

National Sector Analysis

Basic information about current trends in sector development, qualification and further training

A. Basic Information about sector development

- Main trends in economic, workforce and qualification development
- Number and profiles of sector companies (over the past 5 years)
- Number of employees (over the last 5 years)
- Structure of employment (skilled, semi-skilled, unskilled workers , relation of young and elderly people, blue- and white collars, fulltime – part-time – contract workers, etc.)
- *Status, structures and practice of Social Dialogue (sector and company level)*

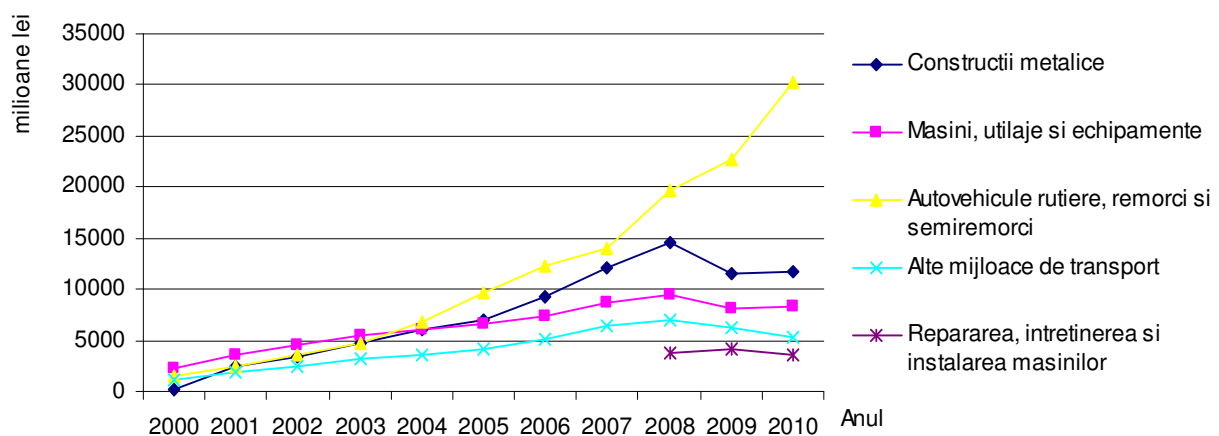
1. Industrial production had an upward trend for all sub-branches machineries building industry until 2008. The economic and financial crisis felt in the industry has led to a decline in industrial production in 2009 (excluding road vehicles); now is recorded a slight increase (2.30% to 0.15% for metal construction and machinery and equipment). Centralized data show that in the last five years from the economic crisis, 88,912 companies became insolvent, representing almost 9% of the total number of active firms from late last year.

Insolvencies have risen steadily from 2008 to 2010, when there were 14,000 such cases. After 2010 we saw a small decrease.

Throughout this period, among areas affected by insolvencies remained trade, distribution, transportation, construction and manufacturing.

Over 70% of the companies that became insolvent last year working in trade, transport and storage, manufacturing and construction.

In 2012, 2109 companies were unable to pay its debts.



The most spectacular export growth is found in the road cars since 2005, when it almost doubled. The growth rate was 55.87% sequentially, 50.31%, 63.35%, 8.98% and 29.27% for 2006-2010. The year 2010 saw a recovery in exports and other activities from automobile industry, such as manufacturing machinery and equipment (22.10%).

