatively short period. For less than two years the number of people living under the established social minimum grew more than three times and the number of unemployed grew almost ten times.

As I mentioned at the beginning, the reasons for the heavy economic crisis are both external and internal. Especially for Bulgaria the external factors dominate. The country has a rather limited domestic market and compared to the other countries from Central and Eastern Europe forms a relatively larger part of its income through export. In 1988, 23% of the GDP of Bulgaria came from export, while for Poland this part is 6.4%, for Romania 11.2%, for former GDR 13.7%, for Hungary 14.7% and for Czecho-Slovakia 19.7%. Unfortunately an enormous part of Bulgarian export was directed for the COMECON countries (almost 80%) including 60% for the former Soviet Union. In distinction from the Central European countries which had relatively developed industries even before the war, to a large extent Bulgaria had to upbuild its industry, as many branches were being created and disintegrated with view to the COMECON market. Therefore the collapse of COMECON and especially the crisis in the former Soviet Union hit strongly the Bulgarian economy. At the same time the presence of Bulgaria on EC markets was more than modest. In

1988 the absolute share of its export for the Community was about 5 times less than the share of Romania, Czecho-Slovakia and Hungary and 7.3 times less than the export of Poland. Another problem for the Bulgarian reform is the inherited enormous foreign debt - over 10 billion dollars.

In the spring of 1990, the last communist Government was foolish enough to declare moratorium on the payments of the debt. This practically isolated Bulgaria from the world credit markets and the reform at home is being implemented with much less foreign credits than in the other Central and Eastern European countries. Considering the situation with the foreign debt, the unstable domestic political and economic situation, as well as the delay in adoption of relevant legislation, during the last two years the flow of foreign investment in the economy of the country was almost symbolical.

Bulgaria was the country in Eastern Europe which was most heavily hit economically from the Persian Gulf War. Except for the fact that Iraq was among Bulgarian petroleum suppliers, it also owes Bulgarian economy about 1.3 billion dollars. The losses for Bulgarian economy from the embargo on former Yugoslavia are estimated to about 0.5 billion dollars.

The overcoming of the economic crisis will neither be easy nor fast. According to the most optimistic prognoses, the tendency of economic decline will be discontinued and develop into slight growth.

The speed of recovery of the economy of the country will depend on the success of the structural reform, the process of privatisation, the rate of increase of labour productivity and the rate of competitiveness, as well as the finding of suitable markets for the Bulgarian goods.

The establishment and development of the labour market was one of the elements of the economic reform. The difficulties covered several main areas: the extreme centralisation of the labour relations under the old regime and the need to overcome the inertia inherited from the past. The second problem is connected with the rapid change in the macro-economic environment, the deep economic crisis and the need of establishing adequate institutions and regulate the labour relations in the conditions of mass unemployment. Not least significant was the lack of any experience in this area which turned part of the institutions in mere registrators of the processes and not in active participants and promoters of the new relations.

The first steps to institutionalisation and regulation of the processes connected with unemployment were made already in the end of 1989. Then the first officially recognized unemployed appeared and the number of employed reduced by over 100 000 people. The first model of the Labour Market Board was

established and its main function was to register the unemployed to pay benefits to the people released from work and see opportunities for re-qualification of part of the unemployed of their appointment to a job. More serious progress in the introduction of the market basis of the labour relations were made only with the special Decree of the CM in June 1991. It introduced a more flexible and effective system in the utilisation of the work force by the companies through the possibilities for hourly work and hourly payment, different forms of incomplete working week, part-time employment, sharing of jobs, etc.

Next to this the companies were encouraged to hire young specialists through the means given to them additionally from a special fund. By credit preferences the companies were encouraged to appoint new workers or provide full employment to the already appointed ones.

With the aim of increasing the mobility of the work force there was introduced a provision by force of which the transport expenses of the workers and their families could be covered in the cases when they moves to work to another place. Some incentives that were included in the Decree were not quite suitable and had a small or reverse impact on the level of employment.

The unemployed did not take advantage of the possibility to get at once the whole amount of the benefits due in order to start their own business. The main reasons were lack of appropriate information, as well as the vague regulations. In order to encourage the people who have reached pensioning age and create jobs for young unemployed, the Government introduced additional taxes for working pensioners. As a result of this, about 70 000 people were laid off, but the jobs created in this way were in a proportion of one new job for 60 retired people under this Decree.

