Eurofound

EMCC case studies

Impact of the financial and economic crisis: Study on ArcelorMittal Galati subsidiary (Romania)

emcc european monitoring centre on change

Wyattville Road, Loughlinstown, Dublin 18, Ireland. - Tel: (+353 1) 204 31 00 - Fax: 282 42 09 / 282 64 56
email: postmaster@eurofound.europa.eu - website: www.eurofound.europa.eu

Introduction

Impact of the crisis on the Romanian steel industry

Until 2000, restructuring and redundancies were practically unheard of in the Romanian steel industry. This changed in the early 2000s in the industry when it was privatised. Since then, Romanian steel companies – which include both ferrous and ferrous metallurgy enterprises – have experienced major technological upgrading, plus restructuring and personnel changes. This was mostly triggered by the need to adapt to declining market demand, and to the arrival of multinational companies which now account for over 85% of the total employment in this sector (Chivu, 2009). The industry employed around 200,000 workers in 1990, immediately after the fall of the socialist regime. In February 2010, according to the Romanian National Institute of Statistics (Buletin Informative 2009–2010) the figure had dropped to 35,100. Nevertheless, productivity increased by 330% between 1995 and 2009.

ArcelorMittal Galati, previously known as Sidex, was founded in 1961 and privatised in 2001, following, according to a company fact sheet (Mittal Galati a), a transaction package worth €379 million (USD 500 million as at 5 August 2010). ArcelorMittal Galati is now part of ArcelorMittal Group, the world's largest steel producer. The group owns four steel plants in Romania; ArcelorMittal Tubular Products Roman, ArcelorMittal Galati, ArcelorMittal Tubular Products Iasi and ArcelorMittal Hunedoara. ArcelorMittal Galati is the country's largest steel plant, and one of its largest private companies. It produces slabs, billets, plates, hot-rolled, cold-rolled and galvanised sheets with two thirds of its products being exported. According to company data (Mittal Galati b), in 2008 alone, ArcelorMittal Galati produced 3.2 million tonnes of crude steel.

At the time of privatisation in 2001, the company was operating at a significant loss. This was not passed on to the new owner, by agreement with the Romanian government. However, in compliance with the Treaty of Accession, six steel companies, including ArcelorMittal Galati, began to be monitored by the European Commission through regular reports between 2004–2008 on issues concerning competition and state aid (Ministry of Regional Development and Tourism, May 2010). State aid for restructuring in the steel industry is expressly forbidden by EU law. However, the EU did agree to transitional arrangements, allowing aid which would help new Member States such as Romania to restructure the steel industry with minimum social costs and market disturbance (Report from the Commission to the Council, 2009). The final report on the monitoring period from the European Commission was expected by June 2010, but the agreement stipulated that companies which did not achieve the viability coefficients by the end of 2008 would have to reimburse the State for aid received until 1 January 2005. This could arguably lead to the closing of some companies (Ministry of Regional Development and Tourism, May 2010). In a report monitoring the progress made in this industry in 2007, the European Commission urged those companies involved to intensify restructuring efforts, in particular the implementation of cost reduction strategies, to try to ensure long-term financial viability (COM/2009/0146 final).

On top of these challenges, the steel industry in Romania started to feel the bite of the global economic crisis in the last quarter of 2008. In the first trimester of 2009, steel production in Romania decreased by 65.7% (to 509,000 tonnes) compared with the same period in 2008. Although all steel producers in the EU (for example, Spain, Austria, Germany, Poland) were significantly affected, Romania experienced by far the largest drop in production.

This drop in demand, triggered by the global economic crisis, also reflected persistent problems related to competitiveness and the production of goods which do not always match market requirements (Roland Berger Strategy Consultants, 2004). According to union and employee representatives, the Romanian steel industry is greatly dependent on exports, which means companies have to be highly competitive on the global market.

In late 2008, ArcelorMittal was one of the first companies in the Romanian steel industry to introduce a series of measures to address the devastating impact of the economic crisis. Firstly, the group's management cut costs with voluntary redundancies and a pay freeze. In early 2009, compulsory annual leave-taking and temporary layoffs were introduced after talks with employee representatives. There was also support through anti-crisis measures launched by the Romanian government. Compulsory annual leave means employees have to take a certain portion of their annual leave within a mandatory period due insufficient trade. A temporary layoff occurs when companies have to suspend operations on a short-term basis, during which employees stop working and receive, for this period, a tax-free indemnity of a minimum of 75% of their salary paid by the employer (for further details see below).