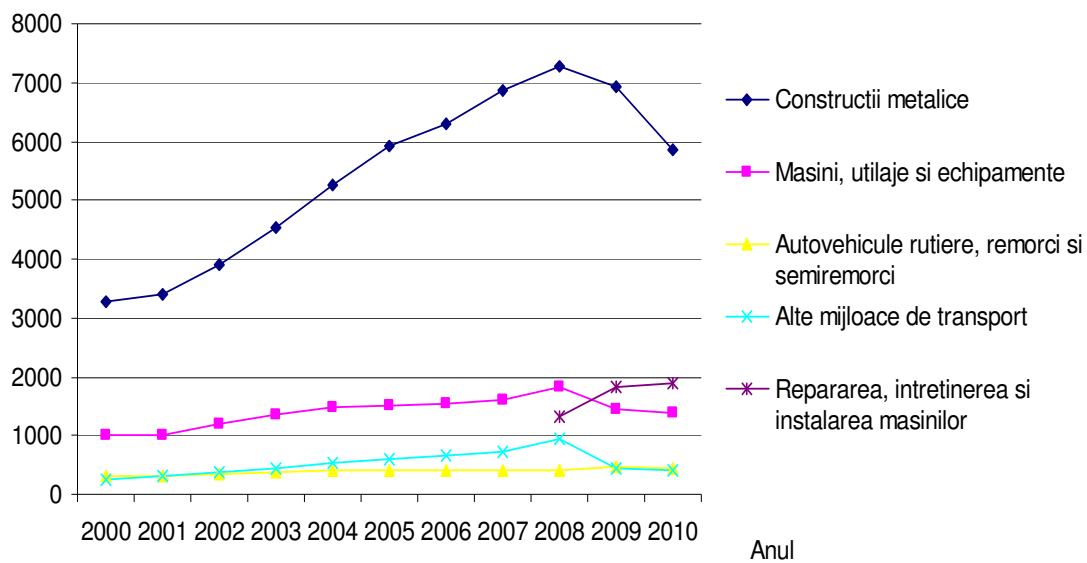
In 2010 we can observe a decrease of 10.93% of investment in automotive road, 38.34% in the manufacture of other transport equipment and the most prominent of 65.74% in the manufacture of cars, machinery and equipment. Analyzing the importance of the automobile industry in the context of manufacturing industry in 2010, we find that on the value of industrial production in total manufacturing, the machinery building industry's contribution is 22.39%.

2. Profile companies in the machinery industry is:

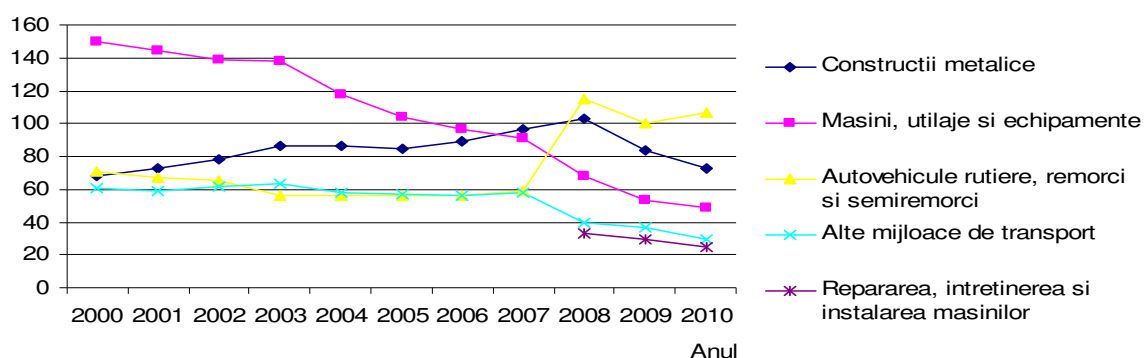
* Industry metal and metal products

- Manufacture of machinery and equipment, including engines and turbines, pumps and compressors, taps and valves, bearings, gears, gear boxes and mechanical transmission, kilns, furnaces and burners, lifting and handling equipment, industrial equipments for cooling and ventilation, machineries for agriculture and forestry, machine tools, machinery for metallurgy, mining, construction, food processing, textiles, clothing and leather, paper and cardboard, plastics and rubber processing ;
- Manufacture of motor vehicles, trailers and other transport equipment manufacturing, which includes ships, aircraft, sports and recreational boats, rolling stock, motorcycles, bicycles;
- Repair and installation of machinery and equipment.

From the total of 48,933 manufacturing companies, 20.30% are owned by automobile industry.



3, 4. Employees



The structure of employment in manufacturing and age group in 2010

Activity	Total employment thousand persons	Percent total 15-64 yrs old	15-24	25-34	35-44	45-54	55-64	Over 65 years
TOTAL	9240	95,5	7,8	26,6	28,9	20,8	11,4	4,5
Manufacturing industry	1646 =17,81% from total	99,9	6,4	26,5	33,3	25,6	8,1	0,1
From which % women		42,9	2,9	12	15,5	10,4	2,1	0

The most significant decrease in the number of employees was found to be in the machinery, tools and equipments where, from 150,000 employees in 2000, reached an average of 49,000 in the last 10 years.

