INTERNATIONAL LABOUR ORGANIZATION
Sectoral Activities Programme

Sectoral coverage of the global economic crisis

Implications of the global financial and economic crisis on the Romanian textile and clothing sector

by

Christina Leucuta

INTERNATIONAL LABOUR OFFICE GENEVA

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Introduction

The programme for improving competitiveness in the Romanian light industry (textiles, clothing and footwear - TCF sectors) by promoting the decent work initiative commenced in October 2004 with the support of the Sectoral Activities Department of the International Labour Office (ILO). Traditionally, the TCF industries played an important role in the socio-economic development of Romania both for employment and for manufacturing output and exports.

Based on the background study analyzing the main socio-economic challenges and opportunities of the Romanian TCF sectors in the context of globalization and a complete liberalization post- MFA, an Action Plan was developed between 2005 and 2008. This project has already succeeded in its aims because it has brought the social partners and the Government together to work on competitiveness. The focal point of this dialogue is the concept of decent work as a competitive factor.

The National Tripartite Action Plan developed a strategic approach encompassing economic and social dimensions to bring the Romanian TCF industries up to date in the new trade environment. The adoption and implementation of the Action Plan had a positive impact on the socio-economic development of the Romanian TCF sectors and on all national partners involved in this project.

The ILO Programme was aligned with and supported by the Romanian Development Plan 2007-2013, as well as the programmes and priorities of the national social partners. Trade liberalization, increasing competitive pressure from countries outside the EU, demographical developments, new technological developments and the introduction of new regulatory requirements are among the most important factors effecting change in the sector.

The effects of the global financial and economic crisis were felt mainly in the middle of 2008 and into 2009. The background study considers the implications of the crisis on the textile and clothing sector as a whole and on the Romanian TC industries in particular.

This study provides an overview of measures and actions adopted by the government, employers' organizations, trade unions, firms and workers which deal with employment problems in the TC sector. It also provides useful information in evaluating the situation in this economic sector and in realizing a benchmarking analysis with other EU Member States and other countries of the world.

The Ministry of Economy expressed a particular interest in extending collaboration with the ILO focusing on social dialogue at the enterprise level, on corporate social responsibility, and on exchange of best practices on stimulus measures for SMEs in the context of crisis. Later in the economic recovery period, competitiveness will be improved by implementing the standards for decent work, etc.

A Power Point presentation of this study will be delivered during a national tripartite workshop to be held in Bucharest in September 2009 and disseminated to the ILO constituents.

1. Impact of the global financial and economic crisis on Romania

1.1. Brief economic outlook - Romania

The global financial and economic crisis, which started in the United States in the middle of September 2008, is impacting deeply on the EU Member States economies, contributing also to Romania's worsening economic situation.

GDP growth decreased by 2.6 percent in the first quarter of 2009 compared to Q4 of 2008 and by 6.4 percent compared with Q1 of 2008. At the end of 2008, the annual inflation rate was 6.3 percent, and at the end of Q1 of 2009 was 6.67 percent, a growth of 0.41 percent from December 2008. Foreign investment played an increasing role as an inevitable component of the Romanian economy. The exchange rate fluctuates dramatically in the short term, generating important losses for exporters (see table 1).

In the budget €9.0 billion is the public investment stipulated for 2009, which represents 20 percent of the total expenditure for 2009 and 7 percent of GDP.

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

Objectives of the Romanian Government

- Restrain the decrease of economic growth
- Protect economic interests
- Maintain the investment attraction in Romania
- Maintain the convergence criteria for the Euro zone
- Synchronize measures with EU plans

Priorities

- Budgetary consolidation up to a deficit of 2 percent of GDP
- Increase the funding of investments in road and railroad infrastructure, energy, education and health infrastructure, environment preservation, heat rehabilitation, rural development, tourism
- Maintain and create new jobs
- Sustain the business environment and SMEs in order to assure the functioning of the economy
- Protect those categories of the population affected by the economic crisis, especially people with low pensions and wages, who would be vulnerable during this period

Table 1: Key economic indicators, Romania, 2007&2008 (estimations trim I/2008/2009)

Nr. Crt.	INDICATOR	U.M.	2007	2008	3 months 2008	3 months 2009	Trim.I 2009 / Trim.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	-	-	-
	Construction*/	%	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 / 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 Manufacturing industry/	Ths pers. Ths.pers.	1615 1403	1525 1319	1558 1350	1453 1195	93,3 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.

Source: NIS-National Institute of Statistics (2007) and National Commission of Prognosis (2008-2009).

