

Assoc. Prof. Dr. Andrey Zahariev¹
Head Assist. Prof. Dr. Galina Zaharieva²

I. HYPOTHESES, DATA AND METHODOLOGY

1. Testable Hypotheses: the transitional phase towards new paradigm of HR management

Under the conditions of a high unemployment level and a high business risk, the Bulgarian private firms and their employees are commonly re-orientated towards introducing new paradigm of HR management, focused on human resources as a strategic source of wealth and value creation, but the process is still on transitional phase. The level of introduction of new methods and techniques of HR management is right-proportional function of the size of foreign shares in firms ownership.

2. Data Description

The organised in the summer of 2001 research among Bulgarian private firms clearly shows the importance of HR Management as a factor for business success. From over 400 distributed questionnaires were received 82 responds.³

Mode characteristics of the sample are related with the firms:

- registered as Joint Stock Company (near percent);
- established in the period 1996-1998 (over 27 percent);
- operated in industry sector (manufacturing, engineering, etc.) - over 72 percent;
- with 100 % private ownership (86 percent from the sample)
- medium sized with personnel between 50 and 199 persons (42 percent);
- without trade union (58 percent);
- without introduced system for quality control (59 percent);
- with very much confidence (over 50% of responds) in the contribution of HR management for the success of the firms business;
- with organised HR department (53 percent);
- with executive directors who are in charge for the HR Management (53 percent);
- with average experience of HR department members between 9 and 15 years (for school graduates - 14 years, for graduates - 9 years and for postgraduate (15 years);
- with open ended contracts for occupation of managers (61 percent), specialists (54 percent), employees (61 percent), supportive personnel (53 percent) and workers (44 percent) and with fixed term contracts for the personnel with other type of responsibilities (33 percent).

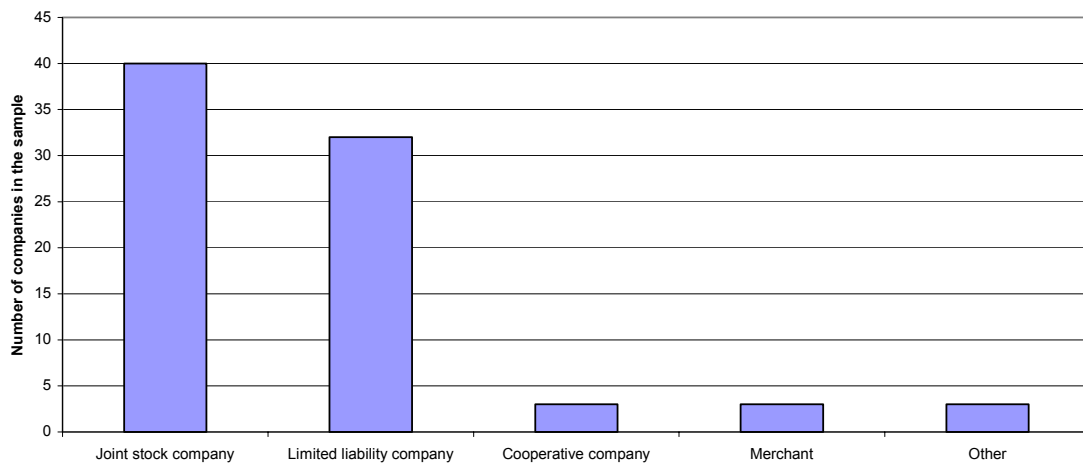
The whole distribution of answers is shown below:

¹ andrew@uni-svishtov.bg

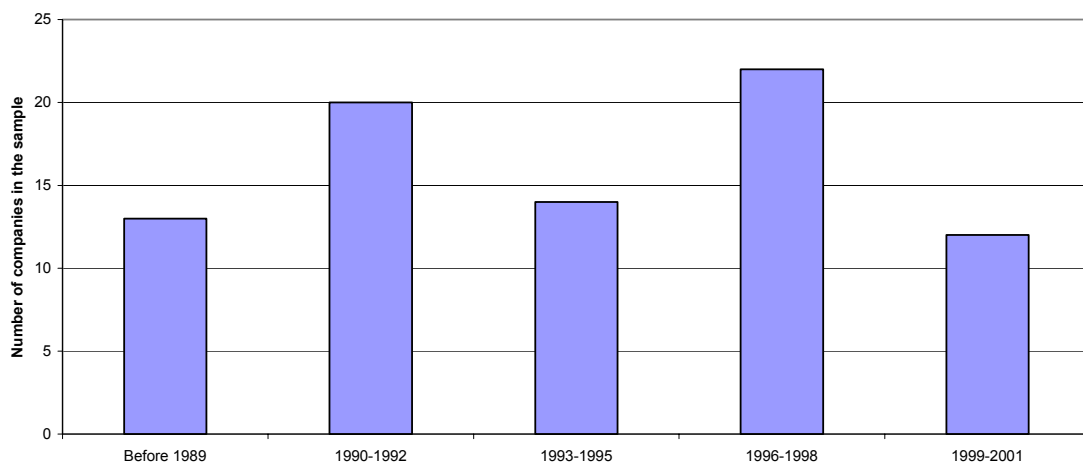
² gbz@uni-svishtov.bg

³ The research was organized in the framework of the program INTERREG M 6.3. in partnership with Macedonian University, Greece.

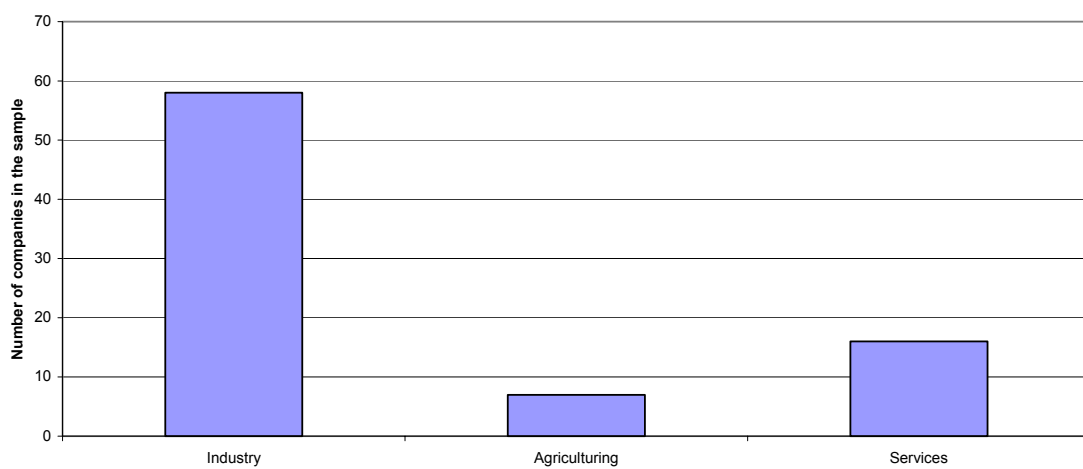
A. Legal form



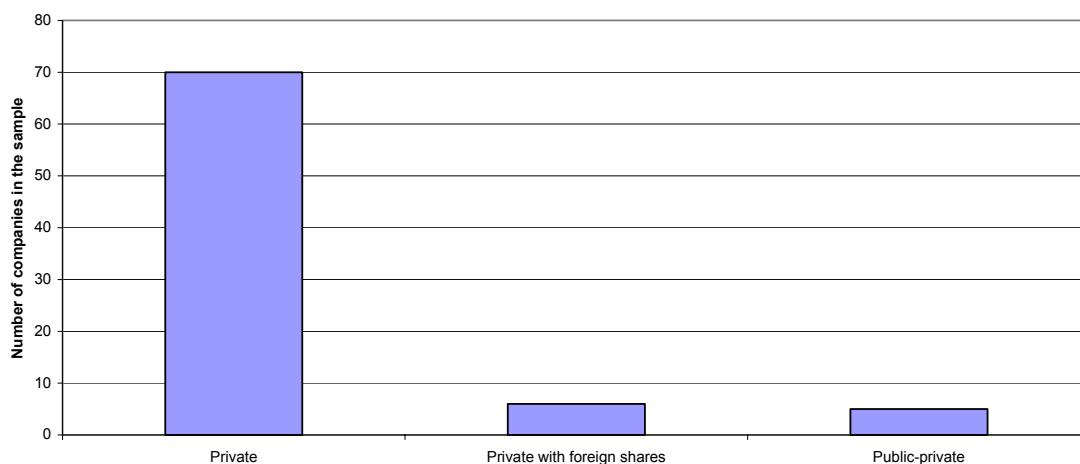
B. Period of establishment



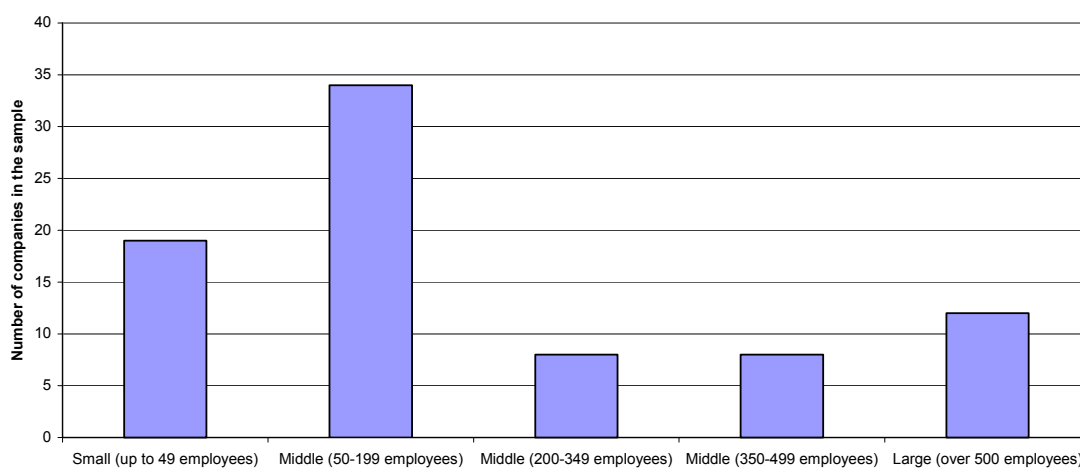
C. Industrial sector



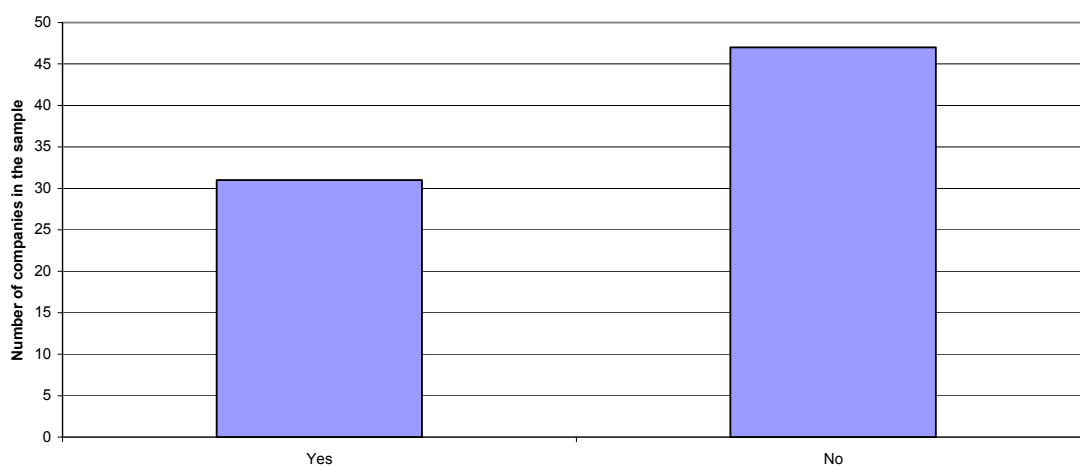
D. Type of ownership



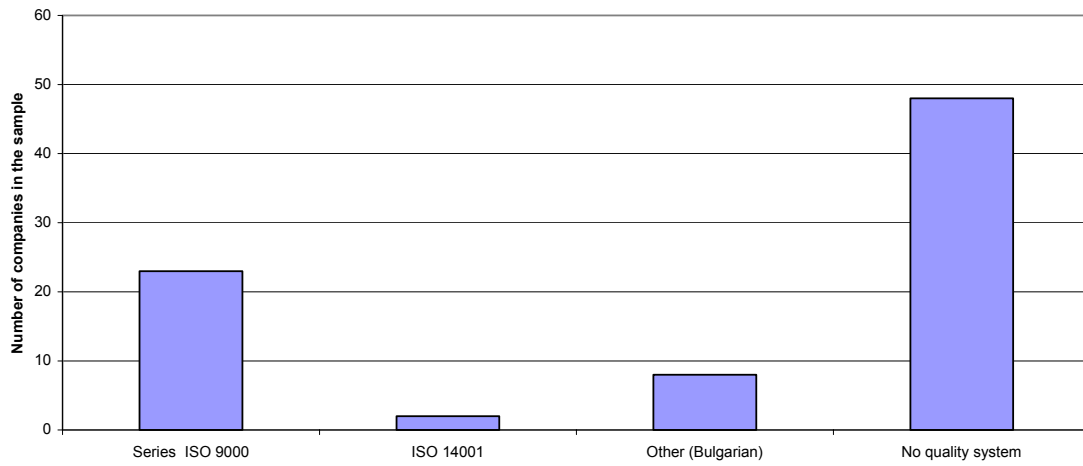
E. Number of employees



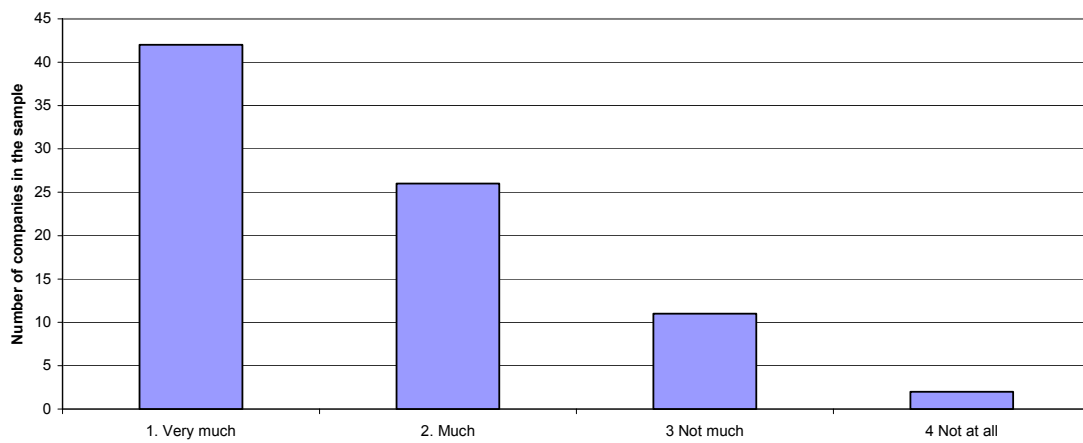
F. Trade union



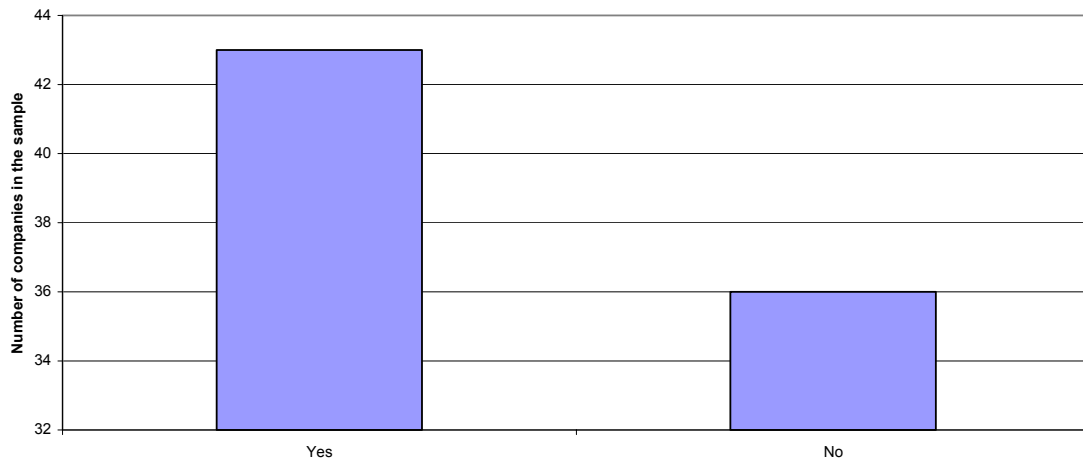
G. Introduced quality system



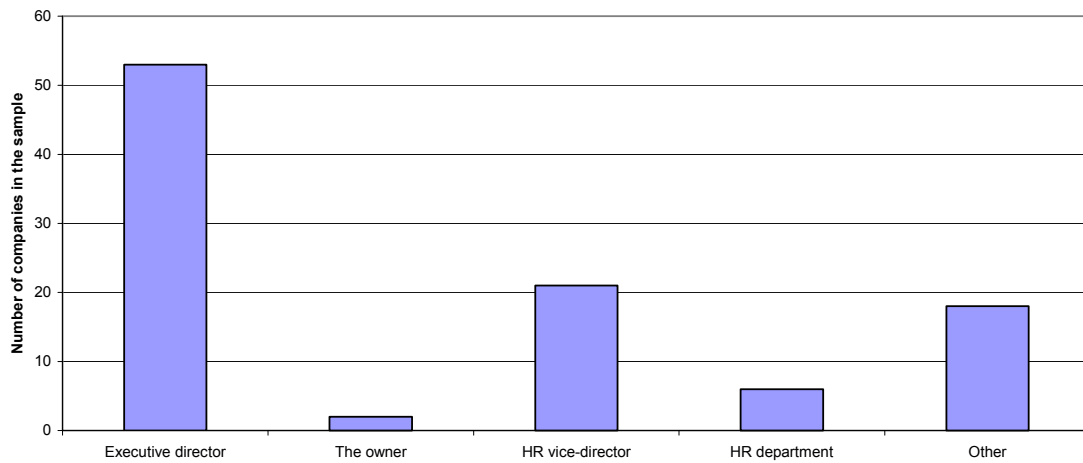
H. In what degree do you believe that human resource management contributes to the success of your business?