There is a difference between occupied population and number of employees. Thus, in manufacturing industry were 1073000 employee in 2010, of which 558,000 men and 515,000 women.

5. Regarding the social dialogue structures, they exist nationwide branches and enterprises.

A. **At the national level:** The National Tripartite Council established based on Law no. 62/2011, is an advisory body from national social partners, comprising: presidents of trade unions and employers nationally representative, representatives of the Government and National Bank of Romania, president of the Economic and Social Council and other members agreed by social partners. The National Tripartite Council has the following tasks:

- Providing consultation framework for establishing minimum wage payment,
- Discussion and analysis of programs and projects developed at government level
- Develop and support the implementation of strategies, programs, methodologies and

standards in social dialogue,

- Settlement of differences from economic and social nature through dialogue tripartite,
- Negotiating and concluding agreements and social pacts and other national agreements and monitoring their implementation,
- Analyzing and after that requests approval for extension of collective labor agreements at sector level, for all units in its industry,
- Other powers agreed between the parties.

Economic and Social Council, legalized by Law no. 62/2011, is a public institution of national interest, tripartite, autonomous, established in order to achieve national tripartite dialogue between employers' organizations, trade unions and representatives of organized civil society. It is mandatory consulted by the initiators of laws drafts (Parliament and Government) in its field of competence. CES duties:

- Approves normative acts within its competence: economic, fiscal and financial policies, labor relations, labor protection and labor policies, health policy, education, research and culture,
- Elaborates analyzes and studies on economic and social realities,
- signalyses to Government or Parliament Report the emergence of economic and social phenomena that call for new laws,
- Tracks the fulfillment of obligations arising from the Convention no. 144/1976 regarding the ILO Tripartite Consultations, to promote the application of international labor standards.

National Qualifications Council is composed of representatives of the universities and education institutions, of some ministries, sectoral committees, students, employers and trade unions confederations. Besides the National Authority for Qualifications has an advisory role, contributing to national strategies and action plans for the development of the National Qualifications Framework and training of adults.

- Decision-making bodies - National House of Pensions, National Agency for Employment: The Board of Directors of the National House of Pensions is composed of government representatives, representatives of the National Council for the Elderly, representatives of employers' confederations and trade unions at national level.

The Board of Directors of the National Agency for Employment consists of an equal number of members appointed by the Government, trade unions and employers' confederations.

B. Territorial / local level

Consultative bodies

Social dialogue committee CDC established at the local level (county) consists of representatives of the prefect and the prefect himself, of decentralized public services of ministries and other bodies of central public administration, of president of the county council, one representative appointed by each trade union confederation and employers nationally representative. CDC duties:

- Providing social partnerships between the government, employers' organizations and trade unions, allowing a continuous mutual information on issues that are of concern to the administration or social partners, in order to ensure a climate of peace and social stability,
- Compulsory consultation of social partners on legislative initiatives or other socio-economic initiatives
- Other issues on which the parties agree to discuss.

Advisory Council to the Agency for Employment for Bucharest consists of representatives from local government, trade unions and employers representative at national level and supports the executive management of the agency.

Decision-making bodies: Board of County Health Insurance House is composed of representatives of trade unions and employers' organizations and local authorities.

C. Sectoral Level

Consultative bodies, CDCs, SCs:

Social Dialogue Commissions CDCs, established in ministries and public institutions, is made up of representatives of the Ministry and public institutions and one representative appointed by each trade unions and employers confederation, representative nationwide. May attend committee meetings and invited experts. In Romania there are enacted 15 commissions for social dialogue, at ministerial level and 2 commission authorities level.

Sectoral Committees Scs are composed of representatives of trade unions and employers' federations in the industry and representatives of professional associations and are designed to develop occupational standards, develop skills and to advise the National Authority for Qualifications.

Decision-making bodies

The Parity Commission (Joint Committee) negotiates the collective agreement at sectoral level and consists of representatives of trade unions and employers' federations in the industry. Besides the role of negotiator, the Joint Committee fulfills its role as mediator in case of collective labor disputes.

D. Level unit / institution / company - CCM, CSSM

-The Joint Committee for negotiation, implementation and monitoring of the collective work at the unit (**company**) or group of units level. It comprises representatives of employers (governing body of the unit established by law, statute or regulations) and representatives of employees established under Law no. 62/2011. Manages the social fund's of company and make decisions.