Measures to boost and stimulate economic growth -
GDP 2009 = 579 bn. Lei

- Allocation of €9.0 billion for investments, representing 20% of the budgetary expenses for 2009 and 7 percent of GDP
- Improve the mechanism of absorption of EU funds. Under the direct leadership of the Prime Minister and the Deputy Prime Minister, an inter-ministry group would be set up to manage the absorption of EU funds
- 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" programme (for trading-in old cars)
- Admission into the programme of cars older than 12 years, two years "younger" than those admitted until last year. Increase the amount granted from 3,000 RON to 3,800 RON, as well as financing up to a maximum 60,000 vehicles, compared to 40,000 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. To occur within the months following the month when the application for refund was made, as well as after the legal deadline of 45 days
- State-owned CEC Bank capitalization
- State-owned 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

Social measures

- Provide social pensions in two instalments for pensioners with low incomes, by covering the difference between the current pension level and the ceiling of 350 RON: up to 300 RON from 1 April 2009 and the difference to 350 RON from 1 October 2009
- Offset with 90 percent from the reference price for medicines from the B list for pensioners with pensions of less than 600 RON
- Guarantee the income of workers affected by the crisis 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 contributions to the state budget and social security budget
- Support 50 percent of the expenses for continuous professional training for employees and unemployed

- Implement with the social partners after 15 April 2009 the consultation mechanism on wage increases in the public system, depending on the economic performance of the first trimester and on forecasts for the next period
- The Government and trade unions have developed a social dialogue to establish the law on an unitary salary system for budgetary staff
- The extension from 9 months to 1 year of the period of unemployment allowance for the year 2009
- By 1 March 2009 the sectoral committees for training attains the status of public utility institutions

2. Overview of the Romanian textile and clothing industry in the European context prior to the crisis

2.1. Brief economic outlook of the European TC industry in 2008 - impact of the crisis

The textiles and clothing industry (TC) still represents a significant sector of economic activity in Romania and within the European Union.

The European TC industry accounts for approximately 4.5 percent of total EU manufacturing production and 8.0 percent of manufacturing employment. It employs about 2.3 million workers in 208,000 enterprises, generating a turnover of about €211 billion with €5.6 billion of investments. SMEs are predominant in this industry. Textiles account for 3 percent of EU total exports in manufacturing.

At the beginning of 2008, the European textile and clothing sector showed signs of stability. The clothing subsector registered a recovery, via the combination of new industrial and retail activities and by delocalizing low value added activities to developing countries. It also benefited from increased global economic growth and an upward development in textiles products consumption, especially in the new EU countries. This process of stabilization stopped in the second half of 2008 and this trend has continued so far.

Within the EU for 2008 as a whole, production decreased by 12 percent in the textile subsector and by 5 percent in the clothing subsector. Order books have registered a reduction of 15 percent for textile and 3 percent for clothing products, especially marked in the second part of the year. Performances vary between EU countries. Romania, Poland, Greece, Austria and Italy performed well in the past thanks to the clothing subsector while in Germany only the textile subsector has performed thanks to innovative textiles. In contrast, France, UK and Ireland performed poorly.

The impact of the economic and financial crisis is already reflected in a lower demand by some of the developed trade partners, such as USA and Japan. In 2008 the export growth of textile and clothing products halted and for the year as a whole a slight reduction in value of -0.6 percent occurred. At the same time, imports also declined in value by 0.6 percent.

In general, companies' cash flow is fragile, partly as a result of payment gaps between the distribution and the industry, and partly as a result of short production cycles and the predominance of SMEs. Consequently, short-term capital availability is crucial. According to the European Industrial Association, one of the main problems facing the sector is the banks' sudden refusal to accept credit guarantees and export credit allowances.

The Economic Sentiment Indicator covering all economic sectors, including consumer confidence, has fallen sharply. The industrial confidence indicator dropped by 1.8 points and consumer sentiment dropped by 2.3 points. As the economic crisis deepens there is a severe risk of a revival of protectionism, which would hit EU manufacturing hard.

Over the last few years employment has decreased substantially (-6 percent p.a.).The projected contraction of EU output by 4 percent in 2009 (OECD) would make this the worst post-war recession in Europe. Inevitably, this will be reflected in widespread job losses and a sizeable jump in unemployment.

The ILO estimates that 22 million women have lost their jobs in the global manufacturing sector due to the present economic crisis. Women frequently dominate in low-skilled, labour-intensive manufacturing jobs such as in textiles and clothing.

