FEDERATION OF TRADE UNIONS IN FORESTRY AND WOODWORKING INDUSTRY / CITUB - BULGARIA

BULGARIAN BRANCH CHAMBER FOR WOODWORKING AND FURNITURE INDUSTRIES

NATIONAL SECTOR ANALYSIS

Basic information about the current trends in the development of the sector, training and continuing education

A. Basic information about the development of the woodworking and furniture sectors in the Republic of Bulgaria

Woodworking and furniture production sectors are among the sectors subject to big pressure by a number of external stress factors such as market globalization and accelerated rates of technological development, as well as the impact of the global financial and economic crisis. To all these we can add the political crisis in the country at present.

Table 1 Woodworking and furniture industries data (2007-2011)

Furniture	**2007**	**2008**	**2009**	**2010**	**2011**
Number of enterprises	1 978	2 181	1 905	1 719	1 770
Number of employed	26 612	27 412	21 866	21 060	23 074
Production, in mln. € млн.	400	452	380	348	NA
Woodworking	**2007**	**2008**	**2009**	**2010**	**2011**
Number of enterprises	2 053	1 974	1 641	1 530	1 506
Number of employed	18 808	17 444	15 095	15 376	17 333
Production, in mln. €	393	405	300	308	NA

1€ = 1,95583 BGN

The recent data (2007 – 2011) show that the crisis has had an impact on the number of enterprises in both sectors. It has decreased. While the drop in the woodworking sector is continuing (24 more enterprises have been closed in 2011, in comparison to 2010) we are observing a certain animation in the furniture production both in respect to increase of the number of enterprises (by 51) and of the number of employed in the sector (by 2 014). As far as the productivity index for both sectors is concerned, we can say that there is a slight increase of the productivity in the woodworking sector, whereas that of the furniture sector preserves its downward tendency.

At the end of 2010 there were 1 962 small and medium sized enterprises (SMEs) in the sector, the decrease in comparison to 2009 being nearly 7%, following a general tendency of decrease in the number of the industrial enterprises and especially those in the processing industry in Bulgaria. In 2010 the number of the SMEs in the sector “Production of wooden material and articles of wood, excluding furniture” occupies 5th place in the processing industry as a whole, after the “Furniture production” sector. The relative share of the SMEs in the sector compared to the SMEs in the industry sector is 0.63%, and compared to those in the processing industry is nearly 6.5%.

Figure 1. Production of wood material and furniture (in mln. EUR)

