



Industrial relations  
**Romania: Developments  
in working life 2017**

*Developments in working life in Europe:  
EurWORK annual review 2017*

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**Eurofound reference number:** WPEF18042

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## Political context affecting working life aspects

Following national parliamentary held in December 2016, a new government led by Sorin Grindeanu and formed by a coalition of social-democrats (PSD) and liberal-democrats (ALDE) was appointed in January 2014. The new Government replaced the technocratic government led by Prime Minister Ciolos that was in office since November 2015. Sorin Grindeanu's Government was replaced in June 2017 by a new Government, led by Mihai Tudose, but the political composition of the governmental coalition remained the same.

The program of the new government announced an extensive set of reforms of the fiscal, labour and social dialogue relations. In January 2017, the Government increased the minimum wage from 277 to 322 Euro, announced pension and public wage increases, as well as the elimination of the threshold for health and pension taxes for high salaries. In spite of several critics from the opposition, the measures have been well received in the context of a sharp increase in the share of employees working on the minimum wage (almost 30% in 2016 compared to 10% in 2011), low spending on health care and more than one third of elderly people (over 65) being at risk of poverty and social exclusion, according to Eurostat.

In the following months, the new Government put its efforts into the finalization of the draft law on unique pay in the public system. The law was adopted in June 2017 and stipulates an increase of 25% starting from January 2018. The law affected approximately 1.19 million employees working in the public sector.

In an attempt to finance the pay increase and to avoid a hike in the public deficit, the Government adopted a series of amendments to the fiscal legislation, attested by a shift of the social security contributions from the employer to the employee from January 1st 2018.

Also, the Government started the negotiation with social partners on a series of amendments to the social dialogue law, aiming to improve the social dialogue, especially at sectorial level.

## Social partners reactions following changes in governments

2017 was a year of a series of important reforms that triggered the criticism of social partners. Discussions around the law on unique pay in the public system were accompanied by a number of street protests organised by the trade unions. Even after the law was adopted by the Parliament, the trade unions continued to criticize it, claiming the new law will generate new inequalities in the public system. In their turn, the employers' organisations warned that the public sector wage increases, provided by the new law, will encourage employees' migration from private to public sector, further deepening the labour shortage in the private sector.

The Government also faced criticism from both social partners – unions and employers' organisations – upon the fiscal legislation changes, resulting in the transfer of social contributions from the employer to the employee. The trade unions pointed to the new provisions impact on the labour relation and social model, while the employers criticised the costs associated with the new and, in their opinion, unnecessary changes.

The criticism of both social partners continued when, in order to compensate for the eventual loss in the net income as a result of the social contributions transfer, the Government ruled in November 2018 that collective bargaining at company level should be mandatory between 20 November and 20 December 2017, irrespective of the company's size. Some of the employers' organizations have criticized the provisions: Concordia and the National Council for Small and Medium Private Enterprises (CNIPMMR) [claimed that](#) the ordinance was adopted without a prior consultation with the social partners and unfairly transfers the responsibility to them to fix the negative effect of the Government's unilateral decision to shift the social contribution. The trade unions, such as the National Trade Union Block stated that there is no guarantee that the collective bargaining's outcome will be a wage increase, especially in those companies that lack a representative union.

## **Labour market reforms or major packages of working life regulations**

Some important labour market reforms occurred during 2017. In June 2017, the salaries of most budgetary employees were increased by an average of 25%, based on the Framework Law no. 153/2017 on the unique pay of personnel paid by public funds. The law was adopted in June 2017 and enters into force from 2018.

In August 2017 the Government gave an [Emergency Ordinance](#) (no. 53/2017) that amends the Labor Code, defines exactly those situations that can be considered as undeclared work and introduces new sanctions for the employers that rely to it.

In November 2017, the Government adopted the Emergency Ordinance no. 79/2017 that transfers the responsibility for paying the social contributions from the employer to the employee only.

Collective bargaining became compulsory in all companies across the country between 20 November and 20 December 2017 by the Government Emergency Ordinance no. 82/2017.

In December 2017, the national minimum wage was increased by the Government Decision no. 846/2017 from 1,450 lei gross (315 Euro) to 1,900 lei gross (413 Euro), in order to compensate for the diminishing of the net income caused by the obligation of the employees to pay the contributions.

## **Developments in industrial relations 2017**

### **Changes affecting the national-level actors and institutions of industrial relations and social dialogue in 2017**

#### *Representativeness*

One of the major changes brought in 2017 in what concerns the way in which representativeness of social partners is regulated or assessed was the creation of the Ministry of Public Consultancy and Social Dialogue through government ordinance OUG no.1/2017 ([source](#)). The Ministry deals with the organisation and promotion of a rigorous frame for public consultancy with civil society and of a coordination of activities related to social dialogue.

