Industrial Relations

Romania: Developments in working life 2018

Working life in 2018 – Annual review

Disclaimer: This working paper has not been subject to the full Eurofound evaluation, editorial and publication process.
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Political context affecting working life aspects

The political year 2018 was a very difficult one, exactly as anticipated from the end of 2017: with a new Government and internal disputes in the Social Democratic Party (PSD), with the Justice as field of battle, with a referendum (in October) and with ex-Prime Minister Dacian Cioloș returning to politics.

2018 began with Viorica Dăncilă appointment as Prime Minister after the resignation of Mihai Tudose following the withdrawal of political support by his party (PSD). She was the third Prime Minister of the country in seven months and the first woman in this position in Romania. The decision of appointment given by the President was criticized by supporters and opposition parties, but the new government received Parliament's vote of confidence on January 29th.

In this particularly difficult political context, social partners frequently reacted and objected on the reforms proposed by the Government. First, they continue to criticize the applicability of the Unitary Pay Law and the impact of the new fiscal regulations adopted in 2017, pointing out that thousands of public sector workers and possibly millions of private sector employees have lower net wages despite all the changes. All in all these changes let to tensions between social partners and public authorities as long as the risk of in work poverty was increasing and labour migration continued. Even if in 2018, employment reached a peak in Romania, most of the jobs are at the level of minimum wage. Low wages coexist with the workforce crisis, pushing the authorities to undertake various measures aiming to fix the problem of labour shortages.

Labour market reforms or major packages of working life regulations

Romanian labour market was characterised by: a slightly increase of employment; a decreasing unemployment rate to the lowest level registered up to now; an important increase of the minimum wage; a major reform of wage fiscal system. However, the risk of in work poverty was increasing and labour migration continued.

According to Government Political Program, in January 2018, Romania registered its highest gross monthly minimum wage, in the last 10 years (RON 1,900, approx. EUR 410). Due to the fiscal reform package adopted at the end of 2017 and the transfer of social contributions from employers to employees the base gross wage was supposed to increase accordingly to maintain the net wage received by the employee. As a result, by law the wage renegotiation was compulsory both in public and private sectors, but not in all cases the net wages remain the same. After those changes the fiscal taxes on wages decreased on 2.25% for employers and increased at 41.5% for employees. Additional changes had to be done (GO no 3/2018), regulating some unfavourable tax situations: A. Decreased health contribution for people employed as programmers, researchers, disabled and seasonal workers (art. 60 of the Fiscal Code); B. increased the minimum social security contribution threshold for partial-time employment contracts to the level of the minimum wage on the economy regardless the number of hours worked.

Despite high level of labour migration in some industries Romania is faced with a shortage of labour in others. To increase the number of foreign workers hired by local companies, the Government simplified the conditions to hire them through Law 247/2018, adopted in
November 2018. Also, the Government decided to increase the number of foreign workers who can be hired by local companies for 2018, to over 10,000 (8,000 permanent workers and 2,400 posted workers).

In August 2018, the Ministry of Labour and Social Justice launched a public debate on the draft of a new pension law, according to which pension payments will be based on contributions, seniority, equality, social solidarity and other principles.

Thus, the pension point value will increase from the current level of RON 1,100 to RON 1,265 in September 2019, RON 1,775 in 2020 and RON 1,875 in 2021. Starting 2022, the pension point will be calculated based on a formula that will consider inflation and the real annual increase of the average gross wage. The pension point will thus reach 45% of the average gross wage.

Another aspect in public debate is the new pension pillar introduction names Occupational Pensions. As minimum wage settled by the Government Program of PSD Party continued to increase year by year the minimum wage. The new aspects discussed to be introduced starting with 2019 was the minimum wage differentiation by educational levels. So, minimum wage for unemployed will reach RON 2,080 (EUR 446), with one exception for construction sector where is 3000 RON (EUR640). For the employees with university degree the minimum wage is RON 2,350 (EUR 504).

For intern payment the internship law no. 176/2018, provides an increase to half of the minimum wage, in proportion to the worked time, which means an extra RON 90 (EUR 20). The impact of all these wages increases are limited by inflation which increased in 2018 compared to 2017 reaching the highest level in EU.
Social partners’ views and reactions on changes in governments and working life policies

Social partners frequently reacted and objected on the reforms proposed by the Government, during 2018. First, they continue to criticize the applicability of the Unitary Pay Law and the impact of the new fiscal regulations adopted in 2017, pointing out that thousands of public sector workers and possibly millions of private sector employees have lower net wages despite all the changes.