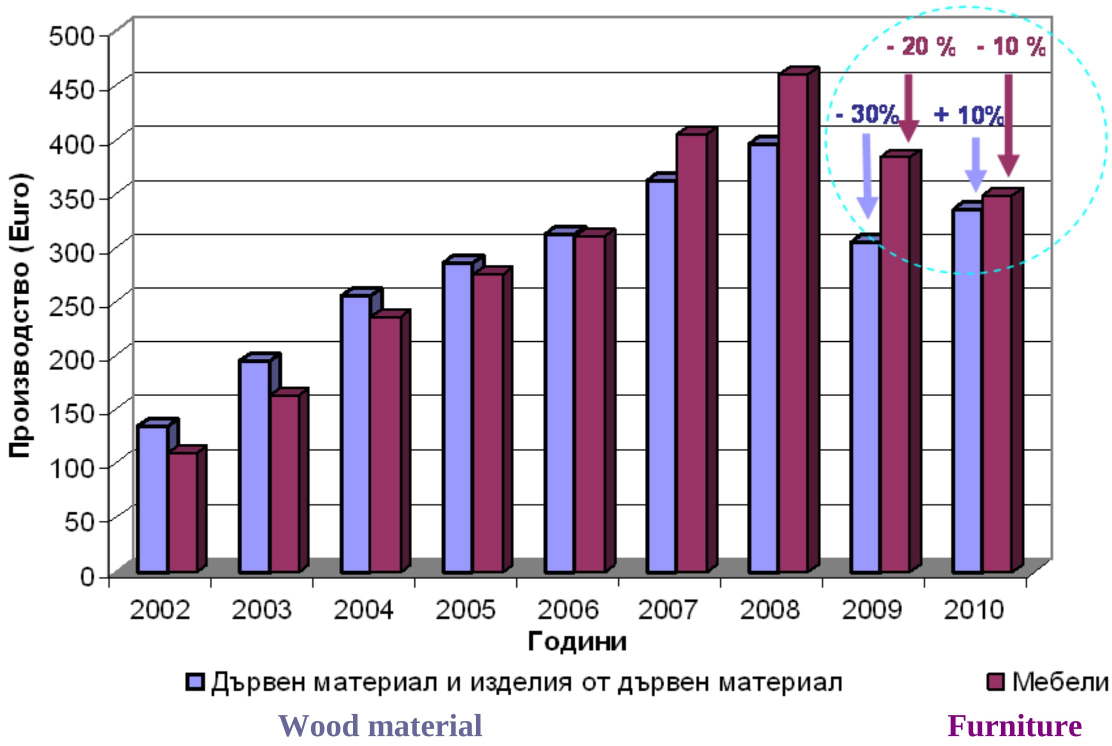
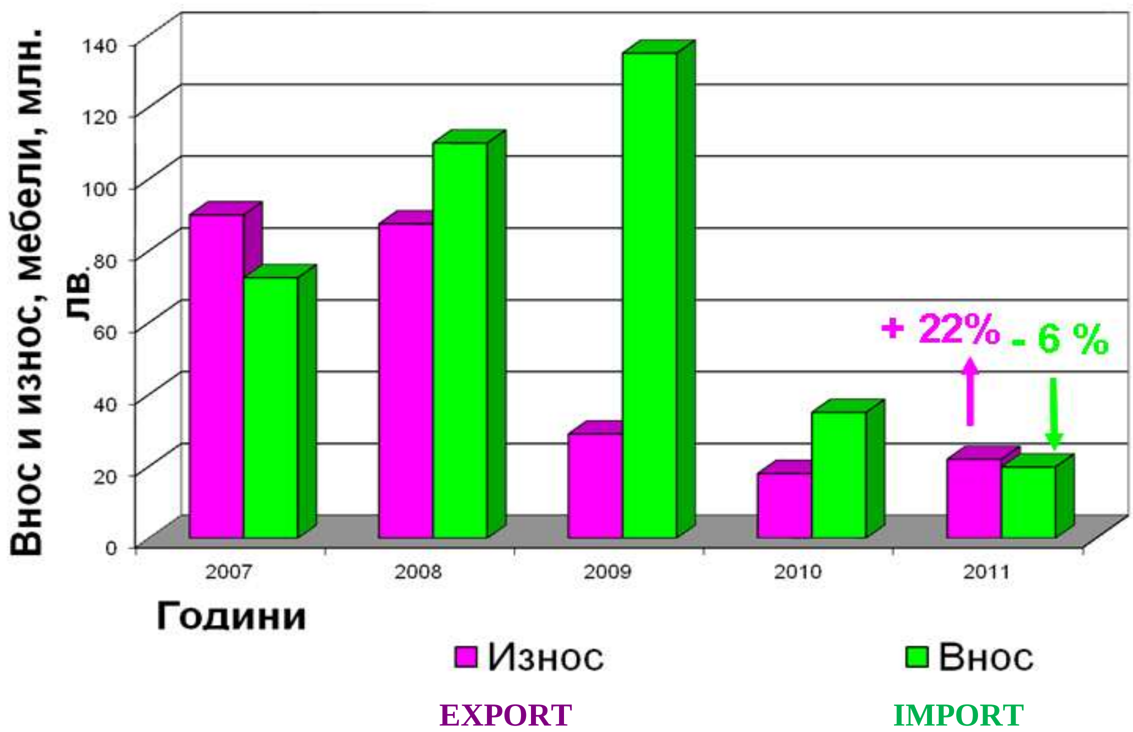
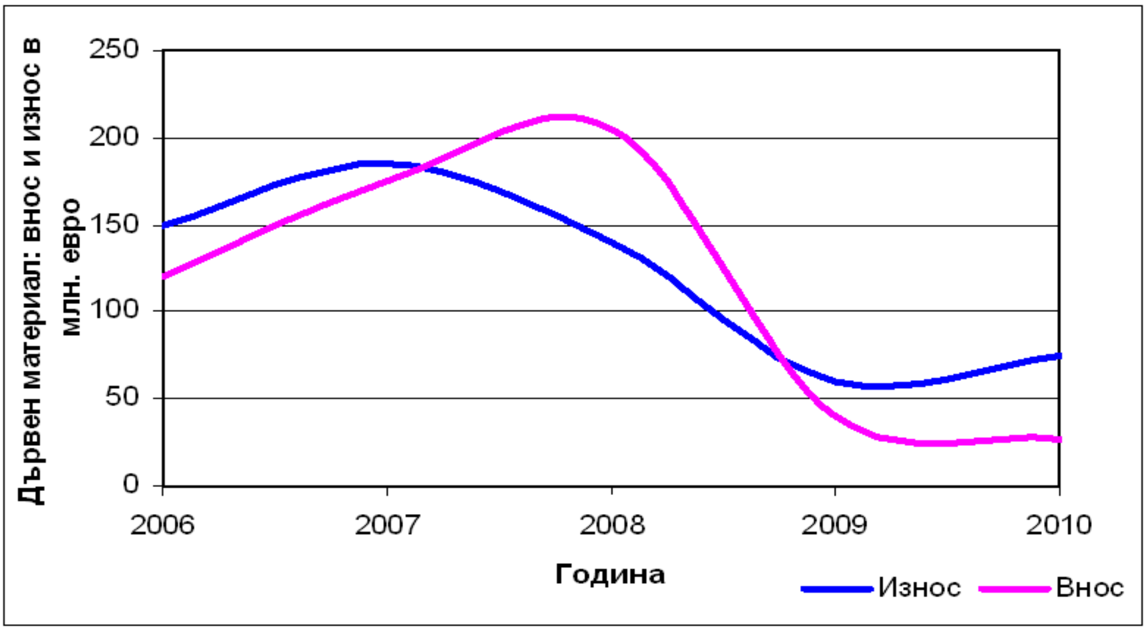