In the program for 1992, adopted by the Ministry of Labour and Social Welfare, concerning employment and unemployment, the main aim in the Ministry's policy is considered to be the creation and the development of a competitive, flexible and effective labour market. The priorities in the implementation of this policy are:

1. Encouraging small business, individual employment and creation of new jobs.
2. Implementing regional labour market policies and changing the priorities in the underdeveloped regions.
3. Regulating the mass bankruptcies and closing the ineffective enterprise.

4. Assuring equal possibilities for unequal social groups at the labour market - young people, ethnic minorities, long-term unemployed, specialists, disabled, etc.

5. Creating a legislation responding to the priorities of unemployment policy during the transition towards market economy.

6. Creating a global information system on employment and unemployment.

The lay-off process in Bulgaria is quite more intensive than in Hungary, Poland and the Czecho-Slovak Republic. The lay-offs for the 2 years of 1990 and 1991 were:

- in Bulgaria - over 20%;
- in Czecho-Slovakia - 8.1%;
- in Poland - 9.35%;
- in Hungary - 10.3%.

It seems that for this year, and for the coming ones, this difference will increase. As to Romania, the process of getting rid of the unnecessary work-force started scarcely in 1992, and during the previous two or three years the number of employed was almost constant.

The important trends in the development of employment in Bulgaria for the last few years are as follows:

1. The process of restricting the employment is running relatively regularly, concerning the speed as well as the regions. The relative lay-offs in the branches are regular too, although the production in separate branches has been cut from 0 to 50%. These facts confirm the assumption that the main component of lay-offs has been the overemployment or the hidden unemployment.

2. Data on development of employment for this year prove that the possibilities for lay-offs for overemployment reasons are gradually running low and a stronger dependence between restricting the production and the number of employed is appearing. This is obvious particularly in the heavy industry and mining, electronics, food-processing, etc.

3. The trends mentioned above are a sign for entering the structural stage of the reform, which will bring important changes in the distribution of employment according to branches.

4. The future wage-bargaining for 1993 and the centralised limitation of wage funds will be an additional factor for staff-reductions and at the same time an element of the new labour relations.

5. The strongly restrictive budget policy will press the Budget financed enterprises to reduce their staff, although for the last years that was the sphere with the highest rate of lay-offs. The chaotic and compulsory character of these lay-offs, as well as the lack of appropriate programs and perspectives for the development of science, culture, health care, etc. could have a destructive effect and long term negative consequences for the future development of our country. After long years of humiliation and underestimation on the part of the totalitarian regime, now Bulgarian intelligentsia is threatened by unemployment for the simple reasons that the fruits of its labour don't satisfy immediate everyday needs.

6. The development of the private sector is the only serious alternative for the reduction of employment in the state and the cooperative sector and at the same time it is a hope for a part of the unemployed. Unfortunately, the national statistics in the field of private activities is quite poor and inefficient. The present information concerns mostly the new private companies and the number of owners and self-employed. But as part of the registered private companies don't function for different reasons, and others have stopped their activities because of losses, this information is not enough. According to some estimates the number of private owners and of people working as self-employed in their farms, shops, workshops, etc. has increased from about 250 000 in 1990 to about 280 000 in 1991, and to over 350 000 in 1992. Statistical data about workers hired by private owners and contractors is more incomplete. On one part the predominant form of employment in the private sector is the temporary employment and employment on hourly basis, but statistics don't control and report on it. On the other hand, for various reasons the private companies and people working there are not interested in being registered. Part of people working in the private sector don't declare it in order to receive the unemployment benefits. For others this job is a complementary one, done along with the job in the state-owned company.

If we summarise the partial data for all forms of employment and self-employment in the private sector, probably their part in the total amount of the employed would be:

- 6 or 7 % for 1990;
- about 12 or 13 % for 1991;
- between 16 and 18 % for 1992.

We should bear in mind that the increase of the relative share is a result not only of the increased number of people employed in the private sector, but also of the absolute decrease of the total number of employed in Bulgaria.