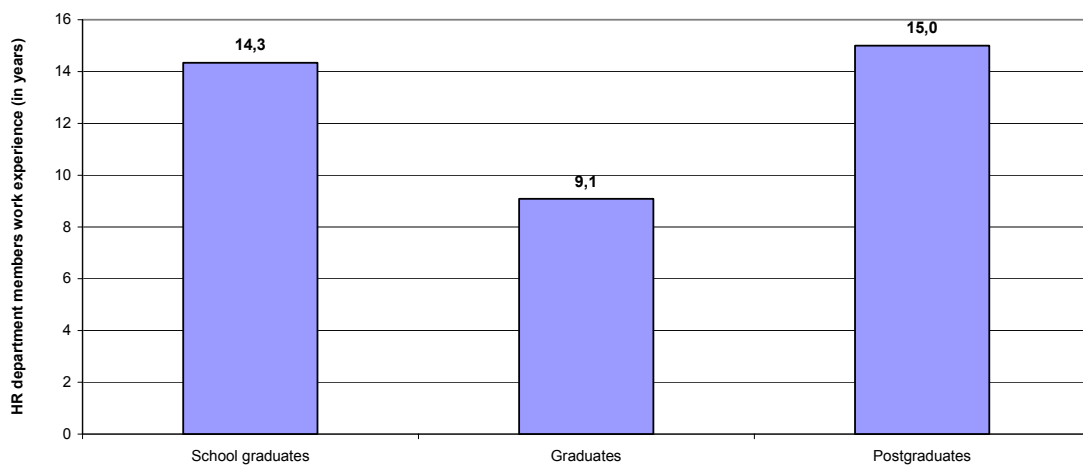
I. Does your company operate a Human Resource Department?



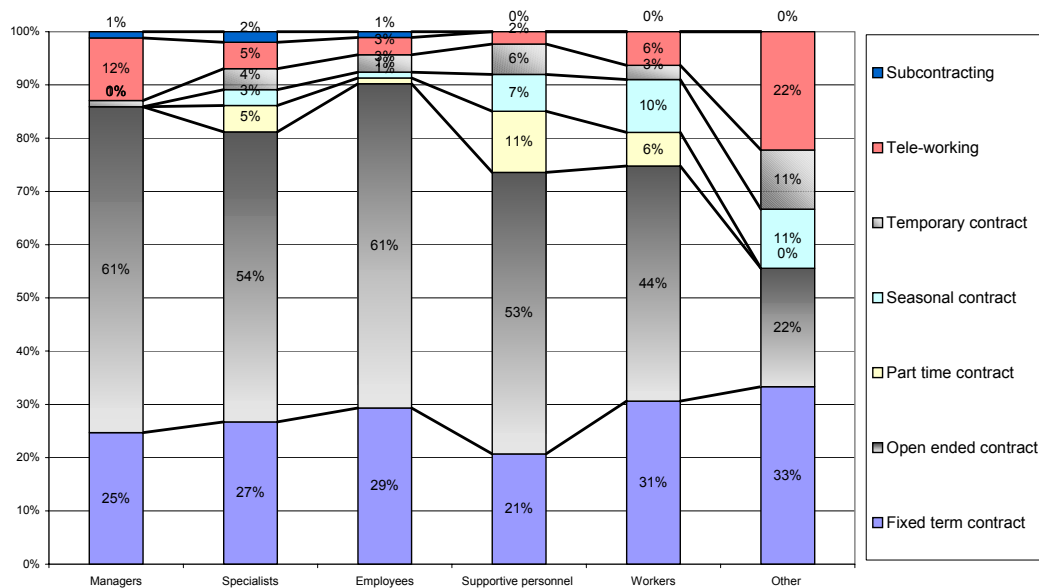
J. Who is responsible for the human resource management?



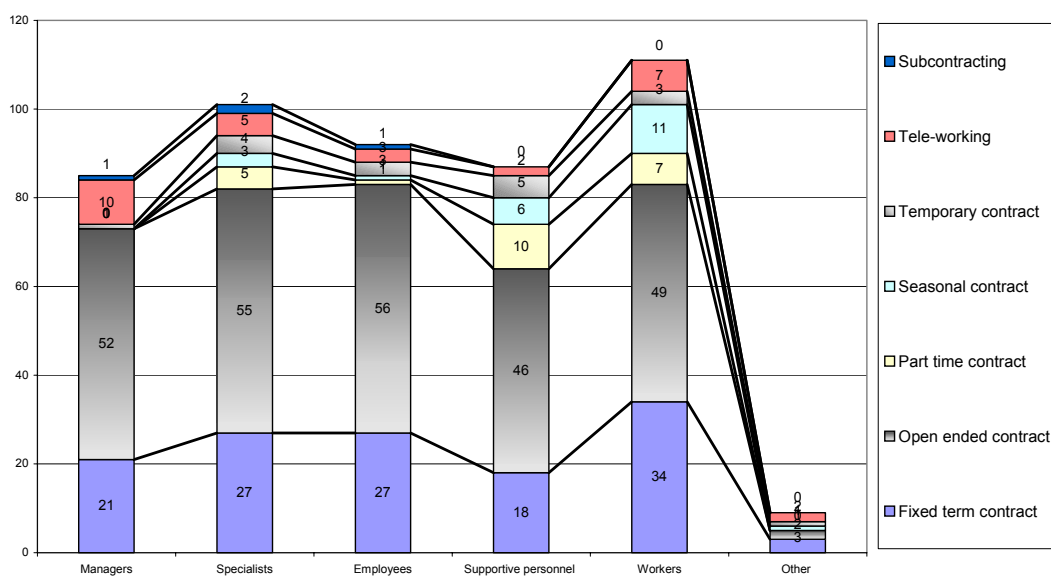
I. What is the experience and educational level of the HR department members?



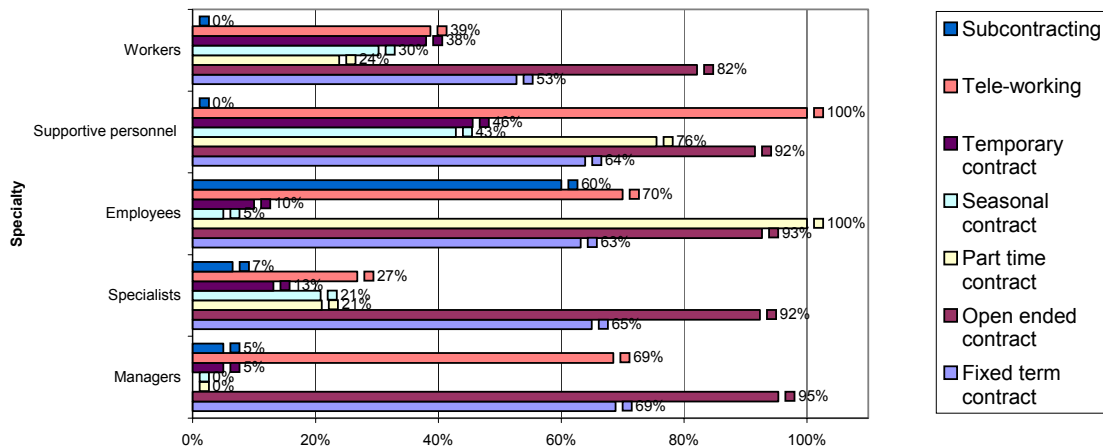
M1. Type of occupation according to the different specialties of your employees



M2. Number of cases of usage of types of occupation according to the different specialties of your employees



M3. Average percent of usage of the different types of occupation



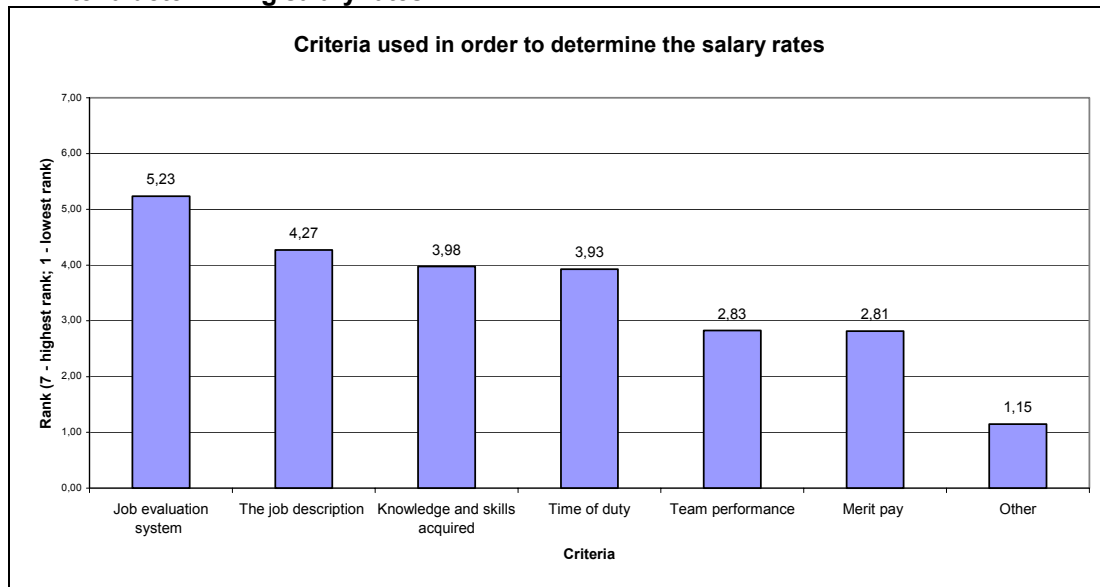
3. Methodology

The methodology of the research is based on the descriptive approach applied on collected research data. In order to find major trends in introducing new paradigm of HR management the Bulgarian private firms from the sample are distributed in five groups according to the number of employees:

I	Small firms (up to 49 employees)
II	Middle firms - category 1 (50-199 employees)
III	Middle firms - category 2 (200-349 employees)
IV	Middle firms - category 3 (350-499 employees)
V	Large firms (over 500 employees)

II. KEY RESULTS

1. Criteria determining salary rates

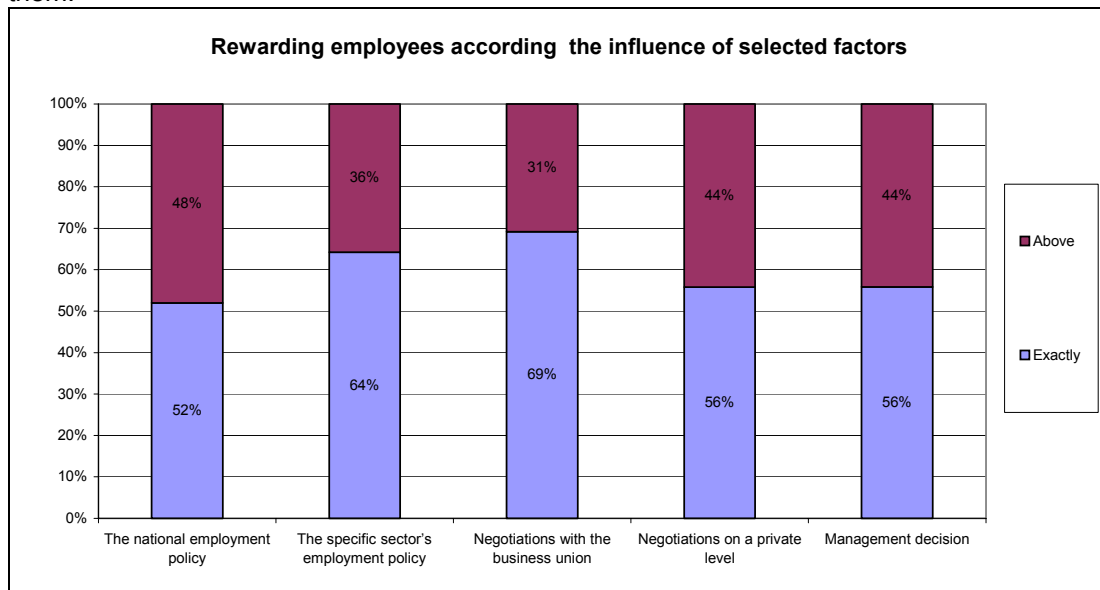


The basic criteria having greatest influence upon the formation of salaries are as follows:

- Job evaluation system
- Time of duty

- Merit pay
- Team performance
- Knowledge and skills acquired
- The job description.

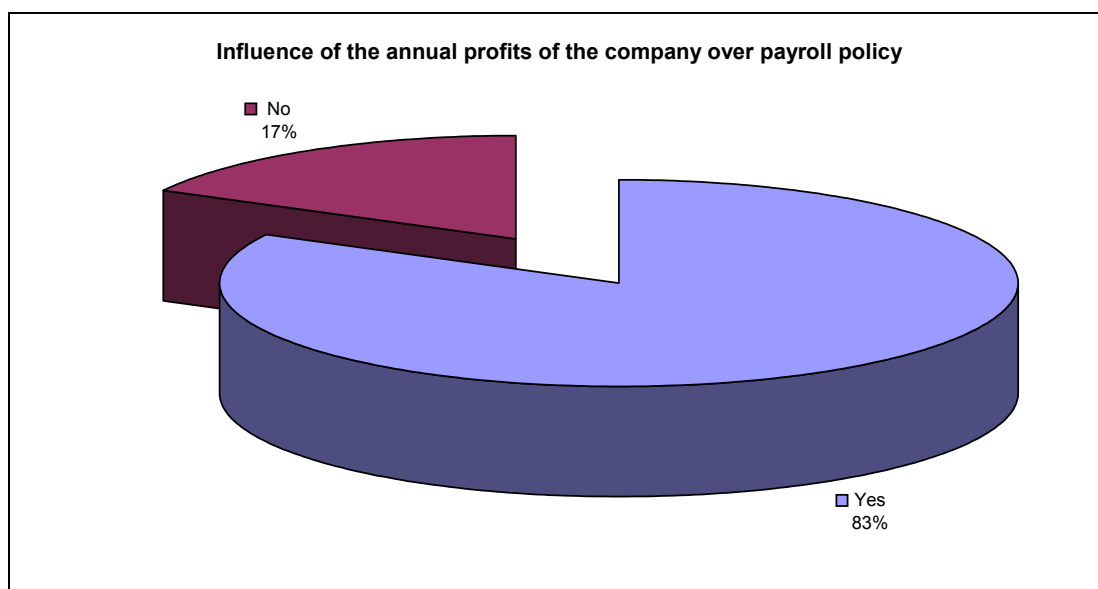
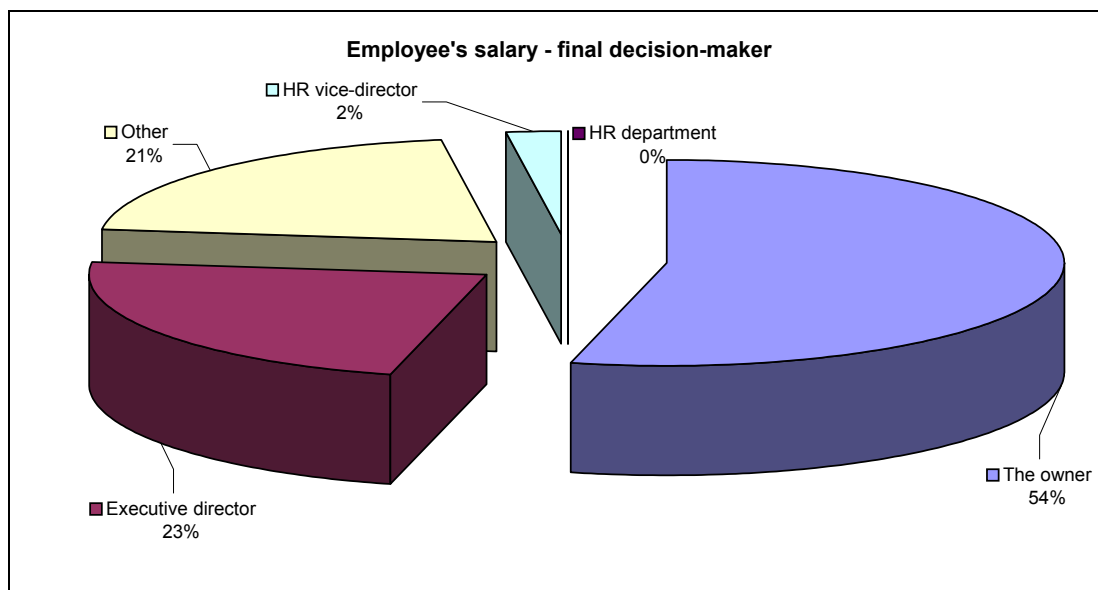
Most important of them are the company's performance evaluation and the job description they were given average marks of 5.23 and 4.28 out of the maximum possible 7 points. This means that most of the questioned firms have placed those two criteria respectively on the first and second place according to their importance for the formation of salaries. The next two criteria with approximately equal average ranks on the scale of importance are knowledge and skills acquired and time of duty. Team performance and merit pay, with average ranks 2.83 and 2.81 are in a similar situation. Only three firms have specified other salary formation criteria - e.g managers' subjective judgment or development of rationalization projects. 48 % of the interviewed have ranked all the criteria and the rest 52 % - only some of them.



