



ROMANIA
MINISTRY OF ECONOMY

Brief economic outlook-Romania

- The global financial and economic crisis, which started in the United States in the middle of September 2008, is having a deep impact on the EU Member States economies, contributing also to Romania's worsening economic situation.
- Key economic indicators, Romania, 2007&2008 (estimations trim I/2008/2009) – presented in next slide
- Source: NIS –National Institute of Statistics (2007) and National Commission of Prognosis(2008-2009)



ROMANIA
MINISTRY OF ECONOMY

**IMPLICATIONS OF THE GLOBAL CRISIS ON THE
ROMANIAN INDUSTRY AND ON CORPORATE
SOCIAL RESPONSIBILITY**

SOFIA 2009

Ec. Christina Leucuta
Senior Counsellor/Project Manager



Nr. Crt.	INDICATOR	U.M.	2007	2008	3 months 2008	3 months 2009	Q.I 2009 Q.I 2008
1	GDP /PIB*	Mld.Euro	6,2	7,1	-	-	-
2.	WEIGHT OF THE MAIN ECONOMIC BRANCHES IN GDP						
	- AGRICULTURE*/	%	5,7	6,5	-	-	-
	- INDUSTRY*/	%	23,9	22,9	-	-	-
	-CONSTRUCTIONS*/	%	8,9	10,5	-	-	-
	- SERVICES*/	%	50,1	49,5	-	-	-
3.	PRODUCTION INDICES / - INDUSTRY TOTAL*	%	105,4	100,9	105,4	87,0	-
	- EXTRACTION INDUSTRY*/	%	99,6	99,7	96,1	98,2	-
	- MANUFACTURING INDUSTRY*/	%	106,4	100,7	106,1	84,8	-
	- ELECTRICITY AN THERMO POWER GAS AND WATER*	%	99,1	106,2	109,2	97,5	-
4.	AVERAGE NUMBER OF EMPLOYEES/						
	TOTAL	Ths.pers.	4721	4814	4781	4694	98,2
	INDUSTRY	Ths.pers.	1615	1525	1558	1453	93,3
	MANUFACTURING INDUSTRY/	Ths.pers.	1403	1319	1350	1195	88,5
5.	AVERAGE GROSS SALARIES/	Lei	1410	1603	1839	1922	104,5
6.	LABOUR PRODUCTIVITY*/	%	110,3	104,9	106,7	98,5	-
7.	EXPORT /	Mil.Euro	29549	33627,9	8140,0	6561,0	80,6
8.	IMPORT /	Mil.Euro	50322	56336,8	13246,0	8556,7	64,6
9.	SOLDE /	Mil.Euro	-21773	-22708,9	-5106,0	-1995,7	-
10.	FOREIGN DIRECT INVESTMENT	Mil.Euro	7200	9024	995**	1374**	138,1
11.	NUMBER UNEMPLOYMENT/	Ths. pers	367,8	403,4	374,1	513,6	137,3
12.	UNEMPLOYMENT RATE/	%	4,0	4,4	4,1	5,6	-

*) Share change comparatively to the previous year

**) Data February



Macro economic indicators

- GDP growth decreased by 2,6% in Q I.2009 compared to Q IV 2008 and by 6,4% compared with Q I. 2008
- At the end of 2008 the annual inflation rate was 6,3% and at the end of Q I 2009 was 6,67% ;policymakers will face serious challenges during 2009 in terms of ensuring that any measures taken will accelerate the economic growth but not cause high inflation
- In the budget 9 billion Euros is the public investment stipulated for 2009 which represent 20% of the total expenditure for 2009 and 7% of GDP
- The exchange rate fluctuates dramatically on a short term and generates important losses for exporters(1 Euro=3,68 lei in 2008 and 1 Euro=4,2 lei in the 1st Q2009)
- Exports are already experiencing substantial reductions as global demand shrinks. Added to this is the fact that the crisis is also impacting negatively on external sources of funds such as foreign investment or remittances that Romanian workers send home from abroad (Italy, Spain, Germany etc) which greatly contributed to the economy (about 4-5 billion euro/year)
- The unemployment rate of 7,8% in Romania is the highest in the EU and will increase in the next few months

In Romania the crisis is spread via trade, the exchange rate, financing and lack of trust in policies (mainly fiscal)



ROMANIA MINISTRY OF ECONOMY

Government measures to stimulate economic growth and protect economic interests during the crisis period

