

# ARITAKE-WILD

Joint European Level Social Partners'  
Work-Programme 2009 – 2010

Joint Study on Restructuring in the EU

- Final phase

Romania

Summary note of the meeting that took place in  
Bucharest on 2<sup>nd</sup> and 3<sup>rd</sup> November 2009

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Project of the European Social Partners with the financial support of the European Commission

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*Introduction*

The final seminar in the joint European level social partners' project, "Joint study on restructuring in the EU" took place in Bucharest, Romania on the 2<sup>nd</sup> and 3<sup>rd</sup> November 2009. It was attended by the Romanian social partners, European social partners and experts. An attendance list is attached as appendix one.

The Project coordinator, Alan Wild, opened the meeting explaining the background to the project in the context of previous social partners' work programmes and the work already undertaken on restructuring in the other Member States. He explained that the current phase of the project would facilitate a review of restructuring in every member state of the EU. A major conference will be held in January 2010.

He stressed the importance of good and open debate in helping assure a high quality contribution to the overall project from Romania.

*Romanian national dossier – section one*

The project expert for Romania, Antonio Dornelas presented the first section of the Romanian National Dossier – "A macroeconomic review of restructuring in Romania" (slides attached as appendix two). At the end of the presentation he left the Romanian social partners with the following questions;

1. A number of the economic and social indicators outlined in the "macroeconomic" section suggest that Romania has not benefited from engagement in the market economy and membership of the EU as quickly as other European Union accession countries since 2004. Is this true and why might it be the case?
2. Whilst Romania has undergone a significant amount of restructuring, the current economic structure is distinctive in European terms by the high employment significance of agriculture and the lower than average influence of services. Does this mean that the Romanian economy is destined for further phases of restructuring? If this is the case how will this manifest itself?
3. Educational attainment and, in particular the country's current performance in lifelong learning is amongst the poorest in Europe. What plans are in place to rectify this?

4. Romania has successfully attracted Foreign Direct Investment as a proportion of GDP – but this has been against a low baseline. What can the country do to attract more investment?
5. Has net migration from Romania helped or hindered the economy. To what extent does this reflect a skills drain?

Following the presentation, the points summarised below were made by those present to further explain the context in which the report had been drafted, to add new information and, to help shape conclusions in order to contribute to the content of the final national dossier;

- ✧ Romania joined the EU in the latest entry phase in January 2007 and this has had an enormous effect on the challenges facing the social partners, working often against compressed timescales;
- ✧ Whilst the country has had the opportunity to accelerate structural change and benefit from the experience of others, it has not yet benefited substantially from the advantages of EU entry. A key question for the country is the “political will” to make membership as successful as it could be in the face of rather conservative politicians and political institutions. Romanian governments have historically not been good at planning for the future and it was suggested they are “obstacles to” rather than “promoters of” economic and social progress;
- ✧ Agriculture, and in particular subsistence agriculture, has been a blessing in the years since 1990. However farms are small and technology is low. Despite the land available, Romania still imports many products. A shortage of food processing capacity means that fresh goods have to be sold at low prices and with low value added. A sustained campaign is needed on the nature and place of agriculture in a modern economy. There is a need for a bank that specialises in agricultural loans if the sector is to be modernised;
- ✧ Over recent history, Romania has been convinced that its university graduates represented “the best of the best”. This may be true of the elite few but general standards are not high enough and the country has a serious problem with unemployment amongst young people. Graduates emerge from universities without the skills needed by today’s businesses and it can take a “qualified engineer” two additional years to become effective at work. “They learn a lot about the pieces of a bicycle but can’t ride one”. The large number of changes in education policy over recent years have not helped;
- ✧ The large scale migration of some of Romania’s best workers, notably in construction, to Italy, Germany, Spain and Portugal has constrained economic progress. Wages need to increase in Romania to combat external migration, particularly in view of the remaining restrictions on the Free Movement of Workers to be lifted in 2011 and, in the short term, to finance consumption;
- ✧ Mr Dornelas’ comment on the lack of availability of economic and social data is a pertinent one. The lack of real time data makes it difficult to make economic decisions and this is an issue the business community feels strongly about. The

available indicators reflect a paradox between healthy economic progress and other data suggesting serious underlying problems. An example is official statistics showing the large numbers of people on the minimum wage when the truth is that many of these people receive “envelope” payments;

- ✧ The extraordinarily high level of undeclared work in Romania is a feature with a long tradition and has always been something many people did “to get by” in previous years. It was suggested that an unemployed person in Romania can in fact hold down two or three jobs. The lack of trust in government means that people are generally reluctant to put resources in their hands in the form of tax and social security payments – and this view drives the informal economy;
- ✧ It was suggested that over recent years the social partner organisations have been very successful when the working context, including the institutional and policy framework, is taken into account

*The Romanian national dossier – section two*

Antonio Dornelas presented the second part of the Romanian dossier “The role of the social partners in restructuring” (slides attached as appendix three). The social partners were asked to consider the following questions;

1. Although the legal and practical framework for social dialogue in Romania is still developing, the country already has high levels of collective bargaining. What are the strengths and weaknesses of the system today?
2. Despite high levels of engagement between employers and trade unions at the enterprise, sectoral and national levels, there appears to be little evidence of genuine engagement of the social partners in restructuring activities. Is this the case? If so, how can the role of trade unions and employers be enhanced?
3. It seems from the macro analysis that Romania will face further phases of restructuring including a reduction in the influence of agriculture, an increase in services and the need to attract manufacturing and other investment into the country. What can the social partners do in these areas?
4. How important are the social partners in helping prepare the labour market for future challenges and opportunities – particularly in terms of workforce education and skills?
5. What role have the social partners played in crisis response measures in Romania? What has worked well and what would you do differently today?