The idea of eliminating the minimum wage in the private sector and maintaining it only for the public sector caused tensions between social partners. On one side trade unions claimed that eliminating the minimum wage will lead to the introduction of slavery and on the other side employers’ organisations representatives claimed that the minimum wage should be paided considered economy’s realities. These tensions continued between social partners on the new increase announced of the minimum wage to 2080 RON for the end of the year and this measure will be effective from January 2019.

Social partners also criticized the new pension reform. Trade unions representatives objected to what they saw as discrimination against women, who will receive a lower pension than men and emphasized that most employees (65%) would receive the minimum pension in the future (60% of the minimum wage). The employers’ organisation Coalition for Romania’s Development (CDR) also questioned the sustainability of Romania’s pension law draft, warning that it creates a huge burden for future generations, as the public spending will double by 2021.

Divergence between social partners also existed regarding legislation on social dialogue. On one side trade union’s representatives (Cartel Alfa Trade Union Confederation) sustained the idea of changing the provisions of the actual law in order to make collective bargaining possible allowing the founding of a trade union by 15 founding members, working in one or more enterprises in the same sector and the recognition of the right to join a trade union for all categories of workers irrespective of the form of employment. On the other side, trade unions support also the reintroduction of national level of collective bargaining while the representatives from the National Council of SMEs in Romania (CNIPMMR), consider the return to it useless.
Developments in industrial relations 2018

Changes affecting the national-level actors and institutions in 2018

Actors

No major developments affecting the main trade union organisations and employers’ organisations occurred during 2018

Representativeness

Negotiations initiated by the Government on the new draft of the Social Dialogue Law (Law no. 62/2011) in 2017 did not yield any results. Therefore, in September 2018, five representative trade union confederations submitted a joint legislative proposal to amend Law no. 62/2011, their demands referring among other things to: the right of unrepresentative trade union organizations to trigger a strike, under certain conditions; reducing the minimum number of employees that may form a trade union (from 15 to 3); establishing new situations of initiating strikes. Their amendments were adopted by the Senate Labour Commission, but the employers’ representatives claimed that this had been done in a non-transparent, groundless way and without a real social dialogue, resulting in a worsening of relations between the social actors. The new social dialogue law was rejected by the Senate in November 2018 and will be forwarded to the Chamber of Deputies for debate.

Institutions

The repeated changes of the Prime Minister and some of the Government members have also been accompanied by restructuring or dissolving of some ministries. Thus, the Ministry of Public Consultancy and Social Dialogue, which was created in 2017 in order to coordinate all the activities related to social dialogue, was dissolved on 28th of January 2018, through Government Ordinance no. 1/2018. All its attributions have been taken over by the Ministry of Labour and Social Justice and by the General Secretariat of the Government. This measure was meant to facilitate the dialogue with social partners.

Changes affecting the sectoral and company level social dialogue 2018

No major changes in social dialogue process at sectoral and company level occurred during 2018, as the new law on social dialogue failed to be adopted.

Innovation in collective bargaining

Nothing to report for 2018.
## National social dialogue in 2018 – Scope and Contribution

