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BULGARIAN OWNERSHIP PATTERNS IN TRANSITION

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This paper will trace the path of 490 Bulgarian industrial firms from 1989 to the present. We are still in the process of gathering and analyzing the latest wave of data. The preliminary results, which will be presented here, are basically descriptive, but we will use insights gathered from earlier econometric studies (e.g., Jones, Klinedinst and Rock, 1998, *Journal of Comparative Economics*) that analyzed the frontier function of these firms.

This panel data is probably one of the most detailed data sets on individual firms going through the wrenching transition from central planning to a market economy. We have pulled data from a number of sources, in part this was a necessity and also to check for consistency. Interviews at a number of firms by a number of investigators over the years have also helped to develop more accurate questionnaires.

We have worked from the beginning (1990) to get as many possible firm level and general environmental variables as we could to have robust tests of a number of hypotheses. Value-added, labor equivalents, total physical capital, marketshare of each individual firm, unionization levels, ethnicity, gender, incentive pay, etc. make up some of the key variables that allow us to separate out the effects of important policy variables such as labor management practices, export orientation, and incentive pay. This large number of variables are fairly complete from 1989 up to 1996. Now we are attempting to update these figures with data from Spring 2002. After 1996, privatization and restructuring began in earnest, hence a number of firms were either sold off to private investors, bought by managers and employees, merged or liquidated. We have received some preliminary data on the current corporate status and method of privatization of our original sample.

Of particular interest potentially to conference participants is the breakdown of firms into four different groups depending on the degree of worker control. Firms are considered managerially controlled (MCF) if the managers in the survey indicated that workers had no influence, a one out of a six point scale. If the maximum six was registered they were considered a labor-managed firm (LMF). If a five, codetermined (COD). A number of different questions were used to check the reliability of these rankings, as well as juridical and ownership status.

The Bulgarian transition has been a difficult one. United Nations sanctions against Yugoslavia and Iraq hurt Bulgaria more than many. High inflation, lack of restructuring, little foreign direct investment, collapse of traditional markets, corruption, and a large external debt have all had a dampening impact on economic progress. Not until 1994 was there positive economic growth, and even that was short-lived. The last few years have seen positive economic growth and a much lower inflation rate, but the level of real GDP is still less (about 80%) of the 1989 level. Unemployment over the last six years has hovered officially in the mid to upper teens.

Out of our original sample of 490 companies, 344 are still operating, 26 are either drafting a restructuring plan or proceeding with one, while another 72 have been or are in the process of being liquidated (see the first figure below, note that these are the only companies of the original 490 that we can identify results with reasonable confidence at this time).

The next figure below shows the industries that the firms are in currently. This sample was originally a random sample across industries and regions. These firms in 1992 employed about 230,000 people, which was more than 20 percent of industrial

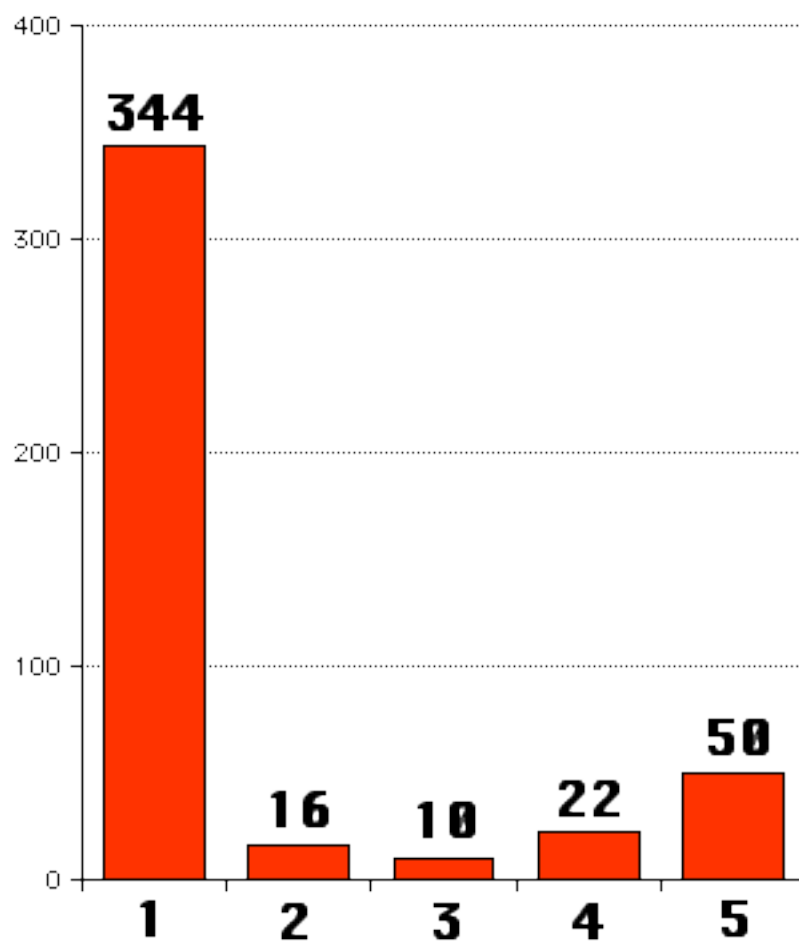
employment at the time. The state controls only 88 of the firms now, 69 worker and managerially owned, 26 foreign and the rest are in some type of private control (see the third figure below).

