Strike wave continues in Romania

Marcus Salzmann
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After nearly three weeks on strike, workers at the Dacia (Renault) auto factory in the Romanian town of Pitesti went back to work after the local trade unions and company management agreed on a 30 percent wage increase. Just a few days later, 4,000 workers began strike action at Romania's biggest steel plant—ArcelorMittal in the town of Gelati.

The steel workers are also demanding significant wage rises. The company management had previously offered to increase their incomes by 12 percent. Nine trade unions, which represent more than 9,000 members in the factory, immediately accepted this offer. However, one metal workers' union, Solidaritea, demanded three times as much and called a strike.

After two days of action, management was able to ban the strike with a local court injunction. The court declared the strike illegal and prohibited any further strike action for a period of at least 30 days. Under these conditions, workers returned to work in the middle of April. According to trade union figures, the two days of strike had halved production at the plant.

ArcelorMittal is the world's biggest steel concern with around 60 plants in more than two dozen countries employing a total workforce of 320,000. The company came into being last year through the merger of the Mittal Steel Company, headed by Indian Steel magnate Lakshmi N. Mittal, and Arcelor in Luxembourg. ArcelorMittal has four factories in Romania, which recently joined the European Union. The Galati plant employs 14,000 workers and produces 4.7 million tons of sheet steel per year.

As was the case with Dacia, the workers at AcelorMittal felt impelled to take action to combat the rock-bottom wages paid by the company. According to recent official statistics, a Romanian steelworker earns on average €350 per month.

In the case of Dacia, company management was unable to persuade the courts to ban the recent strike, and the country's political and business elite kept a generally low profile during the dispute. The situation has changed, however, following the strike at Gelati, and steelworkers now confront a united front of management and government forces determined to prevent a steel dispute at all costs.

Romanian business circles are fearful that other sections of workers could follow the example of the Dacia employees. The Dacia strike had virtually paralysed production at the auto factory for nearly three weeks, resulting in losses for Renault reckoned to be in the realm of hundreds of millions of euros. In the case of Dacia, the company management was forced to make concessions. All Dacia employees will receive an extra 300 lei (less than €90) per month and a further wage increase of 60 lei starting September. In addition, all workers will receive a lump sum equivalent to a month's wages as a profit-sharing premium.

According to the trade union, the agreed package amounts to a total of 450 lei. But even this is much less than the workers were originally demanding. Their initial catalogue of demands was a 50 percent wage increase, a profit-sharing scheme and special holiday premiums. At the same time, Dacia management is seeking to claw back the pay increase by driving up productivity. It has already demanded additional unpaid shifts and weekend work to make up for the lost production.

The agreement between trade unions and management came shortly after workers had stepped up their strike action. On April 9, more than 5,000 auto workers took part in a demonstration in Pitesti to press for their demands. The strike had won broad support in the population, which also confronts low wages and precarious living standards.

Romanian transport workers also took action in April, while pensioners have demonstrated against their low pensions and the high cost of living. Since the start of the year, there have also been a series of protests by teachers, who are hopelessly underpaid.

In light of the constantly rising rate of inflation, broad layers of the population are no longer able to satisfy even their basic living needs. Inflation in Romania topped 8.6

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percent in March, with the price for basic foodstuffs rising by an average 25 percent.

The situation is similar in other eastern European states. Inflation in the Czech Republic last November averaged 5 percent, and the current rate in Hungary is 6.9 percent. Prices have risen in Bulgaria by more than 12 percent and have exceeded 13.7 percent in Latvia.

Statistically, an average household in Germany spends around 12 percent of its income on food and energy. In countries such as Romania and Bulgaria, however, ordinary families must expend around 50 percent of their income on such basic necessities.

Predictably, there has been a precipitous increase in indebtedness. In Bulgaria, the total of private loans increased last year by 62 percent, and the corresponding figure in Romania was 60 percent. In the Baltic states, such indebtedness increased by an average of 45 percent and in Poland by nearly 40 percent.

It is therefore no wonder that industrial disputes are spreading throughout all those eastern European states that recently joined the European Union. The Swiss newspaper *Le Temps* commented, “The wage demand does not have anything to do with Dacia and even less with Romania. The movement has gripped all ten East and Central European countries, which joined the European Union. Under the formula EU8+2, they have become an El Dorado for multinational companies due to their cheap labour force.... But now the age of cheap wages is coming to an end.”

The effects of the worldwide financial crisis are only aggravating the situation. According to a recently published report by the International Monetary Fund (IMF), after years of economic growth the region of eastern Europe is facing a “hard landing.” The Austrian *Wirtschaftblatt* quotes one expert: “It would be a mistake to sit back and simply think that the subprime crisis will leave no traces in Eastern Europe.”

The director of the European Bank for Reconstruction and Development (EBRD), Fabrizio Coricelli, also paints a bleak picture. The present crisis is not just “a turbulence,” he stated, but is “perhaps to be followed by the core meltdown.” In particular, Romania, Bulgaria and the Baltic states are expected to suffer from the crisis. Similar comments were expressed by Judit Nemenyi of the Hungarian Central Bank, who declared that eastern European economies were especially dependent on credit and therefore very vulnerable.

Business experts have drawn attention to the pronounced balance of payments deficit for eastern European countries. This makes clear that despite strong growth during recent years, total national assets are shrinking. Romania notched up a balance of payments of 14.5 percent in 2007, Estonia 16 percent and Bulgaria more than 21 percent. The highest deficit was recorded in Latvia—22.9 percent. The strong economic growth in recent years in these countries was primarily based on loans from Western banks and foreign direct investment attracted by the region’s cheap labour resources.

Following a fall in direct investment in eastern Europe last year, the effects of the international financial crisis already threaten to intensify the region’s problems. One reason for the decline in direct investment is that large sections of formerly state-owned enterprises and property have already been privatised and have often also been cannibalised, leaving little of interest for speculators.

The *Financial Times* (FT) summed up the worries of business circles about the Dacia strike. The paper declared that Dacia will not be the only factory—and certainly not the last—that will be forced to pay out higher wages due to the actions of what the FT calls “militant trade unions.” According to the paper, wages are rising too fast. In the course of the south extension of the European Union, it took about 20 years for Spain, Greece and Portugal to reach Western wage levels; but in the case of eastern Europe, the same process could possibly take just 10 years. The FT concludes: “Employers will probably have to look further afield for long-term solutions to their costs.”

In light of this situation, pressure is growing on the Romanian government to crack down on the country’s workers and the population as a whole. In its consultations this year, the IMF has sharply warned the government against any back-pedalling on its rigid financial policy under conditions where elections are due this year. The IMF is demanding further drastic social cuts across the board. This means that further strikes and social conflicts are inevitable.

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