Following the presentation, and in similar fashion to the discussion of section one above, the points summarised below were made by the seminar participants;

- ✧ In the context of the current financial and economic crisis, the employers have suggested between 60 and 70 measures of mitigation. In the event, the government has actively considered three measures and as a result a number of local initiatives have been launched;

- ✧ The Romanian labour code is a sensitive issue to discuss in Romania and the employers are generally unhappy with it. The OECD rates Romania to be far less flexible than many European countries. This view was not generally shared by the trade unions;
- ✧ An employer suggested that on paper, the institutions and structures for social dialogue look quite good, but in reality the trade unions and employers are lobbyists rather than social partners. In tripartite dialogue it was suggested that the only time the government was even handed was when it ignored both sides of the social partnership. A trade union participant was much more positive about tripartite social dialogue in Romania and suggested that the labour code introduced in 2003 resulted from a year's intensive discussion. More recently the social partners and government had discussed the ILO Global Pact for Jobs and decided to introduce a Romanian version of it;
- ✧ It was generally agreed that the autonomous social dialogue should be strengthened. At the moment the implementation of European agreements on violence and stress are being transposed into law by government when in reality the social partners are capable of decision making in these areas;
- ✧ In terms of collective bargaining, the national level is the most important as it lays out a series of minimum standards that apply to all sizes of employer. Most recently work has been undertaken to strengthen sectoral bargaining. At the enterprise level, collective bargaining effectiveness is patchy and dependant on the ability of the social partners to find and allocate resources. The real influence of trade unions on wage setting and the implementation of restructuring plans depends not on legal provisions, but on power, influence and employer attitudes;
- ✧ In the management of restructuring, representatives of workers need to become more creative. Today constructive engagement in change management is the exception rather than the rule;
- ✧ Romanian businesses need to show significantly more entrepreneurship to emerge from the crisis successfully and provide for future growth;
- ✧ A number of comments were made on social dialogue, collective bargaining and change management in public utilities and authorities where it was suggested that employers were not open to discussions. The local authorities were suggested not to take a long term view on conditions of employment and the price and quality of services

#### *Joint EU social partners work relevant to restructuring*

Representatives from the European social partners presented their recent work in the area of restructuring (slides attached as appendix four).

#### *Case study one – Dacia*

The Dacia case study is described in the national dossier.

#### *Case study two – Arcelor Mittal*

The Arcelor Mittal case study is described in the national dossier.

*Case study three - ISMAT*

The ISMAT case study is described in the national dossier.

*Summary discussion*

Following the presentations, discussion and case studies, the European level social partners made the following broad observations;

- Steven D'Haeseleer (BUSINESSEUROPE) explained that the employee relations system in Romania was not the best known in Europe and he had learned a lot. Much of this was due to the preparedness of the social partners to enter into active discussion. Having said that, he admitted that at times in the discussion he was sometimes confused by apparently contradictory information and argument. Examples include the lack of reliable data; confusing statistics on hourly wages; the debate on migration where it is claimed on the one hand that wages are kept low and on the other that there are labour shortages. In some areas there still appeared to be more questions than answers.

Looking at social dialogue, Romania's relatively newly established system with high reliance on tripartite forms of dialogue is not unusual. As in other countries the challenge is to increase the influence and impact of autonomous dialogue and move government into a less active role. Perhaps one area for impact in an important practical area is that of unemployment amongst young people. For example in Denmark, the social partners have taken on a strong role in systems for vocational education and training to deliver better equipped young people to the labour market.

- Helen Hoffmann (UEAPME) also commented on the absence of reliable statistics and the difficulties this caused in analysis and planning. She picked up on the important role of small businesses in the exit strategy from the crisis and would have liked to have heard more and a small business case presented. Developing small business strategies is made difficult by the high incidence of informal working. She stressed the importance of lifelong learning to the future development of the Romanian labour market.
- Juliane Bir (ETUC) commented positively on the quality of the debate that had emerged and the improvement over the last meeting that had taken place in the project in Romania when very few employers had been present. The point of departure for discussion of restructuring in Romania was quite different to many countries and the challenges faced are very difficult. Nonetheless she would have liked to hear more about how these challenges were being addressed. In particular, she referred to the issues of unemployment of young people, migration, lifelong learning, the shift from agriculture to industry and services and the informal economy. It is clear that the Romanian social partners need to be offered, and take on, a stronger and more influential role. For this to happen, internal coordination needs to be improved

At the end of the meeting, the social partners were thanked for their participation in the meeting and for their positive engagement in the process. Additional thanks were offered to the interpreters for making the discussions possible.

## APPENDICES

1. Attendance list for the seminar;
2. "A macroeconomic review of restructuring in Romania" – Expert presentation;
3. "The role of the social partners in restructuring" – Expert presentation;
4. "Joint EU social partners work relevant to restructuring" - presentation by the European level social partners.