Privatization and liquidations went up dramatically after the change of government in early 1997 and have generally stayed at a higher level than in the early years of transition (see the fourth figure below). Types of privatization mainly used have been cash, mass privatization, and worker/management buyouts (see the fifth figure below). Debt and the lack of capital were the number one reason for liquidation, followed by outdated equipment (see the sixth figure below).

One development that is disheartening to us, and probably to others at this conference is the identification of labor management with failed policies of the former centrally planned system or with the early years of transition. Labor-managed firms are not seen as a viable alternative in a market system by many economists and leaders in Bulgaria. Given the chaotic and difficult years in transition and a nearby war, this is not too surprising. This points to a need for our organization, if possible, to help spread the insights we have on particular countries and in general.

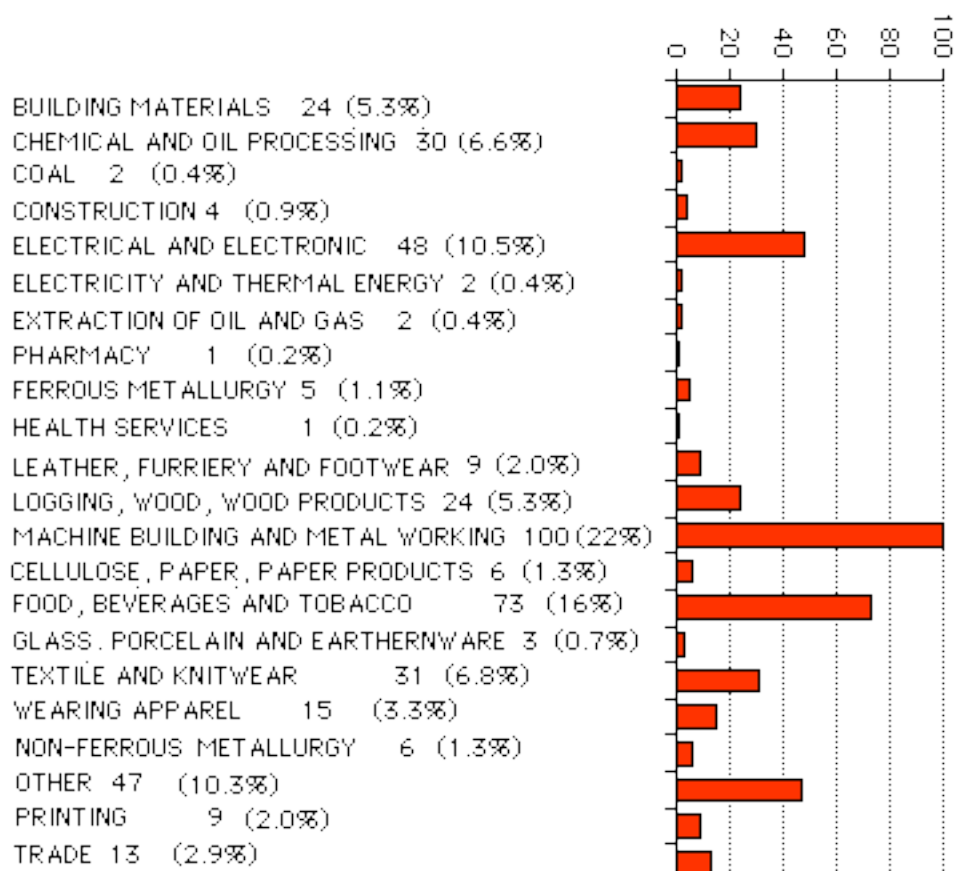