The European Commission's High Level Group for TC has already tried to respond to some of the main challenges of the crisis by:

Boosting research and innovation: The TC industry created the European Technology Platform for the Future of Textiles and Clothing to draw up and implement a Strategic Research Agenda for the sector. Several TC-specific projects, co-funded by the European Commission in developing innovation funding and networking innovation clusters, have also recently been launched. The general objective of this technology platform, which includes Romania, is to contribute to the competitiveness of this important European industrial sector, assuring long-term employment, economic growth and substantial incomes from exports for an enlarged EU.

Ensuring lifelong education and vocational training: The European Social Fund can fund measures to promote adaptation to industrial change and innovative actions in the area of employment; in Romania the COMITEX - the sectoral committee of TCF industries - is a partner in an EU-financed project to implement and validate the "National Framework of Qualifications" by transposing of qualifications into programmes of professional continuous training.

Promoting social dialogue in the textile-clothing sector: The European social dialogue in the textile and clothing sector plays a major role in addressing the key challenges of the sector. This includes enhancing skills and qualifications; improving quality of work; modernizing work organization; promoting equal opportunities; and delivering responsible restructuring. In Romania the law regulates the modalities of consultations and permanent dialogue between the social partners. The institutionalized social dialogue in Romania has two main components: tripartite social dialogue, which is regulated and occurs within the Economic and Social Council (established in 1997) between sectoral committees and tripartite bodies; and the bipartite social dialogue, focused mainly on the process of negotiating and concluding collective labour contracts and solving collective labour conflicts.

Strengthening the fight against counterfeiting and piracy: In Romania three laws are in force in the field of counterfeiting: Law no.84/1998 for marks and geographic indications; Law no.363/2007 on the fight against illegal commercial practices; and Law no.21/1996 on competition in promoting consumers' interests. The Commission will launch a project to increase awareness of IPR issues, especially among SMEs, and to protect against counterfeiting. Relevant information will be disseminated efficiently among industry stakeholders and customs authorities through seminars and networking activities.

2.2. The Romanian textile and clothing industry 2004-2008

In 2008 the Romanian TC industry reached 2 percent of GDP, 4.38 percent of the country's industrial production by volume, 10.5 percent of exports, 5.9 percent of the imports and 15.9 percent of the total industrial workforce. There were 9,287 companies (6,323 companies in clothing and 2,964 in textiles) in the sector employing over 270,000 workers.

The structure of production of these sectors (reported at the value of the realized production) was 41.3 percent textile and 58.7 percent garments.

SMEs are predominant in this industry. Private enterprises are responsible for 97 percent of production and exports.

Table 2: Structure of the Romanian TC companies in 2008 (taking into consideration the number of employees)

Sector	TOTAL	Big	Medium	Small	Micro
Clothing	6.323	175	679	1.270	4.199
Textiles	2.964	63	240	526	2.135
TOTAL	**9.287**	**238**	**919**	**1.796**	**6.334**

Source: Ministry of Economy, Management and Informatics Institute, 2009.

In spite of its contribution to the economy, value addition in the sector is generally low. It utilizes imported materials and a low paid workforce.

Globalization has led to unprecedented demand for female workers in certain sectors such as textiles and clothing. The share of female workers in the TC sectors is above the manufacturing average and particularly high in the clothing industry. These women are often young and unqualified.

Most companies work under the "lohn" or CMT system (cut, made, trim) by which the Romanian companies supply labour and machinery and the customer supplies the raw materials, designs and marketing.

The *acquis communautaire* in this field has been fully transposed into Romanian national legislation.

Table 3: Evolution of “lohn” in the Romanian textile & clothing industry

Indicator	M.U.	2004	2005	2006	2007*
Export	Mil. Euro	4249	4243	4196	3933
Import total	Mil. Euro	3201	3236	3271	3509
Out of which: -raw materials for lohn	Mil. Euro	2674	2727	2465	41
Percent of raw materials for lohn in total export	%	62,8	64,3	58,74	1,04
Export-Import balance solde	Mil. Euro	+1048	+1007	+925	+424

Since 1 January 2007 “lohn” system activity within the EU market is considered internal activity on the EU Single Market.
* Estimated data.

Source: Ministry of Economy, Management and Informatics Institute, 2009.

The destination of TC goods in 2008 was 82.4 percent for export market and 17.6 percent for domestic market. Eighty-five percent of Romanian exports were destined for the European Union, where the main commercial partners were Italy, Germany, France, Greece, UK and Turkey. In the TC industries there are more than 1,000 joint ventures with foreign partners.