The study shows that the factors included in the questionnaire (national employment policy, specific sector's employment policy, negotiations with the business union, negotiations on a private level и management decision) have different influences on personnel remuneration. The analysis of the data shows that 52 % of the salaries are being formed according to the requirements of the national employment policy, 64 % - according to the specific sector's employment policy, 69 % result from negotiations with the professional association, 56 % - result from private negotiations and 56 % - according to the corresponding managerial decisions. The rest of personnel remuneration is being formed above the criteria set by those factors. The most important factor for the final formation of employees' salaries is the negotiations with professional associations since in many cases they serve as bases for various policies in the sphere of human resource management and the formation of tangible managerial decisions.

2. Compensation policy

The final decision on personnel salaries level is usually made by the owner of the firm - in 54 % of the cases. In 23 % of the surveyed organizations the decision is made by the executive manager. Less often it is made by HR vice-directors, human resource departments, boards of directors, managing boards, general managers, commissions or supervision boards. In most cases the decision is made by a single executive officer or executive department (such is the case in 89 % of the interviewed organizations). In the rest of the cases (11 %) the final decision is made by two executive officers (e.g. the executive director and the owner or the executive director and the human resource department.)



The financial performance of the company plays a significant role for the formation of the company's payroll policy. For most of the companies included in the survey (83 %) the payroll policy is directly influenced by the amounts of annual profits while for only 17 % of the interviewed companies there is not such a dependence.

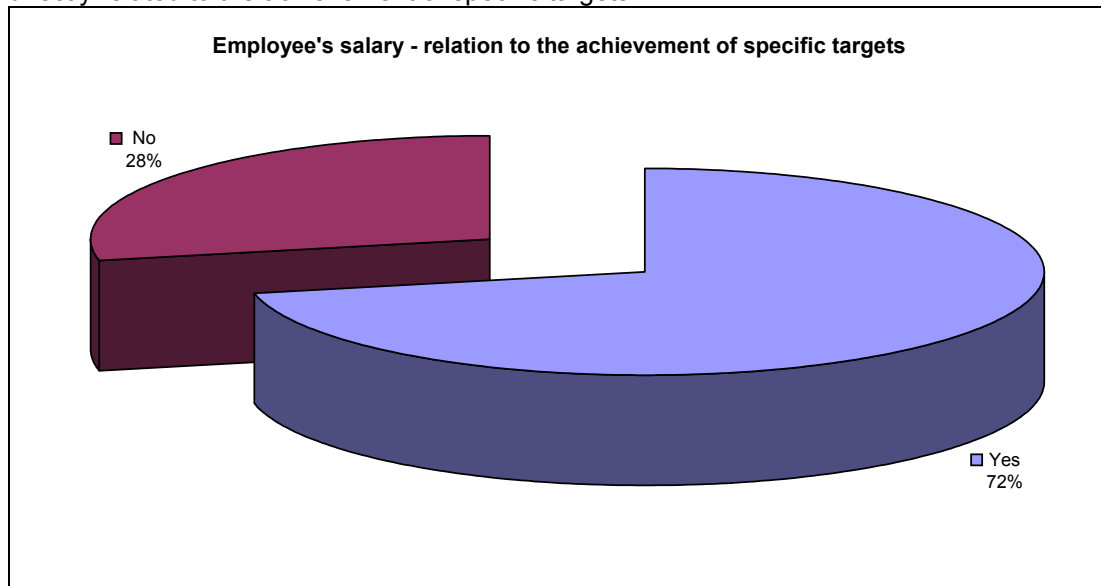
3. Profit sharing

For most of the companies included in the survey the salary level is related to the achievement of specific targets. Such is the case for 72 % of the companies included in the survey. Some of the most frequent targets/base influencing the salary rates are:

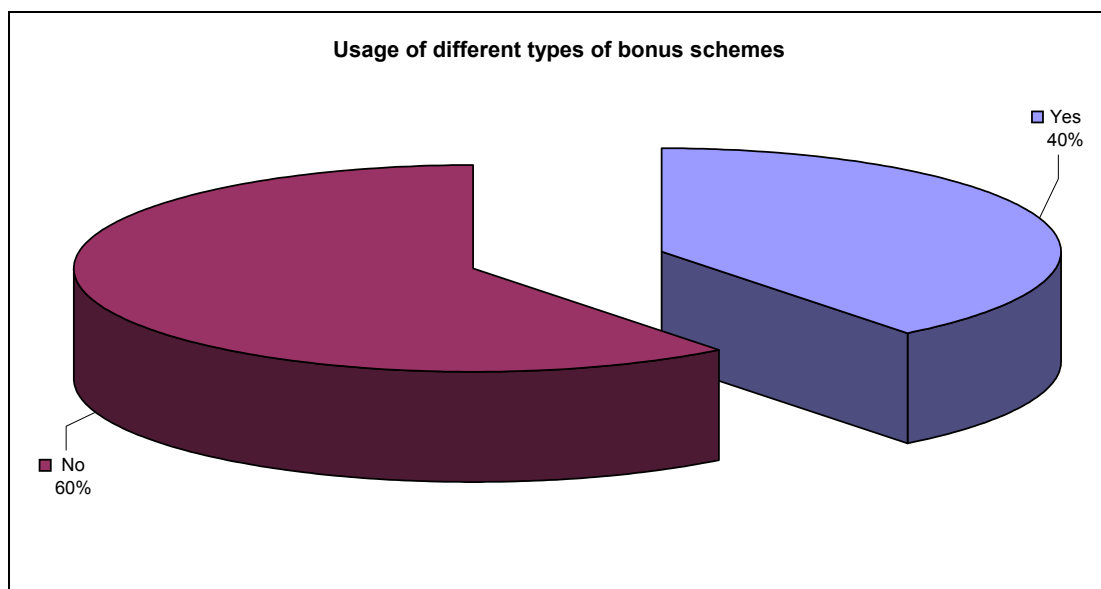
- ◆ achievement of certain quality level of the products or services;
- ◆ produce dispatch or services provision within a certain time limits;
- ◆ production of a certain volume of goods/services;
- ◆ achievement of a certain volume of sales turnover either on the domestic or on the international markets;
- ◆ execution of production operations according to a specific production schedule or performance specifications,
- ◆ reduction of production costs;

- ◆ increase of labour productivity;
- ◆ attraction of a certain number of clients;
- ◆ accomplishment of the production plan;
- ◆ accomplishment of certain production indexes;
- ◆ the amount of achieved incomes;
- ◆ achievement of corporate and individual targets and
- ◆ agricultural yields.

For the rest of the companies included in the survey (28 %) the employees' payroll is not directly related to the achievement of specific targets.



4. Bonuses



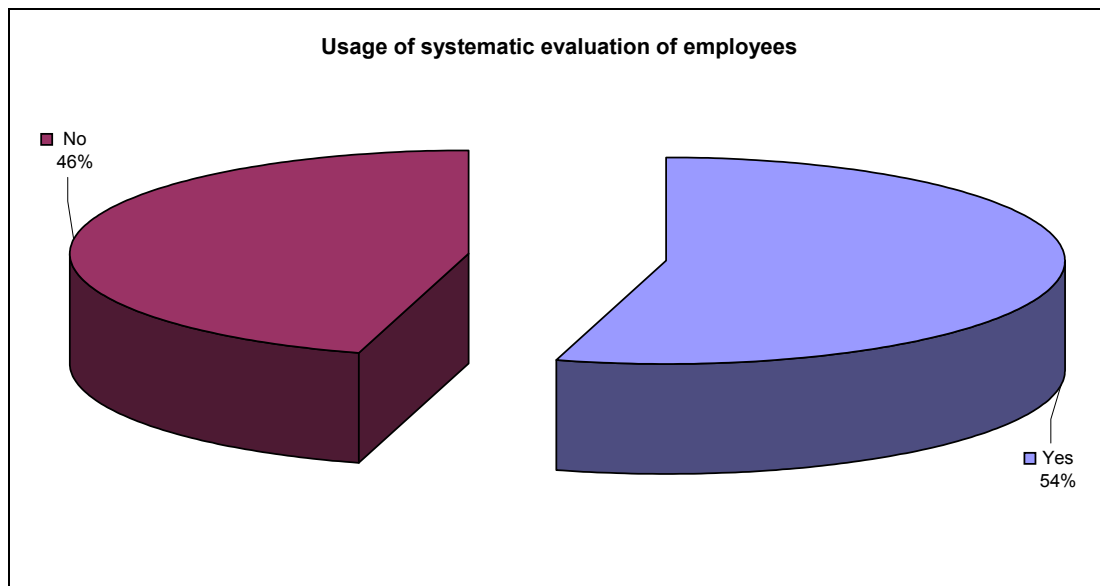
Most of the firms have adopted payroll systems which do not include bonuses. The survey shows that such payroll systems have been adopted by 60 % of the firms. Some of the bonus criteria are:

- ◆ volume of sales;
- ◆ job quality;
- ◆ achievement of results;
- ◆ personal contribution and company's performance;
- ◆ profits higher than planned;

- ◆ financial results;
- ◆ timely and qualitative job performance;
- ◆ work done;
- ◆ increase of productivity;
- ◆ finding of new solutions in the field of high technologies;
- ◆ ahead of schedule fulfillment of the set targets or contract terms;
- ◆ achievement of specific targets;
- ◆ extra hours of work or work during the holidays/weekends;
- ◆ quality of production;
- ◆ innovations;
- ◆ increase of turnover;
- ◆ by manager's decision;

Few of the firms included in the survey have a system of criteria for bonus formation. Such a combination of criteria typically includes for example quality of service, volume of sales, reduction of production errors and costs. The rest (40 %) of the firms included in the survey use some types of bonus schemes

5. Performance Evaluation

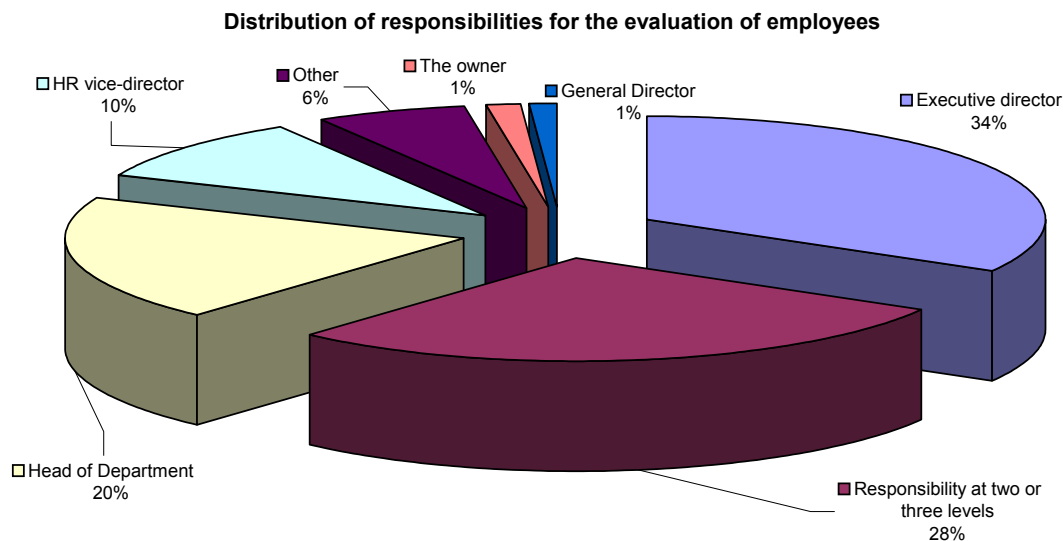


The systematic evaluation of employees is a regular practice for 54 % of the firms included in the survey while in the rest 46 % the evaluation is non-systematic. The firms use various methods for work performance evaluation. Some of them are:

- ◆ method of subjective evaluation performed by immediate managers;
- ◆ attestation method - by filling in attestation cards or forms;
- ◆ tests;
- ◆ evaluation system based on job descriptions;
- ◆ the method of "allocation of personal tasks and their evaluation through a point system";
- ◆ based on the evaluation of individual targets and skills;
- ◆ a combination of analytical and non-analytical evaluation techniques;
- ◆ brain-storming;
- ◆ evaluation system based on production quality;
- ◆ evaluation based on achieved results (achievement of specific planned goals, sales volume);
- ◆ points-based evaluation system;
- ◆ total sales;
- ◆ evaluation using coefficients and indexes;
- ◆ special corporate method.

The most widely used of those methods are the attestation method and the comparative method.

At about 33 % of the firms included in the survey the evaluation process is a responsibility of the executive manager. On the second place (about 20 %) are the firms where the evaluation process is a responsibility of the head of department. The HR vice-director is responsible for personnel evaluation in 10 % of the cases and the general director and the owner of the firm are responsible in 1 % of all cases. Often this responsibility is shared between the executive director and the head of department or between the head of department and the HR vice-director. Data analysis shows that in about 28 % of the firms the responsibility is shared between executive officers of different ranks. Only 6 % of the organizations have described other variants for sharing of personnel evaluation responsibility.

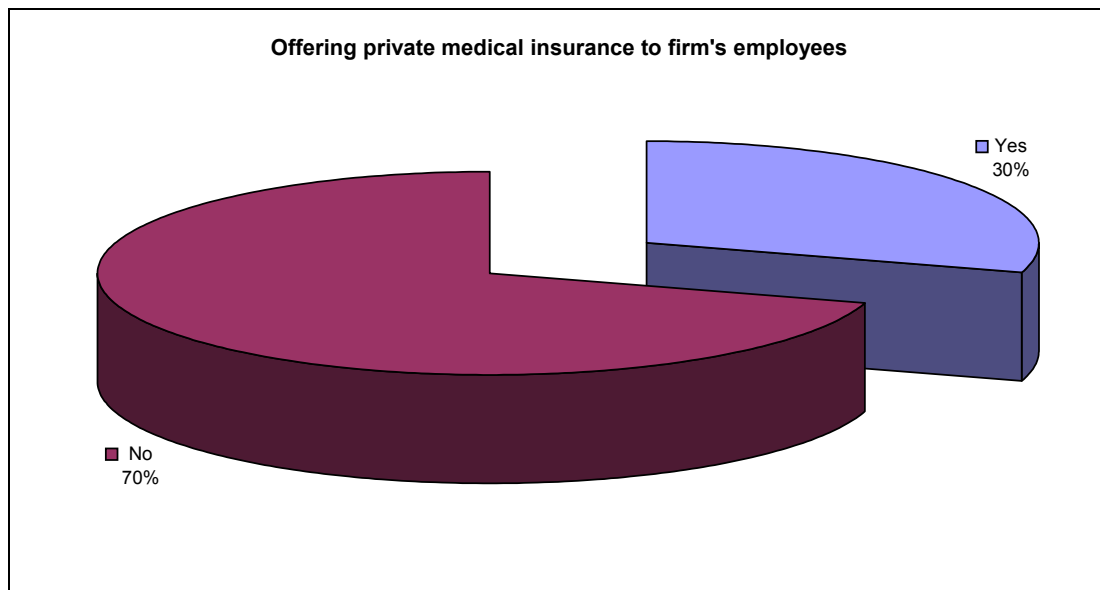


Some of the main criteria for employees evaluation used by the firms included in the survey are as follows:

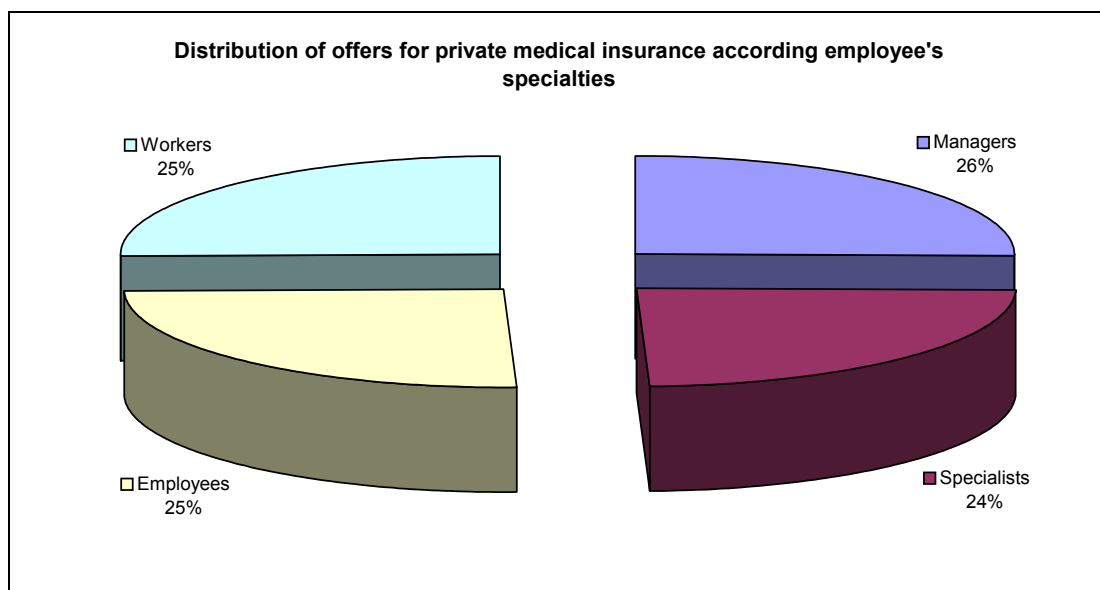
- ◆ type of work;
- ◆ education;
- ◆ qualification;
- ◆ skills for work with clients;
- ◆ contribution to revenue increases;
- ◆ quality of work;
- ◆ technical skills;
- ◆ productivity;
- ◆ responsibility;
- ◆ experience;
- ◆ skills for decision-taking;
- ◆ personal qualities;
- ◆ professional work;
- ◆ many criteria;
- ◆ abilities to work in team;
- ◆ length of service;
- ◆ loyalty.