- **Measures to boost and to stimulate the economic growth**
 - The allocation of 9 billion euros for investments, representing 20% of the budgetary expenses for 2009 and 7% of GDP
 - Improve the mechanism of EU funds absorption
 - Make operational the Guarantee Fund of Credits for SMEs and set the Counter-Guarantee Fund of Credits for SMEs.
 - Allocate, through the state budget, at least the same amount of funds assigned in 2008 for export promotion.
 - Continue and extend the RABLA program (for trading in old cars)
 - admission into the program of cars older than 12 years two years “younger” than the ones admitted until last year
 - increase the amount granted from 3000 RON to 3800 RON, as well as financing up to a maximum 60000 vehicles compared to 40000 in 2008
- **Measures for financing the economy and increasing liquidity**
 - Payment of central and local administrations debts to the economic operators: overdue invoices and received works not invoiced.
 - Compensation of VAT for reimbursement with payable VAT or with other taxes payable to the state budget
 - CEC Bank capitalization
 - Eximbank capitalization using the dividends due to the state for the capital increase and allocation of public funds for the insurance and guarantee instruments of export operations, such as currency risk and the risk of insolvency
 - Accelerate the procedure of European funds absorption and amend the law on public procurement in order to make this procedure more flexible.



Government measures to stimulate economic growth and protect economic interests during the crisis period

- **Social Measures**

- Treat the income during technical unemployment (for maximum 3 months):
 - from the point of view of the employer as non-wage incomes and applying the appropriate taxation system and
 - from the point of view of the employee:exemption from payment of contribution to the state budget and social security budget
- Support 50% of the expenses for continuous professional training for employee and unemployed.
- The Government and trade unions will have discussions to establish the law on an unitary salary system for budgetary staff
- The extension by 3 months of the period of unemployment allowance for the year 2009.
- By 1st March, 2009, the sectoral committees for training will gain the status of public utility institutions.



ROMANIA

MINISTRY OF ECONOMY

- In Romania, one of the most affected sectors by the labour crisis is that of the textile & clothing. Romania is mainly an exporter country of labour force (25% of the active population has migrated); the main reasons for migration are related to job and career opportunities as well as quality of life; importing labour proved profitable for a short time.
- The share of emigrants for work has a young structure but data is not available. The temporary migration for work was accentuated after 2001 - the year of abolition the visas of entry in almost all European countries.
- At present, in Romania are working about 50000 foreigners with a trend of decrease.
- In 2008, around 30% of Romanian manufacturing companies have been confronted for at least two months with the problem of unemployment, the fluctuation rate of the personnel being more than 40% in the small and micro companies. This aspect strongly influenced the financial performances of the companies and the reduction of exports although in total the balance of the foreign trade was positive.



ROMANIA MINISTRY OF ECONOMY

Impact of global financial and economic crisis on the labour market

- The global crisis has had a negative impact on reducing output (by 30-40%) of many manufacturing sectors in Romania mainly in automotive, textile & clothing, Chemical & petrochemical, woodworking etc. This in turn resulted in job loss for many workers (about 500.000 in the manufacturing industry) and declining real wages.
- Further temporary and permanent plant closures and company failures with accompanying massive job losses are on the agenda of the employers' organizations as the global financial and economic crisis deepens.
- Workers are losing their jobs in four manners: firms go bankrupt; firms have to reduce their output; employers decamp or move the production outside EU.



Corporate Social Responsibility (CSR) and Sustainable production and consumption (SCP) policies in Romania

- The first international conference on CSR: "Investing in future" held in Bucharest in November 2006 and stressed on the importance of the CSR concept both for companies and people and the main trends of its evolution in the near future
- CSR main areas: health and safety at work, relations with clients and suppliers, implication within community, measuring and reporting the social responsibility, conduit code in business, relations between employers and employees
- It's extremely important to exist the same understanding of the CSR concept both by the private sector, civil society and the Government
- Most Romanian citizens consider the environmental impact of the products that they buy as well as social matters such as working conditions and informal labour. This has led some Romanian companies to use "green technologies" and monitor every part of the value chain in order to avoid scandals that could harm their brand/image.