The sharp employment reduction, as well as the unemployment were some of the factors for the massive emigration of active population from Bulgaria. National statistics don't have the necessary data concerning external emigration of population because of missing information on the intentions of people leaving the country. Assuming that emigrants are people who have spent abroad more than a year, for the period 1989-1992, the amount of emigrants is over half a million (different estimates show between 450 and 754 thousands). Nearly half of the emigration flow goes to Turkey: mainly ethnic Turks, who left the country for political reasons at the beginning, and for economic reasons later.

In number of Bulgarian emigrants, USA and Canada take the second place, and Germany - the third. Over 80% of these people are in active age and more than 50% have secondary or university education. Relatively high is the share of engineers, technicians, as well as medical staff, scientific workers, teachers and artists. An intensive process of brain-drain is taking place, which will have long-term consequences for the future of the country.

The recent trends in employment prove the need for skilled workers and specialists, but the low wages and the bad economic situation in the country will encourage the further emigration of young and gifted specialists, intellectuals and workers.

The level, as well as the trends in the development of unemployment show that Bulgaria, compared to the other countries in Central and East Europe is still in the least favourable position.

The level of unemployment (per cent rate of registered unemployed to the total number of the active population) has greatly increased from 1.5 per cent in the end of 1990 to 10.8 per cent in the end of last year, to reach 14.3 per cent in the end of September 1992. Since the beginning of this year Bulgaria is the country with the highest unemployment rate in Central and Eastern Europe. The share of the unemployed is three times bigger than in Romania and about two times bigger than in Hungary and Czechoslovakia.

In absolute terms the number of unemployed persons in Bulgaria has increased from 65 000 in the end of 1990 to 419 000 in the end of 1991 and 538 000 at 1 October 1992. Till the end of the year it is expected that their number will surpass 600 000 and the rate of unemployment will reach 16 per cent of the active population.

The development of unemployment on regional level shows certain stability in the recent couple of years. From among the seven areas in the country the highest unemployment rate is in the area of Plovdiv (19 per cent) and the lowest - in Sofia city (around 9 per cent). For the other areas the fluctuation from the

average rate for the country is not that big. Within the separate areas, however, on municipal level there are essential differences. In some municipalities, mostly in the semi-mountainous regions the rate of unemployment is almost three times bigger than the average one for the country. These are municipalities where employment is strongly dependent on one single sector - for example mining, tobacco growing, etc. The sharp economic decline and the shrinking of the home and foreign markets put these municipalities in a situation of grave trials. In the majority of cases the people employed in this industry have no other skills and cannot change their occupation. This seems to be one of the reasons for the small mobility of the unemployed. Quite often there are settlement places within a distance of 10 km from each other where the rate of unemployment is radically different (3-4 times). This however is not an incentive for the unemployed to go and seek employment in the neighbouring town or municipality. A peculiar problem for some municipalities with high unemployment rate are the existing traditions and style of life. In some regions, especially those with ethnically mixed population in the course of time such a situation was established where the women work in the settlement place (grow tobacco for example) while the men work in remote municipalities (mostly in construction). Nowadays, as a result of the huge reduction of investments and the volume of construction work, the men are getting back to their native places, where they have no job.

The high unemployment rate brings also to one other problem - the long-term unemployment. This type of unemployed people are not an object of special monitoring but their share seems to be considerable. An indirect confirmation of this is the constantly declining share of people registered as unemployed and having the right of unemployment benefits - i. e. the people who are on the labour exchange less than 6-12 months. At present their share has reduced to almost 1/3rd of the total number of unemployed people. According to the existing provisions of the National Labour Market Board after the expiry of this term the unemployed person should be registered again and is not entitled to benefits. Many of the unemployed people, however, refuse to register because they have no interest or because of the small chances to get employment through the Board. The ratio between vacant jobs and registered unemployed applicants average for the country is 1:60.

The problem with long-term unemployment becomes even more serious because of the tendency for the vacant jobs to be offered mostly to skilled workers and specialists. This has led to an increase in the share of unskilled workers with no specialty to 45 per cent from the total number of registered unemployed people.