6. Private medical insurance

Private medical insurance is still not a widely used practice in Bulgaria. The survey shows that only about 30 % of the companies included in it pay for the medical insurance of their employees. Most of the firms (about 70 %) do not cover the private medical insurance of their employees. This fact is most probably due to the changes which have occurred in the field of medical insurance for the last few years and which have not been completed yet.

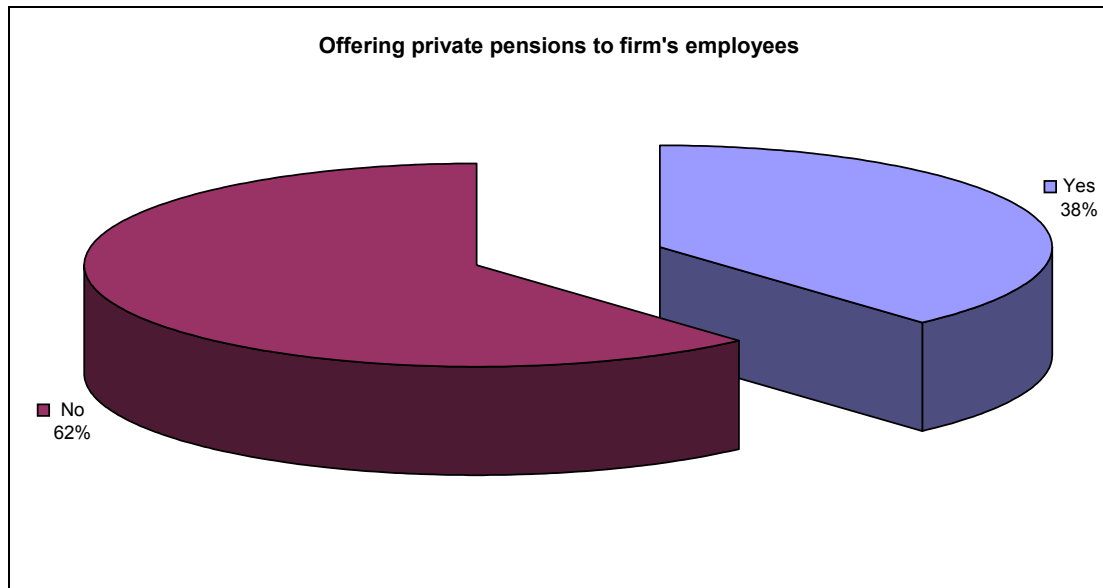


In the companies that offer private medical insurance to their employees it includes all personnel categories as may be seen from the chart. The difference in percentage of executive and specialist categories is due to the fact that in some companies there are no specialists as a separate category.

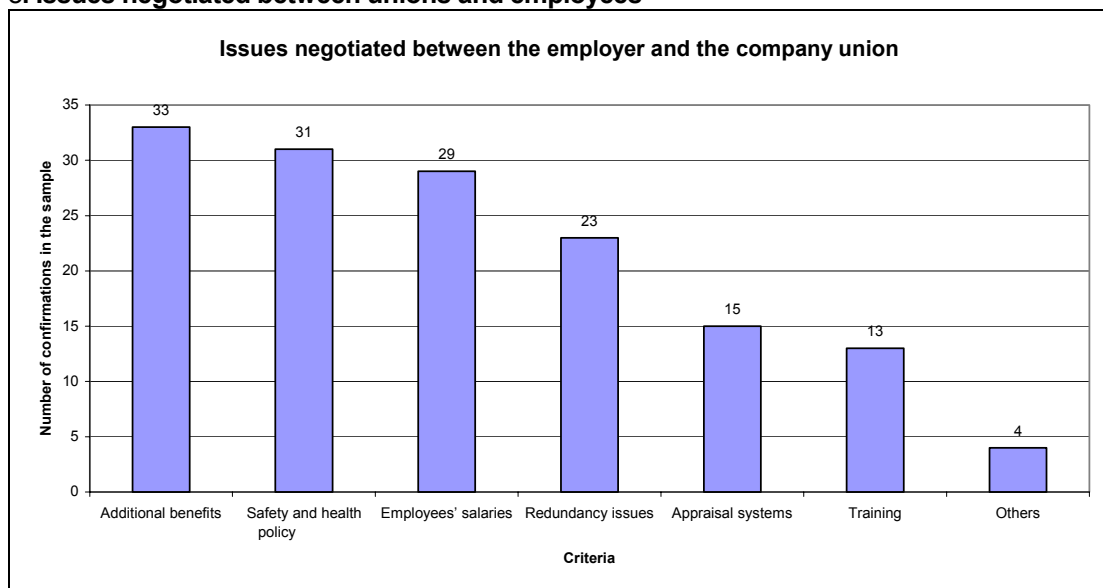


7. Private pension

In relation to the private pensions the answers are similar to those regarding the private medical insurance with only a slight difference in distribution. The survey shows that about 38 % of the organizations offer their employees private pensions and 62 % of them do not. In those firms that offer private pensions it encompasses all employees - this is obvious from the almost equal distribution of the percentage among the various categories of employees.



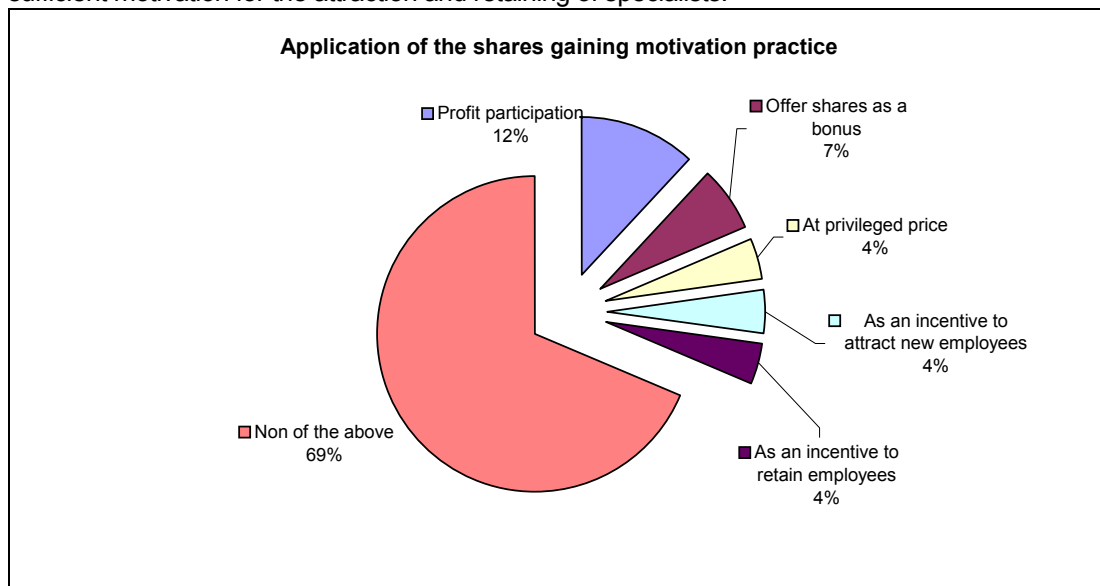
8. Issues negotiated between unions and employees



Raw data show that in more than half of the companies included in the survey there are no functional syndicates. In the rest of the firms (in which there is a functioning trade union) the various aspects concerning their employees are negotiated. The most frequently negotiated aspects are the additional benefits (in 33 of the companies), the safety and health policy (in 31 of the companies), followed by the employees' salaries (in 29 of the companies), the redundancy issues (in 23 of the companies). Less frequently negotiated are the training and evaluation system - in 13 and 15 of the companies included in the survey. Only 4 of the companies have given other answers - e.g. social policy or redundancy order.

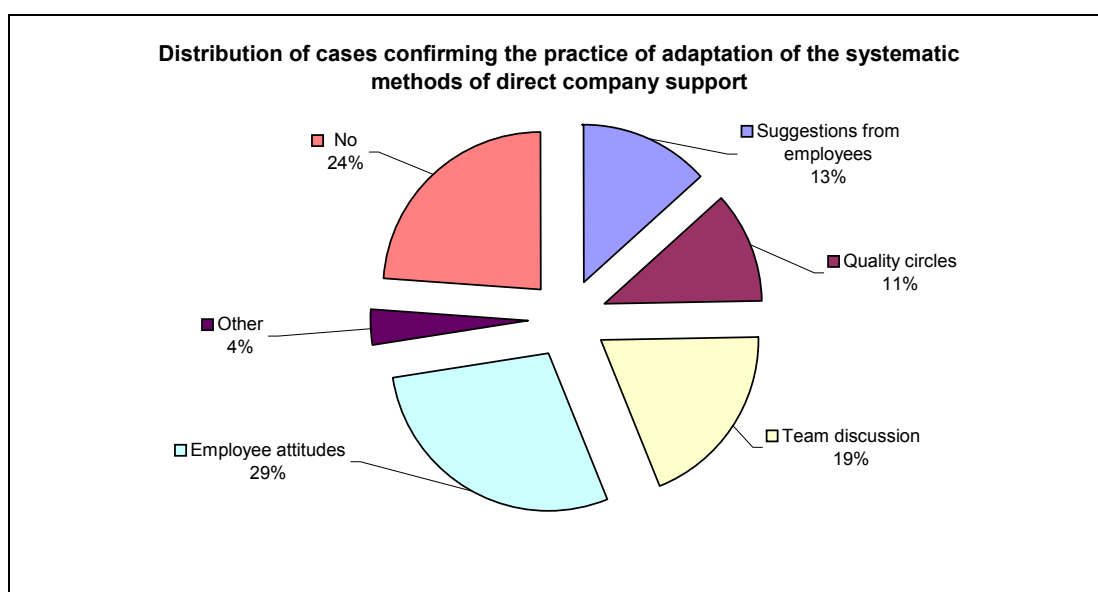
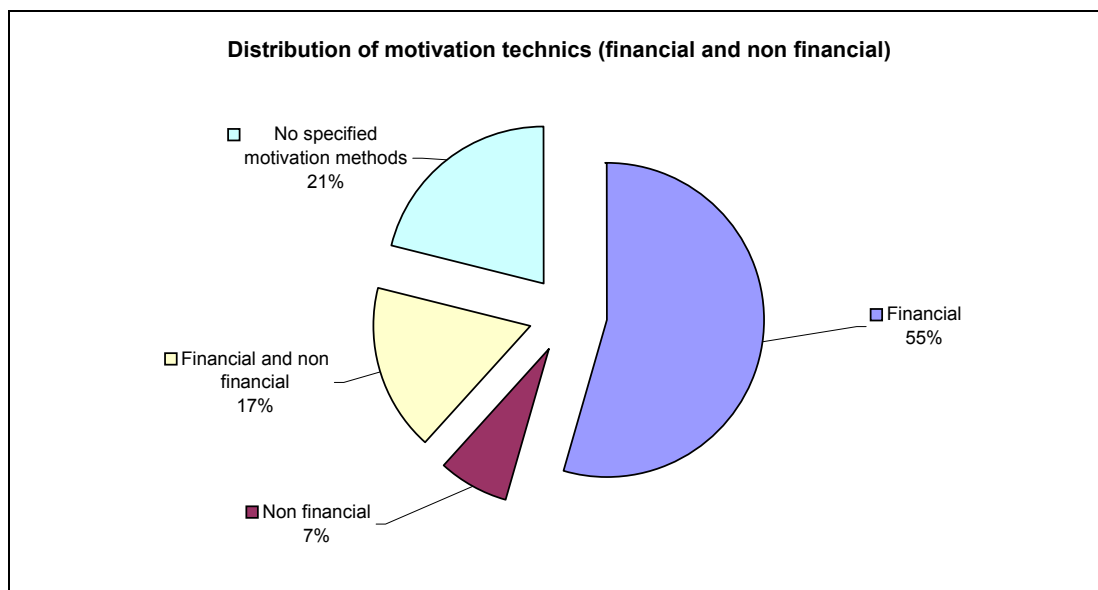
9. Stock options

The option for acquisition of stocks or bonds by the employees is quite rare for Bulgaria. About 69 % of the companies included in the survey do not provide such an option. Only a small portion of the companies (about 12 %) provide possibilities for profit sharing thus motivating their employees to work better. Less often the shares are offered in the form of performance bonuses - in about 7% of the firms. The offering of shares on special prices is extremely rare - in only 4 % of the cases. The acquisition of shares by the employees is not considered a means for retaining of qualified specialists in almost all companies. Only 4 % of the firms consider the acquisition of shares a sufficient motivation for the attraction and retaining of specialists.



10. Means of company support

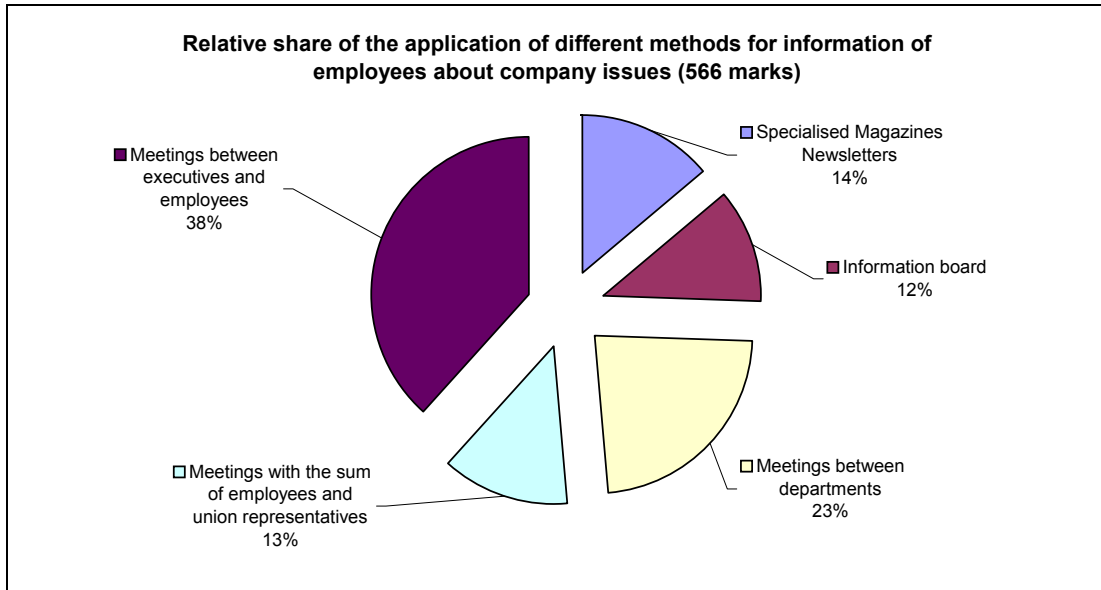
Most of the companies realize the importance of personnel motivation. The analysis of data gathered through the survey reveals two main types of personnel motivation - financial and non-financial. The better part of the companies (about 55 %) prefer the financial type of motivation of their employees in the form of bonus payment received by the employees in case of overfulfilment of plan indexes - often in the form of thirteenth salary. A comparatively smaller part of the companies (17 %) combine the financial and non-financial types of motivation. Most of the companies in this group give material prizes (presents) to their employees or give them the opportunity to receive additional qualification/training paid for by the company. The smallest group (7 % of the companies included in the survey) is the group of companies that offer only non-financial type of motivation to their employees.