During the recession, compulsory annual leave and temporary layoffs have been primarily applied by companies (in particular multinational companies) specialising in metallurgy, car building, manufacture, chemistry, petrochemistry and construction (Ciutacu, 2009). Mircea Scintei, the president of the trade union federation FSS Metarom, which represents workers in more than 100 Romanian metallurgical companies, said the majority of these firms implemented temporary layoffs to deal with the impact of the crisis. He stated that about half these companies used involuntary dismissals, mainly affecting older workers. However, workers from all age groups were affected by the recession. This is because there are few employees in this industry on fixed-term or agency contracts. These are the sort of workers normally targeted in any industry when there are job cuts to be made. According to Mr Scintei, the vast majority of workers in the Romanian steel industry are skilled and work on full-time contracts.

Purpose of the study

This case study focuses on the measures used by ArcelorMittal to cut costs and avoid involuntary redundancies during the crisis in its largest Romanian subsidiary. The study aims to assess the effectiveness of the various measures applied to keep staff in employment and to ensure the company's viability. Specific emphasis is given to temporary layoffs and compulsory annual leave schemes to all staff in Romania. The study also discusses the role of government in supporting flexible measures and, furthermore, the role of unions and the European Works Council (EWC) in the design and implementation of the measures. Whenever available, the report provides comparative information from other group subsidiaries across the EU.

Group and company profile

ArcelorMittal Group operates in 20 countries and is the largest producer of steel in Europe, America and Africa, and the second largest steel producer in the CISS region, the countries of the former Soviet Union. According to their annual report, ArcelorMittal had sales of approximately €46.7 billion, steel shipments of 71 million tonnes and crude steel production of 73 million tonnes in 2009.

Total revenue figures are broken down by group level, European level and national level in Table 1. The figures show a decline in revenues by approximately 50% during the economic turmoil in 2008–2009 at all three levels.

The financial figures for ArcelorMittal Galati S.A. (Romania) – which constitutes the focus of this study – are not available for 2009, but company representatives reported that the business was operating at a loss in mid 2009. Sales had gone down by 70% compared with the same period in 2008 (Ziarul Financiar, A. Cojocaru, 2010). In 2008, ArcelorMittal Galati had reported a net profit of €164 million (Ministry of Public Finances, retrieved 10 May 2010).

Table 1: *Revenues/sales per entire Group, Europe and Romania in euro (billion)*

	Group-level	Europe	Romania
2007	76.8	42.8	0.9
2008	84.9	45.8	0.9
2009	46.7	23.7	0.4

Source: *Group-level figures provided by ArcelorMittal Annual Report 2009; European and national figures provided by vice-president of ArcelorMittal's EWC*

At the end of 2009, ArcelorMittal Group had 281,703 employees worldwide. The geographic distribution of employees for the period 2008–2009 is presented in Table 2. Staff numbers decreased by approximately 10% since the end of 2007 when the group employed 311,000 workers. During the crisis the most significant loss of staff occurred in the Member States that joined the EU in 2004 and 2007 (NMS12). Further details about the factors accounting for this trend will be provided in the following sections.

Table 2: *Geographic distribution of ArcelorMittal employees*

	2008		2009	
Region	**Number of employees**	**Proportion**	**Number of employees**	**Proportion**
EU15	75,808	24	68,527	24.3
NMS12	53,697	17	40,923	14.5
Other European countries	50,538	16	47,997	17
North America	37,904	12	34,809	12.4
South America	24,428	9	28,789	8.8
Asia	50,538	16	45,594	16.2
Middle East	X	X	135	0.1
Africa	18,952	6	18,915	6.7
Total	**315,867**	**100**	**281,703**	**100**

Source: *ArcelorMittal Annual Report 2009*

In Romania, ArcelorMittal employed a total of 12,000 employees in April 2010. The employees work primarily in three subsidiaries – ArcelorMittal Galati (9,300 employees), ArcelorMittal Iasi (1,213 employees) and ArcelorMittal Hunedoara (approximately 1,200 employees). Table 3 provides an overview of the employee numbers in the main Romanian subsidiaries. It shows that ArcelorMittal Galati experienced a 32% decrease in staff during 2008–2009.

Table 3: *Evolution of employee numbers in the three largest subsidiaries in Romania*

Year	ArcelorMittal Galati S.A.	ArcelorMittal Iasi S.A.	ArcelorMittal Hunedoara S.A.
2005	17,598	2,888	2,131
2006	15,825	2,650	1,913
2007	14,394	2,124	1,814
2008	13,709	1,853	1,293
2009	9,300	1,213	1,200

Source: *Interviews with members of EWC*

Flexible working and accompanying measures

Rationale

In November 2008, the management launched a set of measures across the entire group in response to the downturn in the global steel industry. The measures included targeted cost savings of approximately €3.4 billion (USD 5 billion), temporary cuts in steel production up to 35% (later on readjusted up to 40–45%), and approximately €6.8 billion (USD 10 billion) reduction in net debt by the end of 2009 (ArcelorMittal Annual Report 2009).