In Romania the phasing out of quotas in January 2005 was accompanied by increased penetration of Chinese products into the domestic market. The growth rate of Chinese imports in 2005 was particularly high for pullovers, stockings and socks, men’s trousers, blouses, brassieres, women’s overcoats, T-shirts and shirts, textiles, and woven flax fabrics. The effect of this surge in imports led to the closure of some SMEs and caused a loss of employment, particularly for women. The government subsidies and reduced export taxes in countries like China, India, Vietnam and Turkey strengthened the trend of low prices for products exported to Romania. Imports from China were at a medium price of $US1.7 per kilo of clothing. Romania produces and exports at a medium price of $US32 per kilo (Romania has the largest quantity of counterfeit goods entered after Ukraine).

Table 4: The evolution of production value in the TC industry (2004-2008)

Production value	UM	2004	2005	2006	2007	2008
Textiles	Mil.euro	1136	1500	1396	1471	1137
Clothing	Mil.euro	4762	3913	4374	3434	3316
Total	Mil.euro	5898	5413	5770	4905	4453

Source: National Institute of Statistics.

Table 5: The evolution of export, import and the number of employees in the TC industry (2004-2008*)*

Indicator	UM	2004	2005	2006	2007	2008
Export	Mil.euro	4240	4243	4196	3933	3524
Import	Mil.euro	3201	3236	3271	3509	3318
No. of employees	Ths.pers.	359	325	312	272	270

Source: National Institute of Statistics.

Table 6: Evolution of the main indicators of TC industry (estimations 2009-2010)

% as the previous year

Indicator	2009	2010
Industrial production		
Textiles	-15	-4
Clothing	-1	-0,5
Export	-3	+1
Import	-3	-1
Number of employees	-10	-2

Source: National Commission of Prognosis.

The National Export Strategy in elaborating for the period 2009-2013 is based on the ITC Geneva methodology and stipulates for the TC industry the gradual passing from “lohn” system to marketing and design development to increase the opportunities of a complete business under their own brand. The strategy recommends supporting the improvement of management capacity in this sector and creating the necessary competencies for a “complete business” under their own brand and not of the whole TC sector. In Romania approximately 400 companies have their own brands but they are not well known abroad.

Table 7: Employment in TC industry

Nr.	District /region	Textile					Clothing				
		2004	2005	2006	2007	2008 sem.I	2004	2005	2006	2007	2008 sem.I
1	Alba	2995	2518	2294	1902	1100	4864	4775	4354	3854	4469
2	Arad	2874	2608	2687	3053	2755	12831	11469	8824	7228	7032
3	Arges	2940	2002	2018	1630	931	8987	8915	7005	5707	5187
4	Bacau	4681	4238	3385	4262	2800	7946	6608	5822	5166	3897
5	Bihor	3763	3724	3091	2787	1160	10973	9250	7666	6399	6474
6	Bistrita-Nasaud	2617	2341	2277	2250	1858	755	779	727	759	875
7	Botosani	1822	1449	1384	1565	1317	10459	9235	8285	7401	6751
8	Brasov	5621	5042	4082	3617	1456	3256	2590	3368	2513	3422
9	Braila	1290	1160	1032	696	583	13124	15580	11737	9650	8767
10	Buzau	2226	2235	1827	1908	1630	6446	6116	5713	4699	4652
11	Caras-Severin	253	195	88	141	59	4119	4160	3831	3226	3217
12	Calarasi	597	416	159	121	392	6638	5909	4827	4287	3885
13	Cluj	2720	2440	2213	1836	1121	9134	9103	7465	6300	6038
14	Constanta	801	769	896	615	504	3603	3255	2768	2101	1617
15	Covasna	1376	1455	1235	1079	747	7658	7522	6602	6348	6180
16	Dambovita	1954	1643	1608	1519	1211	4341	3855	3047	2666	2521
17	Dolj	2374	2592	2471	2783	503	7533	7326	6701	5776	7440
18	Galati	1863	1205	682	511	448	2492	1725	1463	1244	984
19	Giurgiu	514	515	508	435	329	664	539	550	574	468
20	Gorj	585	496	538	569	100	1674	1521	1302	1067	1479
21	Harghita	2095	1779	1120	1411	755	8766	5433	7412	6178	5641
22	Hunedoara	1890	1758	1970	1774	1634	5618	5569	4598	3854	3543
23	Ialomita	1543	375	319	148	153	3578	4494	4165	4524	3349
24	Iasi	5951	4266	4191	3240	2572	12953	12401	10441	8050	7216
25	Ilfov	773	748	705	802	577	1816	1966	1758	1535	1704
26	Maramures	2643	1314	1367	1201	1252	8253	7616	5779	4732	4131
27	Mehedinti	1384	1173	1116	815	240	1554	1728	1375	1013	1456
28	Mures	2760	2462	2290	2404	2160	8478	8059	7084	5869	5755
29	Neamt	4310	4444	4058	3713	1233	5199	5086	4912	5780	6432
30	Olt	1917	1825	1881	1529	1056	8432	7873	8059	8187	7318
31	Prahova	4836	4173	2534	2136	3300	11596	12010	10599	11448	8434
32	Satu Mare	4725	2425	2547	2627	607	5083	4946	4826	4694	6084
33	Salaj	2759	2284	2325	1880	939	3737	3297	2485	1939	2537
34	Sibiu	5301	5029	3914	3720	2040	9106	8504	6705	5447	5120
35	Suceava	2832	1711	1421	1170	740	3788	3415	2788	2410	2416
36	Teleorman	874	254	335	270	288	3872	2916	3089	3106	2183
37	Timis	5042	5197	5500	3659	3562	8896	7586	6709	5928	5401
38	Tulcea	219	154	114	98	143	6038	6340	4946	3851	4756
39	Vaslui	1847	1815	1564	1365	1271	9851	8067	7909	7533	5924
40	Valcea	758	758	881	870	733	1544	1426	1160	1208	1227
41	Vrancea	2293	363	420	203	526	11740	9595	9260	9647	9071
42	Bucuresti	10154	8872	8474	5661	3585	29889	28158	22327	21188	24204
	Total	**110772**	**91692**	**83521**	**73975**	**50370**	**297284**	**275717**	**240443**	**215086**	**209257**