- Committee for health and safety at work legislated by HG. 1425/2006 is mandatory to be established in the companies with more than 50 workers.

- Disciplinary Commission analyzes the application and observance approved by law on disciplinary research and decide sanctions for employees. Also approve and awards humanitarian material aid. It consists of representatives of employees and employers under the provisions of collective labor agreement or adjacent agreement. The final decision belongs to the employer.

Social dialogue at company level:

- Informing and consulting the employees
- Working conditions, wages and other rights and obligations
- training
- Ensuring occupational health and safety
- social responsibility
- Collective and individual labor contract
- Support trade union activity

- Settlement of labor disputes
- Miscellaneous.

The Board of education and training is organised at company level and is made from representatives of employers and employees under the collective agreement. Examines and approves training plan for employees. The final decision belongs to the employer. It is involved in making the evaluation procedure and the training contract.

The Labour Code specifies the employer's obligation to provide ongoing training for employees, by establishing an annual training plan, which should be attached as an addendum to the employment contract. In addition, employers are required to provide paid or unpaid leave for training. But the realisation of the annual training plan is not respected in many cases and labor inspection does not prioritize this issue.

The main legislation that regulates social dialogue:

- ILO Conventions and Recommendations
- European Union Treaty
- No.53/2003 Law - Labour Code - with modifications
- Law 62/2011 of social dialogue
- No.467/2006 law establishing the general framework for employees informing and consulting
- Collective agreements.

B. Sector Policy - Framework Conditions for Further Training

1. Sector regulations / Collective agreements for promoting qualification and further training
2. Support / assistance from Trade Unions / Employers' Associations for members (workers/companies)
3. Cooperation in sector social dialogue (bipartite committees, regular meetings, current issues etc.)
4. Role and function of social dialogue by dealing with topics of vocational further training
5. Starting points for cooperation in Sector Skills Councils.

The role of social dialogue in the training of employees is essential. The government is focused on providing some training courses for unemployed by projects funded by ANOFM and European Social Fund. The rest of lifelong learning problem remains to be solved for each person or, at best, in the business environment, even if there is a national strategy in this regard.

Regarding the engineering industry, in the collective agreement at branch level is a chapter on vocational training, which stipulates that the employer who has more than 20 employees develops the annual training plan, in consultation with the trade union. The plan will be attached to the collective agreement at the company level. The other stipulations are:

- Expenditure on training activities for employees shall be borne by units;
- The trade union will participate / assist through its delegates to any form of examination organized for the completion of a training course within the unit;
- the employees who signed addenda to individual labor contract for training will be required to bear the costs of it, if they leave the company for the reasons attributable, before the expiry of a period of 3 years after graduating.

It is another problem that affects in all aspects the employees, also including training, and we detail it below: the law no. 62/2011 on social dialog has replaced the laws for employers organisations and trade unions organizations. Under the new law, the groups of units can be established only by the employer and the collective agreement at branch level can be concluded only by employers affiliated to employers' associations in the industry. So the employers prefer to leave the employers associations, to not be subject to the collective agreement at branch level - see Dacia Pitesti and Ford Craiova. Thus social dialogue at branch level decreased significantly in all aspects, including training.

The social partners have called Law 61 the law of social non-dialog. Why? Due to:

- Marginalization of trade unions
- Elimination of collective agreement at national level
- Non equality of social partners
- Not respect the will of social partners
- Not respect the deadlines for implementation.
- The fact that 25% of employees in the economy are paid the minimum wage set by Government
- The fact that the labor market does not offer predictability
- Not complying with EU legislation and ILO regulations

- adoption and application to the limit of democracy
- Respect the principle of "who give more impose their will".

Illegal and immoral concepts of law. 62/2011 emergence

- Work is a commodity: could be sell and buy at market price
- Who pays can order and can take all
- The worker works poorly because he/she has rights
- Trade unions have no relevance
- Trade unions are driven by corrupt or corruptible persons.