The Ministry of Public Consultancy and Social Dialogue initiated a round of consultations with social partners on a series of amendments of the Social Dialogue Law (62/2011). The draft law provides for a change in the representativeness criteria at sectorial level (an increase from 7% to 10% of the overall number of sectors' employees), simultaneously with a redefinition of the existing economic sectors. The main goal of the amendments is to unblock the social dialogue at sectorial level – in 2017, only one collective agreement at sectorial level was concluded (pre-university education sector). The trade unions also demanded a diminishing of the representativeness threshold at company level from 50% to 30%, which seems to be not accepted by the Government. Although the Governance Program 2017-2020 provided to adopt the amendments of the social dialogue act until the fall of 2017, due to a number of contentious issues upon which the social partners could not find a compromise, the negotiations will continue in 2018.

#### *Actors*

No major developments affecting the main trade union organisations and employers' organisations occurred during 2017.

*Institutions*

No major legislative or institutional change with impact on main social dialogue institutions took place in 2017.

**Changes in the social dialogue processes**

No major change in practice of national-level social dialogue process occurred during 2017.

## National social dialogue in 2017 – Scope and Contribution

### Main social dialogue topics and outcomes in 2017

Themes	Description of issue	Code(s)-interaction	Type of Interaction	Code(s)-Outcome	Outcome
<b>General labour market topics</b>					
Taxation and non-wage related labour costs	In November 2017, the Government cut the income tax from 16% to 10%, as of 1 <sup>st</sup> January 2018. The measure was part of a larger fiscal reform package.	1, 3	The Government asked an opinion from the Economic and Social Council, a body for tripartite consultations. Separately from that, the Government organised consultations with both social partners.	1, 2	The Economic and Social Council gave a negative opinion on the fiscal reform package, which includes the income tax cut next to other changes, such as the shift of social security contributions from the employer to the employee. Also, the reform was opposed by both trade unions and employers' organisations.
Pension reforms	Social contributions to pensions (plus health contributions) were passed from employer to employee.	1, 3	The Government asked an opinion from the Economic and Social Council, a body for tripartite consultations. Separately from that, the Government organised consultations with both social	1, 2	The Economic and Social Council gave a negative opinion on the fiscal reform package. Also, the reform was opposed by both trade unions and employers'

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Themes	Description of issue	Code(s)-interaction	Type of Interaction	Code(s)-Outcome	Outcome
			partners.		organisations.
<b>Working life related themes</b>					
Wage setting systems, including the setting of minimum wages (but excluding the ‘regular’ annual debates about the determination of the level of the new minimum wage)	A <a href="#">draft law</a> proposing the correlation between the minimum wage and the decent consumption basket was submitted in the Parliament	1	a. The draft law was debated in the Economic and Social Council	3, 4	The draft law received the tripartite agreement in the Social and Economic Council and is currently under debate in the Romanian Senate, where it must be discussed within 45 days after the registration date (14.11.2017). After that, it will go for debate and voting into the Chamber of Deputies, which is the decisional chamber.
	New wage setting mechanisms were established for the entire public sectors, aiming to reduce the wage inequality in the public system. Hierarchic coefficients for wage setting were established	1, 4	b. The draft law was debated in the Social and Economic Council. Formal consultations with trade union representatives were organised by the Government.	2	The law received a positive opinion in the Social and Economic Council. The consultations with the trade unions did not reach an agreement; the trade unions claimed that the new law does

Themes	Description of issue	Code(s)-interaction	Type of Interaction	Code(s)-Outcome	Outcome
	for different categories of public employees.				not solve the pay inequalities in the public system and objected the hierarchic coefficients for wage setting proposed by the Government.
Terms and conditions of employment, including different forms of contracts	An employment contract must be signed in writing. Prior to this, the employment contract was considered to be a consensual contract that would be effective regardless of the form in which it was concluded.	1	Debated in the Economic and Social Council	2	The changes were adopted through emergency government ordinance and entered into force as of August 2017
<b>Any other relevant themes/topics addressed in the national level/peak level social dialogue</b>	A draft law amending the Social Dialogue Act, adopted in 2011, aiming to revitalize the social dialogue at sectorial and company level is under discussion.	3	Several consultations between the Government and social partners (trade unions and employers organisations) took place. Consensus was achieved only on some issues, other issues remain contentious	7	Consultations between the government and social partners will continue in 2018. After reaching an agreement, the draft law will be sent to Parliament and will enter the legislative procedure.