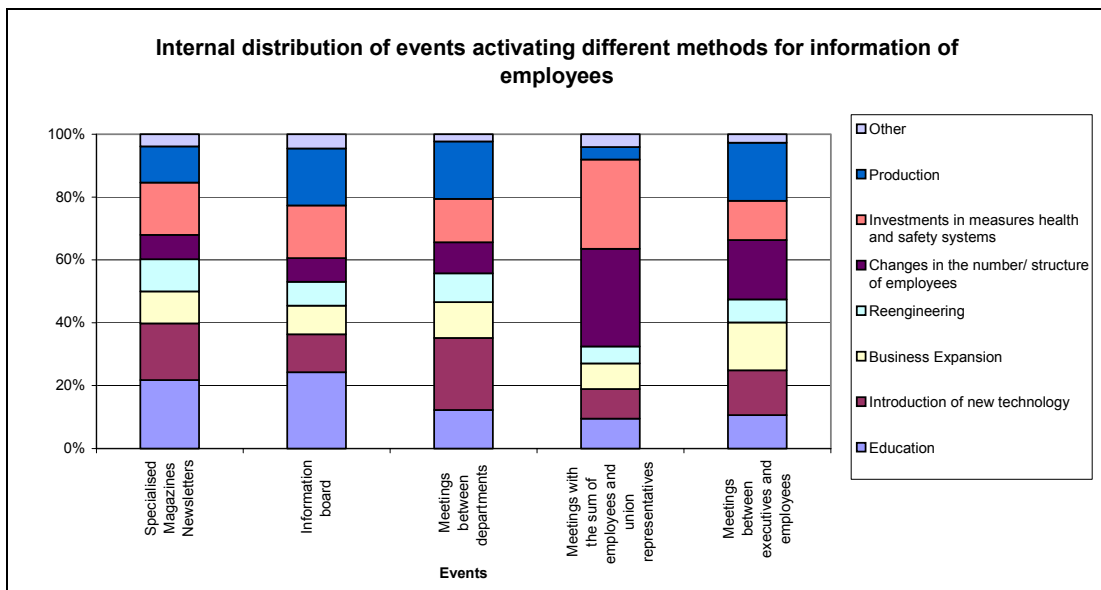
About one quarter of the companies (31 % of them) do not adapt the systematic methods of direct company support of their employees. The rest of the companies adapt these methods - in 37 % of the cases in conjunction with Employee attitudes, in about 25 % in conjunction with Team discussion, in 17 % in conjunction with suggestions offered by the employees and in 15 % in conjunction with the functions of Quality circles. Only 4 or 5 % of the companies included in the survey have pointed out other reasons. About 19 % of the companies have chosen more than one possible answer that explains the incongruities in the above figure.

11. Methods of informing employees

Communications with the employees are relatively well organized in all companies included in the survey. Most of them (27 %) are using one of the above methods for providing their employees with information about the changes which occur within the organization (company). About 23 % of them use two of the above methods, 20 % use three methods, 16 % use four methods and only 9 % use all five methods. Only four of the companies included in the survey (representing 5 % of the total number) do not use any of the above methods for communication with their employees as half of them rely on the direct contact with their employees.

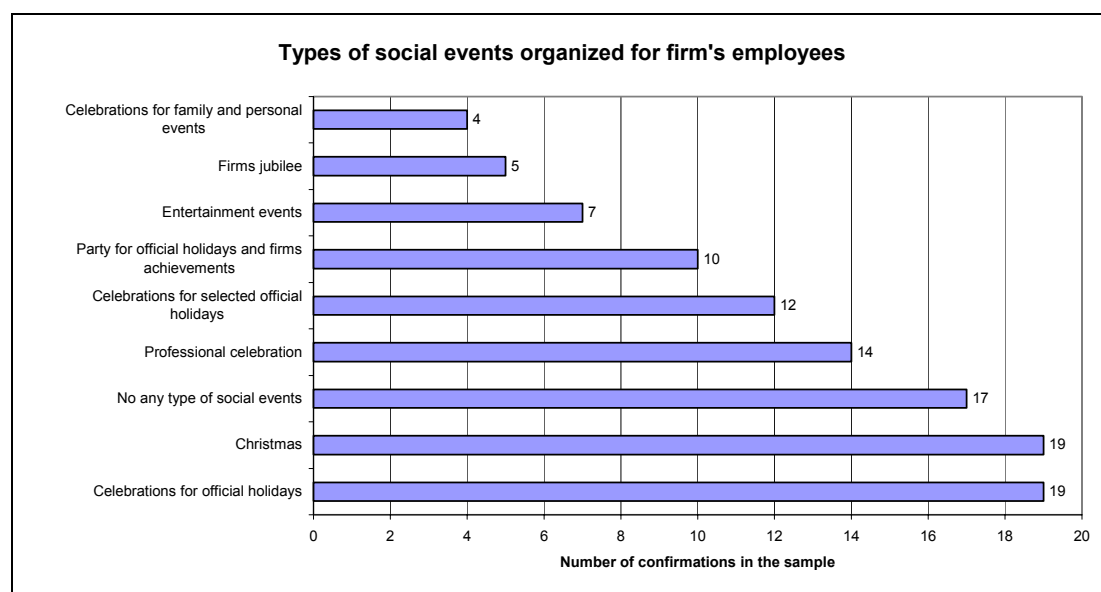


The meetings between executives and employees is the most widely used method - in 38 % of the companies included in the survey. The method of department meetings is on the second place on the scale of popularity. It is obvious from the collected data that such meetings are being organized in 23 % of the companies. Meetings with the sum of employees and union representatives are organized only in 13 % of the organizations included in the survey. The remaining two methods are also less frequently used - specialized information boards in 14 % of the companies and information boards - in 12 % of the organizations included in the survey.



The reasons to apply the specific methods for information of employees are also different. The specialized information bulletins or newsletters are most frequently used to inform the employees about future changes in the field of education, technologies, investments, labour protection and safety and production. The information boards are generally used to announce changes concerning primarily education, qualification, production or investments. The meetings between departments are normally induced by the occurrence of various innovations or changes related to production. The meetings with employees trade union representatives are usually intended for discussions on changes in the systems for labour protection and safety or in the personnel structure. This is logical having in mind that labour protection and safety and personnel redundancy are two of the most important problems negotiated on by employees and trade union representatives from the one hand and employers from the other. The general meetings between management and staff are intended

to discuss the changes in production, personnel structure, the expansion of business or the introduction of new technologies in the company's structure.



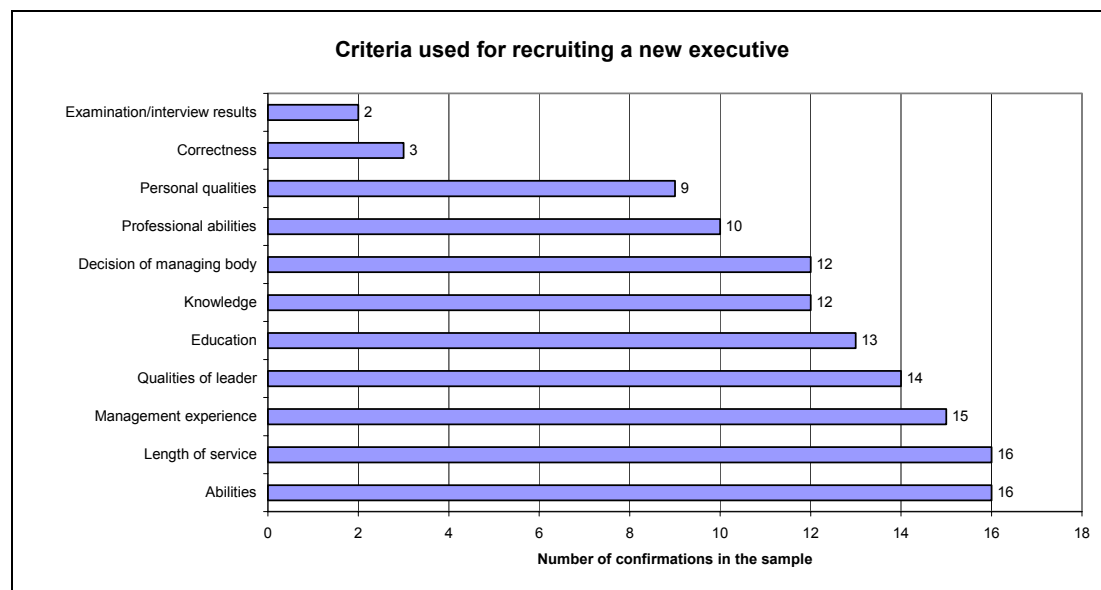
The social and public events organized by the company for its employees have always been and still are a common practice in Bulgaria. However, most of the small- and medium-sized private firms confine themselves to celebrating only the official holidays, Christmas and New Year's Day. They also relatively often celebrate the professional holidays of the industry sector they are representatives of. Parties dedicated to company's achievements or personal or family celebrations are less frequently organized. Social events like going to the theater, cinema, etc. in a group are also quite rarely organized.

12. Criteria used in recruitment

Most of the companies included in the sample (about 41 %) use two or more criteria in the selection of new executives. The most common criteria are:

- applicant's skills - a criterion used by 16 of the companies;
- applicant's work experience - applied as often as the previous one;
- managerial experience;
- education;
- knowledge;
- professionalism;
- personal qualities and
- accurateness.

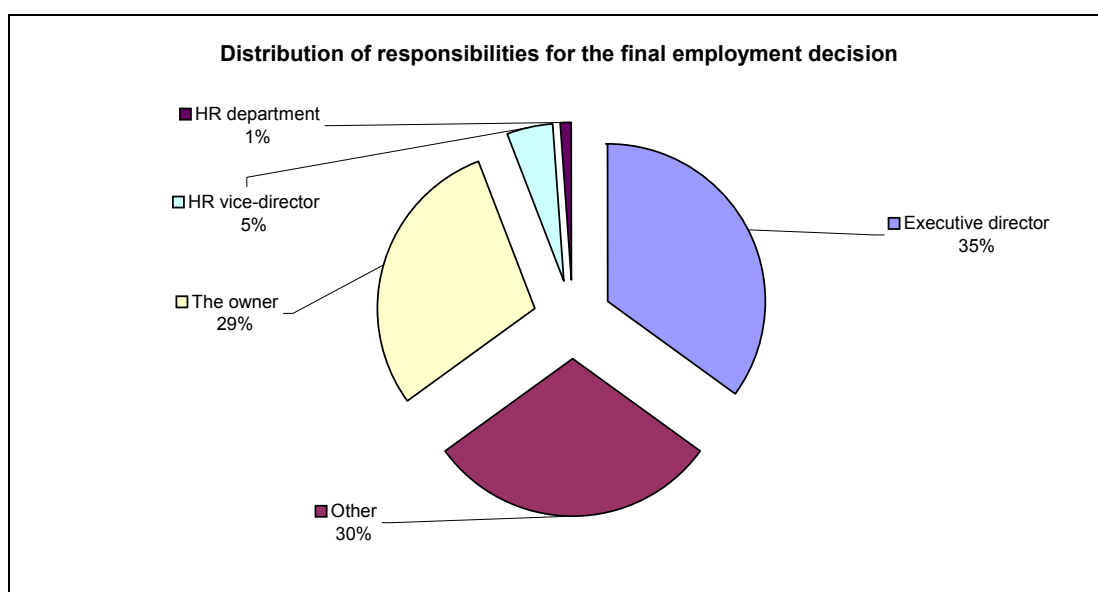
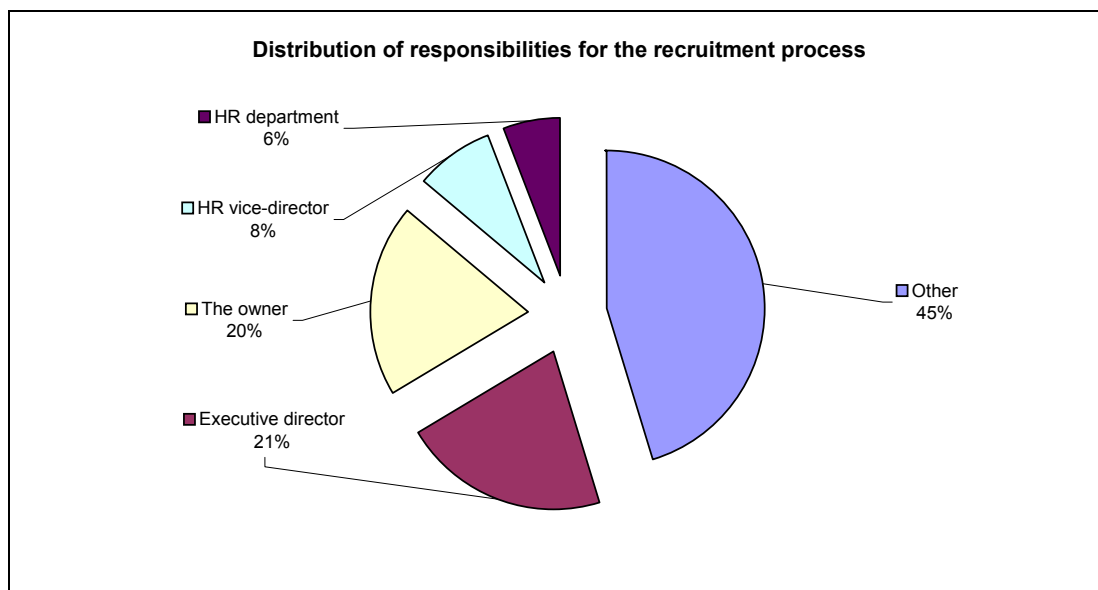
In about 20 % of the companies the choice is a result of a managerial decision. The right to make that decision is delegated either to the board of directors or to the executive board or is made directly by the owner of the company. Only 6 % of the companies declare that they have set a special selection procedure (post competition). The remaining 33 % of the companies do not apply a special criterion or procedure for the choice of their executive directors grounding that decision on a corporate secret or lack of such post.



13. Persons responsible for the recruitment process

Those who most often organize and conduct the process of selection of employees in the small- and medium-sized enterprises are the executive director and the owner/s of those enterprises. In 21 % of the cases in the sample the selection procedure is a responsibility of the executive director and in almost as many cases (20 %) it is a responsibility of the owner. The analysis shows that the Human Resource Departments (HRD) as well as the Human Resource Managers of most of the companies do not participate in the selection. In only 8 % of the cases the selection is done under the guidance and with the participation of the Human Resource Manager and in only 6 % of the cases the selection is done with the participation of HRD representatives. In about 14 % of the companies the selection process is carried out with the participation of representatives of two executive organs one of which is usually the owner or the executive director. The group of those who are directly responsible for the selection process also includes the production manager or the department manager, the managing director, the executive board, the board of directors, the head of department, managers and vice-managers, commissions, department officers, the general manager, the sector manager, the vice-directors - generally the responsibility in 45 % of the cases is directly borne by any of the above officers or organs.

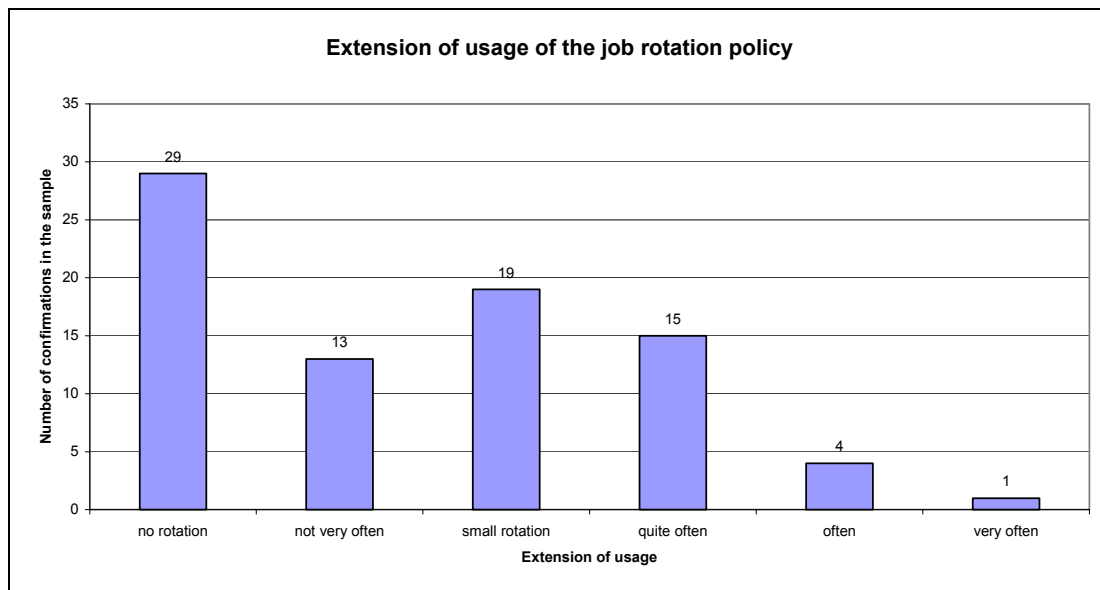
The analysis of data shows that the final choice is a responsibility above all of the executive director or at least he is responsible for the final choice in 35 % of the cases included in the sample. The share of the owners who have kept this responsibility and privilege for themselves is also great. The survey shows that in 29 % of the cases in the sample the final decision is made exactly by the company owner/s. The final decision is extremely rarely made by the HR director or by the members of HRD - the overall number of those cases accounts to 6 % of the companies. In the remaining 30 % of the cases included in the sample the choice of the most suitable applicant is a responsibility of other people or organs (i.e. board of directors, executive officers, managers or commissions). Almost 9 % of the interviewed organizations did not answer who is directly responsible for the selection process and the final choice of employees.