Effects of Law. 62/2011:

- Affect the right to work and especially the dignity of workers
- marginalize the unions and unbalanced the social dialogue
- Emphasizes only the decisional role of employer
- Remove the consultation of employees
- Excludes the collective rights of budgetary employees
- increases the instability for employees
- Complicate the negotiation of collective labor agreement at sectoral level and the negotiation at national level is removed
- Restrict to join of employees in trade unions
- Decrease the protection of trade union leaders

The collective agreement at sectoral level involves:

- Representatives of trade unions
- Employers which have 50% of employees in the sector
- Employers strong and willing to implement the CA in sector
- The ministry from the competence may decide the respect of CA in the sector at employers request

Impediments to negotiate the CA at sectoral level

- Inequity between social partners: trade unions and employers
- Promoting CA at company level but not at branch level
- Lack of legal provisions on completion / signing CA

A. Employers prganization:

- can choose sector according to its interests
- can be registered based only on a simple minute
- has the power to agree or disagree the application of CA in whole sector

B. The trade union organization:

- May be representative only on the defined sectors by the employers' organization
- Court recognition needed both at registration and at representativeness
- cannot be set units groups, nor may submit the CA in whole sector
- Cannot form federative trade unions to ensure representativeness in the sector
- Unequal social partners

- Employers' organization develops internal regulations for companies without consulting trade unions
- Employers' organization may decide to reduce working time without the employees or their representatives permission
- Employee information is compulsory, but not also their consultation.

Aspects:

- Promoting the CA at company level against the CA at sector level
- CA at sector level impose mandatory minimum provisions at company level
- Association of employers is limited by the competition between them
- Lack of legal provisions on the signature of CA.

Going back to training, at branch level was established the sectoral committees, bipartite structure, with the purpose to:

- contribute to the development of a legal framework on training, assessment and certification of skills
- promote a system of competence based on training and assessment
- contribute to the development and validation of occupational standards.

The Sectoral Committee was established in 2007 and until then has validated a total of 42 occupational standards.

Unfortunately, most of the trade union federations in engineering sector are not longer part of the Sectoral Committee, its composition being as follows:

- Employers Association from Machines Building Industry (PICM)
- Romanian cars trade unions federation - FSAR
- National Solidarity trade unions federation in metal – FNSSM.

Being legally registered, the Sectoral Committee may access the financing from European Social Fund.

C. Utilisation of qualification:

Requirements and needs from workplaces, labour and employment system

1. Brief sector analysis (trends and developments in national industry – focused on employment, qualification and workforce situation)
2. What changes are observable at workplaces/in employment - regarding products, processes, technology, organisation of work, social and employment standards (eg. contract workers / unskilled workers)?
3. Currency of qualification: Value of qualifications/skills on the labour market
4. What is the link between qualifications/skills and pay/output (earnings, wage structure, bonus, e.g. through collective agreements)?
5. Are there any labour rights and/or benefits associated with qualification (e.g. unemployment benefit)?
6. How the economic crisis has affected the development of companies and workforce (job losses, bankruptcies, reduction of apprenticeships, job change, migration abroad / in other sectors, etc.)
7. What are the assessment of training needs and demand for skilled employees in the respective trade – if applicable, field of employment and principal place of employment? How important are the diversification of job activities?

Like any area of life in Romania also the labor market is full of contrasts. On the one hand, Romania's labor costs is lower than those of most EU countries and has staff that speaks several languages, including qualified specialists in high growth areas such as IT, engineering and financial services , according to an Ernst and Young study. However, employers want to reduce the cost of employment. Unable reduce the state levies, the reduce the wages and investment in training. Then they are amazed because they are unable to retain the key personnel and to attract talented and educated workforce.

Although Romania skilled workers are better paid than unskilled ones, the salaries are not very different, in order to encourage the desire for obtaining a new qualification or requalification. In addition, the salary of a skilled worker in the country does not compare to the one that workers may receive for similar work abroad, so more than 1 million Romanians are working abroad and we elaborate on this issue immediately.

The collective agreements set minimum wages in an industry. The salary scales appear only in the collective agreements at company level.

Regarding the relationship between the qualification and the unemployment benefit, it is based to an algorithm. The unemployment benefits are granted according to length of service, as follows:

- 75% of social indicator (500 lei) for persons with a contribution period of at least one year;
- To this amount is added another, calculated by applying the average gross monthly base salary for the last 12 months of age percentages, vary according to length of service.