No major social dialogue debates were held on the following themes: Skills, training and employability; Taxation and non-wage related labour costs; Work-life balance.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Description</th>
<th>Social dialogue interaction</th>
<th>Social dialogue outcome and/or output</th>
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<tbody>
<tr>
<td><strong>Employment - Labour shortages - more inclusive participation</strong></td>
<td>In July 2018, the Government adopted a series of measures to reduce the labour shortage at national level, as well as to facilitate the inclusion of long-term unemployed and other categories of socially disadvantaged people into the labour market. Employers who hire unemployed aged over 45, unemployed people from single-parent families, long-term unemployed or NEET young people will receive, upon request, a grant of 2,250 lei per month (EUR489) for each employee, for a period of 12 months. The same amount (2,250 lei / month) will also benefit employers who conclude an apprenticeship or an internship agreement, during the contract period.</td>
<td>The Government consulted the Economic and Social Council on the draft ordinance, receiving a favourable opinion.</td>
<td>Government Ordinance no. 60/2018 for amending and completing the Law no. 76/2002, Law 279/2005, Law 335/2013.</td>
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<td><strong>Employment - Subsidies for young disadvantaged workers</strong></td>
<td>Law that regulates the facilities granted to disadvantaged young people, for employment in public institutions at local level. According to this provision, young people will be able to work for 24 months in local public institutions to acquire experiences, skills and abilities that can be later exploited in the private sector.</td>
<td>The Government consulted the Economic and Social Council on the draft law, receiving a favourable opinion.</td>
<td>Law no. 189/2018</td>
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<td><strong>Benefits - Minimum inclusion income</strong></td>
<td>According to Law no. 196/2016 the social assistance system will be radically changed. More precisely, the minimum guaranteed income, the family allowance and the home heating aid will be reunited as one single assistance scheme, called ‘minimum inclusion income’. The measure aims to financially support deprived families and single people. At the same time, it will help to prevent child poverty and will stimulate their participation in the education system. The maximum income limit for obtaining the grant will be RON 600 (approx. EUR 130).</td>
<td>The Government consulted the Economic and Social Council, as well as representatives of trade unions and employers’ organizations and received a favorable opinion.</td>
<td>According to GO no 96/2018 the application deadline of Law no. 196/2016 on minimum inclusion income was postponed until April 2021, one of the reasons being that the necessary national IT system for social assistance is not completed.</td>
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<td><strong>Pension reforms - Broader package of pension reform</strong></td>
<td>In August 2018, the Ministry of Labour launched a public debate on a new pension law which provides important changes; MA and PhD being considered non-contributory periods, assimilated to pension contribution periods; transparency and easy online access to one’s personal information; the introduction of the minimum social allowance option; setting special conditions for lowering the retirement age.</td>
<td>The Government consulted the tripartite body, the Economic and Social Council (CES), and organised public consultations.</td>
<td>Even though the Economic and Social Council (CES) criticized the new reform, it endorsed the Government’s draft. Social partners also gave a negative feedback to the reform, saying it will create a huge burden for future generations, questioning its sustainability. In December 2018, the Pension Law was adopted in the Chamber of Deputies.</td>
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<td><strong>Wage setting - Differentiated minimum wage</strong></td>
<td>On November 9, the Government adopted several changes in the Labour Code, introducing the “differentiated minimum wage” for some categories of employees (those with university degrees and those with over 15 years of seniority). From 1st of January 2019, the gross minimum wage is increased to 2080 lei (445 EUR), and for the ones with higher education and at least 1-year seniority in the field of higher education - to 2350 lei (503 EUR).</td>
<td>The Government consulted both social partners and the tripartite body, the Economic and Social Council (CES). Minimum wage differentiation for those with over 15 years seniority has been criticized by both social partners, so the Government has finally dropped this measure.</td>
<td>The Economic and Social Council (CES) offered a favourable opinion on this bill but social partners disagreed with the date of the new law enforcement. The final form approved was Government Decision 937/2018.</td>
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<td><strong>Working time - reduction of paid overtime</strong></td>
<td>Emergency Government Ordinance no. 114/2018, published in the Official Gazette on December 29, came with some changes related to overtime. It provides that all employees working in the public system, overtime hours will only be offset by free time. The measure applies for the period 2019 - 2021.</td>
<td>The motivation of this EGO is the continuation of the previous governmental actions to compensate the overtime by free time and not additional incomes so as not to affect the projected budget for the public sector.</td>
<td>It is unilateral decision of the Government based on the Government program of the Social Democratic Party (PSD).</td>
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<td><strong>Other aspects of working life - Gender Equality in companies</strong></td>
<td>Law no. 178/2018 for amending and completing the Law no. 202/2002 on equal opportunities and treatment between women and men was adopted in July 2018. The new regulation is applied in companies with more than 50 employees, as well as private companies with more than 50 employees and consist of designating one person responsible (through job description) with promoting equal opportunities and treatment between women and men in the company.</td>
<td>Trade union representatives, NGO representatives and employers’ organisations representatives were consulted about the draft of this law. Some modifications were proposed by trade union representatives and employers’ organisations did not favoured this bill.</td>
<td>Law no. 178/2018.</td>
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<td><strong>Terms and conditions of employment - Limiting casual work</strong></td>
<td>The Law no. 52 of April 15, 2011 regarding the exercise of occasional activities of daily workers is modified as follows: 1. A person cannot perform day-to-day activities for more than 120 days during a calendar year; 2. The beneficiary may not use a person for more than 25 consecutive days in day-to-day activities. If the work done by the daily worker requires a longer period, the beneficiary will have to conclude a fixed-term contract; 3. Areas of applicability are only: agriculture, hunting and related services - division 01; forestry, except for forest exploitation - division 02; fishing and aquaculture - Division 03.</td>
<td>The modification of the Law 52/2011 was proposed many times by social partners, both by employers’ organisations and trade unions with different occasions and in different meetings.</td>
<td>Government Ordinance no. 114/2018 for amending and completing the Law no. 52/2011.</td>
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<td><strong>Health, safety and well-being at work - Chemical agents</strong></td>
<td>Starting with August 2018 the Government Decision no. 584/2018, amending the Government Decision no. 1.218/2006, by changing the minimum safety and health requirements for work to ensure the protection of workers from the risks related to the presence of chemical agents.</td>
<td>The new regulation transposes the European Union directives. No specific social dialog was detected.</td>
<td>Unilateral decision by Government according to the new EU directives.</td>
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Selected major social dialogue debates