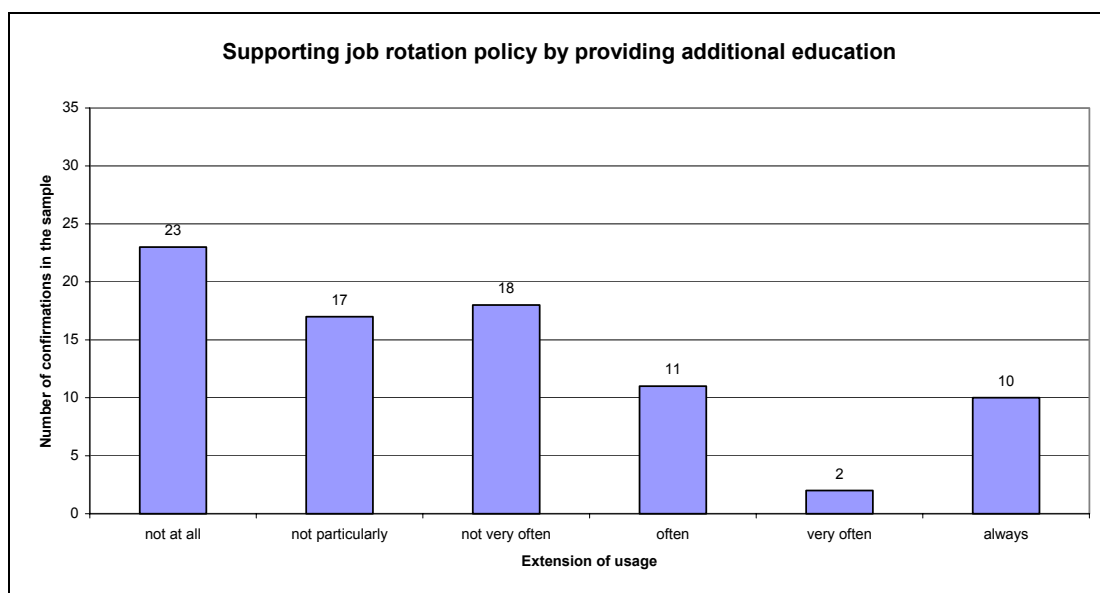
14. Orientation and Training programs

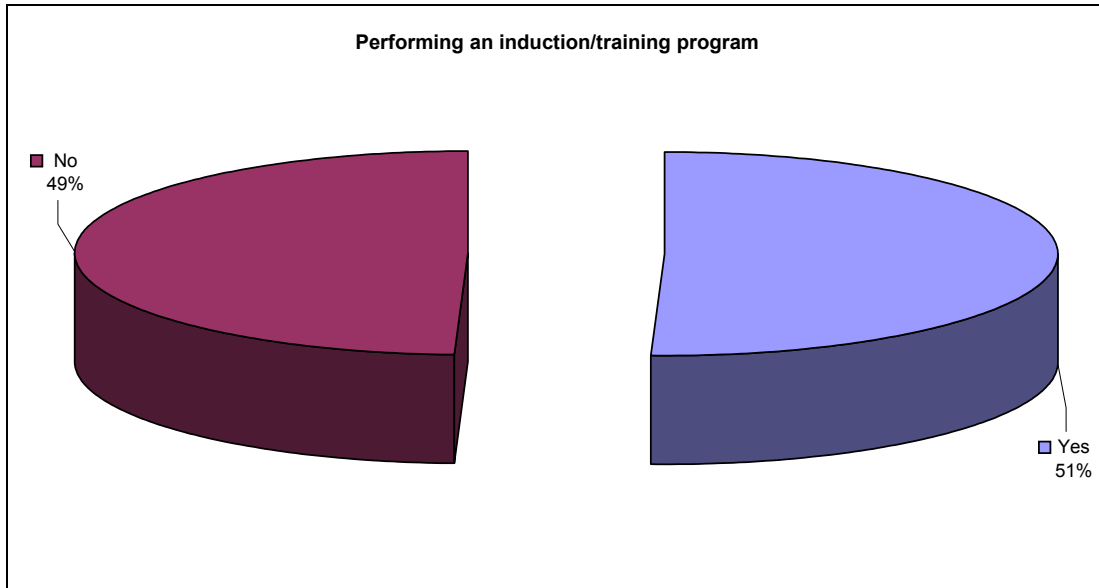
The orientation and training of the employees in the small- and medium-sized private enterprises are not very popular. Most of the owners and executive managers of those enterprises still ignore those human resource management activities.

The rotation as a specific for of education and training of the personnel is either totally neglected or paid very little attention to. The survey data shows that in about 35 % of the cases included in the sample the companies do not practice personnel rotation, in 24 % of them the rotation is used quite rarely and in 19 % of the companies it is used quite often. Only 5 % of the companies included in the sample use the rotation frequently and about 1 % of the companies consider the rotation something normal and useful.

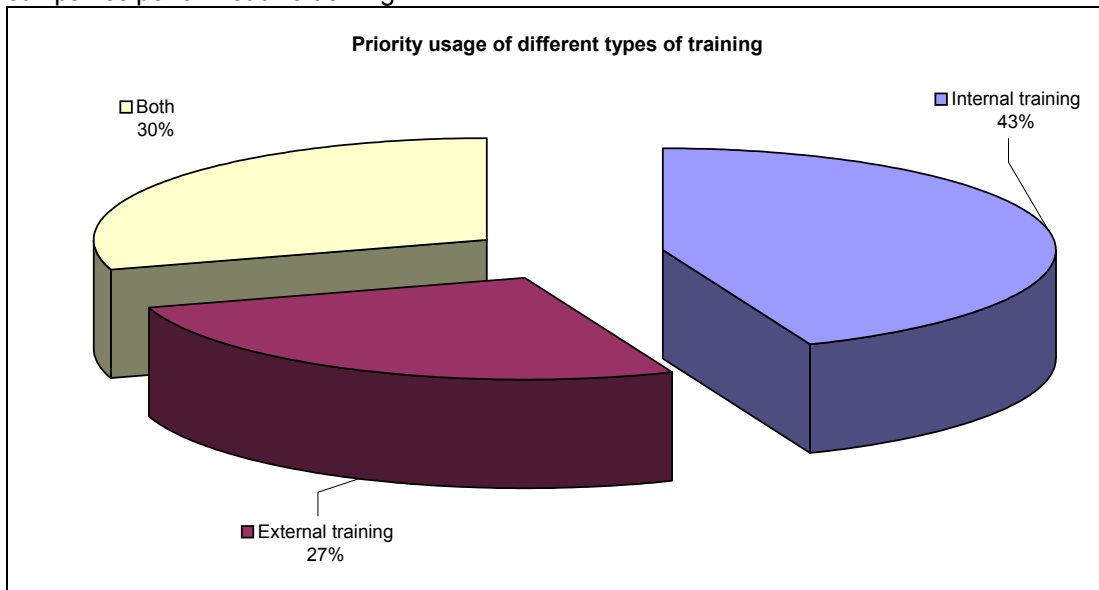


Most of the executive bodies within the structure of the organizations do not support the policy of additional training of their employees. The companies that do not follow such a policy represent 28 % of the total number of cases included in the sample. The administration of 21 % of the companies very rarely support such a policy and 22 % of them do that not quite often. 14 % of the companies included in the sample frequently follow such a policy - 3 % of them very often and only 1 % of them approve of such policy and regularly provide additional training.





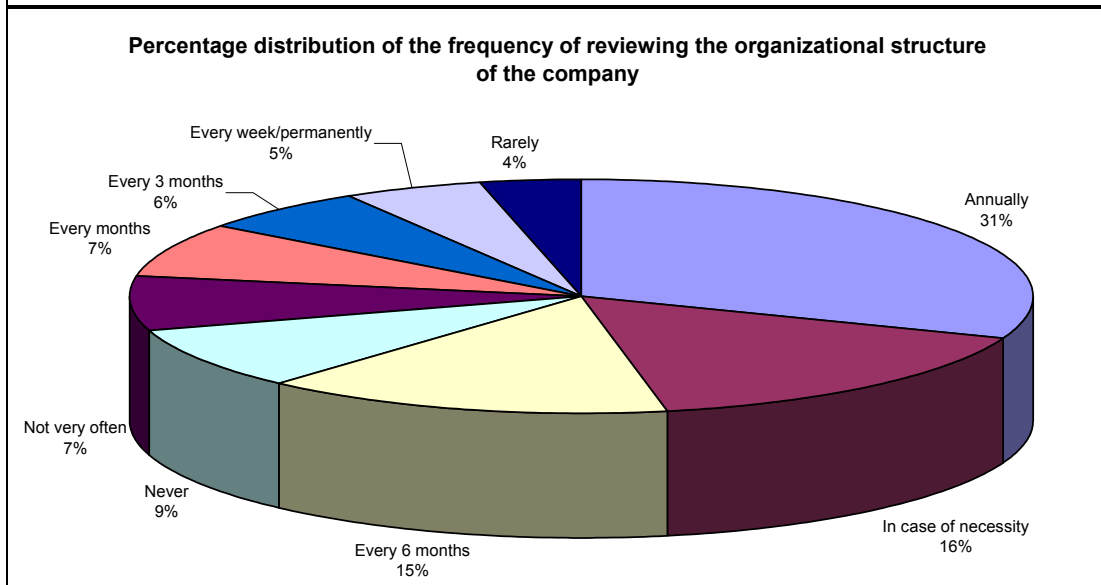
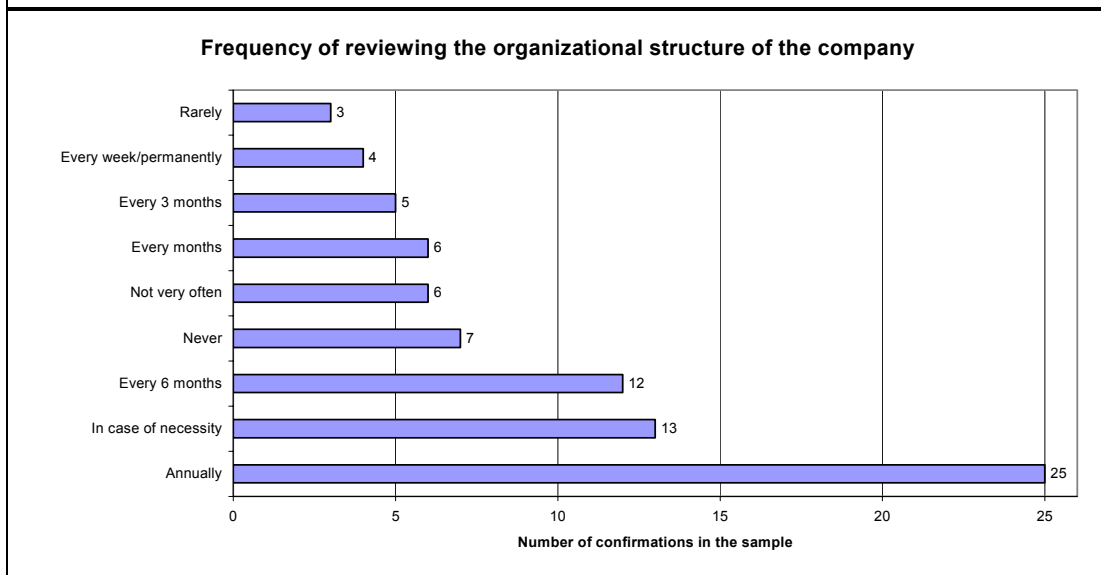
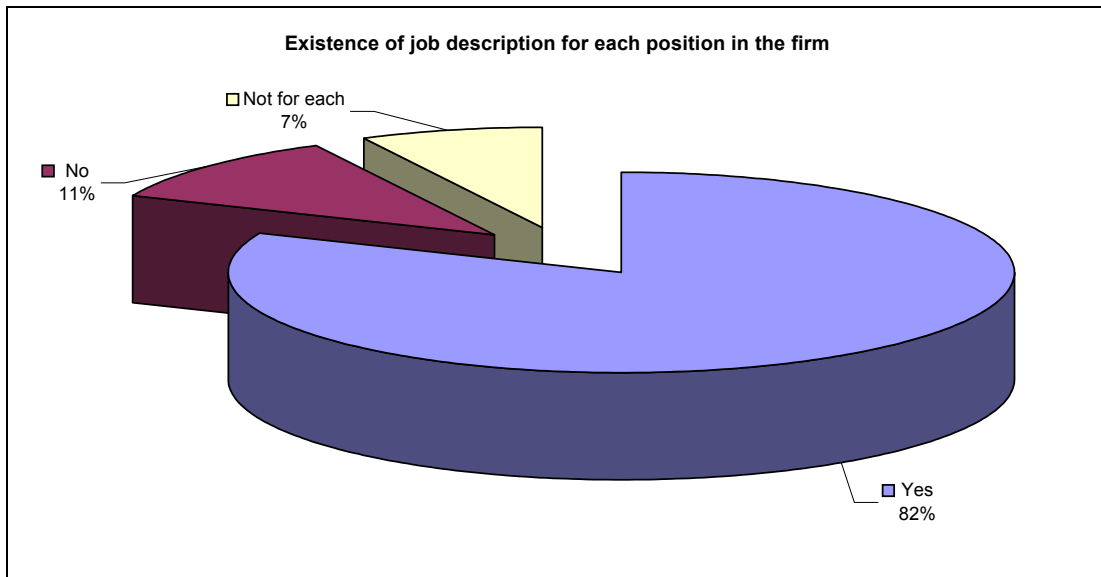
The introduction of the new employees to the specifics of their job is considered not very necessary by almost half of the interviewed companies. This to a great extent may be explained by the little necessity of highly qualified personnel the specifics of the employees activities - most of the companies rely on the correct selection of employees. These are some of the reasons for about 49 % of the companies not to perform an introductory or preparatory training. The rest (51 %) of the companies perform such a training.



Most of the companies included in the sample (about 79 %) train their employees in a later stage. 43 % of them train their employees within the structure of the company using internal resources (trainers). A substantial part of them (30 %) use both forms of training - internal and external while almost equal part of them (27 %) prefer the external form of training.

15. Existence of job descriptions

Nowadays job description is a very useful means of clarifying the employee's obligations as well as of setting a remuneration base. Almost all companies (nearly 82 % of the cases included in the sample) have created and developed job descriptions for the whole range of posts within their structures. Only 7 % of the companies have job descriptions for part of their posts. In 11 % of the cases included in the sample (with varying line of activities) do not have job descriptions at all.



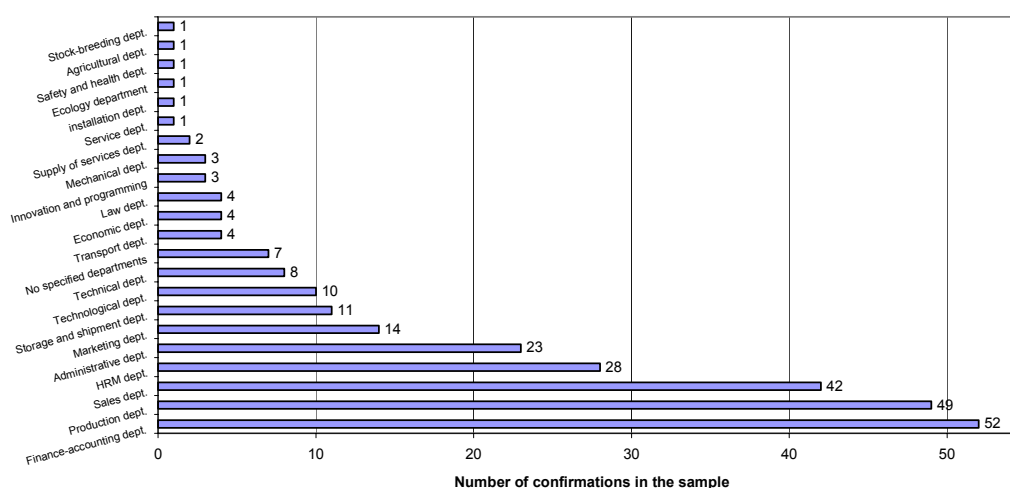
Almost 31 % or 25 of the companies included in the sample review their organizational structures every year. About 16 % of them (13 companies) review their organizational structures when there is a need for that without stating how often that happens and 15 % or 12 of the companies review their organizational structures every 6 months. Other firms (7.4 % of the companies included in the

sample) declare that they review their organizational structures not very often and the same percentage declare that they do that every month. The organizational structures are reviewed in 6 % of the companies included in the sample and 4.9 % of those companies review their organizational structures every week. Almost 4 % of the interviewed organizations review their organizational structures quite rarely and 8.6 % of the firms do not review their organizational structures.

16. Major departments in the firm

One of the department that is most frequently present within the organizational structures of the companies is the Department of Finance and Accounting - 52 of the companies declared that they have financial, accounting or financial and accounting departments. The presence of production department directly related to their activity is declared by 49 of the companies. About 52 % of the companies (42 of them) have sales or marketing departments. Human Resource Departments or their analogues dealing with the aspects of human resource management are present in 28 of the organizations, i.e in about 30 % of the cases included in the sample. Although all the companies realize the great importance of the human resource for their development most of them do not have executive structure dealing explicitly with human resource management. One of the reasons for that is the small number of employees which makes the presence of such structures unnecessary while in the larger organizations there probably is not a will for decentralization and delegation of executive power. About one quarter of the companies (23 of them) have stated that their organizational structures include administrative departments and 14 of the companies (17 % of the cases included in the sample) have marketing departments. Almost 14 % or 11 of the companies have Storage and shipment departments, about 12 % of the organizations (10 of them) have Technological departments and about 10 % of the companies (8 of them) have Technical departments. The occurrence of Service dept., Innovation and programming dept., Transport dept., Supply of services dept., Mechanical dept., Economic dept., installation dept., Law dept., Ecology department, Safety and health dept., Stock-breeding dept. and Agricultural dept. within the organizational structures of the companies is less common. About 9 % of the interviewed companies (mostly agricultural organizations) did not state what departments make up their organizational structures.