Corporate Social Responsibility (CSR) and Sustainable production and consumption (SCP) policies in Romania

- The new Document of Industrial Policy and the related Action Plan for Implementing the Industrial Policy are in line with the EU Council Conclusions on the “Sustainable Consumption and Production and Sustainable Industrial Policy Action Plan”
- The Ministry of Labour, Family and Social Protection has a Directorate for CSR which is involved in elaboration of CSR policies, dissemination and implementation of CSR activities as well as in evaluation of the social effects of programs
- CSR contributes to the sustainable development and to reach the Lisbon Strategy objectives; CSR is related to the way in which companies represent voluntarily the interests of employees, clients, suppliers and owners and manage the ecologic and social impact on the society as a whole
- Romania as a EU Member State is aware of the importance of the two dimensions (internal and external) of CSR and encourages the stakeholders to collaborate and exchange best practices with others from EU Member States



Industrial sectors involved in CSR projects in Romania (46 companies)

- Pharmaceutical sector (A&D Pharma, Labor MED, Zentiva, Novao Nordisk etc)
- Building materials (Carpatcement Holding etc)
- Household appliances (ARCTIC, Teraplast etc)
- Energy sector (Petrom, MOL etc)
- Software (Integrator soft etc)
- Distribution (Cardinal Motors etc)

The main areas where new regulation has been or will be introduced include consumer protection, labeling, environmental protection, use of chemicals such as REACH regulation and health and safety in the production



ROMANIA MINISTRY OF ECONOMY

Policies and measures undertaken by the Ministry of Economy to limit the impact of the crisis on industry

- Implementation the Program for increasing the competitiveness of industrial products managed by the Ministry of Economy; one of the main activity of this program is the implementation of OHSAS 18001-1999 Management system of health and security at work and SA 8000 Social responsibility.
- Implementation of the Program for improving competitiveness in the light industry – TCF sectors by promoting the decent work.
- Promotion of specific R&D themes in view to make products with high value added.
- Improvement of the export promotion of the industrial products (participation at international fairs and exhibitions, economic missions etc).
- Improvement the social tripartite dialogue in view to eradicate the informal economy
- Adopting of some non-tariffs measures similar to European ones referring to quality standards further to collaboration activities between the employers' organizations and the big chains of shops



Approaches of trade unions, employers' organizations and Government

- **Trade unions** agreed with the importance of working in partnership to alleviate the worst effects of the crisis; they underline the necessity of programs, policies and management strategy for employment and policies in CSR field
- **Employers' organizations** admit it is more difficult during the crisis to keep people in jobs; many companies have not the possibility to cover the training costs; they demonstrate the high fiscality on the salaries; the companies need technologies of high generation for development but they have not enough money; they are aware of the importance of the new concept of CSR for increasing competitiveness and innovation
- **The Government** has reinforced efforts to provide a solid basis for discussion with social partners and to agree with the anti-crisis measures package; in the meantime supports the Ministry of Labour, Family and Social Protection on CSR



ROMANIA
MINISTRY OF ECONOMY

**Policy Recommendations for the short
and medium term**

- ❖ **The Government** must put people at the centre of its recovery plans; it should mobilize all available instruments and fully integrate growth, employment, solidarity, social protection, inclusion strategies and CSR policies
- ❖ The Government could be fully committed to proactively assist the SMEs sector and the Romanian manufacturing industry in general through suitable initiatives to mitigate and minimize the negative impact of the global crisis on the Romanian economy;
- ❖ The foremost priority of the Government is to create confidence about the Romanian industry and to ensure sustained employment generation in the country;
- ❖ The Government must be opened to any suggestions that would enable Romanian industry to meet the challenges of the present crisis;
- ❖ **The employers' organizations** must strengthen the social dialogue both with the Government and with the trade unions to favour an integrated approach of anti-crisis measures at sectoral and enterprise levels and of CSR policies



ROMANIA MINISTRY OF ECONOMY

- **The employers' organizations** try to maintain as many people as possible in jobs by a temporary adjustment of working hours in combination with re-training;
- **The trade unions** must assist the unemployed and young people from companies to start a new business or to find a new job; the best practices on CSR agenda could be useful for the trade unions
- **The Government** must collaborate and elaborate together with trade unions and employers' organizations a strategy on CSR on short and medium term to maintain the attractiveness of the industry and to prevent a human crisis
- **ILO** could assist the social partners within a tripartite meeting to agree on a tripartite answer to better cope with the crisis in the manufacturing industry in Romania and also on CSR agenda.



ROMANIA
MINISTRY OF ECONOMY

THANK YOU !

Ec. Christina Leucuta
Senior Counsellor/Project Manager
Tel: +4-021.30.55.238
Fax:+4-021.311.24.34
E-mail:christiana_leucuta@minind.ro
christinaleu@yahoo.com