Figure 2. Import and export of furniture



In the structure of the Bulgarian export, for a ten-year period the biggest share (31%) holds the export of wooden particle boards and other board materials produced in the big enterprises in the branch. In the 2nd place with a 19% share comes the export of processed wooden material, 6mm in width and in the 3rd place - wooden particle boards with 10% share. The three groups together form 60% of the export of wooden material and wooden articles for the period 2001-2010.

Figure 3. Import and export of wood material

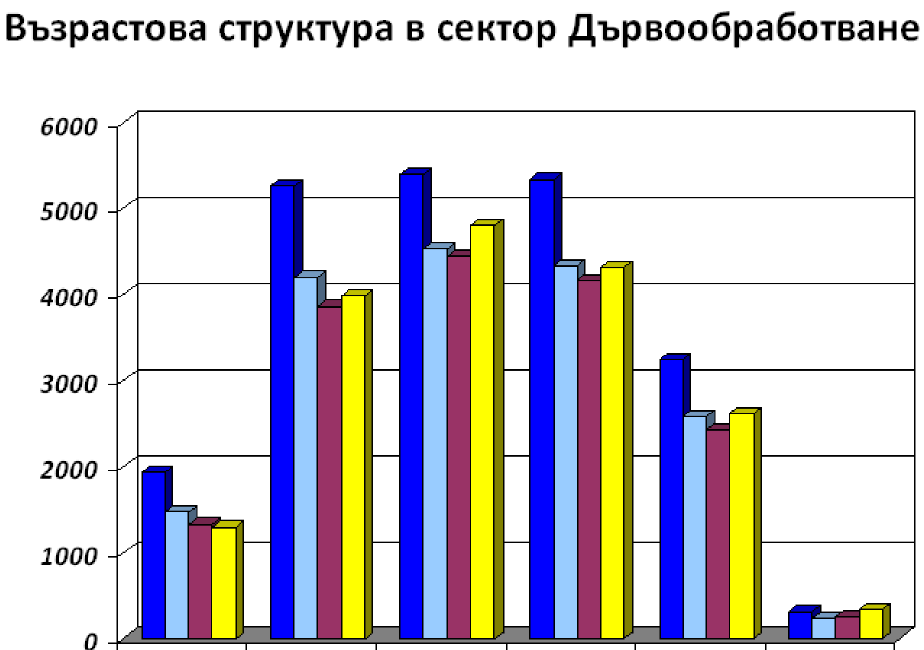


Export Import

The dynamics of the age structure for the period 2008-2011 shows a significant stability of the ratio between the individual age groups, with the exception of the youngest group (15-24), which has decreased in number more than the other groups. For the remaining groups the relative decrease of the number of employed for the period (in % compared to 2008) gradually diminishes with the age increase.

