

# Romania: Closure of Nokia plant leaves 2,200 jobless

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The closure of the Nokia plant in Juca will cost the jobs of 2,200 workers. It will intensify the social problems in the region of Cluj in northwest Romania, which is already subject to high unemployment and widespread poverty.

On September 29, the Finnish company, producer of mobile phones, announced its plans to downsize its workforce. This follows the announcement earlier this year that the company needed to make savings aimed at increasing the efficiency and turnover of the organisation. Employees in Romania will continue work at Nokia until December 31.

The closing of the plant in Cluj, along with related distribution and delivery operations, will affect approximately 2,200 employees. The planned changes in the Location and Commerce Division are expected to affect about 1,300 employees. Many local residents from the small village of Juca are employed in the factory, and their wages are often the only source of income for their families. This means that the official unemployment rate in the Cluj region will rise from 3.3 percent to about 4 percent.

Thirty-five percent of the population are still employed on the land in the region. The per capita income counts as one of the lowest in all of the European Union. The official unemployment figures are so low because it is estimated that 5 to 10 percent of all adults are active in some sort of non-registered, informal employment.

Three years ago, on January 15, 2008, Nokia announced the closure of its plant in Bochum, Germany, and the opening of the plant in Juca. Nokia representatives declared at the time that the factory in Bochum “was not competitive internationally”. The decision to close the factory in Bochum left 4,300 people unemployed: 2,300 directly employed staff, 1,000 temporary employees and 1,000 in affiliated companies that supplied materials to the plant. Around 15,000 took to the streets in protest.

One of the reasons why Romania was chosen as an alternative site was its cheaper workforce compared to Germany. At the time the Cluj plant opened in 2008, Nokia said that labour costs in Bochum were 10 times higher than in Romania.

Now, in the rush for even lower costs of production and increased profits, Nokia management has decided to seek out other locations where wages are significantly lower. This,

despite the fact that in 2010, the factory in Jucu generated a turnover of over €1 billion, according to the data of consulting company Deloitte.

A Nokia spokesman declared that “the high-volume Nokia factories in Asia provide greater benefits in terms of proximity and efficiency.” The *Evenimentul zilei* newspaper mentioned that the company also intends to close its plants in Bonn, Germany, and Malvern, Pennsylvania, in the US.

The announcement three years ago that Nokia would build an industrial park covering 90 hectares in Juca—a town where only 4,000 people live—and invest €60 million provoked a wave of euphoria in Romania.

Some analysts were talking about an “economic miracle” in eastern Europe based on the availability of skilled workers who could be hired cheaply. The salary of a Romanian worker at the plant in Jucu in 2008 was about €220 a month.

While the redundant workers from Nokia Bochum were demonstrating in the streets, a company spokeswoman was promoting an “excellent” job offer for Romanians. On the basis of funding from the European Union, Nokia promised to invest in the road infrastructure around Jucu and finance the construction of a road linking the small town to Cluj-Napoca. There were plans to expand the airport in Cluj, to which the EU was to contribute €15 million.

Cluj County Employment Agency Director Don Daniel said at the time that up to 15,000 people would find work at Nokia within five years.

This was just an empty promise, however. Only 1,400 workers were employed, under intolerable working conditions. Bogdan Colceriu worked for three years at the Nokia plant. He told *Evenimentul zilei* that the highest monthly salary he received this year was 600 lei (around €150). He added that workers were sent home on unpaid leave because there were no orders. Colceriu had the courage to report the situation to the Labour Inspectorate in Cluj.

“As far as I know, only the worker has the right to request time off without pay. But the company would send people home as technically unemployed. In that case, the employee received only 75 percent of the salary. They used to call us at home in the morning and let us know that we were not required to work that day and it would be better if we took a day of

unpaid leave,” Colceriu related.