Romania has 41 counties plus Bucharest, the capital.

Source: National Institute of Statistics, 2009; National Commission of Prognosis, 2009.

In Romania, the textile & clothing sector is one of the most affected by the labour crisis. **Romania is mainly a labour exporting country.**

In general, emigrants working in Romania are young, but official age data are not available. The temporary migration for work was accentuated after 2001 - the year that entry visas to almost all European countries were abolished.

At present, approximately 50,000 foreigners are working in Romania, some 10,000 in the TC sector alone, but trending towards a decrease**.** These foreigners are mainly from Asia (China, Philippines, Bangladesh, Sri Lanka, India and Vietnam). Their salaries in Romania are similar to those in their native country but their problem is the difficulty in keeping their job or obtaining one at a certain age. Also, they hope to double their salaries by working additional hours.

The background study identified that firms with foreign owners prefer to employ immigrants and to offer them accommodation and meals more expensive than on the local market.

Romania is not familiar with immigration and manages this phenomenon with difficulty. Our study identifies some specific problems related to the working conditions within companies employing immigrants. For example, in TC factories in Bacau all 500 Chinese and Bangladesh workers experienced exploitation and limitations on liberty (in Bangladesh, a worker in the clothing industry has a salary of about 50-60 dollars per month). Another company in Sibiu, confronted with a labour shortage crisis and possible insolvency, decided to engage women workers from the Philippines. These workers had prior experience of working abroad and doing overtime. The law obliged the employer to pay the workers the minimum salary (600 lei) starting in January 2008. The trade unions discovered that the overtime was not paid and the salary was only 400 dollars per month. In addition, workers were required to complete 500 pieces, impossible to achieve in an 8-hour working day. In such conditions, seven workers decided to return to the Philippines while the remaining 89 stayed to fight for their rights, but unsuccessfully, because Romania has no immigration legislation.

In 2008, around 30 percent of Romanian textile & clothing companies were confronted for at least two months with the problem of unemployment, the fluctuation rate of the personnel being more than 40 percent in the small and micro companies. This aspect strongly influenced the financial performances of the companies and the reduction of exports.

When immigrant workers arrive in Romania, they meet the realities of the TC sector: overtime, tough work conditions, unattractive wages, obligatory acceptance of accommodation and meals offered contra cost by the employer, no trade union representation, immigrant rights unprotected by legislation, bureaucracy and corruption, the level of taxes that must be paid by both employer and employee, the cost of translation, etc.

Recently the labour shortage has generated a change of vision in the TC companies to attract and motivate their employees. In addition to their salary (€200 at the Bacau factory plus accommodation and meals) and traditional bonus for Easter, Christmas and New Year, employees have also received meal tickets and bonuses for holidays, etc. In multinationals there are also bonuses for performance and quality, and employees share in corporate profits. The bonuses and benefits have reduced the temporary fluctuation of the labour force (especially in summer when it is reduced by 5-10 percent). The owner of the company Alison Hayes considers that bringing Romanians from abroad is a better solution due to their knowledge, work experience and skills, and ability to follow courses for professional reconversion.