On the other hand, the share of a given group (in %) in the total number of employed changes in a different manner depending on the age. For the 25-34 group there is a slight relative decrease, for the next group (35-44) the relative decrease is insignificant and for the two higher age groups (45-54 and 55-64) we can observe a relative increase. It is obvious that in the conditions of crisis the enterprises prefer to preserve their skilled workers and employees as far as possible, at the expense of the youngest workers. Despite that in absolute values (number of employed) there is significant decrease in all age groups, the largest decrease being in the two main groups (35-44 and 45-54).

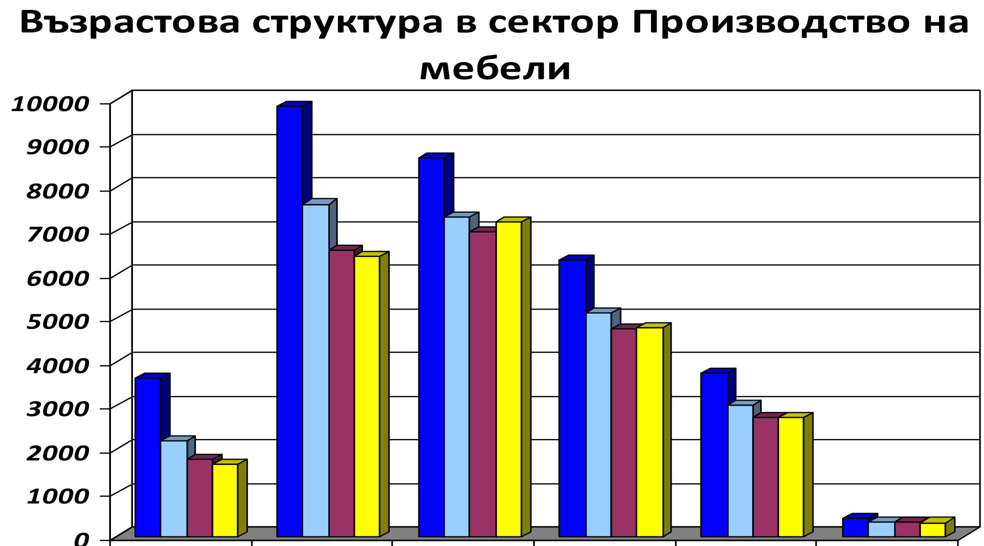
Figure 4 – Age structure in the sector Wood-Processing



	15 до 24 г.	25-34 г.	35-44 г.	45-54 г.	55-64 г.	>=65 г.
2008	1931	5251	5387	5333	3238	309
2009	1470	4198	4531	4330	2575	236
2010	1328	3856	4444	4155	2426	249
2011	1294	3986	4798	4304	2613	338

The production of furniture is very similar to the same production in the EU-27. From other side the share of a certain group in % in the total number of employed in the sector is changing in the size and in relation to the age. In the age group of 25-34 there is a slightly relative decrease; in the group 35-44 years of age the relative change is insignificant; in the age groups 45-54 and 55-64 there is a relative increase. It is obvious that the companies prefer to keep as much as possible their qualified workers and employees during the crisis at the costs of the young employed. Despite of this in absolute values/rates (number of employed persons) the decrease in all age groups is significant but remains at highest levels for the main groups: 35-44 and 45-54.

Chart 5- Age structure in a sector Furniture production



	15 до 24 г.	25-34 г.	35-44 г.	45-54 г.	55-64 г.	>=65 г.
2008	3613	9836	8656	6314	3726	407
2009	2194	7605	7306	5102	3005	336
2010	1760	6544	6960	4750	2716	328
2011	1658	6399	7200	4774	2727	316

The draw a comparison of the age structure in the sector "Wood processing" in Bulgaria and in the EU-27 is more difficult because of the different classification: in Bulgaria the groups include 10 years of age, and in the EU: 15 and 20 years of age (age groups are: 15-29; 30-49 and over 49). But there is a similarity in the age group of the youngest (15-28) in the EU and in Bulgaria; this group is the most underrepresented – 18%.

