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Seminar on Barriers to Industrial Restructuring
Resulting from Overmanning in Steel Companies

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THE BULGARIAN MODEL OF INDUSTRIAL AND LABOUR RESTRUCTURING IN THE STEEL SECTOR

(Prepared by A. Rizova, Ministry of Economy, Bulgaria)

Summary

Steel production in Bulgaria is shared by the three main enterprises: Kremikovtzi, Stomana and Promet.

At the beginning of the summer 1999 agreements were made to privatise KREMIKOVTZI and PROMET as follows:

A Bulgarian Company "Neva-Holding" was selected as buyer of 77% of the shares of Promet. On April 21, 1999 the privatisation contract was signed and approved by the Council of Ministers.

On May 25, 1999 another Bulgarian Company "Daru Metals" was selected as buyer of 71% of the shares of Kremikovtzi. On June 14, 1999 the privatisation contract was signed and approved by the Council of Ministers.

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By request of the creditors' banks Stomana AD was declared insolvent and a bankruptcy procedure was opened in June 1999. All the activities of the company have been solely and entirely controlled by the respective district court.

In the meanwhile Stomana formulated a recovery plan, which provides for restructuring of the enterprise and sale of the assets in order to satisfy creditors and conclude the insolvency proceedings.

After a tender, which took place on 1 December 1999 a contract was signed with Eurometal – Bulgaria for leasing of the core assets of Stomana.

The lessee has created a new company called Stomana Industry operating on its own account and covering all production expenditures. According to the nominated bid the lessee will take over the implementation of the rehabilitation plan after the transfer of ownership.

Since 1999, the reduction of personnel in Stomana has been dramatic. At the beginning of the process, the staff exceeded 5500 people. The new company Stomana Industry operates with 2300 persons. A further 100 people are engaged in the sale of non-core assets.

According to Labour Office data for those regions where the 3 steel companies are located – Sofia, Pernik and Bourgas – there were 2200 workers made redundant in Pernik region, 248 dismissed in Bourgas region (where Promet is situated) and in Sofia region, where Kremikovtzi is situated, 5600 were released.

The Pernik region was especially hit with that reform because of its mono-industrial characteristics exclusively bound to the coal and steel processing industry.

Governmental policy limits the social consequences of restructuring and privatisation of the steel industry, which could be reviewed at two levels: regional and national.

As of November 2000, 18 regional employment programmes have been approved and launched in 28 districts, which have been submitted to the Ministry of Labour and Social Policy.

The specialised programmes for the regions affected by the restructuring of the coal and steel sector are financed mostly by the European Union. There are two ongoing projects in this respect.