Another grave problem is youth unemployment i. e. unemployment among young people below the age of 30. Their share has reached 50 per cent from the total number of registered unemployed people. In their majority these are skilled and

educated workers and specialists but they are not being preferred because they have no experience. Urgent measures for the solution of the problems of youth unemployment are necessary for at least three reasons:

1/. The long-term unemployment de-skills them and cools their enthusiasm to practise the occupation they have chosen.

2/. As these people have comparatively high education and information level and care for quick fulfilment, they form the group that is most strongly interested in emigration (more than 30 per cent of the emigrants in the recent 2-3 years are below the age of 30)

3/. The long period of idleness and lack of financial funds push these people to various crimes or unlawful business.

With the beginning of the restructuring in economy new rise of the level of unemployment is expected. Most probably unemployment in Bulgaria will reach its culmination in 1994 or 1995. The privatisation process that will start in the beginning of the following year will throw out in the streets thousands of workers.

Among the other important factors for increasing the unemployment rate are the expected reduction of the service in the army and the decline in the number of students because of the limited budget and small financial possibilities of some families.

As strange as it may seem immigration to Bulgaria can also become an essential factor for the rise of unemployment. On the one hand, thousands of young people from the Middle and Far East, from Asia and Africa or some republics of the CIS visit Bulgaria with the intention to stay some longer time. On the other hand if the trend of stricter steps against the illegal immigrants in Europe continues thousands of the people who emigrated from Bulgaria might get back to the country. In the recent years Turkey has stopped the flow of ethnic Turks from Bulgaria and proclaimed that it will undertake serious steps against the Bulgarians of Turkish origin staying unlawfully in the country. If national conflicts in the republics of the CIS intensify it is quite possible that a large number of the permanently living there Bulgarians - who are over half a million, should wish to get back.

At the same time in the future couple of years it is quite possible to witness strengthening of the tendencies that reduce the total level of unemployment. There are hopes to improve the general economic situation in the country and develop further the private sector. The restitution of the urban property and the land will create additional jobs. It is possible with the improved economic conditions after 2 or 3 years part of the

working women to discontinue work (their relative share among working people today is nowadays over 50 per cent).

In the next years less numerous will be the number of people who enter economically active age on the place of the pensioners, who were born in the period of high birth rate. Though not favourable for the country emigration could grow and bring to quantitative changes in the level of unemployment.