For the moment, the Romanian TC industry is not prepared to guarantee Romanian workers the same salaries and conditions offered by the countries to which they emigrated. In this regard, the majority of employers are pessimistic concerning employment evolution in the near future. In the meantime, in Europe as in Romania, a demographic decline is registered.

Romania occupies the lowest position within the EU Member States concerning investment in human resources.

The **educational system for the textile & clothing industry** is well organized in Romania. The country offers five academic centres (in Iasi, Sibiu, Arad, Oradea and Bucharest), R&D institutes and companies (RDNITL-R&D National Institute for Textiles and Leather; MATIRO-a R&D company), and many training centres for masters and technicians. Job-related training includes courses, seminars, workshops and training programmes related to the participant's job.

However, in Romania the companies invest less (0.3 percent) in job-related training. Law no.76/2000 stipulates that companies who organize training programmes for their employees benefit from subsidies of half their expenses from the unemployment budget.

Today the competitive advantage of the European textiles and clothing sector lies in its focus on quality and design, innovation and technology, and high value added products. This requires adequate education and industry-specific training programmes. Therefore, one of the main challenges the sector currently faces in Romania is the growing shortage of qualified resources.

In 2008 the negative trends of labour productivity in the clothing sector (-15.9) could be explained by the restructuring process using an intensive labour force, reducing the impact of new technologies. In the textile sector a strong recovery of labour productivity (96.1) will thus support the increasing trend of the output in this field. (2000=100).

In 2008 the average gross salary in the TC industries was €210, representing about 62 percent of the average gross salary in manufacturing.

The investment "green field" in the TC industries represented only 2.3 percent of the total foreign direct investments. In terms of production, the textile manufacturing is very different to clothing manufacturing: the former requires major capital investment; the latter requires significant human resources.

The Document of Industrial Policy and Chapter IV of the related Action Plan, "Policy for Sectoral Assistance for Implementing the Industrial Policy," also stipulated that the project "Improving Competitiveness in the Textiles, Clothing and Footwear (TCF) Sectors" should promote decent work and be carried out with the assistance of the ILO.

3. Impact of the global economic and financial crisis on the Romanian textile and Clothing (TC) industry

3.1. Main factors that affected the business environment in Romania

There is no doubt that the global economic crisis will have profound and possibly prolonged effects on developing countries, especially the least developed whose recent good economic performance has been largely driven by external factors.

The reality is that their main exports - textiles and clothing - 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, UK, etc) which greatly contribute to the economy (about €4-5 billion per year).

Short-term volatility of the exchange rate (the average rate for 2008 was 1 Euro = 3,6827 lei and for the first quarter of 2009 1 Euro = 4,0 lei) and problems with the availability of credit both led to reduced external financing.

Traditionally, the evolution in the European textile/clothing sector is linked to consumer behaviour. The global financial crisis is forcing consumers to save and cut costs.

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

3.2. Impact of the global financial and economic crisis on the labour market

The global crisis has had a negative impact on reducing output (by 30-40 percent) of many manufacturing sectors in Romania mainly in automotive, textile & clothing, chemical and petrochemical, woodworking, etc. This in turn has resulted in job losses for many workers (about 500,000 in the manufacturing industry) and a decline in real wages. Further temporary and permanent plant closures and company failures with accompanying massive job losses are on the agenda of FEPAIUS (the employers' federation of light industry) and other employers' organizations (ROMCONF, etc) as the global financial and economic crisis deepens. In 2009, due to falling market share and pressure from traditional customers to reduce prices, many foreign investors in clothing have withdrawn their investments in Romania.

The globalization of production and especially the further integration of China and India into the world economic system have led to a huge growth in cheap labour competition. Faced with this competitive pressure, Romanian textiles and clothing industries have faced serious difficulties since 2005. The rate of investment in the TC industry has fallen, foreign trade and current account deficits have deteriorated, and income distribution has become even more unequal as a result of a fall in real wages at a time of increased profits.

Workers are losing jobs and firms have reduced working time to avoid job losses

FEPAIUS has estimated that the number of TC workers who will lose their jobs in 2009 as a result of the crisis could exceed 60,000. Workers are losing their jobs in various ways: firms go bankrupt; firms reduce their output; employers decamp or move the production outside the EU (for example, the company Iasitex moved its production in lohn to the Republic of Moldavia as a solution to reduce production costs).