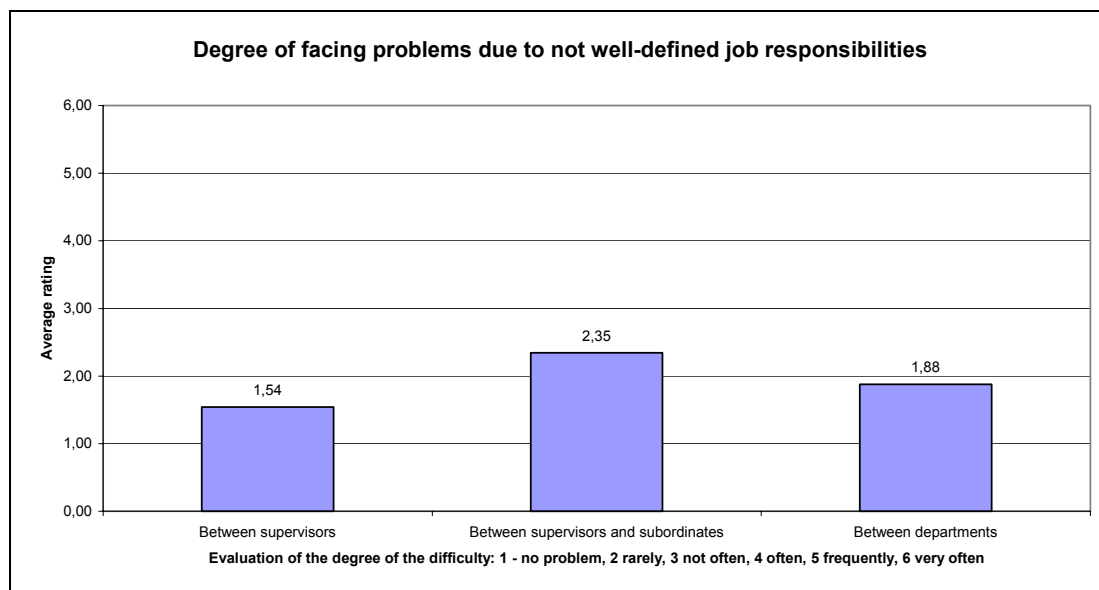
Major departments within the organizational structure of the company



17. Frequency of problems arising from vague job-responsibilities

The conflicts and their solving have always been a problem which has to be solved timely in order to preserve the good climate in the organizations. Based on the research data we may conclude that most of the companies either avoid answering this question or declare that either there are not any conflicts in their organization or that the conflicts they have are trifle. As for the conflicts between peer managers in 62 % of the companies included in the sample the answers were that there were no such conflicts. In 20 % of the cases the answers indicate that such conflicts are very

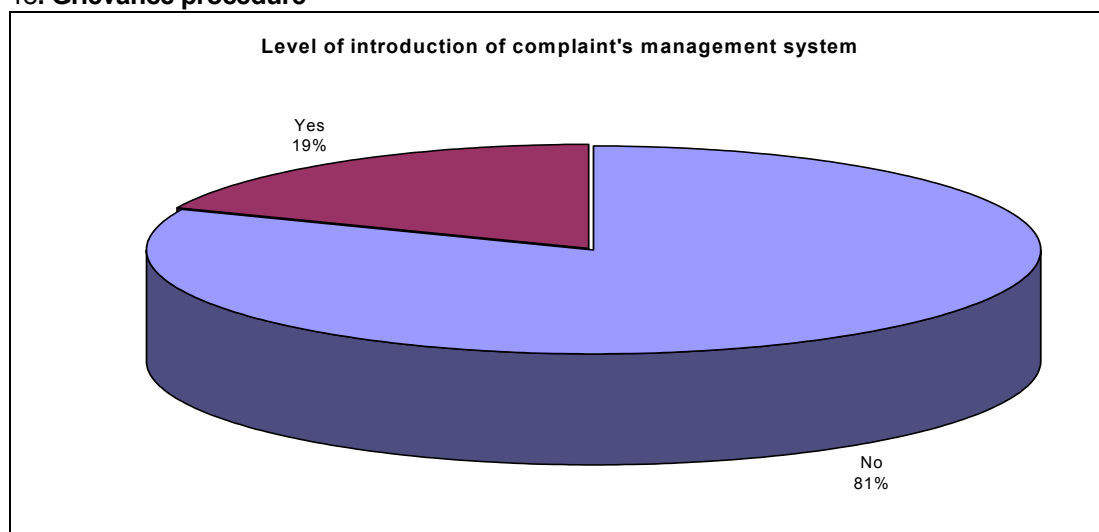
rare, in 14.5% of the cases this type of conflicts was classified as rare and only in 4% of the cases such conflicts were stated as frequent. The most common type of conflicts are the conflicts between supervisors and subordinates. Only 28% of the companies have answered that there are no such conflicts in their organizations.



The other 72% of the companies admit that there are conflicts between supervisors and subordinates. 28% of them declare that such conflicts arise rarely, in 26% of them the conflicts arise not so often, for 14% of the companies the conflicts are frequent and for 4% of the companies the conflicts arise very often. On departments level the results are similar to those regarding peers. 52% of the companies declare that there are no conflicts between their departments, 24% classify those conflicts as rare, 14% answered that conflicts arise not so often and only 10% of the companies indicated that such conflicts arise frequently (in 6% of the companies) or very often (in 4% of the companies).

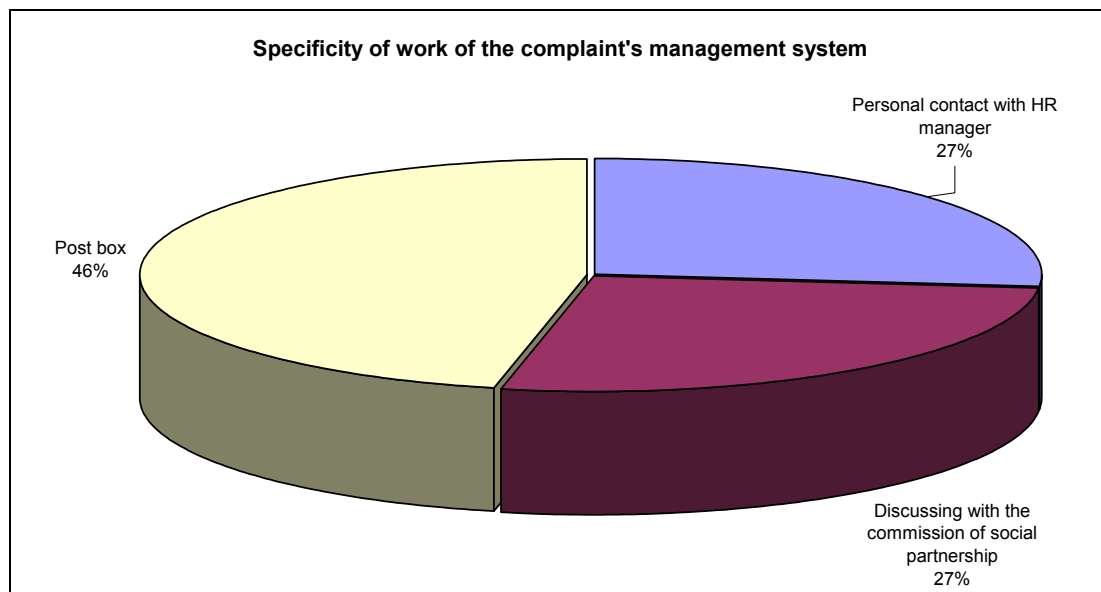
The average ratings concerning conflicts on various hierarchical levels also prove the above conclusions. The conflicts between supervisors and subordinates have the highest rating - 2.35 followed by the conflicts between departments - 1.88. The rating of the conflicts between peers is lowest.

18. Grievance procedure



Almost 4/5 (about 81% of the sample) of the interviewed companies have not introduced complaint management systems. The rest - about 19% of the companies included in the sample - have introduced such systems. Most of the latter (46%) use a complaints box. The rest of the companies that have introduced complaint management systems either use the mediation of a

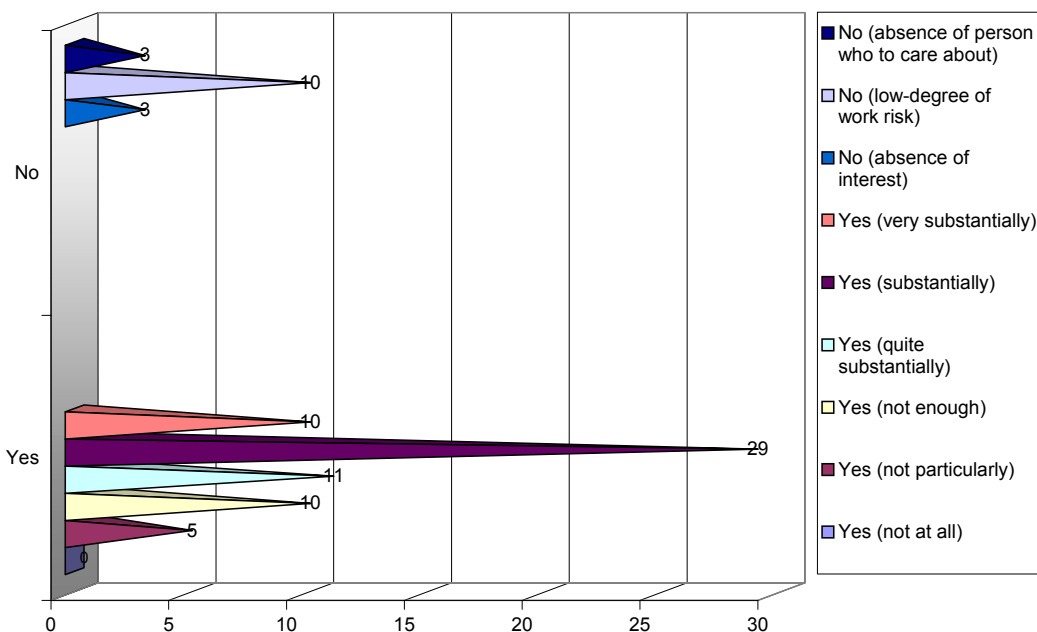
special commission for social partnership (27 % of the companies) or transfer the complaints to the HR manager (27 % of the companies).



19. Health and safety committees

Legislation places certain requirements to which the companies must comply in order to assure the required levels of safety to their employees and to guarantee their employees' health. That is why most of the organizations have created structures entitled to monitor the compliance to all legal requirements. More than 80 % of the companies have adopted Labour Safety Committees or have designated Labour Safety Supervisors. But according to the companies' responses the performance of those organs is not satisfactory. In almost 8 % of the companies the Labour Safety Committees do not function well and only partially guarantee the health of their employees.

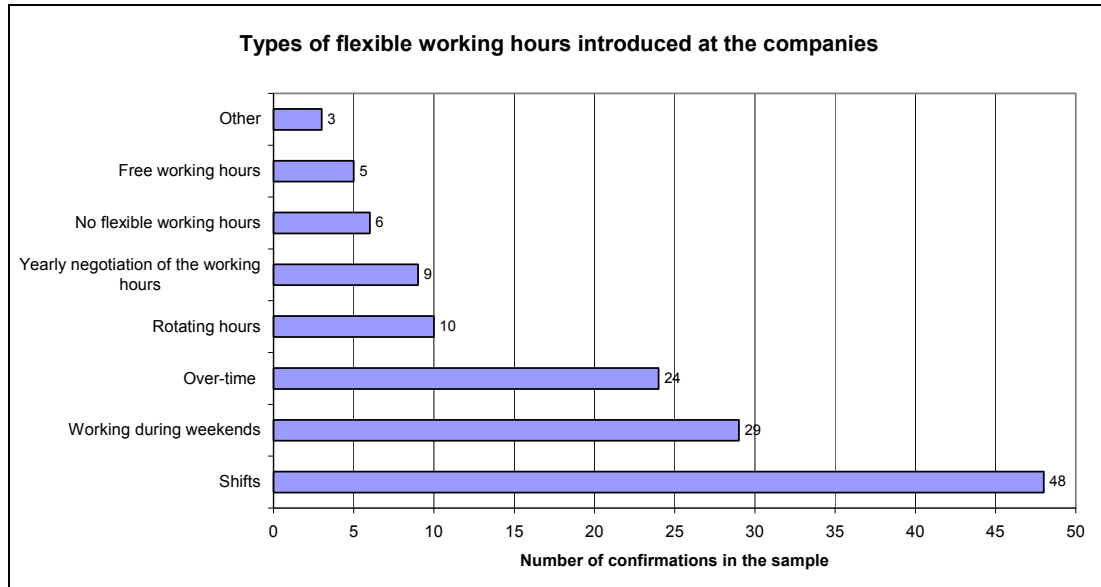
Operation of health and safety committees



In about 15 % of them the Labour Safety Committees have better performance but the level of health protection is still considered unsatisfactory. To a greater extent (almost substantial) are the health and safety measures undertaken in 17 % of the companies. And in 45 % of the companies

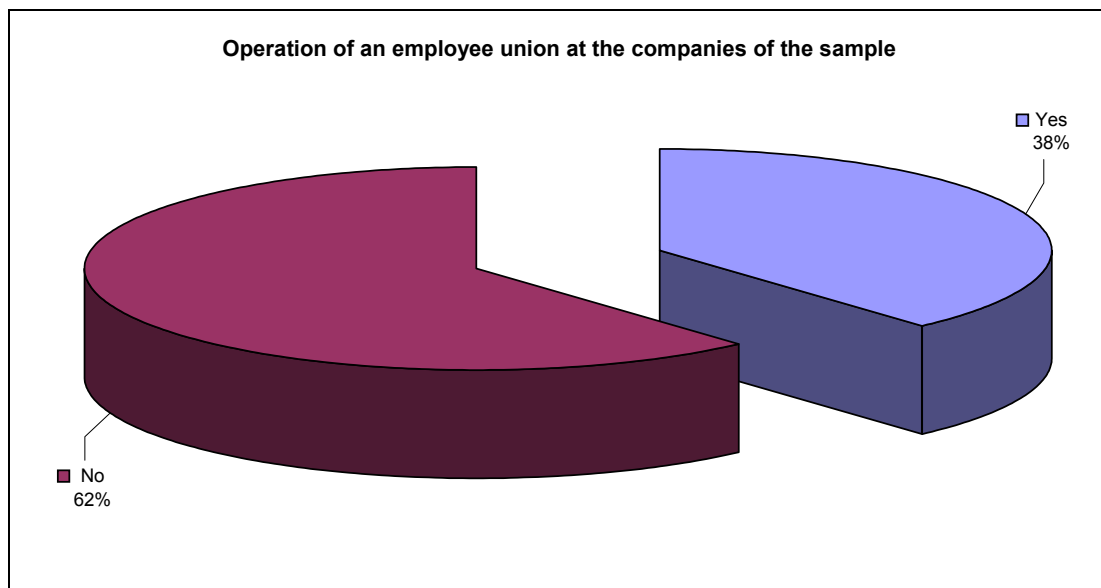
the Labour Safety Committees substantially succeed in guaranteeing the health of the employers and only 15 % of the companies have Labour Safety Committees which work very well and provide the highest possible levels of safety and healthy work environment. The remaining 20 % of the companies included in the sample answered that they do not have Labour Safety Committees because of the low level of risk of their operations or the lack of interested person to carry out those activities.

20. Types of flexible working hours

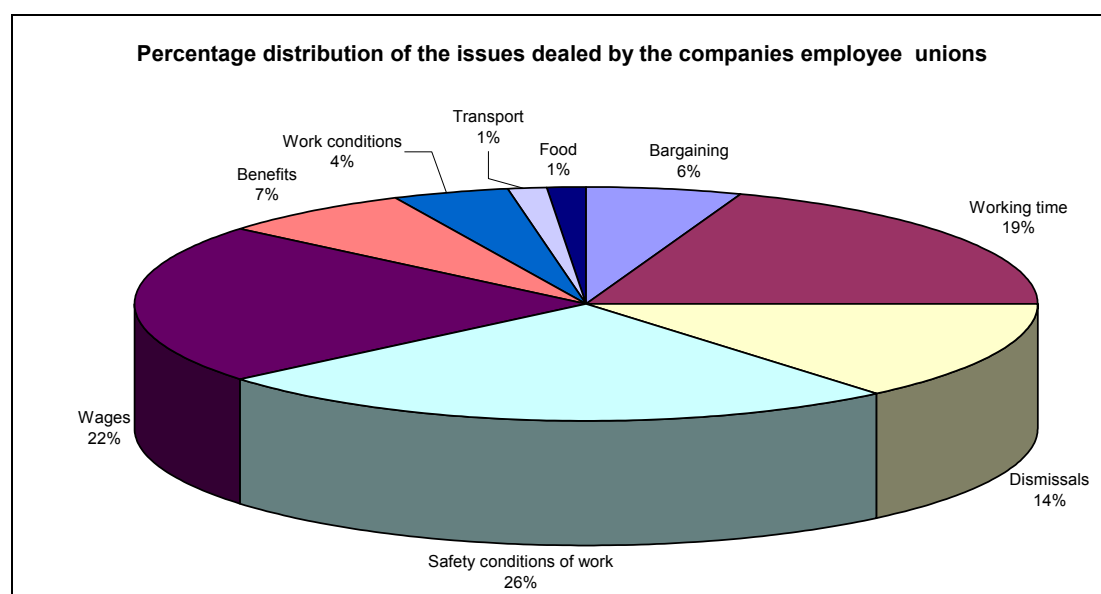


Most of the companies have introduced some form of flexible working hours. Such is the situation in 93 % of the companies include din the sample. Shifts-based organization of work has the highest percentage - such is the case for about 59 % of the companies. About 36 % of the companies make their employees work during the weekends and another 30 % require overtime labour from their personnel. About 12 % of the interviewed companies have introduced rotating working hours and 11 % of them negotiate the working hours every year. A small part of the companies - about 6 % - have adopted systems of free working hours. Only 6 of the companies (or 7.4 % of all companies included in the sample) declare that they have not introduced any system of flexible working hours.