The percentage rates vary according to length of contributions, mentioned above, and they are:

- a) 3% for persons with a contribution period of at least 3 years;
 - b) 5% for persons with a contribution period of at least five years;
 - c) 7% for persons with a contribution period of at least 10 years;
 - d) 10% for persons with a contribution period of at least 20 years.
- The condition is that the future unemployed to have a minimum contribution period of 12 months in the last 2 years.

Returning to work abroad issue, Norway, Italy and Austria are countries in Europe where most employers are looking to work with foreigners, according to a study by Manpower HR Consultant. On the other hand, most sought European labor exporters are Poland and Romania, and the main target for the employers are the unskilled workers.

The situation on the labor market in Western Europe has not changed so much as Eastern Europeans think. Most of the workforce from Western Europe is considered him/herself too good for bottom work, so the most sought foreign workers are unskilled (17%), but the big surprise is in the expertise, skill, talent or any other synonym we want to find at these unskilled workers. Romania is, as we said previously, the second source of talented employees, after Poland, followed by Germany, Italy and Russia.

In conclusion, the question for each Romanian worker is: why to invest in me own education in the country, especially as I can not afford to do this investment, nor I have the employer or the state aid, and why can not go abroad as a laborer? I do not take into account the fact that in twenty years I will not be able to perform hard physical work or that I will have a miserable pension. I think just for this moment.

About the machines-building industry, it is a major difference between companies involved in technological and human resources development and those who do not have a strategy in this regard. The machines-building industry in Romania remains competitive internationally, but without serious investment in new technology and training is likely to lose the place occupied now.

In the frame of CAD-CAM - Training in the use of computer-assisted edge technologies - a must for revitalizing the machineries buildings industry project, financed from the European Social Fund, implemented in partnership by Hofag Engineering and PICM, emphasis was

placed on new technologies, such as computer-aided design and operations of CNC machines. Within the project, a total of 950 people were trained in the use of software CAD / CAM, meaning computer-aided design programs (CAD), softwares for programming CNC machines (CAM) and interaction with CAM activities through operations on CNC machines. In the frame of the project, a study was conducted based on a questionnaire, for the identification of training needs in the sector. The study was conducted between January 2010 - June 2010 and consisted of a questionnaire on training needs in the areas of computer aided design, CNC machines programming and project management. The questionnaires were sent to a total of 150 companies and the project received replies from 50 of them, so the response rate was only 33%. This may be the percentage of firms in the industry which realize the usefulness of training for company development.

To the item Do you consider important the following training fields:

2.1 Computer aided design

2.2 Programming CNC machines

2.3 Project Management?

To the questions 2.2 and 2.1 the answers with YES were of 97% and 94%, while to the question 2.3, only 77% of the responses said YES.

To the item how important it is that these courses take place in the company, the responses revealed that the majority of companies (82%) prefer that training to take place on their premises.

67% of respondent companies want to train people with secondary education and 85% wanted training for people with higher education. It should be noted here that most companies have ticked both answers, but overall we conclude that the majority of people who received training had a higher level of training.

Most requests were for organizing advanced, followed by the initiation and specialization. This shows that companies want to develop existing skills of employees, but also are interested in acquiring new skills.

D. Alteration of qualification: Trends, transformation and future development of qualification

1. Development of workforce: What developments in the need / demand for employees (groups of employees) can be expected? What factors are crucial for this prognosis?
2. Development of workplaces: How will jobs and occupations continue to change in future? What is added / what's remain important and what is becoming less important resp. is no longer needed?
3. Requirement for vocational training and education: How is the need for training expected to develop in the near future (less trainees / without change / more apprentices)?
4. Qualification standards: Are the current qualification sufficient? What kinds of new skills / part-skills are expected from labor market/by the companies?
5. Development of qualification („new skills for modern jobs“): What is the influence of products, process and technology innovations for changes in future-oriented qualification structure of employees? – For instance:
 - New knowledge, skills and competences from product development;
 - New knowledge, skills and competences of material, process and technology developments (e.g. saving resources as material, energy, knowledge of dangerous materials or using IKT);
 - New qualifications from changes in the organization of work (e.g. job enrichment, new production systems or using health and safety standards);
 - New knowledge, skills and competences from labor political changes (e.g. job rotation, planning, observation, cooperation);
 - New knowledge, skills and competences from international production networks (e.g. changes in design, diversification, new languages)
 - What are the main implications for the current situation in vocational education and training?
6. Are there additional or new specific skills that become important in the future? What they are?
7. What key knowledge, skills and competences are taught today - and what will be needed in the future?