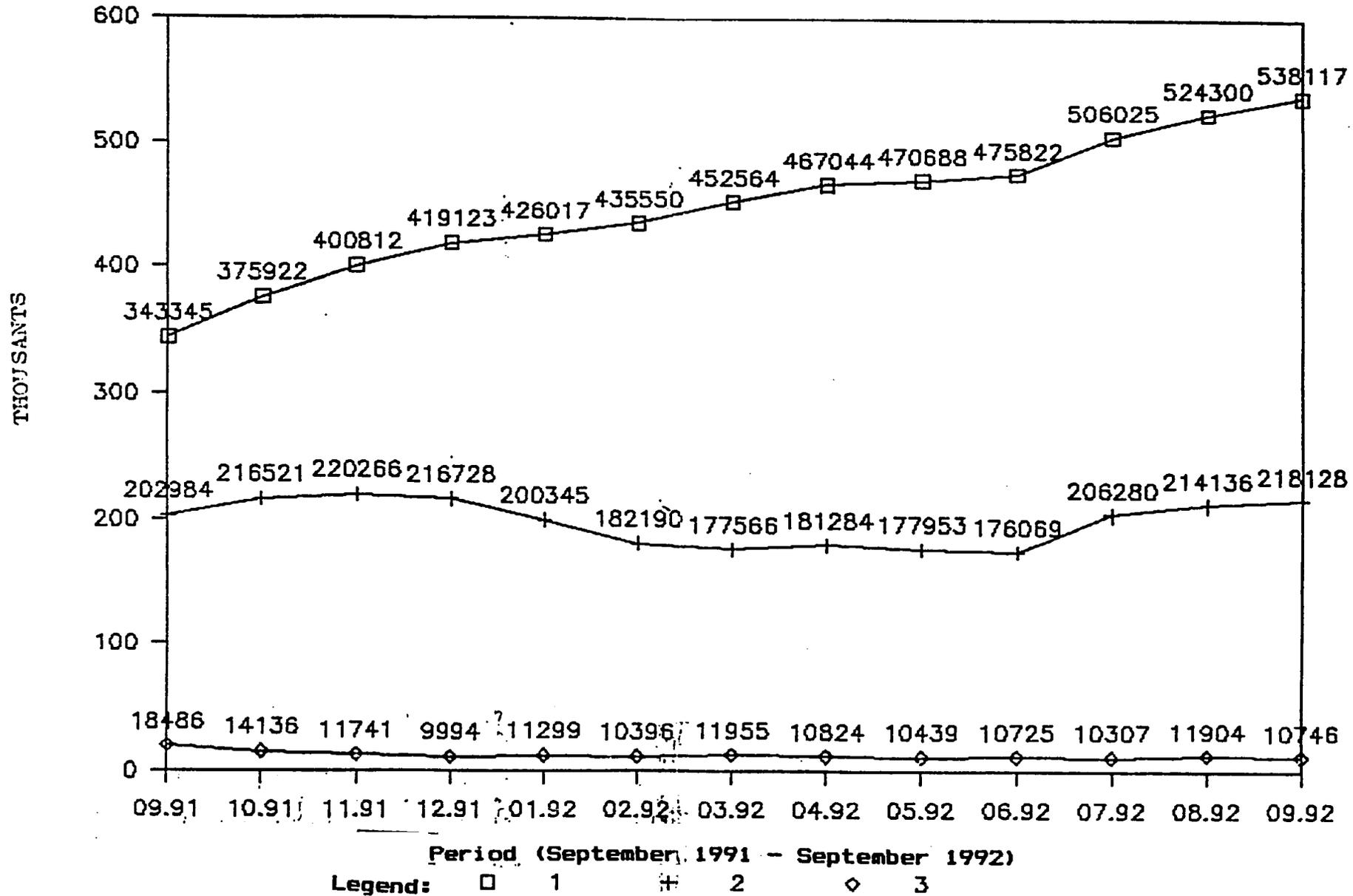
Of particular importance for the level of unemployment, however, will be the policy of the Government for the stabilisation and promotion of the economic development of the country. Bulgaria needs an active employment policy:

- assistance to the unemployed to improve their skills or acquire new ones;
- incentives for the creation of new jobs;
- incentives to people who wish to start small business of their own, etc.

In this area Bulgaria is getting valuable assistance from the specialists in the advanced European countries and various international institutions. There are being drafted or implemented various programmes at present for encouraging employment with technical assistance under the PHARE Programme, the Know-How Fund, ILO, etc.