Rising unemployment is recorded all over the country, but mostly in the Bacau, Iasi, Suceava and Bucuresti districts. Most of these workers had been working for firms producing export goods but these companies have no orders beyond February 2009 as a result of the slowdown in demand in the EU market.

FEPAIUS estimates the clothing market will stabilize from 2010 (optimistically) but more realistically by 2012, but only if the government develops coherent strategies to limit the negative effects of the crisis. Mrs Maria Grapini, the FEPAIUS president, considers that "we all know that when the world decides to turn itself towards protectionism, the most vulnerable will suffer the most. In this case it's very important that WTO contributes towards mitigating the impact of this crisis." Another FEPAIUS proposal in this period of crisis could be the association of some producers to work on the same products both for the imports of raw materials and for production in order to reduce transport costs and the total costs by 20-30 percent. The main companies in the textiles sector are Iasitex, Pasmatex, Braiconf, Alison Heyes, Sorste Focsani and Rifil Savinesti.

The clothing domestic market is dominated (75 percent) by imports and the consumption is oriented mainly towards cheap products as only a minority of the consumers prefer brands.

Migration phenomenon

In Romania 25 percent of the active population has migrated. The main reason for migration among young people is related to job and career opportunities as well as quality of life.

In Romania, one of the sectors most affected by the labour crisis is the TC industry. The average cost per hour of labour in EU is €20,35 but only €2.68 in Romania (average employees' wage in the industrial companies with less than 10 employees).

Importing labour proved profitable for the TC industries for a short time. In the first quarter of 2009, around 30 percent of TC companies were confronted for at least one month with the problem of unemployment, the fluctuation rate of the personnel being more than 40 percent in some small and micro companies.

The number of immigrants decreased, including in the TC industry. FEPAIUS declared that 30 percent of small enterprises with foreign owners and with immigrants as workers are insolvent or moved their production at the end of 2008 in Moldavia and Ukraine.

The creation of new jobs is low and the adaptability and mobility of the labour force need strategic measures to reduce the gap between demand and supply. In Romania there is a real need for technical personnel (designers, technicians, standardisers, printers, engineers, etc) as well as trained management.

The impact of the crisis on women is clearly shown in the Romanian TC industries, because they are mainly dominated by a female labour force.

To ensure a climate of stability and social peace, the law regulates the modalities of consultations and permanent dialogue between the social partners. The institutionalized social dialogue in Romania has two main components: tripartite social dialogue, which is regulated and occurs within the Economic and Social Council (established in 1997) between sectoral committees and tripartite bodies; and the bipartite social dialogue, focused mainly on the process of negotiating and concluding collective labour contracts and solving collective labour conflicts.

COMITEX-the sectoral committee of TCF industries (founded by trade unions and employers' organizations) participates in all discussions with the Government and proposes measures and actions to support companies in this period of crisis. Moreover, COMITEX is a partner in an EU- financed project whose objective is to implement and validate the "National Framework of Qualifications", by transposing qualifications into programmes of professional continuous training.

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 2008 the annual inflation rate was 6.3 percent. In 2009 it is estimated that inflation will reduce by 1.2 percent due to the price controls. This trend will continue over the next few years as follows: 3.6 percent in 2010; 3.2 percent in 2011 and 2.8 percent in 2012.

The unemployment rate of 7.8 percent in Romania is the highest in the EU and will increase in the next few months. There is a need for some assistance programmes to help workers who have lost their jobs to find new employment. This requires substantial effort from the National Agency for Employment in organizing periodical job fairs and in cooperating with the Ministry of Labour, Family and Social Protection to identify social and demographic developments.

Most European 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 in the sector to use "green technologies" and monitor every part of the value chain in order to avoid scandals that could harm their brand/image. The main areas where new regulation has been or will be introduced include consumer protection, labeling, environmental protection, use of chemicals such as REACH, and health and safety in the production of textiles and clothing.

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

- Implement the programme to increase the competitiveness of industrial products managed by the Ministry of Economy: one of the main activities of this programme is the implementation of OHSAS 18001-1999 (management system of health and security at work) and SA 8000 (social responsibility).

  Since 2005 a total of 257 projects in TC companies were financed within this programme with a total value of €4.6 million.

