



## POSITION OF CITUB

### on the necessary measures to overcome the negative effects of the COVID-19 infection on the economy and the labour market

**CITUB welcomes the efforts of the Government and the Parliament of the Republic of Bulgaria to take emergency measures in order to protect the health and life of the nation and to preserve, as far as possible, employment and production while guaranteeing conditions for survival of enterprises and workers and employees' income.**

Despite the efforts and the positive changes to the Act on Measures and Actions during the State of Emergency, the CITUB is concerned that with the first measures adopted, the legislator does not make sufficient use of existing opportunities to support businesses and workers, which will be severely hampered and limited by the created situation.

CITUB offers the following critical considerations for measures and actions:

#### 1. On the financial framework

- CITUB considers that the measures proposed in a legislative form and discussed in the public space are extremely insufficient in scope and monetary value. **A larger package of measures is needed** to target the various parties concerned and specific categories of employees, and all sectors, industries and enterprises affected to a greater or lesser extent.
- The new fiscal course should be oriented not only towards the medium and small businesses, but should also support **the structure-determining sectors**, which will guarantee stable growth, high incomes and stabilization of the social systems.
- The EC has made it clear that it is promoting greater **freedom for national governments to determine the measures, the scope and the ways of their financing**, enabling ESF funds to be redirected towards prevention and combating coronavirus, depending on the

specific needs and priorities of the Member States. This policy was also confirmed by the next step - the activation of the common safeguard clause in the Stability and Growth Pact.

- Bulgaria (the poorest country in Europe and at the same time an example for well-respected fiscal discipline) should make the utmost **use of this opportunity to optimize its financial resources**. Due to the presence of a currency board, fiscal policy in our conditions could be quite effective (due to the considerable fiscal buffer, the consecutive surpluses registered by our country for a few years back, and the low stock of government debt).

- CITUB believes that an **immediate, ambitious and coordinated political and economic response** is needed through the fiscal policy instruments, as in the case of the other countries concerned. EC preliminary estimates show that overall fiscal support for individual economies should be significant. The official recommendation to Member States is **to implement fiscal measures worth an average of about 1% of the estimated GDP for 2020**, excluding from this amount the effects of automatic stabilizers, which should work fully and separately from the additional measures. Such are the recommendations of the IMF in order to manage stagnation in reasonable norms, as it is anyway coming, according to most world analysts.

### **What did the other countries do?**

On March 6, 2020, President Trump approved spending \$ 8.3 billion to fund efforts to combat the pandemic (total spending is projected to reach about 1% of the GDP). South Korea has announced \$ 9.8 billion in stimulus (0.75% of the GDP), the United Kingdom - \$ 37 billion (1.41% of the GDP), France - \$ 49 billion (1.9% of the GDP), Italy - \$ 28 billion (1.43% of the GDP), Japan - \$ 23 billion (0.55% of the GDP), Australia - \$ 11.4 billion, etc.

If we follow the average rate of additional funds as a share of GDP, which other economies allocate, and comply with EC recommendations, **Bulgaria should spend no less than 1% and no more than 1.5% of the GDP on economic recovery. This means funds in the range of**

**BGN 1.2-1.8 billion**, which will be redistributed through the fiscal policy instruments to support the business, workers and employees. These are completely different types of measures that should be agreed with the social partners and implemented in parallel with the so-called "automatic stabilizers".

## **2. On the Emergency Measures Act**

- **CITUB is satisfied with the achieved** in the Act on Measures and Actions during the State of Emergency adopted on 20.03.2020 by the National Assembly, announced by a decision of the National Assembly on 13 March. CITUB took an active part in the discussion of the texts. Our confederation appealed to the MPs and managed to defend its position **by preventing the adoption of the proposed texts**, which provided that the employer could grant the employees unilaterally and without their consent unpaid leave during the declared state of emergency.
- We succeeded in defending to the MPs the thesis that, when applying the new possibility (Art. 120b of the Labour Code) for unilateral introduction by the employer of a new regime of work from home or from a distance, **this change should not lead to other changes in the conditions of the employment contract.**
- CITUB defended the right of the employee **to get the same pay and the other elements of the employment relationship remain the same** for the period of the employer's unilateral decision to change their work place from home or from a distance.
- We did not allow amendments to the Civil Servants Act deprive civil servants of **means for representative work clothing.**
- CITUB appreciates the **extended deadlines** for financial closure of the year, for filing tax declarations, **rescheduling tax payments** by individuals and legal entities, as well as the possibility to ease and renegotiate the terms and conditions for bank loans installments.
- CITUB also supports the changes in **the powers of the managing bodies of the European Structural and Investment Funds** so that

financial assistance can be granted under simplified rules, procedures and deadlines.