21. Employees unions



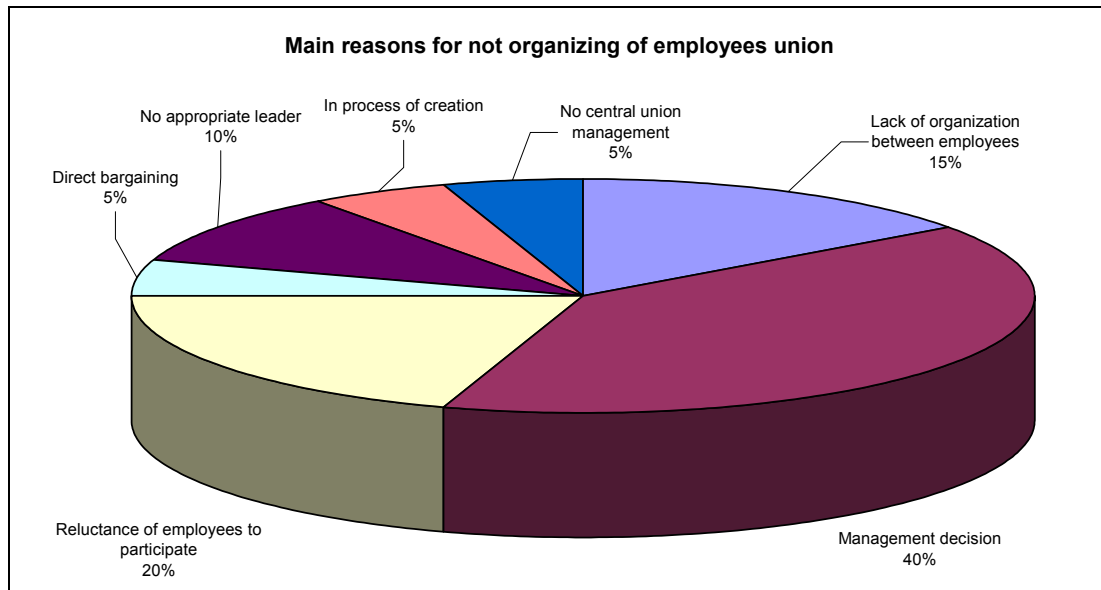
The analysis of data shows that in most of the companies there are no operating syndicates. Such is the case in 62 % of the companies included in the sample. The other 38 % of the companies have operating labour unions. Some of the basic issues negotiated by those syndicates are as follows: payment - in 22 % of the cases, safety of labour - in 26 % of the cases, working hours and duration of shifts - in 19 % of the cases, and redundancies - in 14 % of the cases included in the sample. Some of the issues that are less frequently negotiated on are: working conditions - in about 4 % of the cases, additional benefits - in 7 % of the cases, bargaining - in about 6 % of the cases and transportation and food issues - in 1 % of the cases included in the sample.



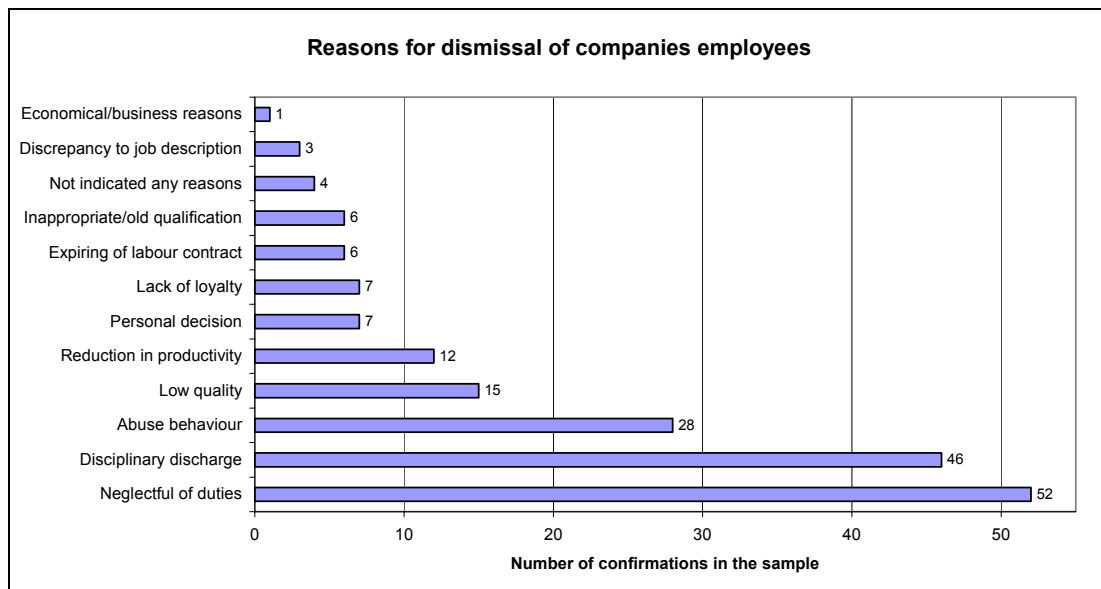
Some of the reasons for the absence of working labour unions are as follows:

- negative decision made by the management - in 10 % of the cases included in the sample comprising a 40 % share of the total number of reasons;
- employees' unwillingness to be members of such unions - in about 5 % of the cases included in the sample comprising a 15 % share of the total number of reasons;
- lack of cooperation among the employees - in 3.7 % of the cases included in the sample;
- lack of leaders to manage the union - in 2.5 % of the companies included in the sample;
- lack of centralized management - in 1 % of the cases included in the sample;

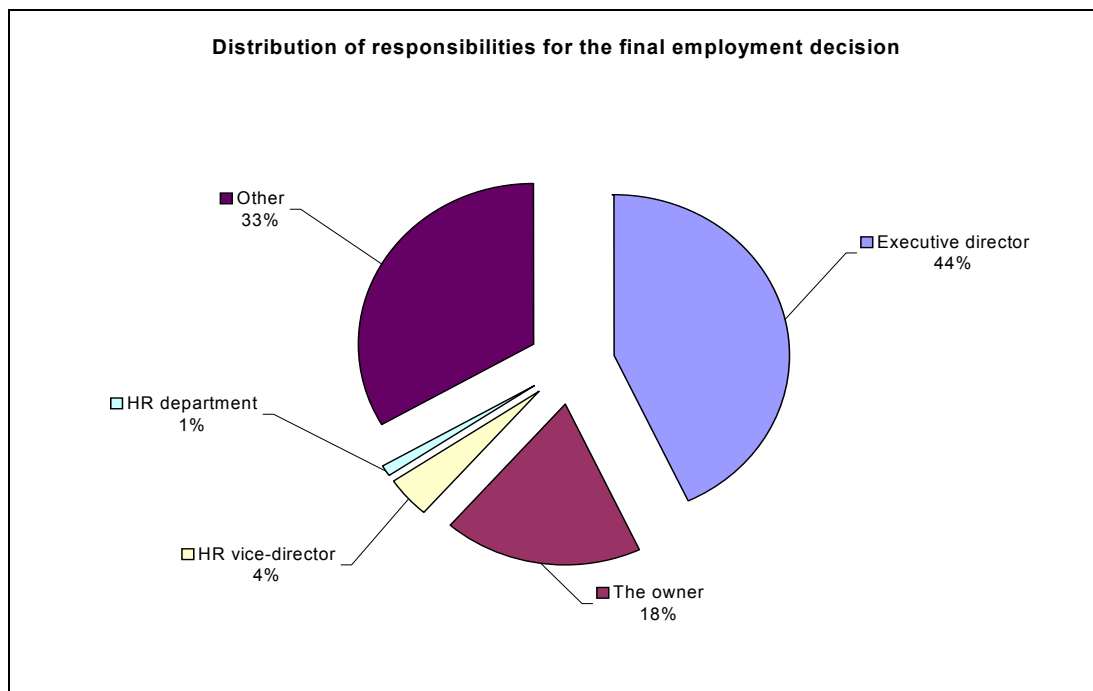
A small part of the companies declared either that they had no trade unions because of the direct negotiation of employers and employees or that such unions were currently in a process of formation.



22. Reasons for dismissal



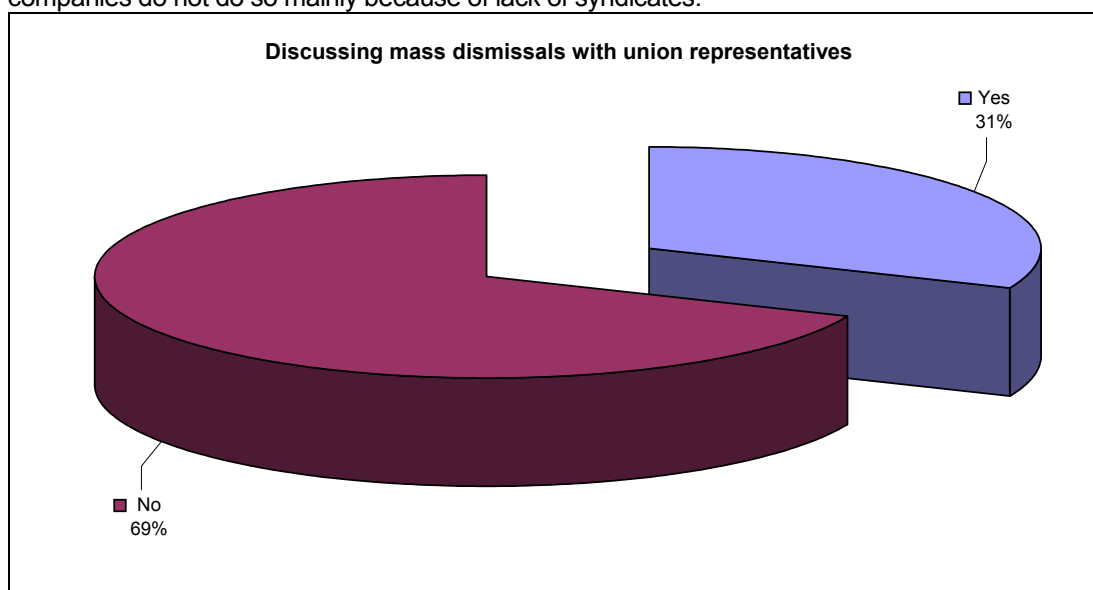
Redundancies are one of the most painful problems accompanying the restructuring of the Bulgarian economy. The research among the small- and medium-sized companies shows that they almost never undertake large-scale dismissals which is one of the reasons not to negotiate them. The companies have pointed numerous reasons for dismissal of personnel. The most frequently mentioned are: Neglecting of duties - in 64 % of the sample, Disciplinary discharge - in 57 % of the cases in the sample and Abusive behavior - in 35 % of the cases in the sample.



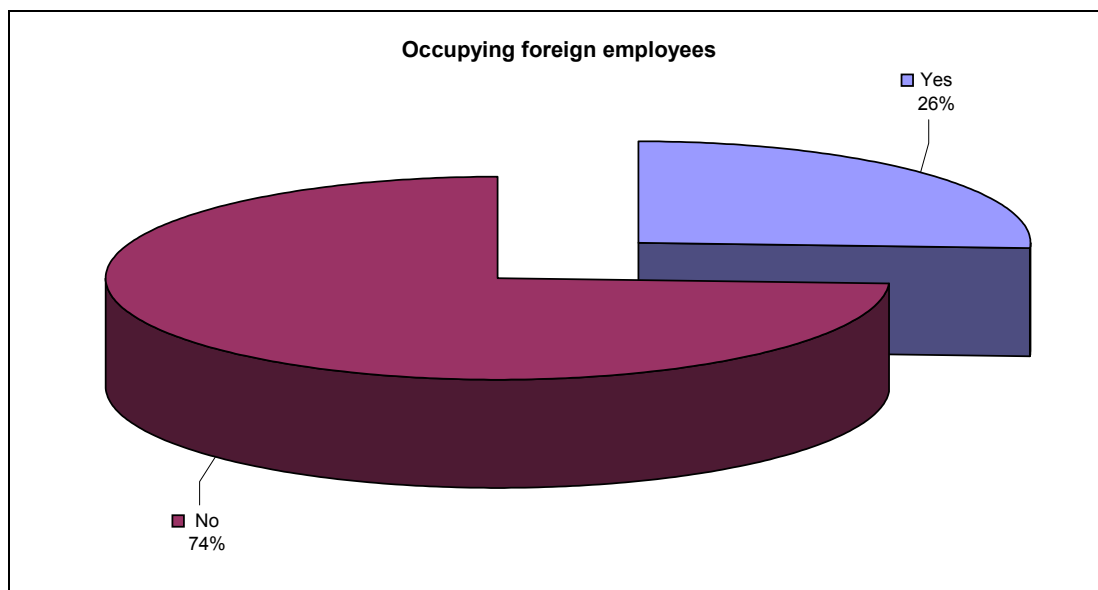
Less frequent dismissal reasons may be the poor quality of work, customer service, or production - in 18.5 % of the cases in the sample, reduction of output - in about 15 % of the cases in the sample, lack of loyalty (in 8.5 %) or personal decision (in 8.5 %) - in 17 % of the cases. Other dismissal reasons may be expiring of labour contract, Inappropriate/old qualification, Discrepancy to job description or Economical/business reasons. About 5 % of the interviewed companies have not stated any dismissal reasons.

In 44 % of the cases in the sample the decision for dismissal of personnel is made by the executive director, in 18 % - by the owner and less often (only in 4 % of the cases) - by the HR vice-director or by the HR department (in 1 % of the cases). The other 33 % of the interviewed companies have stated that the decision for dismissal was usually made by the two parties on the contract, the chairman, the manager, the head of department, the chief executive manager, the supervisor, the managing board or according to the existing legislation.

Only 31 % of the interviewed companies (that is 81 % of the companies having working trade unions) have discussed mass dismissals with representatives of the trade unions. The rest of the companies do not do so mainly because of lack of syndicates.



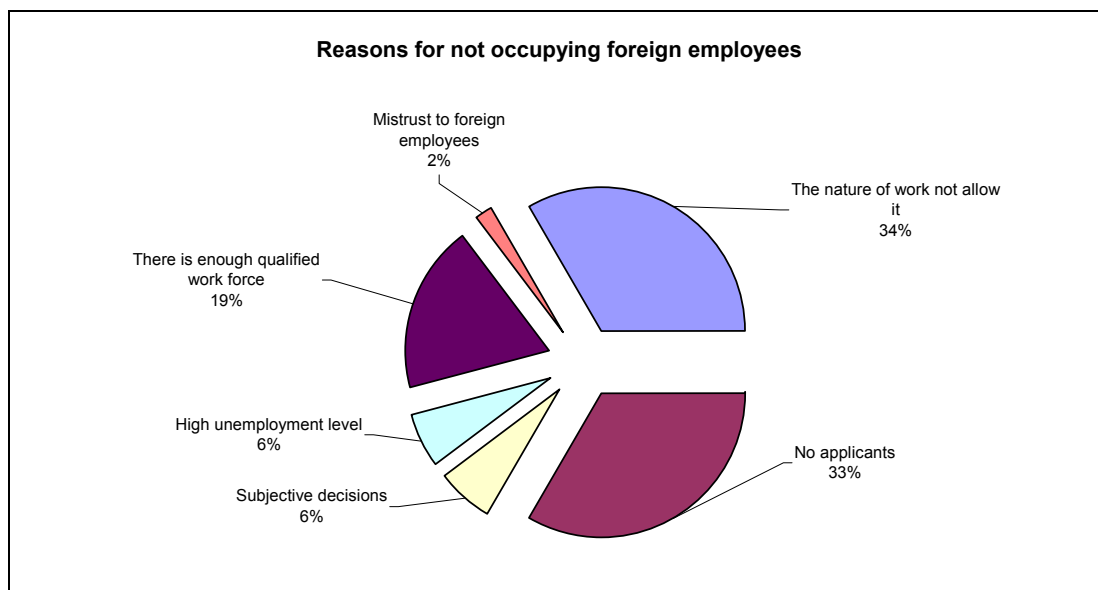
23. Foreign employee acceptance



Most of the companies answered that they do not employ foreigners. The share of the companies that do not employ foreigners is 74 % and that of companies which employ foreigners is 26 %.



The most frequent reason (30 % of all answers) for employment of foreigners is the specific job in a specific country. Another reason is the fact that the company is a joint-venture, and this, naturally, calls for employment of foreigners (25 %). Another reason is that the owner is a foreigner (15 % of all cases). Foreigners with permanent residential status in Bulgaria are less frequently employed (15 % of all cases). Only one of the companies answered that the employment of foreigners leads to better work discipline, another one answered that it employs foreigners because it needs good specialists that cannot be found on the local labour market or that the employment of foreigners supports the creation of contacts and the collaboration with international partners.



Almost 20 % of all companies included in the sample do not employ foreigners because the nature of their operations does not allow it. Another 20 % of the companies do not employ foreigners because there are not enough foreign applicants. About 11 % of the companies think that there is enough qualified workforce on the local markets and state this fact as a reason not to employ foreigners. About 4 % of the companies employ only local residents because of the high unemployment figures in the region. In 4 % of the interviewed companies the decision not to employ foreigners is made by the executives and in only 1 % of all cases included in the sample this is due to lack of trust in the foreign applicants.