The competitiveness of European machineries buildings industry was analyzed in a comprehensive study order by the European Commission and carried out by IFO Institute, under the direction of Dr. Hans-Günther Vieweg. The report confirms that, due to its ability to create value and to export performance, the machineries buildings industry is a major contributor to GDP and trade balance of the EU. However, especially due to the global

economic crisis, the sector has suffered losses in terms of productivity and a decline in price competitiveness, compared to other international competitors.

Machineries buildings industry is a major supplier of capital goods, including machinery and equipment for many industries. It is positioned as an enhancer of innovation. This sector will play a key role in achieving the climate and energy goals under the Europe 2020 Strategy, given that it is the main factor capable of providing effective processes and products in terms of resources and energy. This strategic European sector records impressive performances. However, without a consistent strategy in terms of production, the industry is likely to fail in the face of new global challenges.

EU-commissioned study shows that the machineries buildings European industry is among the few sectors which recorded trade surplus over the world. Over the past decade, the productivity of European machineries buildings industry was much higher than that of manufacturing industry in general, registering higher wage levels, compared with the average wages in manufacturing industry. Moreover, the productivity growth in the car industry was faster than the overall manufacturing sectors and the gross value added (contribution to GDP) generated by the sector grew, despite the poor economic environment.

Also, the power of engineering industry in export markets has stimulated the growth of markets outside the EU. This can be seen in the improvement of the trade balance of the sector, which rose from € 49.4 billion in 2000 to 119,300,000,000 € in 2010. Over the last decade, the machines buildings sector exports grew by an annual average rate of 5.8%, while imports grew only by 2.3%. During the period investigated, the contribution of engineering industry exports to total exports of manufactured products rose with 15%, despite the fact that the industry of investment in goods was affected more severely than the other sectors, during the crisis of 2009.

EU has a deficit of 157 billion € in the manufacturing sector. This deficit could have been much higher without the positive contribution to the trade balance, of machines buildings sector. EU is less dependent on imports of products of machines buildings sector than on imports of other manufactured products.

Regarding the European machines buildings sector performance over the world, Europe performed well in comparison with main competitors, namely United States and Japan, over the period investigated. After the problems in 2009, the European engineering industry reached the gross value added (GVA) from 2000, while the U.S. and Japan GVA decreased by 35% and 57% in 2010. Only China has failed kept up with EU. All industrialized countries have suffered job losses (EU – 14%, USA – 23%, Japan - 27%).

But there are also problems. The affected companies are especially those from new Member States, producing medium-tech products. They have to deal with the large Chinese manufacturers, offering equivalent products. Chinese producers enjoy higher productivity and more cheap labor. European SMEs compete with large Asian companies, especially from China, which focuses on high-volume production, thereby increasing profit rates. They have the advantages of large distribution networks and of large Asian markets. The medium and large European companies with high technological intensity face fierce technological competition from companies which are in developed economies, such as Japan and Korea. Moreover, the premises of skilled labor, a traditional advantage in Europe, do not seem very good, since skilled engineers and technicians are becoming harder to find in companies. There is also a shortage of trained personnel in soft activities (leadership, influence, communication, conflict management, cooperative group activities, synergy), including management, which are very important in order to allow companies to manage processes of globalization, as transferring the companies to emerging countries. Growing importance of technology and the need to provide a range of services and products with comprehensive information stresses the importance of soft skills for technical staff.

Given that the industry trend is towards increasingly larger specializations and yet most Romanian workers in machines building industry are skilled, still the proportion of skilled and unskilled workers change day by day, due to several reasons:

- reduction of students number who wish to attend vocational schools to have a job and work in industry
- reduction of number of the professional schools
- obsolete pieces of equipment on which the students learn to work
- a large number of skilled workers goes abroad
- insufficient investment in training
- insufficient number of professional standards achieved.

It is obvious that, in order to face the global challenges, not only we must invest effort and resources in training materials nationwide, but it is necessary that:

- old standards to be updated according to the European Qualification Framework
- new occupational standards to be achieved only considering the European Qualifications Framework
- to realise awareness campaigns regarding the need for professional training at branch level and collaboration between workers and employers in this area.