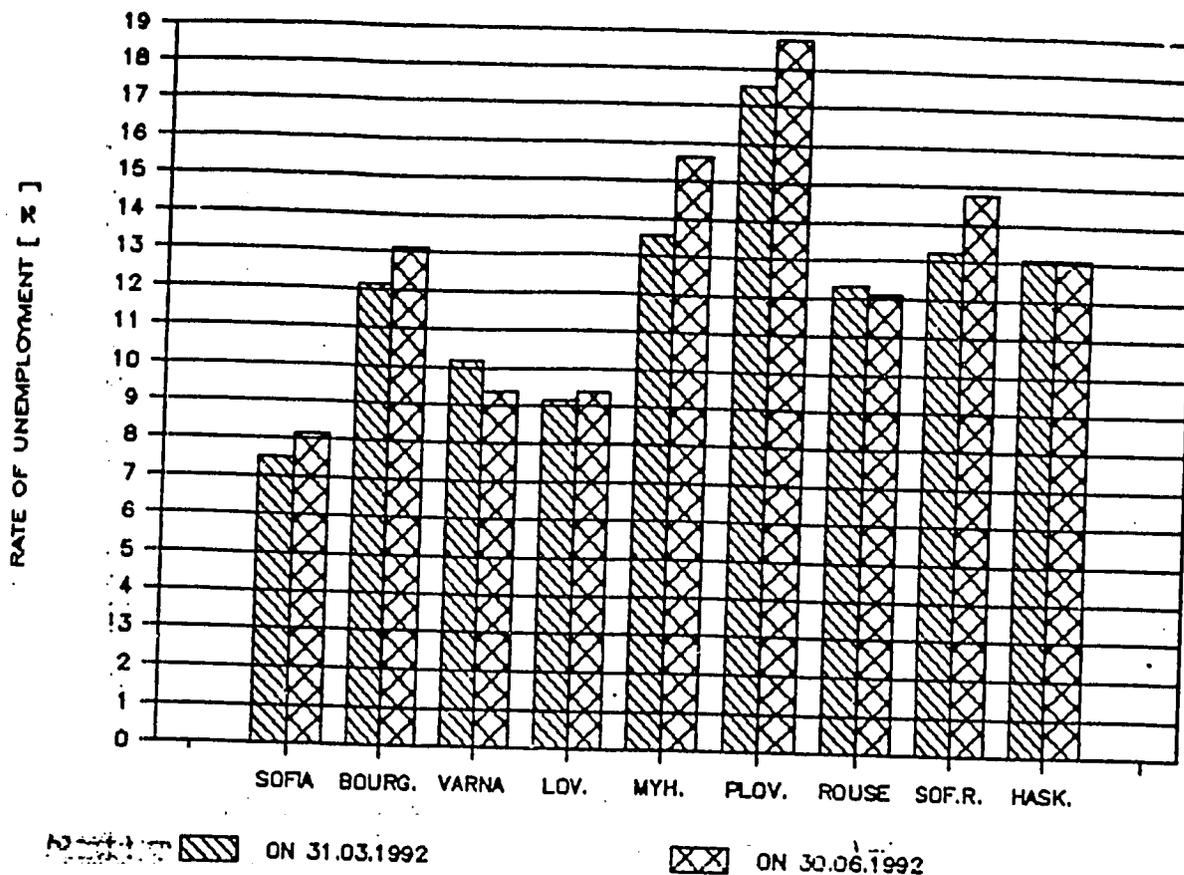
It is the wish of all to establish in the country a modern labour market complied with the existing conditions in the country, that will help the development of a dynamic and efficient market economy.