New law of social dialogue failed to be adopted

Since 2017, the former Minister of Public Consultancy and Social Dialogue initiated a series of negotiations on amendments to the social dialogue legislation. Although the initiative continued in 2018, the new law failed to be adopted, due to a total disagreement between social partners on the several draft laws discussed by the Romanian Parliament in order to amend the Law no.62/2011 on the Social Dialogue.

Thereby, trade unions confederations submitted a joint legislative proposal aimed to change more than 50% from the current social dialogue law (no 62/2011) which led to the disappearance of all national collective agreements and almost total loss of sectorial collective agreements. Besides the reintroduction of the collective agreements conducted at national level, trade unions also request the establishment of a union of at least 15 members and to unblock the right to strike and bargaining for a company’s employees.

As the new legislative proposal on social dialogue (no 567/2018) introduced a greater responsibility and additional obligations for the employers, their representatives accused the unions of lack of transparency. The new social dialogue law vote was rejected by the Senate, in November 2018.

Introducing the differentiated minimum wage

In August, as a reaction at the Finance Minister’ proposal to eliminate the minimum wage in the private sector and maintaining it only for the public sector, The Romanian Business People’s Organization – AOAR proposes the Government to adopt a minimum hourly wage instead of the minimum monthly wage, which would better reflect the current economic conditions and the evolutions on the local and international markets. Nevertheless, the unions’ representatives were against the proposal.

Moreover, in September, the Romanian National Employer Organisation (Patronatul National Roman) proposes the Government to switch to the minimum hourly wage.

At the beginning of November, the Government announced the increasing of the minimum wage from 1st January 2019 and the establishment of three minimum wages. The first one is the general minimum wage which will increase to RON 2,080. The second one will be for people with university degree, a minimum of one year's work experience in the field, and the field of study would require the existence of these studies. (RON 2,350).

Furthermore, the third one will be set at RON 3,000 (EUR 645) for the construction sector.

Unilateral government actions – without social dialogue

The Government “greed tax”

The “greed tax” ordinance, on bank assets and turnover taxes for the energy and telecom sectors, adopted in December 2018, introduced major fiscal changes almost overnight. It includes a tax on bank assets, tied to the interbank interest rate (ROBOR) and special turnover taxes on energy and telecom companies. The new measures were also supposed to allow contributors to mandatory private pension funds (Pillar II) to take out their money and invest them in other instruments. However, this provision was removed.
The Coalition for Romania’s Development (CDR) addressed an open letter to President Klaus Iohannis and the CSAT, emphasising that the new “greed tax” risks to trigger a crisis in the economy.

**The Nationalisation of the second Pillar (private pensions system)**

The first ideas about the nationalization of Pension Pillar II appeared a few years ago.