No major social dialogue debates were held on the following themes: Job creation, reduction of unemployment, active labour market policies, labour market participation of different groups; Skills, training and employability; Benefits (unemployment, sickness schemes, minimum income); Working time regulations; Health, safety and well-being at work; Work-life balance related themes, incl. family leaves.



Note:

Codes for '*Type of interaction*': **1** - Tripartite debate; **2** - Tripartite negotiation; **3** - Formal consultation of both social partners; **4** - Formal consultation of trade unions; **5** - Formal consultation of employers organisations; **6** - Bipartite debate; **7** - Bipartite formal negotiations; **8** - Lobbying from at least one side; **9** – Type of interaction unknown.

Codes for '*Outcome as per I.I. 2018*': **1** - Unilateral decision by government; **2** - Legislation passed; **3** - Legislation prepared (in legislative process, not concluded); **4** - Tripartite agreement or joint position reached; **5** - Bipartite agreement reached; **6** - Joint opinion of social partners reached; **7** - Issue not closed, ongoing exchange; **8** - Issue dropped, no concrete outcome, no further exchange; **9** – Outcome unknown, none of these types.

## **Selected major social dialogue debates**

### *Debates and tensions around the Unique Pay Law in the public sector*

Following long negotiations started already back in 2015, the Government finalized the draft law on unique pay in the public system. The Government aimed to reduce financial inequalities in the public sector, wage gap and also to raise the low wages of some public employees' categories.

Trade unions opposed the draft law's provisions. In May 2017, around 22,000 employees of the Finance Ministry protested in reaction to the provision of the draft. Other protests organized by trade unions for public administration, police and education took place in May and June. Some employer organisations, such as the National Council for Private Small and Medium Enterprises of Romania (CNIPMMR), criticised the law's provisions, warning that these wage increases could trigger a high level of migration of workers from the private sector to the public sector. CNIPMMR stressed that public sector employees already earn, on average, 19% more than employees in the private sector. On the other hand, the Coalition for Romania's Development (CDR), an informal business association that has employer organisations such as Concordia among its members, stated that while pay rises are a necessary step to act against the low wages trap, the budgetary impact must be carefully analysed.

The law was adopted by the Parliament (Law No. 153/2017) in June 2017 and started to be implemented on 1 July 2017. Although many of the trade unions' requests were acceded to during the negotiations, in June 2017 CNS Cartel ALFA – one of the five representative trade union confederations – sent a public letter to President Klaus Iohannis asking that the law should not be enacted, pointing to the inequalities that it would generate. According to Cartel ALFA, the exclusion of some categories such as mayor, vice mayor and presidents of the county councils from the law's provisions would result in new discrepancies between different institutions of the local administration.

The law stipulates an increase of 25%, but only starting from January 2018. The pay rises are scheduled to increase gradually, on average, to 56% in 2022, when they will reach the maximum level provided by the law.

### *Negotiations on amendments to the social dialogue legislation*

The amendment of the social dialogue legislation in 2011 negatively impacted the social dialogue, especially at sectorial level. Only 5 sectorial collective agreements have been concluded between 2012 and 2017. The social dialogue at company level is also confronted with numerous problems, such as high representativeness threshold.

The change of the social dialogue legislation is included in the program of the Social-democratic Government formed in the aftermath of the December 2016 parliamentary elections. Negotiations between government and social partners started in the first half of 2017. All the five representative trade union confederations agreed on a common draft of the law, while Concordia, a representative employers' confederation, presented its own version.

The negotiations between government and social partners continued until the end of the year, but no consensus was reached. The main issues envisaged by the amendments are concerning the number of employees needed for setting up a trade union organisation, the representativeness threshold at company and sector level, the definition of economic sectors.

The process will continue in 2018, when a consensus upon a final version of the law is expected to be achieved.

### *Unilateral government actions – without social dialogue*

Transfer of social security contributions from the employer to the employee

In the autumn of 2017, the Government issued a draft emergency ordinance bringing numerous changes to the fiscal legislation. The most controversial provision was referring to the transfer of social contributions currently paid by the employer to the employee. It also provided for a cut of the income tax from 16% to 10%. The Government motivated its decision by the need to increase the tax collection and the revenues of the social protection system, claiming that many employers did not pay the social security contributions for their employees. The Finance Minister, Ionut Misa, [claimed](#) that the shift of the social contribution, together with the income tax, will have a positive impact on employees' income without increasing the employers' costs. Another [important reason](#) for the changes is the Government's pressure to avoid a hike in the budgetary deficit as a result of the public employees wage increase by an average 25% starting with January 2018.