**NUMBERS OF UNEMPLOYED (1), UNEMPLOYED RECEIVING BENEFITS (2)
AND JOB VACANCIES (3): MONTHLY CHANGE**



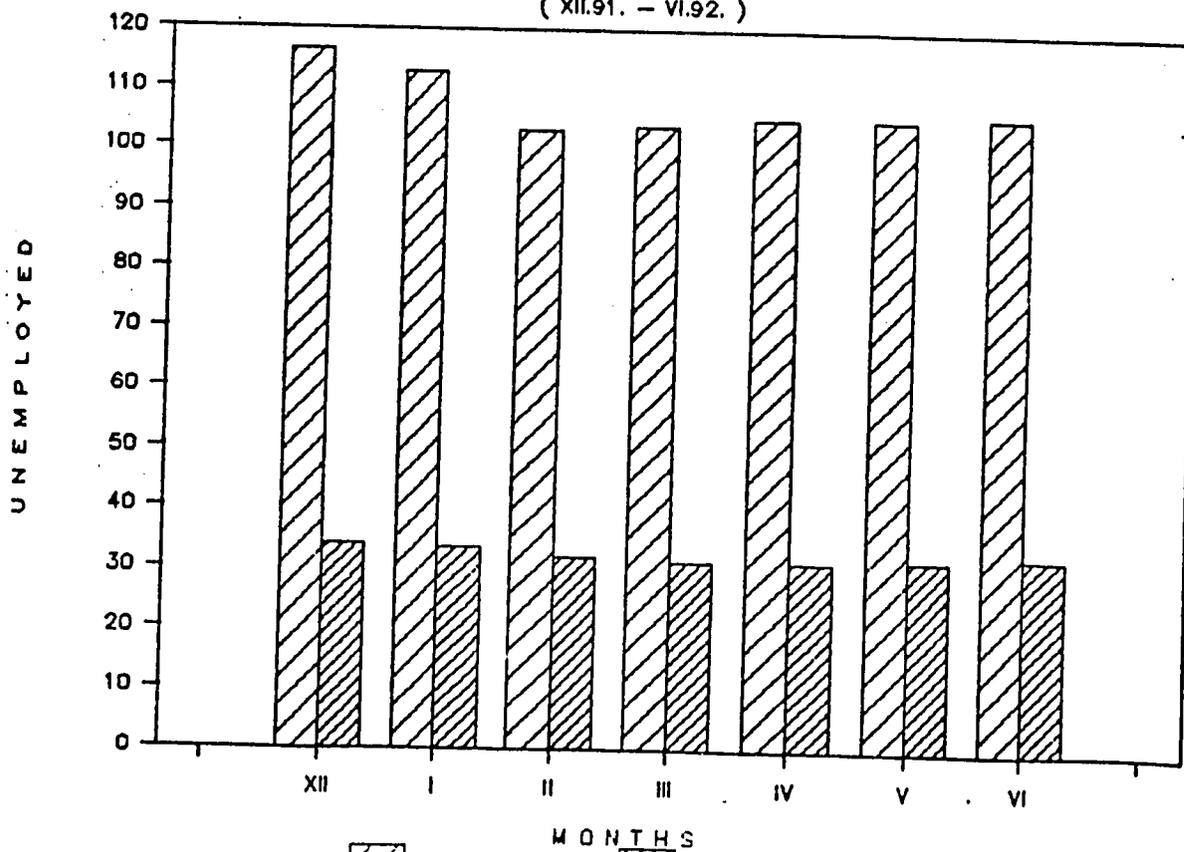
✓

regional unemployment rates

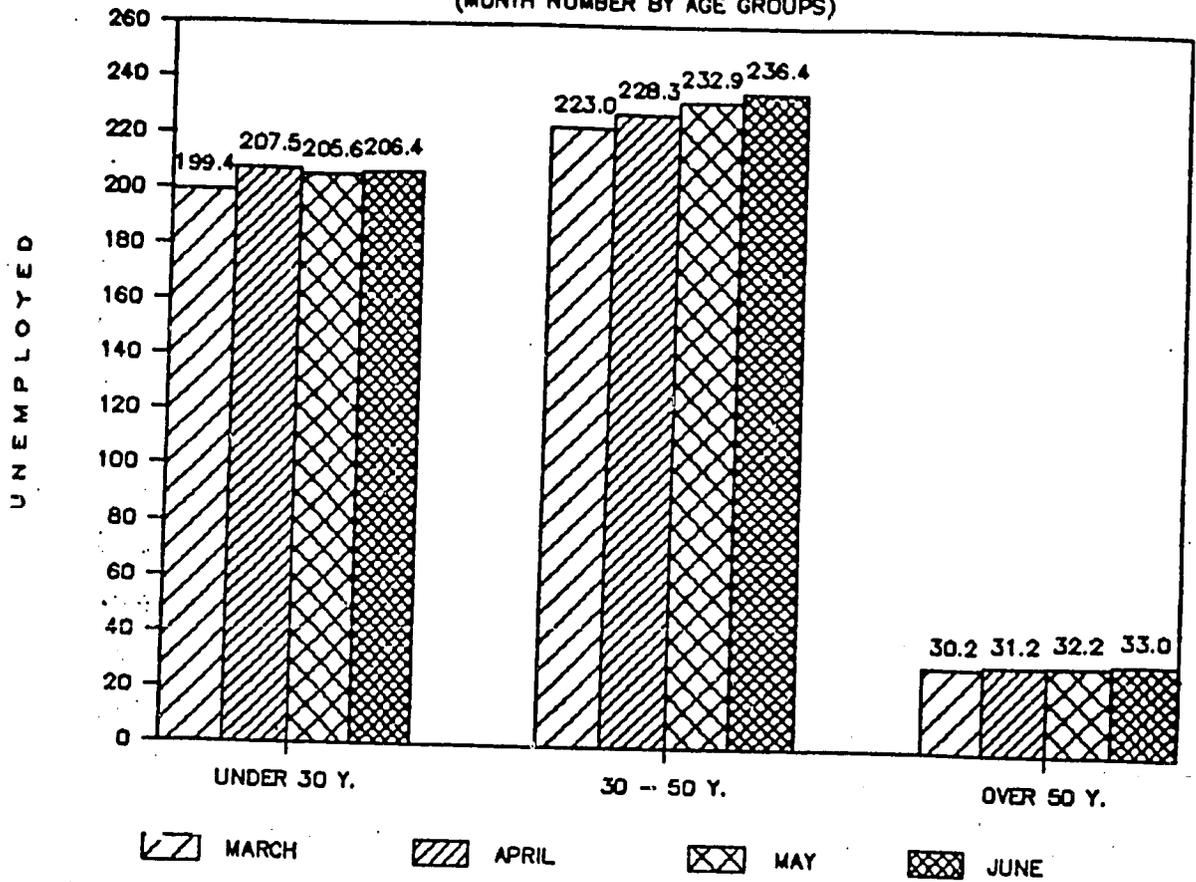