The data about the qualification structure of the employed in the both sectors according to the category of the occupied positions according to National Classification of the Professions and Positions pointed out that the main group of employed in the sector – about 29,9% from the total number are related to the category "qualified workers". After them follow the non-qualified workers with 22,44%; the machines operators and assembly workers with about 21,5%.

The groups of the managers/category 1, the group of experts – category 2 and technicians – category 3 are more or less with the same share: 8-9%. The share of the administrative personnel: category 4, is about 6,5%. For the period 2008-2010 the qualification structure remained almost unchanged despite of the decrease with 23% of the total employed in the sector. This means that the dismissals have affected all categories of positions in a similar way.

More detailed analysis shows that the absolute number of the employed in the sector from all classification positions has decreased, but the relative share of the categories has a slightly different dynamics. The relative share of the two main jobs categories in the sector: the machine operators – category 8 and the qualified workers – category 7, as well the category 4-

administration staff- has decreased; these categories are the most affected by the dismissals. Despite of the decrease in the experts numbers – cat.2 and the middle management – cat. 1, their share has increased, the share of technicians – cat.3 remained constant. The efforts for keeping the highly qualified staff are obvious. But it is hard to explain the constant level and even the slight increase in the share of non-qualified workers – cat.9.

This general picture marks significant differences between the sub-sectors related to qualification structure as well to its dynamic during the crisis 2008-2010. The share of the qualified workers in the production remains high (see Table 2).

Table 2. Qualification structure of employed in Wood and Furniture sector, 2011 г. according to the national register of vocations and positions

№	Staff Category	Number	share, %
1.	Managers	**1901**	**4,71%**
2.	Specialists	**1188**	**2,93%**
3.	Technical and applied specialists	**1611**	**4%**
4.	administration	1930	4,79%
5.	Service, trade and security staff	1527	3,79%
6.	Qualified workers	12043	29,9%
7.	Machinery & equipment operators	8673	21,5%
8.	Vocations without special qualification	9049	22,44%
9.	Non-professional group	2393	5,94%
	TOTAL EMPLOYED:	40315	100%

Table 3. Qualification structure of employed in Furniture production sector, 2011 г. ACCORDING STAFF CATEGORY

№	Staff Category	Number	share, %
1.	Managers	**1115**	**4,88%**
2.	Specialists	**743**	**3,25%**
3.	Technical and applied specialists	**1043**	**4,56%**
4.	administration	1104	4,84%
5.	Service, trade and security staff	936	4,1%
6.	Qualified workers	8855	38,75%
7.	Machinery & equipment operators	3309	14,48%
8.	Vocations without special qualification	4409	19,29%
9.	Non-professional group	1338	5,85%
	TOTAL EMPLOYED:	22857	100%

SOURCE : NSI DATA FOR 2011

Table 4. Qualification structure of employed in Wood working sector, 2011 г. according to the staff category

№	Staff category	Number	Share, %
1.	Managers	**786**	**4,50%**
2.	Specialists	**445**	**2,55%**
3.	Technical and applied specialists	**563**	**3,22%**
4.	administration	826	4,73%
5.	Service, trade and security staff	591	3,38%
6.	Qualified workers in Forestry	198	1,14%
7.	Qualified workers	2990	17,13%
8.	Machinery & equipment operators	5364	30,73%
9.	Vocations without special qualification	4640	26,58%
10.	Non-professional group	1055	6,04%
	TOTAL EMPLOYED:	17458	100%

Level of payment in the both sectors is one of the lowest. Compared to the country average salary, in the Furniture branch average salary is lower than in the Wood working. (See Table 5).

Table 5. Average month salary for the country and in the sectors

year	Wood working			Furniture		
	AMS for the branch BGN	AMS for the country BGN	AMS for the branch related to AMS for the country %	AMS for the branch BGN	AMS for the country BGN	AMS for the branch related to AMS for the country %
2007	351	431	81,4	293	431	68,0
2008	362	545	66,4	309	545	56,7
2009	378	609	62,1	324	609	53,2
2010	392	648	60,5	352	648	54,3
2011	440	707	62,2	390	707	55,2

B. Sector policy – framework conditions for continuing education

The availability of good educated working force, with necessary skills, knowledge and competences is a key problem. The specific skills, connected to the production's cycle of the wood products, materials and furniture can predetermine the success of the product itself. The workers' education should be based not only on the traditional models, but also on the new market needs and on the new technological developments.