BULGARIAN INDUSTRIAL FIRMS

SPRING 2002, CURRENT SITUATION

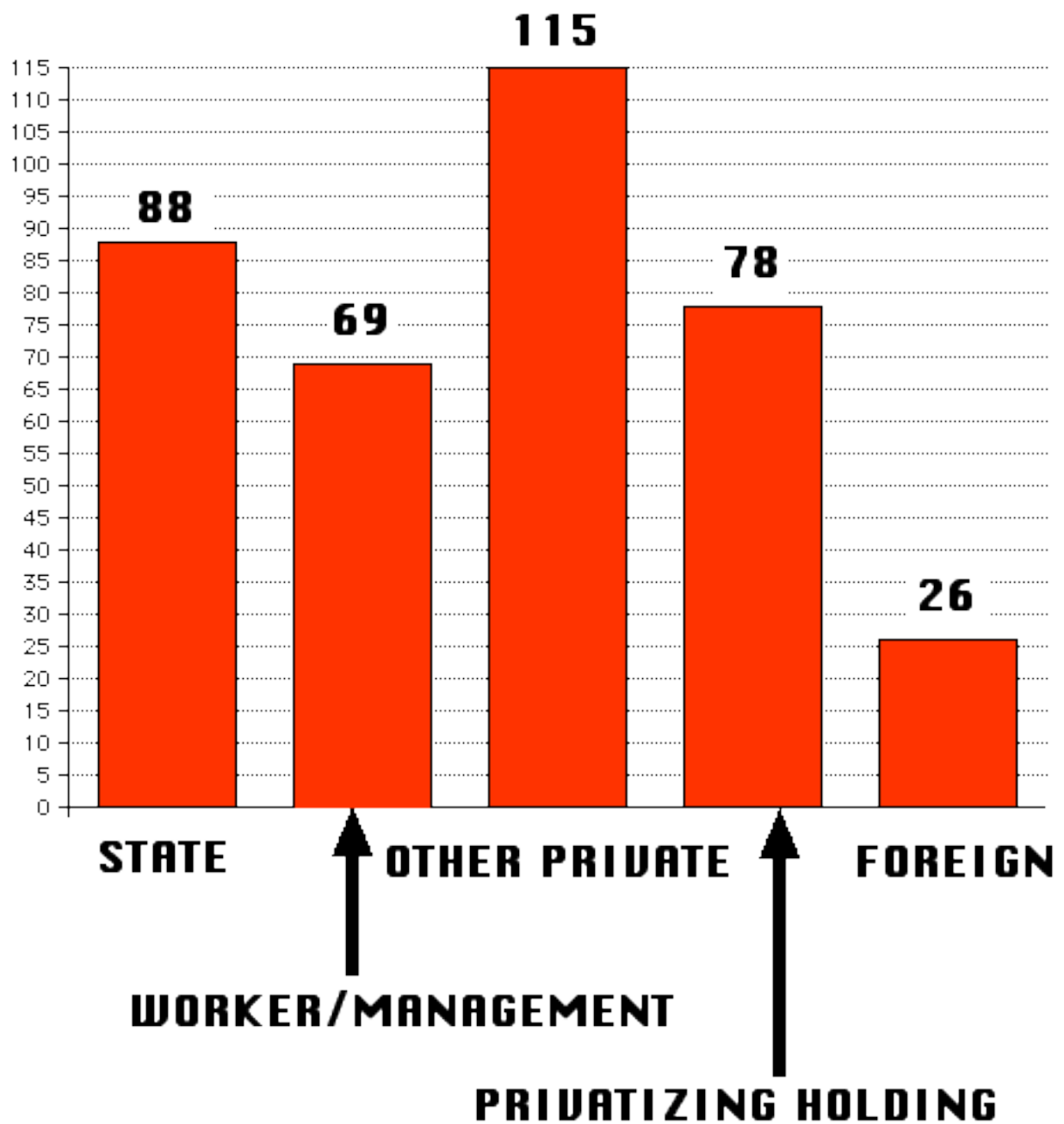


- 1 WORKING**
- 2 DRAFT RESTRUCTURING**
- 3 RESTRUCTURING**
- 4 IN LIQUIDATION**
- 5 LIQUIDATED**

INDUSTRIAL FIRMS IN SAMPLE BULGARIA, SPRING 2002

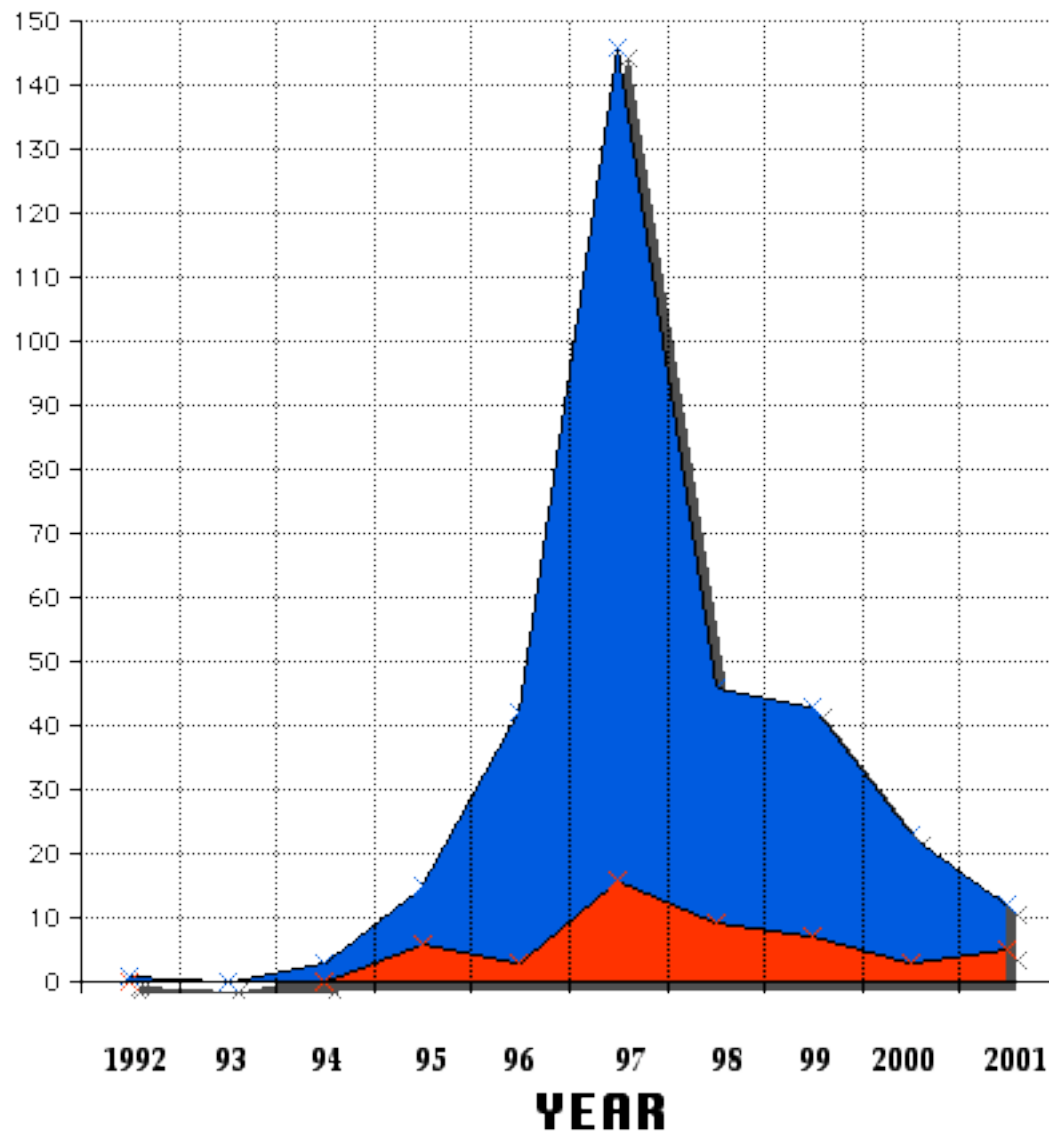


MAIN OWNERSHIP IN SPRING 2002



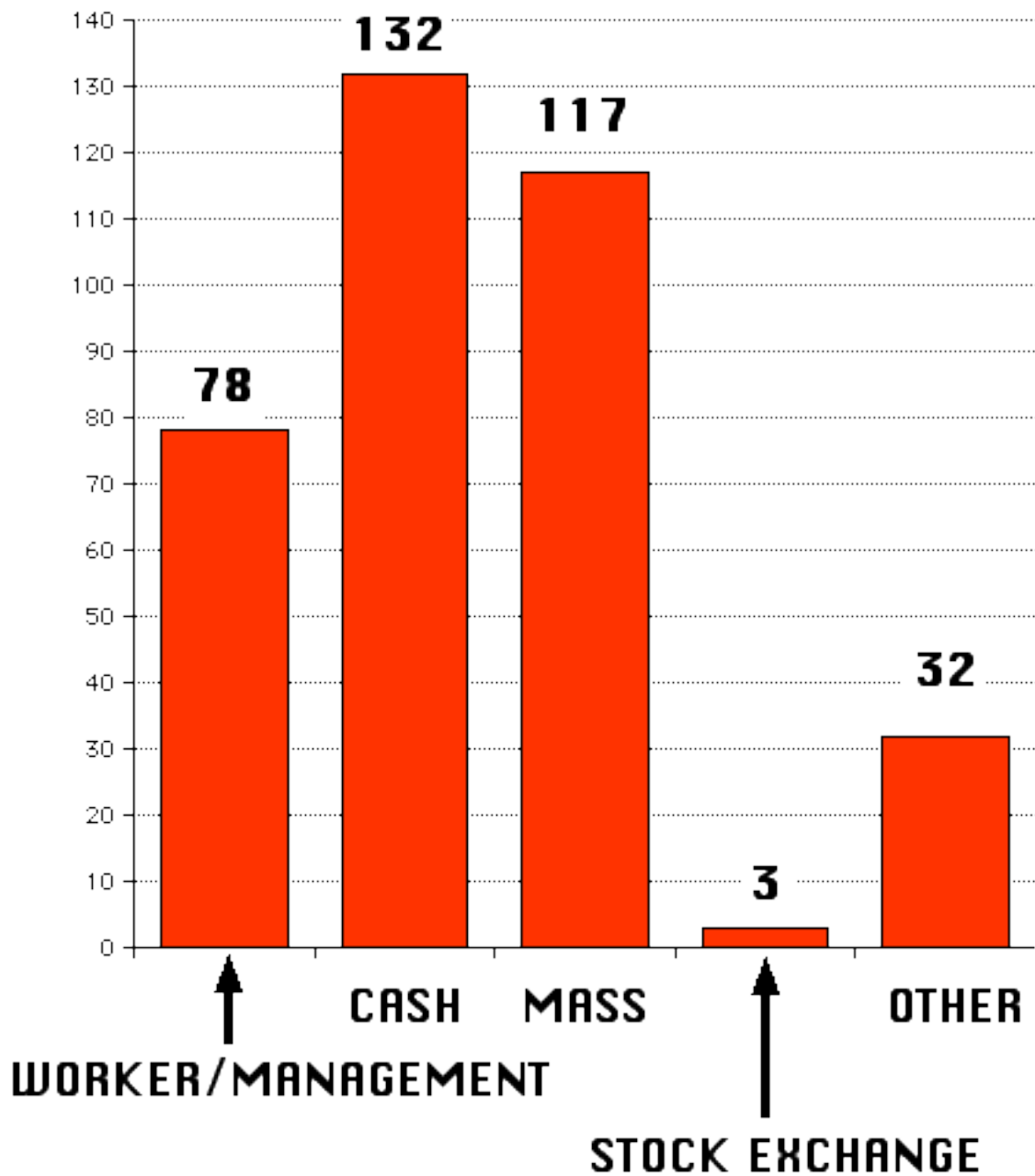
PRIVATIZATION OF INDUSTRIAL FIRMS

LIQUIDATION COMPLETED

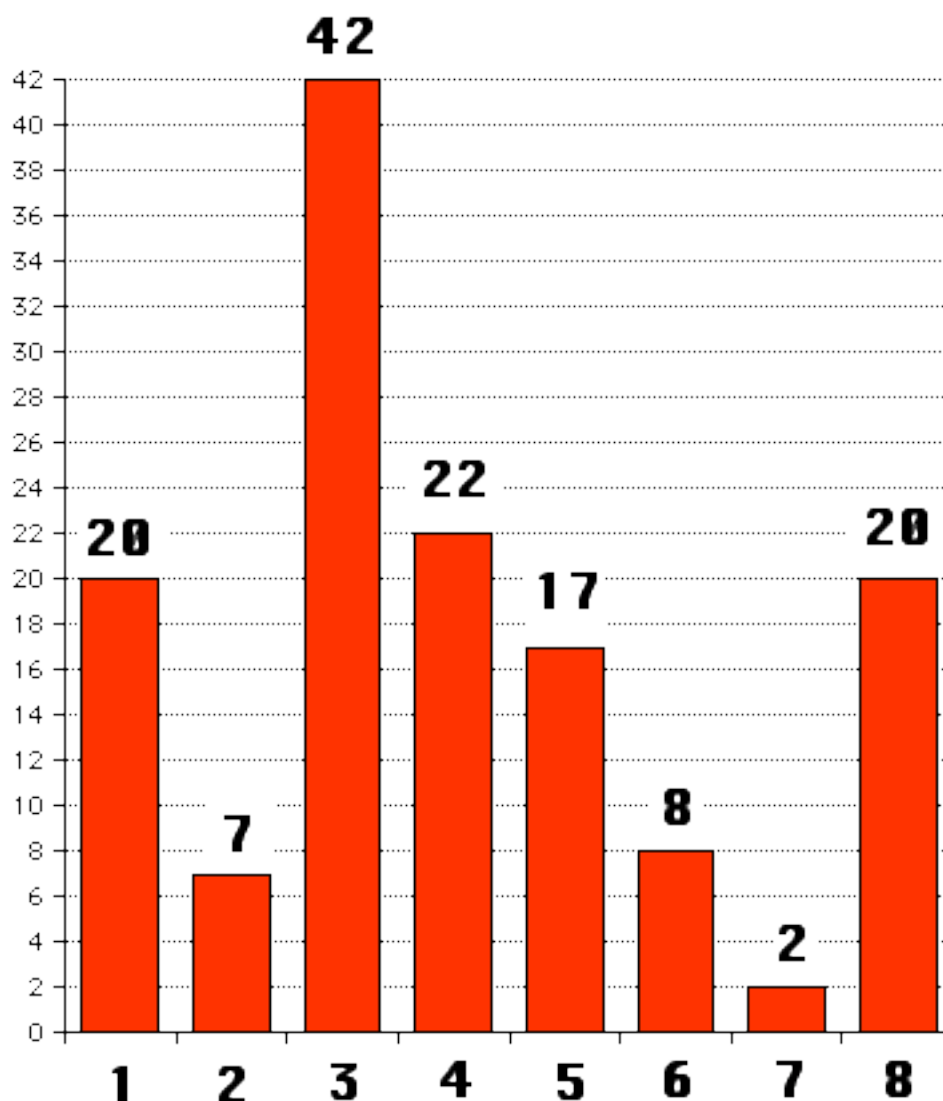


year	DELETED	PRIVATIZATION
1992	0	1
1993	0	0
1994	0	3
1995	6	9
1996	3	39
1997	16	138
1998	9	37