Beginning this year, the contributions to the mandatory private pension funds were although they were supposed to increase. The association of private pension fund managers in Romania (APAPR) said the cut amounts to 20% lower pensions for future retirees. This came as the Government pondered the option of making the private pension funds optional. In June, the prime minister announced that changing the infrastructure of the local pension system was no longer discussed. At the end of the year, the finance minister announced that participants to the mandatory private pension funds could withdraw after contributing for five years. Thus, in December, the Government was bringing its final touch to private pension system reform, by adopting the so-called “greed tax” that allowed contributors to the mandatory privately-managed pension system (Pillar II) will be allowed to pull out after contributing at least five years and no more recipients will be allowed to enrol to this system in the future. However, Romanian Business Leaders (RBLS) said that the second pension pillar will be destroyed if the new ordinance adopted on December 21 will be applied.

**Collective labour disputes in 2018**

**Changes in the regulation of collective labour disputes**

No significant changes in regulation of collective labour disputes occurred in 2017.

**Selected major labour disputes of national significance**

The year 2018 was marked by numerous protests from trade unions, unhappy with the wage law, the transfer of contributions from the employee to the employer, and the working conditions.

1. Failure to come to an agreement on wage increases as a response to the transfer of social contributions from employers to employees, led to labour disputes in Ford Craiova and Dacia Pitesti, two of the most important production plants in the automotive sector. The parties in both enterprises reached consensus and have concluded a collective labour agreement.

2. The metal and steel industries have also experienced difficulties in labour relations. In January, workers at ArcelorMittal Galați participated in a spontaneous protest during collective agreement negotiation, declared illegal. The collective agreement was concluded at the end of January and provided for a 15% wage increase (equivalent to around €50). Workers at Cromsteel Targoviste called a general strike at the end of March, after management refused to increase gross wages in line with the Valahia trade union’s requests.

3. The protests of employees from the units subordinated to the Ministry of Youth and Sport (in July and August) arguing that 70% of the employees in this field have net monthly salaries of 1300 lei (276 EUR), the lowest in the budgetary sector. Some of the claims
made by the representatives of the National Sport and Youth Union, are: equalizing salaries to the maximum level in payment; payment of work and overtime on Saturdays, Sundays and public holidays; granting bonuses; supplementing the number of employees; unlocking vacancies; extending the collective labour contract. Following negotiations, the ministry officials announced the increase in salaries and bonuses for work in injurious conditions.

1. The discussions between the representatives of the Federation of Railway Transport Unions in Romania and those of the Ministry of Labour and Social Justice were about the statute of the railway personnel, the high average age (49 years) and the overburden of its employees, the very low investments in the railway sector.

2. Subway trade unionists protested in front of the Ministry of Transport, claiming some disagreements with METROREX’s management board on personnel shortages, traffic and passenger safety, renting commercial space, negotiating the collective labour agreement.

Working time 2018

Changes in the regulation of working time 2018

Legislation on working time duration or organisation

The main normative act that regulates the working time duration and organisation is the updated Labour Code (Law 53/2003), modified two times in 2018.

by: law 88/2018, law 64/2018 and GO 96/2018

By law 88/2018 in case of mobile workers and home-based employees, the employer keeps track of the hours worked by each employee on daily basis under the terms and conditions laid down for the employees by written agreement, depending on the specific activity they carry out.

According to law 64/2018 the last day of Friday before the Easter is declared public holiday. Moreover, the free days for people belonging to legal religious denominations other than Christian religion are granted by the employer on other days than the statutory holiday days established by law or annual leave.

Collective bargaining outcomes on working time duration or organisation

Nothing to mention.

Major debates concerning working time duration or organisation

No major debates on working time duration or organisation.

Health and well-being at work 2018

Physical working environment

No major change.
Psychosocial working environment

No major change.

Employment status 2018

No major changes in 2018 for: ‘Standard’ employment contracts; Self-employed; Fixed term contracts; Temporary agency workers; Posted workers; Seasonal workers; Zero hour contracts.

Other contracts

Law no 81/2018 regarding the regulation of the telework (telecommuting) activities was adopted in March 2018. According to its regulations, employees can work almost anywhere, not just at home. In carrying out their work, workers have to organize their activity programme in agreement with their employer. Overtime is allowed, with the written consent of both parts, only for the full-time basis employees.
References

Web site of the Chamber of Deputies, the legislative portal http://www.cdep.ro/pls/legis/legis_pck.frame
Web site of the http://dialogsocial.gov.ro/
Web site of the Economic and Social Council http://www.ces.ro/
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