Romanian auto workers face wage cuts and layoffs

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Since the mid-1900s a number of major auto companies have moved their production from Western to Eastern Europe in order to profit from low wages and poor working conditions. This process was often accompanied by cuts and layoffs in Western European plants.

In Eastern Europe this process did not result in the creation of secure jobs. Instead, workers have been employed on starvation wages and must live under the constant threat of losing their jobs when the corporations decide to shift production to other countries with even lower wages.

The global economic crisis has exacerbated this trend. While companies such as Opel, Ford, PSA Peugeot Citroën, Renault and Fiat are closing plants in Western Europe and implementing wage cuts and mass layoffs, workers in Eastern European countries are also under increasing pressure.

Typical in this respect is the Romanian automaker Dacia, a subsidiary of the French Renault group. Dacia set up a production facility in Tangier, Morocco that went into operation last year. When completed, the plant is due to produce 400,000 vehicles per year. Renault's partner, the Japanese automaker Nissan, also wants to produce in Morocco in future.

Although Dacia is currently the most profitable subsidiary of Renault and there are no direct layoffs at the moment, the opening up of the facility in Morocco is regarded as the first step towards reducing capacity at its factory in the southern Romanian city of Pitesti.

According to a report in the *Neue Zürcher Zeitung*, the Tangier plant will make much less use of robots than in other modern car factories. The paper cites a plant manager as follows: "Only about 6 percent of the operations are 'robotised'." The labour costs in Morocco, averaging around €4 (US$5.35) per hour, are only about half as high as the going rate in Romania.

In Romania, the development is being utilised by the media to speculate that companies will no longer be able to pay Romanian auto workers the already miserly rate. The Dacia management is "dissatisfied" and has warned that it could withdraw production relatively easily from Romania. The Dacia general director Francois Fourmont told the French newspaper *Le Figaro* that wage demands by the unions, could "threaten the future of the plant".

Four years ago, in March 2008, approximately 10,000 of the 13,000 employees at the Dacia plant in Pitesti, began an indefinite strike. Their demands at the time included an increase to their wages of between 50 and 70 percent. It was the biggest industrial action in the private sector in Romania since the introduction of the capitalist market in 1990.

After the unions isolated and suppressed the strike, Dacia agreed to a wage increase of around €100 a month. As a result, the average salary at the plant is currently between €350 and €400 a month.

In May 2008, 250 workers struck for two weeks at a supplier company that produces electrical cable for Dacia. The unions expressly refused to extend the strike to include the Dacia workforce.

At the end of 2008, 620 employees at Dacia lost their jobs and most temporary contracts were not been extended. In January 2009, a large proportion of the workforce was sent home for a month. Management then declared that they would re-employ the workers if they agreed to massive pay cuts. Around 7,000 workers protested at the time, demanding secure jobs in the auto industry. Despite the protest, Dacia prolonged the forced layoff by another two weeks.

Since then a wave of layoffs has mainly hit supply companies. Since 2008 around 90,000 Romanian companies—4,000 of which that are directly related to the auto industry—have filed for bankruptcy.

The history of Dacia is exemplary of how European companies in Eastern Europe maximize their profits at the expense of workers.

Auto production at Pitesti under a French license began back in 1969, i.e., during the regime of the Stalinist leader Nicolae Ceausescu. Renault took over the works in 1999. A similar fate befell many other large industrial companies in Romania and Eastern Europe. They were sold off dirt-cheap to Western companies, which dismissed a large proportion of the workforce, and then built highly profitable plants based on cheap labor.

The Romanian government has made numerous concessions to Renault. It imposed a ban on auto imports until 2005 and granted Renault extensive tax cuts.

Under these conditions, Dacia became the most profitable branch of Renault. In addition to a large market in Eastern Europe, Dacia was also able to make inroads into markets in Western Europe. The success of the extremely cheap Dacia models is mainly due to the declining income of broad sections of the European population.

While Dacia continues to exist as a cheap brand of the Renault group, Romanian automaker ARO fell victim to the introduction of capitalism. In the 1970s and 1980s, ARO employed around 15,000 workers and produced 400,000 vehicles that were exported to 100 countries.

After 1990, Petre Roman, then prime minister, described Romanian industry as a “pile of junk” and launched a wave of privatizations, which led to the dismissal of tens of thousands and caused widespread social devastation.

After several unsuccessful attempts to privatize ARO—originally estimated to be worth $50 million—the company was eventually sold off in 2003 for just $150,000 to a US investor who utilised his close relations with the nominally socialist government at the time. ARO was sold off in parts and filed for bankruptcy in 2006 when the remaining 3,000 employees lost their jobs.