1999	7	36
2000	3	28
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TYPE OF PRIVATIZATION



REASONS FOR CLOSURE, BULGARIAN INDUSTRIAL FIRMS SPRING 2002



- 1 COLLAPSE DOMESTIC**
- 2 COLLAPSE FORMER SOVIET BLOC**
- 3 DEBTS**
- 4 OUTDATED EQUIPMENT**
- 5 LOCAL COMPETITION**
- 6 FOREIGN COMPETITION**
- 7 LOSS/LACK OF KEY PERSONNEL**
- 8 OTHER**

**A TEN YEAR LOOK AT BULGARIAN FIRMS
1992 to Spring, 2002**

VARIABLE	OVERALL	LMF in 1992	CODETER- MINED in 1992	MANAGER CONTROLLED in 1992
1. Number	412	4	118	135
2. Value Added	1443.962	513.994	3211.585	3704.370
3. Capital	2634.593	1286.887	2449.124	2807.012
4. Labor	503	192	465	537
5. Marketshare	0.019	0.005	0.019	0.022
6. Unionization	0.439	0.304	0.418	0.407
7. Profit-sharing	0.029	0.0	0.034	0.022
8. Incentive pay	0.154	0.0	0.110	0.126
Ownership in Spring 2002				
9. State	79	1	17	25
10. Worker/Manag ement	65	1	15	18
11. Other Private	106	0	30	41
12. Privatizing Holding	76	1	17	27
13. Foreign	23	0	8	10
Current Situation				
14. Working	317	2	85	105
15. Restructuring or draft restruc.	24	0	7	7
16. Liquidation or in process	64	1	20	22