rate of the unemployed specialists

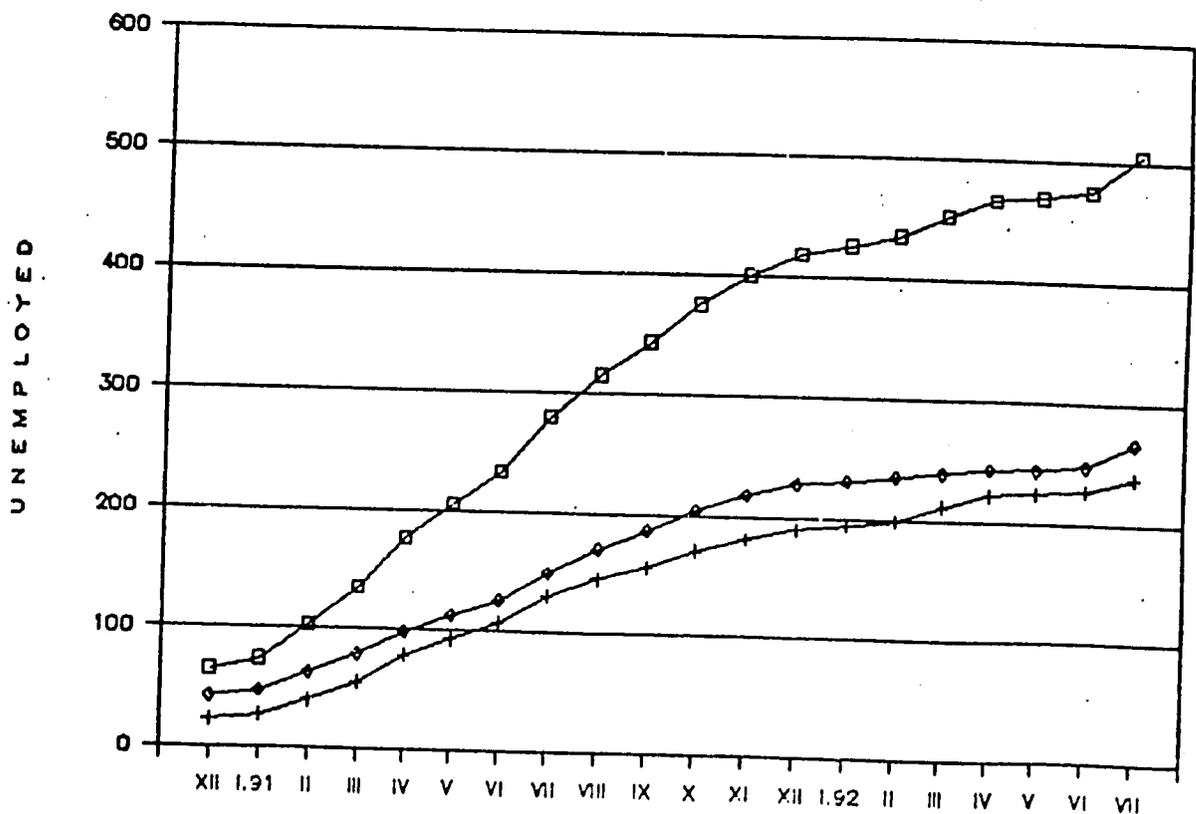
(XII.91. - VI.92.)



unemployment rates (MONTH NUMBER BY AGE GROUPS)



unemployment rates by sex



17