Table 8. Projects financed by the Ministry of Economy for TC companies within the Program for increasing competitiveness of industrial products (OHSAS 18001/1999 and SA 8000)

Year	Number of projects financed	Value Lei	Average annual exchange rate 1Euro/lei	Value Euro
2005	76	3.009.131	3.6234	830.472
2006	84	5.137.435	3.5245	1.457.635
2007	54	5.014.519	3.3373	1.502.567
2008	43	2.991.273	3.6827	812.250
Total 2005-2008	**257**			**4.602.924**

Source: Ministry of Economy, Management and Informatics Institute, 2009.

- Implement the programme to improve competitiveness in light industry – TCF sectors by promoting decent work
- Promote specific R&D themes in order to make products with high value added
- Improve the export promotion of TC products (participation at international fairs and exhibitions, economic missions, etc)
- Strengthen customs control to avoid competition from products originating from China, Vietnam, India, Pakistan, Turkey, etc
- Improve the social tripartite dialogue so as to eradicate the informal economy
- Adopt some non-tariff measures similar to Europe with reference to quality standards and further collaboration activities between FEPAIUS and the employers' organizations of the big chains of shops
- Analyze with the Agencies for Regional Development the possibilities of setting up clusters in this sector, especially in areas with a skilled labour force and high unemployment rate
- Promote as an investment priority the setting up of ecological retteries of flax and hemp as well as of some tanneries
- Set up and develop SMEs in line with the Small Business Act for Europe by supporting the updating of the industrial process of SMEs within the programmes financed by structural funds
- Initiate programmes for training young entrepreneurs to start a business and improve their competencies

- Exchange best practices and experience with both EU Member States and non-members to try to limit the effects of the global economic crisis

5. Conclusions

Trade unions agreed with the importance of working in partnership to alleviate the worst effects of the crisis and convert it into an opportunity for maintaining as many people as possible in jobs and for encouraging entrepreneurship. They underline the necessity of programmes, policies and management strategy for employment to be implemented by the authorities.

Employers' organizations admit it is more difficult during the crisis to keep people in jobs and to get those who have lost their jobs back to work as quickly as possible. Another problem sustained by the employers' organizations is the professional reconversion and qualification of the labour force. Training costs have increased rapidly, mainly due to the fluctuation of the labour force, reaching investment up to 1 percent of the turnover of the companies, but many of them cannot afford it. The employers' organizations demonstrate the high fiscality on the salaries in Romania and the impossibility to employ more workers with higher salaries. Labour productivity has not demonstrated a similar trend of increase as salaries. The companies face a dilemma: they need top technology for development but their under-capitalization means they cannot buy it.

The new Government has reinforced efforts to provide a solid basis for discussion with social partners and to agree with the anti-crisis measures package.

Specialists consider the crisis effects visible in all industrial sectors. The exodus of specialists will continue with negative effects in the coming years, based on the lack of programmes for training supported by the authorities, and on the fiscal pressure and low labour productivity in Romania. The uncontrolled and illegal migration will be reduced during the crisis in favour of legal migration that assures the best possible incomes.

6. Short- and medium-term policy recommendations

The Government must put people at the centre of its recovery plans and use the current crisis as an accelerator for improving the entrepreneurial environment in Romania. It should mobilize all available instruments and fully integrate growth, employment, solidarity, social protection and inclusion strategies.

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 in the Romanian industry and to ensure sustained employment generation in the country.

The Government must be open 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 trade unions to favour an integrated approach of anti-crisis measures at sectoral and enterprise levels. They must provide examples of how an improved social dialogue can benefit competitiveness.

The employers' organizations must try to maintain as many people as possible in jobs by a temporary adjustment of working hours in combination with re-training to facilitate internal job transfers or transitions to other companies and/or sectors in line with Flexicurity. In this case it is important to ensure the exchange of best practices between employers' organizations and trade unions from EU Member States and Romania.

In order to maintain the attractiveness of the TC industry and to prevent a human crisis during this period, it is important to work out a short- and medium-term strategy.

The trade unions must assist the unemployed and young people from companies to start a new business or to find a new job; a mutual learning and the exchange of best practices with other trade unions from EU Member States to limit the social impact of the crisis should be a benefit. Trade unions must intensify the lobby activity to policymakers so as to understand properly the issues facing the TC industry and the people working in this sector.

The ILO is challenged by the severe difficulties encountered by each country in the world to find new ways of coordinating programmes and assisting them through tough economic times.

The organization by the ILO of a tripartite meeting in Romania on the implications of the global economic and financial crisis on the TC industry, and on a tripartite answer to better cope with the crisis in the TC industry, will be useful especially in the context of the EC approach to the social dimension of the economic crisis.

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