A specific sector problem occurred is the ageing work force in the most sub-sectors as well the unattractiveness of work for the young workers. The sector needs workers with most updated skills and educated to work with new technologies.

The dominant part of the Bulgarian companies in the sectors wood working/processing and furniture production are competitive on the market, because of the still low prime cost of the end product. They are still not economically forced to invest in innovations as a main method for raising their competitiveness. By decrease of the importance of the low labour costs they should turn to the innovations and to improve the effectiveness of the company processes for keeping the competitive advantages.

The Bulgarian companies are characterized with a low innovation culture. In the most cases they associate the innovations with the new technologies and they do not pay enough attention to the importance of the innovations in production processes. In companies of the sector with foreign property a certain dynamic in implementing innovations is observed, but for the entirely Bulgarian companies such data is missing.
The availability of actual information about tendencies and development on the international markets (resources, proceedings, consumer needs and others) and the continuing qualification of the workers at all levels could contribute to raising innovation culture and competitiveness of the Bulgarian companies at world class level.

Our efforts as a trade union federation and employers chamber are targeted to common priority actions for consultative meetings with wood material producers; for introducing rationale models and sale conditions; for suspending contracts with agents which makes the production more expensive.

Before all our target is to keep as mach as possible the working places. That is why we assist to companies in this difficult situation when they must transfer to reduced working time or to conclude agreements with the trade unions for temporary staff dismissal. We are also concluding agreements with employers to reinstate employees and workers at their former working places (when the company is recovered).

We are supporting our trade union members, especially those who are transferred to reduced working time, to be involved into the ESF financed voucher schemes for training - vocational training or re-qualification and /training in/ key competences. Even more: in the collective agreements are foreseen more strict conditions for dismissals related to the crisis and an increase of benefits for the staff who needs another 3 years before pension entitlement (this staff is very uncompetitive on the labour market).

In the last branch collective agreement which is in power since 1st of October 2010 we succeeded to keep the agreed conditions in the previous branch agreement. Thanks to the analysis we have done as partners in INNO 2 project, with involvement of the employers' chamber for raising the level of staff education and re-qualification, in the new agreement concrete engagements for employers and companies were introduced such as: systematically staff education/continuing education, actively trade unions' involvement, additional paid lay-off up to 5 working days in a year which days should be used for education/training. There is a relation between workers' and employees' qualification and the raise of the wage/salary. We hope to keep also in the new branch agreement these important provisions for the qualification level increase. The Bulgarian Branch Chamber for Woodworking and Furniture Industries (BCWFI) has provided a license for Vocational Education and Training Center. This Center could be very helpful in the future joint activities in the field of continued education/training.

The employers' ideas for promoting the export are:

- supporting/financing of Bulgarian companies participation in exhibitions, as well providing opportunity for co-financing from the companies when they participate with bigger areas in exhibitions than financed;
- accelerating financing for the Bulgarian business delegations, as an opportunity for enriching the experience and cooperation with the foreign partners;
- searching for funding for foreign business delegations to visit Bulgarian specialized exhibitions "World of Furniture" and "Techno-Furniture" as an effective form for promoting the export.

The opinion is imposed that for the sectors' competitiveness it is necessary to establish a Fund for purposeful promotion of the scientific capacity. The idea is to establish a Center for know-how transfer and technologies, which should be governed and financed by the state budget, with a participation of the BCWFI and of Bulgarian and foreign companies.
It is very important for the branch revival to facilitate the application system for EU funding, to reduce the bureaucracy and to enhance the banks' participation without diminishing the quality of control.