The contributions' shift will increase the employees' tax burden and, if the gross wages are not increased accordingly, can result in a drop of about 16, 6% of the net wage, [some studies show](#). Research also suggest that in November 2017, 48% of the companies interrogated in a [survey](#) argued that they already have firmly decided to compensate the net wage loss produced by the shift of the social contributions, while 39% declared that they did not yet take a decision, but most probably they will compensate the loss. 6% declared they did not take a decision and most probably will not compensate and 2% declared they will not compensate. Of those companies that announced that will compensate the loss, 32% intend to do so by increasing the gross wage and 17% by offering a monthly bonus.

Consultations between the government and social partners, who opposed the amendments, did not make the government to change its position. Trade unions firmly opposed the amendment, stressing that the principle of shared responsibility for social security contributions as a key element of the European social model. Several protests at company, sector and national level have been organised in response to the government's initiative. Unions denounced the violation of European and international standards on the transfer of social security contributions. The employers' organisations also criticised the measure, claiming it has the impact to create more tensions between employers and employees and the enforcement of the provision brings additional costs for the employers.

Some employers' organisations or business associations also opposed the shift of the social contributions, [arguing](#) that its implementation brings new costs and its economic rationality is unclear. Other employers' organisations did not express any position unless the Government announced the obligation for all the employers to start collective bargaining between 20 November-20 December 2017, in order to apply the provisions of the Ordinance regarding the shift of the social contributions. Confronted with this situation, the most important employers' organisations, such as [Concordia](#) and [CNIPMMR](#) demanded the Government to renounce to both the shift of the social contributions and the compulsory collective bargaining.

In November 2017 the Government issues the Emergency Ordinance that starts applying from 1<sup>st</sup> January 2018.

### **Changes affecting the sectoral and company level social dialogue 2017**

In an attempt to minimize the negative effects of the social security contributions transfer on the net salary of the employees, the Government issued an Emergency Ordinance (82/2017), establishing the obligation for all the employers to initiate collective bargaining for the implementation of the changes occurring to the fiscal Code between 20 November and 20 December 2017. The obligation to initiate wage bargaining had to be completed between 20 November 2017 and 20 December 2017

and was incumbent on all employers, whether or not there was a trade union in the company or the employees had appointed their representatives.

Collective bargaining could be completed by concluding a collective agreement or an addendum to the collective agreement (if such an agreement was in place). Also, only the initiation of the collective bargaining process is compulsory, while the conclusion of a collective agreement or an addendum to the collective agreement in place is optional. There is still no public data available about the outcome of the legislative provision. In practice, many employers have opted for indirect wage growth by issuing a unilateral decision granting workers a bonus (a so-called ‘transitional wage compensation’) associated with the application of Government Emergency Ordinance no. 79/2017 and whose applicability will end (also unilaterally) in the event that the latter ceases to apply, for one reason or another.

### *Innovation in collective bargaining*

As in previous years collective bargaining was concentrated at company level. The provisions of the collective agreements concluded at company level are not public information and, therefore, the monitoring of their clauses is quasi-impossible. According to some media reporting or media statements by trade union leaders, no new aspects have been addressed in the collective agreements concluded at company level in 2017.

An increasing trend compared to previous years is observed in regard to the collective bargaining at the group of units’ level. In total, [11 collective agreements](#) at the level of groups of units have been concluded in 2017, compared to only 5 in 2016 and 7 in 2015.

## **Collective labour disputes in 2017**

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

A series of protests and collective labour disputes took place in Romania in 2017, mostly in relations to the collective bargaining process.

The collective agreement for the state-owned national railway company CFR, which has around 23,000 employees, expired at the end of March 2017. When the union and management failed to reach a new agreement within 45 days of negotiations, around 2,000 workers walked out, seriously affecting the rail network. The union had requested a 25% wage increase, with management saying it could not afford a rise of more than 22.5%. Following the spontaneous strike, a new collective agreement, valid for 2017–2018, was concluded at the end of April 2017.

The automotive sector was hit by repeated spontaneous protests. In mid-May, hundreds of workers at the Drăxlmaier plant in Satu Mare began a protest, mainly about low wages. The protests stopped when, after discussions with a German delegate of the company, workers were given a bonus of RON 10 (€2.18 as at 10 July 2017) for each Saturday worked. Low wages also triggered spontaneous protests at the Bistrita plant of German cable and wire manufacturer Leoni in May. The day a collective agreement was concluded between some hundreds workers went on protest, unsatisfied by the negotiated wages. The number of protesters swelled to around 1,000 workers, but ended with the dismissal of some of the protesters and wage-cuts for others. Politicians and unions described the company’s decision as ‘unfair’ and ‘abusive’.