The Nokia worker produced a graph showing the number of days he spent at home on unpaid leave during the recent months. “In March I spent four days at home, in April—six days, in May—three days, in June—two days, in July—two days, and one day in August. The workers requested explanations from the factory’s management. I complained to the Labour Inspectorate of Cluj. I was told that if I did not agree to the situation, I should go to court.”

Another young worker told the *Ziua de Cluj* newspaper: “If you did not make your workload in an hour, they would cut the bonus for that day. They made sure you could not realise targets because materials were lacking or were damaged. They told us we could complain to the Labour Inspectorate, they won’t care. They are powerful, they have money and they expect to win the case.”

From the start of its operations, Nokia relied on close cooperation not only with the local authorities, but also with the trade unions, which did all they could to impose the low levels of pay and deplorable working conditions on the workforce.

Cristian Copil, head of the union at Nokia, argues that workers agreed to be sent home. The coordinator for Cluj County from the Cartel Alfa Union, Valentin Ilcas, claims that the reality is somewhere in between: “The employment contract provides that the employer can send employees up to 15 days per year on unpaid leave. But the same contract also provides that, when orders are lacking, the company has to pay technical unemployment support.”

The head of the largest union in Transylvania defends Nokia, stating: “There was a question of dismissing around 500 employees. To avoid this, the above-mentioned clause was added in the collective work agreement.”

Trade union officials and local bureaucrats declared their surprise at the decision by Nokia to close the Romanian plant, but it is in fact very unlikely that they were not informed beforehand.

Jucu Mayor Ioan Pojar said he knows nothing about the closing of the plant. Although he admitted that he has received more than €25,000 each month for the local budget in connection with the factory, Pojar said dryly: “If the plant closes, it closes.”

Against this background, the negotiations between management and the unions Nokia Metal and Liber Nokia over compensation payments for the Cluj workers are a farce aimed at suppressing the anger of workers.

The Nokia Metal Chairman Valeriu Ilcas said that the unions wanted to “get the best deal for employees”. They planned to base their talks on the negotiations formerly carried out in Bochum.

In Bochum, German IG Metall union officials also feigned indignation and opposition when the closure plans were announced in 2008. The union then went on to prevent any serious labour dispute and sabotaged attempts by workers to

develop solidarity with workers in other plants.

Recently, 50 bureaucrats from the unions and the Romanian Social Democratic Party (PSD) lobbied in front of the prefecture in Cluj, but their aim was not to protect jobs but rather to make political capital against the government. The chairman of the PSD in Cluj, Remus Lapusan, said the government had failed to “keep multinationals in the country”.

In fact, the opposition Social Democrats in parliament have used the deepening economic crisis to attack the conservative government led by Prime Minister Emil Boc from the right, demanding more tax breaks for companies and cuts in labour and social law.

Nokia is not the only big corporation that has closed down plants after operating for a few years in Romania. Cheaper labour and tax facilities in other countries have led several companies to close their production facilities. The DailyBusiness.ro web site presented a list of several big companies that have relocated their activities in recent years, leaving thousands of workers unemployed. These included the following:

- In November 2008, Kraft Foods announced the closure of the Poiana chocolate factory in Brasov after 13 years of operation. The operation was relocated to Bulgaria and left 440 workers unemployed.
- The Coca Cola soft drinks manufacturer has closed several plants in Romania. In 2007, it closed a production unit in Bucharest, and 100 employees were fired. In September 2008, the company announced the closure of its plant in the Bihor area, affecting 102 jobs. A year later, the company closed its production unit in Iasi; 75 employees were dismissed.
- US company Colgate-Palmolive closed its Brasov facility in March 2008, and the production unit was transferred to Poland. Following a “reorganisation programme”, the factory closure eliminated 190 jobs.
- Swiss company Nestle relocated its ice cream plant from Bucharest to Bulgaria in 2008, affecting the jobs of 76 employees.
- In the period 2005-2008, Bunge, producer of the Floriol cooking oil brand, closed its factories in Bucharest, Oradea and Iasi, leading to the dismissal of 700 workers.



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