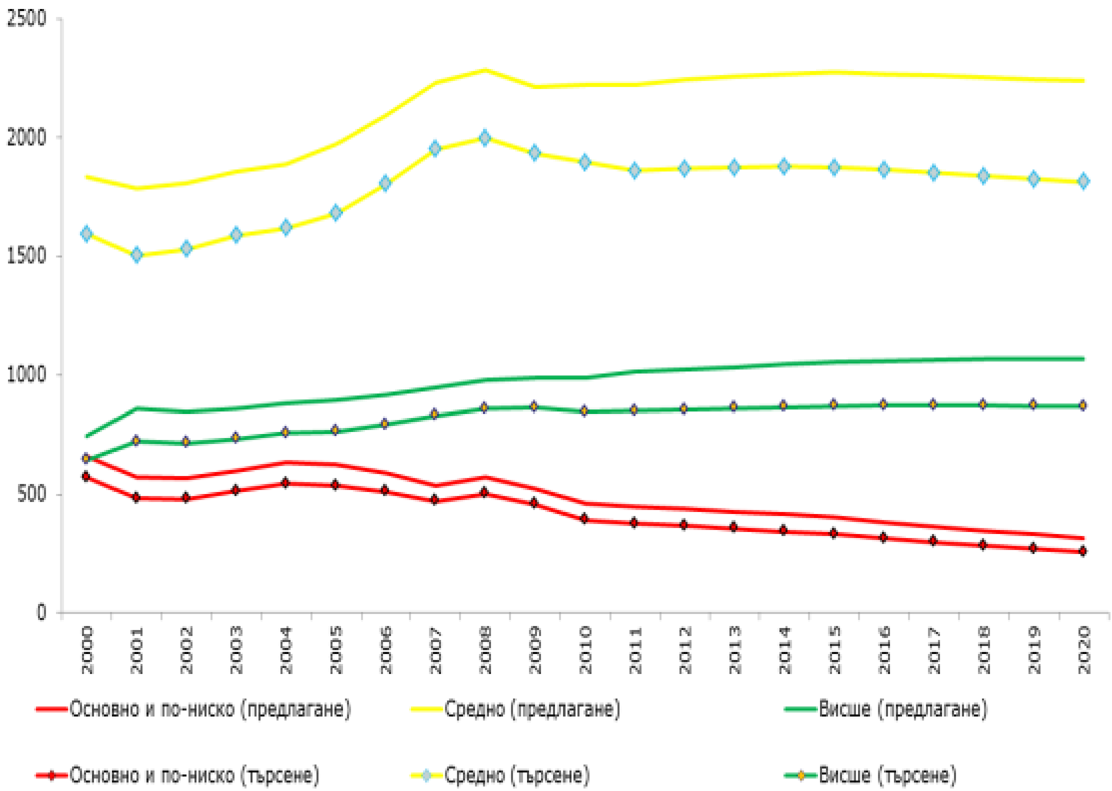
From highly importance is the implemented reform in the forestry and its implication on the supply/delivery of wood material to the companies. Besides of well timed providing of wood resources at accessible prices it is very important the quality of wood. That is why the employers in Bulgaria are insisting on 100% certification of forests and on the active participation of the employers' Chamber in this process.
All this is connected to raising the qualification level of the staff and to approval/recognition of mechanisms for continuing vocational training (CVT).

C. Utilisation of qualification:

Requirements and needs from workplaxces, labour and employment system

The sector definitely needs of workers, equipped with updated skills and trained to work with the newest technologies. Currently the increased priority of higher qualified workers and experts is observed.