### **3. On the 60% compensation measure and the draft Decree of the Council of Ministers**

- CITUB recalls the lesson of the palliative measure to compensate part-time workers' income during the previous economic crisis (Decree of the Council of Ministers No. 44 of 2009). Bulgaria was not among the countries with the biggest GDP decline, but **in the course of two or three years we lost over 400 000 jobs (about 16% of employment)**. Such a second blow, with the current demographic crisis and the acute shortage of labour would be catastrophic for the labour market.

- **The scope of the draft Decree of the Council of Ministers is very narrow** - retail, transport, hotels and restaurants, tourism, culture and sports. The following approach is applied: by introducing an emergency regime, the state restricts or suspends the above activities, and that is why only they are subject to compensation.

- All productions that suffer damage due to **market reasons** are out of the scope. The pandemic is still at the heart of these market circumstances, but the state has no direct fault and consequently – engagement; at least that is the logic of the decree. However, there is also a category of industrial enterprises which, due to the specific nature of the production process, **cannot meet the requirements for the introduction of strict anti-contagion measures. Directly and indirectly affected companies and enterprises are much more.**

- **We do not accept the philosophy of "paying for directly caused injury and damage"**. It has its restrictive logic, but it should be noted that there are significant gaps and omissions, and these will probably occur in the future application of the decree. For example, in connection with the decision of the National Assembly for declaring a state of emergency, on 16.03.2020 by Order of the Governor of the National Social Security Institute (NSSI) the planned admission of patients along clinical paths in the field of physical and rehabilitation medicine was

immediately stopped. All 13 national rehabilitation hospitals closed and this economic activity is not listed in Annex 1.

- The narrowing of the scope also comes from item 3 of Article 2 of the draft Decree of the Council of Ministers - **employers apply only if the employees having stopped work represent more than 50% of the payroll staff**. This condition, in addition to being extremely unacceptable to us, is in contradiction to the wording of Article 1 (1) "... has stopped/terminated the work of the enterprise, part of the enterprise or individual employees...".

- The structure and the approach have been taken from the Decree of the Council of Ministers 44 of 2009. The effect of the decree, respectively the support, is limited only to activities terminated by a decision of a public authority. And as already noted, the legislator has decreed that **all workers who have stopped working because of a state of emergency have the right to gross remuneration**.

- **The other criteria for selecting of companies are generally logical and the CITUB supports them**. However, the requirement not to terminate contracts during the compensation period may need to be reconsidered, because, as long as the requirement to maintain employment is only for compensated persons after the end of the state emergency, preservation of employment should also concern them.

- The overall assessment is that **this decree gives fragmented and limited support to business units** that are forced, for completely objective reasons, to severely restrict their functioning or suspend it. The decisions given by this draft decree are insufficient. It cannot be expected that, in a complex state of emergency, the survival of human resources in enterprises can only be guaranteed by the employer, provided that the enterprises themselves experience enormous difficulties.

## **We suggest**

1. The list of economic activities in Appendix 1 should be refined and supplemented in the context of our considerations.

2. The compensation measure should be applied to all industrial enterprises, which have recorded a minimum of 20% decrease in sales for the last quarter preceding the month of submission of the documents referred to in Article 4, compared to the same period of the previous year.
3. To drop the condition in Art. 2, item 3 - the right to compensation should be given to employers who have terminated the work of at least 50% of the payroll staff. Compensation should be payable to each worker and employee with terminated employment.
4. Specify the mechanism for controlling employers whether they pay the full amount of wages and how the payment of the full wage amount will be determined and by whom. A procedure for appeal against decisions should also be provided.
5. Develop a scheme for the support of enterprises that in times of emergency forcibly reduce production volumes and introduce part-time employment for employees. Such a scheme can be financed through the HRD OP, and people can be compensated for reduced working hours.
6. The government should provide the necessary and reasonable fiscal space, which could give the possibility for better compensation of the damages suffered by individuals and legal entities and support a more painless and quicker exit of current unprecedented situation.
7. The Ministry of Finance should make the necessary calculations under different variants and scenarios and present them to the social partners for discussion and adoption of a comprehensive package of measures, guaranteed with the appropriate financial resources.