Romanian unemployment climbs as companies move abroad

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Unemployment is rising in Romania following the decision of a number by major companies to shift their operations abroad. According to data provided by the National Institute of Statistics, the jobless rate in the third quarter of 2010 was 7.2 percent, up from the 6.9 percent recorded during the same period of 2010. The number of unemployed is expected to grow significantly in 2012.

A number of large multinational companies set up operations in Romania following the fall of the Stalinist regime in 1989. These firms hoped to achieve significant profits based on the cheap labor available, and the prospect of a new "open market" offering very favorable set-up terms for Western companies expanding into Eastern Europe.

The bottom lines of these companies in recent years have been impacted by the financial crisis and the significant decrease in the purchasing power of Romanians.

The first year of the crisis, 2008, was a bumper year for Romania. The country was able to attract a record amount of foreign direct investment, amounting to €9.5 billion. In the course of just three years, this figure has plummeted. In an attempt to maintain their profits, some of the most important companies producing in Romania have now begun their exit. The closure of operations by Nestle, Colgate and Kraft Foods in 2008, Coca-Cola in 2009, and Nokia and Tnuva in 2011 have resulted in the loss of jobs for thousands of workers.

In 2005, Israeli milk product company Tnuva founded its Romania Dairies with the assistance of the European Bank of Investment and a private partner. It entered the market in 2007 and hoped for a turnover of €50 million per year. The company, however, only reached 7 percent of Romanian consumers and, according to the Arutz Sheva web site, the company has suffered a $200 million loss since 2007. The first rumors that the company will definitively leave Romania appeared in November 2011. Now the company's estimated 500 employees are threatened with imminent dismissal.

French auto company Renault, which took over Romania's main auto producer, Automobile Dacia, in 1998, has also recently announced that it plans to transfer part of its production to Casablanca, Morocco in the beginning of 2012. The official reason given for the shift is the claim that production is close to the maximum at the company's main plant in Mioveni. With the move, the company "will extend the ability to produce more Duster cars in Romania", declared Dacia President Jacques Chauvet. Dacia is one of the country's main private employers, with 15,000 employees.

In fact, the main reason for the shift in company strategy is the fact that labor costs are far cheaper in Morocco—up to 18 percent less than labor costs in Romania.

The company is also reacting to the series of strikes undertaken by auto workers over the past three years. The longest strike, in 2008, lasted 19 days; protests for higher salaries also took place in 2010. At the beginning of December 2011, employees at Automobile Dacia threatened new strike action to express their discontent with amendments to the company labor code and contracts.

Jean-Christophe Kugler, head of Renault for the Euromed region, declared that a large proportion of the components necessary to produce the cars in Morocco will come from suppliers in Romania. Jerome Olive, CEO of Automobile Dacia, added that Renault plans "to stimulate" competition for the costs of production between the two plants. Workers will be incited to down-bid each other in terms of wages and working conditions. According to Olive: “If there are new crises leading to reduced car sales, the plant producing the cheapest will get the most orders. We have to be as competitive as possible.”

According to the web site Business24, Dacia Vice President Constantin Stroe has warned employees, “If the market falls, the production plant in Morocco will be favored.”

OMV Petrom, the largest producer of gas and crude oil in southeastern Europe, announced last March that it has decided to permanently close its Arpechim refinery due to economic losses and failure to find a buyer. The closure of the Arpechim facility will result in 700 job cuts and means that the production capacity of the oil-processing company will be reduced from ten functioning units to just three.

The list continues: the closure of ING Centre in Cluj (March 2011) eliminated 185 jobs; the closure of one of the Caroli Foods plants in Tulcea (July 2011) axed 170 jobs.

The hemorrhaging of the Romanian private economy is summed up in the statistics for the number of companies exporting to other countries. In January 2009, Romania had 24,000 exporters. This total now stands at 9,000. Most of the companies have moved to countries where they spend less on wages.

The situation for Romanian workers is worsened by the plans of the right-wing government to continue its policy of trimming jobs in the public sector.

At the Economist Conference summit in Bucharest last November, President Traian Basescu stated that the process of reducing the government workforce will continue. Basescu declared that from January 2010 to October 2011 state employment had been reduced by 180,000. In order to fall in with the dictates of the International Monetary Fund, an additional 300,000 state employees will have to be dismissed in 2012.

In a nationwide survey conducted in December by GSSC Anvangarde, 85 percent of those polled declared their conviction that the country is heading in a wrong direction, with 84 percent according principal blame for the current situation to president Basescu.

Another study conducted during the same period by NewsIn revealed that one in five Romanians want to leave the country to work abroad in 2012. A quarter of Romanians said their income is insufficient to live on. The official results of the October 2011 census, which will be released later this month, are expected to point to even bigger increases in unemployment and poverty.