A wildcat strike broke out in mid-December 2017 at the Ford auto plant in Craiova. Around 200 workers spontaneously stopped work and began to march out of the plant. The strike began because the union-corporate collective agreement did not provide for any measure in order to offset the negative effects on the net wages of the emergency ordinance that shifts the social contributions from the employer to the employee. The collective agreement concluded by the representative union includes a small wage increase that does not make up for the impact of the tax hike, which cuts pay by 22 percent.

[Data from the Ministry of Labour](#) indicate a number of 6 labour disputes for the second quarter of 2017 (most recent available data), as compared to 8 in the same period of 2016. It is worth mentioning that the official statistics only include those labour disputes that follow the legal steps for opening a labour dispute (conciliation, mediation) and do not count spontaneous protests as some of those described above.

Although the official number of labour disputes declined, an empirical observation indicates an increase of spontaneous labour conflicts in 2017 compared to previous years. Many of these protests are not organised by the trade unions, but by individual workers joined by their colleagues and, even more, are often opposing the company's trade union and criticised by the company's unions. This possibly suggests a decline in the trade unions legitimacy and an increasing gap between the union leadership and the workers, who do not feel represented anymore. But it also might be a consequence of the tightened legal provisions with regard to labour disputes and collective action introduced back in 2011, which make the organisation of a legal protest very difficult.

## Working time 2017

The Labour Code was amended by Government Emergency Ordinance no. 53/2017, especially with regard to the definition and sanctioning of undeclared work. The impact of these changes was also significant in terms of organizing working time and working hours. The inspections carried out by labour inspectors aimed at identifying cases of overtime which, in the case of part-time workers constitute undeclared work.

According to the new provisions, the work of an employee outside the work schedule established under the individual part-time employment contracts has ceased to be sanctioned as a mere failure to comply with the provisions on overtime (sanctioned with a fine of 1,500 to 3,000 lei), but has become a situation of undeclared work (sanctioned with a fine of 10,000 lei).

It should be noted that the notion of overtime is different in the interpretation of the labour inspectors (who will consider that any person found in the establishment outside the hours of the program is working overtime) to that provided by the labour law courts (which take into account the provisions of art. 121 of the Labour Code, which consider overtime only the hours performed at the employer's request).

In addition, according to art. 119 of the Labour Code, as amended by Government Emergency Ordinance no. 53/2017, the employer has the obligation to keep at the workplace a record of hours worked daily by each employee, highlighting the starting and ending hours of the work program, and to submit this record to the labour inspectors, whenever requested to do so. The purpose of this amendment is to make the labour inspector's work more effective, as regards overtime.

The concrete way of keeping records of the hours worked can be determined by the employer in the internal rules, being its exclusive responsibility.

Currently, therefore:

- the employees' work schedule must be specified in the contract;
- monitoring the time of arrival and departure from work must be carried out daily;
- the employee may not be in the firm outside the timeframe specified in the contract;

- accepting the part-time employees to carry out overtime work is considered undeclared work.

These provisions are aimed at facilitating the control of the labour inspectors.

## Health and well-being at work 2017

### Physical working environment

No major development in the regulation of physical risks at work took place in 2017.

### Psychosocial working environment

No important development regarding the regulation of psychosocial risks at work took place in 2017.

## Employment status 2017

Type of contracts	Changes made during 2017.
'Standard' employment contracts	No major change
Self-employed	No major change
Fixed term contracts	No major change
Temporary agency workers	No major change
Posted workers	<p>In March 2017, the Romanian Parliament adopted Law No. 16/2017 on the posting of workers within the framework of the transnational provision of services, transposing the Enforcement Directive on Posting of Workers. The European Commission sent in February 2017 a reasoned opinion regarding the failure to notify it of a complete transposition of the Enforcement Directive on the Posting of Workers.</p> <p>The new law transposes most of the provisions of the Directive, and, as a result, the transposition of the Directive is for now incomplete.</p>
Seasonal workers	Emergency Ordinance No. 3/2017, which amended Law No. 227/2015 on the Fiscal Code stipulated that seasonal workers, who are employed throughout the entire year and who work in hotels and catering services benefit from an exemption from income tax.
Zero hour contracts	No major change

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WPEF18042

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