

# Romanian autoworkers strike against rock-bottom wages

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Around 10,000 workers at the Dacia works in Pitesti, Romania, have been on strike for two weeks. Employees at the subsidiary of the French automaker Renault are demanding wage increases of 42 percent, additional Christmas benefits and a share in the company profits.

The strike has paralysed production at the plant—situated 120 kilometres from Bucharest—since the end of March, leading to substantial production delays and losses for Dacia. The strike is estimated to be costing the company several million euros per day.

Romanian management is currently trying to obtain a court order to ban the job action on the basis that less than half the workforce voted for the strike. According to Romanian law, there has to be a clear majority for industrial action. In fact, only a minority of the total 13,000-strong workforce have failed to support the strike. The court decision has been postponed on two occasions, and the court reconvenes this coming Wednesday.

Company management has tried everything to induce the strikers to resume work. After several unsuccessful rounds of negotiations, management refused to negotiate any further until the strikers were back on the job. In addition, Dacia announced it would be withholding the wages of the strikers. A speaker for the company cynically declared that employees should decide “for themselves and their families” whether they wanted to continue the strike.

For most workers, the loss of a week’s wages and the free meal, which for many is the only decent meal of the day, means they are reduced to mere subsistence. Nevertheless, despite the intense pressure from management, the strikers have so far refused to back down.

Dacia’s last offer amounted to around 12 percent—nothing less than a provocation for the workers. The average wages at the factory are around €280 per month, and 3,000 workers earn the legal minimum wage

of €160. The workforce has been increased in recent years following increased levels of production. Most new starters, however, receive a monthly salary of just €209.

Even with a wage increase of 50 percent, a Romanian Dacia worker would still only earn about a sixth of the wage of a French Renault worker. At the same time, the cost of living in Romania is almost at the same level as in western Europe. A third of the legal minimum wage is taken up by heating costs alone, and prices for food and services have exploded since the country joined the European Union last year. Inflation currently stands at 7.3 percent.

The conditions in Pitesti are typical of those at European companies active in eastern Europe, which have been able to rake in exorbitant profits at the expense of their workforces. Dacia has been producing Romanian-type “Volkswagen” cars at the location since 1969 under a French licence. In 1999, Renault took over the factory. Many other large industrial concerns in Romania and eastern Europe have suffered a similar fate. They were sold off at rock-bottom prices to Western companies, which imposed mass redundancies and could then establish highly profitable works based on cheap wages.

In 2007, Dacia notched up profits of €150 million. Turnover increased by 68 percent, while the parent company Renault saw sales drop by 1.8 percent and by 3.4 percent at Renault Samsung. For its part, Dacia is continuing to expand. In 2006, the company produced 121,000 cars, 215,000 units in 2007, and in this year, this total is expected to exceed 300,000.

While the Renault operation in France has been largely modernised with manufacturing based on less personnel-intensive methods, the Romanian company relies on original production methods—i.e., largely without automation and the use of robots, relying instead on manpower. Dacia manager Christian Esteve recently praised the cheap-wage labour in the Balkans state:

“Romania is now the most competitive country regarding manufacturing costs, even if we use assembly lines instead of robots.”

In addition to the traditionally high level of demand for Dacia cars in eastern Europe, the company is also increasing sales in western Europe. In Germany alone, Dacia’s sales doubled in January 2008 compared with the previous year. The success of the budget-priced vehicles in Germany and other western European countries is due in particular to the declining income levels of broad social classes.

The burgeoning balance sheets of Dacia no doubt played a role in the decision by the mobile phone producer Nokia to switch production from its German factory in Bochum to Romania. In the meantime, other auto concerns plan to follow Renault’s lead. According to the *Financial Times*, at the end of January, Daimler is considering establishing a factory in either Poland or Romania, which will produce a “new generation of compact cars.”

Since the beginning of the strike, the media has increasingly expressed the fear that the demand for higher wages at Pitesti could spread to other factories in eastern Europe. Economists have expressed their anxiety that the labour dispute could deter investors.

At the end of March, the *Süddeutsche Zeitung* published an article headlined “East Europeans up in arms” and commented that “this unlimited strike by thousands of workers amounted to an awakening in the post-communist cheap wage country of Romania...where until now people have worked for multinational enterprises as tailors for €100 or as auto workers for €400 without saying a peep.”

The Romanian finance magazine *Ziarul Financiar* posed the question: “How will the Dacia strike affect Romania’s attractiveness for automobile investors?” Recently, Ford bought up a factory in Craiova, 200 kilometres to the west, which in the 1990s was owned by the South Korean company Daewoo. Following differences by the Romanian affiliate with its parent concern, Daewoo pulled out and the state bought up the company’s shares. Now, the state has been able to sell off the factory again, with Ford the only bidder. There are already reports of protests in Craiova against management plans to pay production workers wages of only €200.

In *Ziarul Financiar*, representatives of the Romanian Foreign Investment Association (ARIS) also articulated their fears that strike at Dacia could deter potential foreign investors. Planned foreign investment for Romania this year is expected to total €7 billion.

Such fears are not unfounded. Renault has been producing at other “attractive” locations such as Russia, Morocco, Brazil and India for some time. In February, the head of Renault, Carlo Ghosn, signed a cooperation contract with AvtoVAZ, a Russian car producer.

Renault management has already warned it could easily transfer production away from Romania. According to Dacia’s general manager, Francois Fourmont, speaking to *Le Figaro*, the wage demands made by the trade unions “can endanger the future of the factory.”

International companies are carefully observing the increasing number of labour disputes in eastern Europe. Already this year, power supply workers, transport workers, teachers and other personnel in the education system have taken strike action in Romania. They are all hit by intolerably low wages and rising prices. At the same time, the last remnants of the social system are being systematically dismantled.

The same process can be observed in other new European Union member states. In recent months, protest actions and strikes against intolerable social conditions have been carried out by doctors and nurses in Poland, teachers in Bulgaria and railway employees in Hungary.

In the course of these struggles, the limited perspective of the trade unions, which are incapable of representing the interests of the workers, has been very apparent. The unions have invariably wound up the strikes on the basis of accepting minimal gains for the workers involved. In Pitesti, the trade unions are also thoroughly reliant on the readiness of Dacia management to negotiate.

So far, the Romanian government has played its cards close to the chest and has refrained from interfering openly in the labour dispute at Pitesti. But this situation will not remain for long should the strike persist. The strikes carried out by Romanian miners at the end of the 1990s should serve as a warning. At that time, the state used extremely harsh measures to break up the protests by miners opposing pit closures and low wages.



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