Figure 6. Trends in workforce demand and supply towards level of education



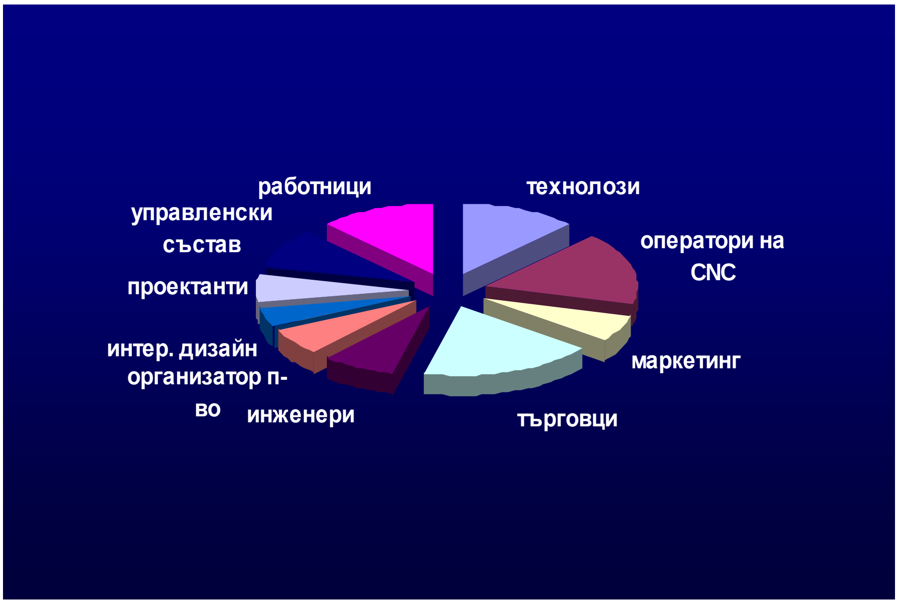
source: Microstat analytics OOD

The presented graphic outcomes pointed to increasing employers' interest to the demand of workforce with high-school graduates or upper education. The trends are towards decreasing demands of workers with secondary and lower education.

BCWFI has carried out a survey in 63 enterprises about the three most important vocations, to be required and demanded trained staff in the coming years.

The data from the survey show the increasing need of additional/ further Vocational qualification both in the Production/ Manufacturing process and in Marketing. (see. Figure 7).

Figure 7 Results from the survey about the three most important vocations required trained staff according to the enterprises in the next 3 years



1. **Traders**
2. **CNC operators**
3. **Technical specialists**
4. **Qualified workers**
5. **Engineers**
6. **Interior designers and production managers.**

Needed future common action of BCWFI and FSOGSDP :

- Widen access to CVT and LLL activities of the sector employed.
- Regular research and tangible proposals to the national responsible authorities (National VET Agency, Ministry of Education, Youth and Science etc.) for changing National register of vocations according to the sector needs;
- Elaboration and introducing of a system for validation of prior learning and skills and competences acquired trough non formal and informal learning at the workplace in the sector;

- Elaboration of external assessment model (independent from the formal Education system) for assessing quality of training and qualification measures offered by Training suppliers in Bulgaria at sector level. Rating list of the best Training suppliers published on the **BCWFI** web site;
- Improving the Career Guidance and Counseling system.
- Improving financial measures for stimulating employers to invest in their workers' qualification and training.
- Constant and intensive dialogue between the business and vocational schools and VET centers aimed at maintaining effective dialogue and cooperation between training institutions and all interested parties from the sector developing flexible sector Qualification and Training policy.
  - Active involvement of Sector representatives in: policy development, strategies development, CVT and LLL activities at national, regional and local level;
  - Availability of workplaces in local sector enterprises for conducting apprenticeships and practical on-the-job training; assuring workplace mentors for on-the-job training;
  - Active involvement of the sector employers in presenting vocation specifications at the different levels of training;
  - Providing part-time employment for young students, applying of the temporary Labour Contract instruments;
  - Enhancing Vocational Education and Training activities in the Sectors (incl. new qualifications) at the workplace in order to raise adaptability of older workers to work with new machines, technologies and materials.
  - Informing about the last trends in the Sector development and about the needs of new skills and competences trough the **BCWFI** web- site;
  - Carry-out of regular surveys among the companies regarding their need of qualified staff; analyzing the state of art of the Labour force Qualifications' level within the sector; elaborating and regular updating of data base on the needed qualified work force;
  - Providing framework conditions for know-how transfer among the companies in the sector, universities, schools and VET centers aiming at Human resource development.

Establishment of a VET and Transfer of know-how center is envisaged for the beginning of 2014. Thus, promoting and maintaining of high-level Human Resource Quality in the sectors will be obtained; as well as raising awareness regarding knowledge and implementation of internationally recognized standards (European directives and the basic regulations), principles for Social responsible behavior from the Sector companies; enhancing company's participation in ESF projects.

We are convinced that with the common participation of Trade Unions and Employers in this and other projects we will contribute to: raising the level of these sectors, increasing companies competitiveness, not trough low Labour costs, but trough increasing the qualification and skills of the employees, and quality products, created by their updated knowledge and skills.