With the view to reduce costs by approximately €0.25 billion (USD 1 billion) management first proposed a programme of voluntary redundancies for the entire group. According to the interviewed stakeholders, mandatory redundancies were not considered at any time during this process. This was mainly due to the management having agreed when it acquired Sidex (now ArcelorMittal Galati), that it would not make collective dismissals during the following five years. The policy of no compulsory dismissals was continued after the end of this period, although there is a risk that this may not last. (United States Securities and Exchange Commission, 2008)

In spring 2009, the group introduced compulsory annual leave (known as *concediu anticipat*) and temporary layoffs (*somaj tehnic*). This followed the introduction of a government plan providing financial assistance to companies and employees for temporary layoffs (Government Emergency Ordinance GEO No. 28/2009, March 2009). The government argued that temporary layoffs would reduce labour costs in the short term in order to cope with the financial and economic crisis.

Framework conditions

The options that a company has in relation to introducing flexicurity measures (a combination of labour market flexibility, plus security for workers) depends on many factors. These include the legal framework (e.g. social contributions during temporary layoffs), industrial relations, government policy and the firm's own circumstances and culture.

Legal context

The Romanian Labour Code of 24 March 2003 (with subsequent amendments) states that during any period of interrupted activity brought about by economic, technological, structural or similar factors, employees must receive a tax-free indemnity of at least 75% of their basic salary. The salary is provided from the employer's wage fund and not from the unemployment or other funds. According to Article 51, paragraph two, the employee remains, during this period, at his employer's disposal. The Labour Code does not make any reference to duration, nor does it specify what form the temporary layoff should take.

The National Collective Agreement 2007–2010 allows employers to implement compulsory annual leave, when it is in the interest of the business and is fully paid. Furthermore, employees must be left with at least 15 days leave that can be taken in a block at their convenience.

New legislation was also introduced after social dialogue took place between unions, employers and the government about the effects of the recession. Government Emergency Ordinance No. 28/2009 came into force in 2009 and was extended to 2010 by Ordinance 4/2010. These stipulate that employers and employees are exempted from social security contributions for up to three months during their temporary layoff. 'Social security contributions' here means unemployment benefit contributions, professional hazard and accident security contributions, contributions to the salary claims guarantee fund, and health insurance contributions. Most importantly, during this period, affected employees benefit from continuity of pension, unemployment benefit and health insurance contributions, but these are calculated on the basis of the national minimum (gross) wage. Furthermore, during the layoff, the employee's contract is temporarily suspended which means that the employee cannot claim paid sick leave (Rentrop and Straton, 2009). Moreover, there is no legal requirement for employers to notify employees in advance. However, from 2010, employers must notify the local employment inspectorate within five days of beginning a temporary layoff. According to Article 3 of the Government Ordinance 28/2009, the Labour Inspectorate and the National Agency for Fiscal Administration, through their subordinate local institutions, have a duty to monitor periodically employers who benefit from these social protection measures.

In early 2010, the legal provisions on temporary layoffs in Romania were extended for the rest of the year by Government Emergency Ordinance No. 4/2010 (Official Monitor of Romania, Part I).

In an explanatory note published in February 2010, the government declared that in 2009, more than 5,500 companies had applied for this measure, affecting more than 260,000 employees (Romanian Government website). Furthermore, it estimated that approximately 200,000 employees would experience temporary layoffs in 2010. According to the National Institute of Statistics in Romania, in 2007 there were around 46,536 companies (excluding 441,791 micro-enterprises with up to nine employees) employing 4.8 million people (Romanian Statistical Yearbook, 2008). This suggests that a significant number of companies and employees would benefit from the renewal of the 2009 Government Ordinance.

The costs incurred in relation to the temporary layoffs were estimated at approximately €104.5 million (around RON 439.2 million) nationally. This was deemed to be relatively small compared to the cost of unemployment benefits, estimated at approximately €310.5 million (around RON 1,305 million) for an average unemployment period of nine months.

Collective bargaining at sectoral and local level

In the Romanian steel industry, it is common to find several trade unions present within the same company (Chivu, 2009). In the case of ArcelorMittal Galati, employees are represented by 13 unions, of which nine are affiliated to the union federation, FSS Metarom, which covers more than 80% of employees in this industry. The rest are affiliated to the Solidarity Union of Metallurgists, the Territorial Union of Free Syndicates and the Union of Independent Syndicates ‘Forum’ (Money.ro, November 2009).

Prior to the crisis, union leaders in this industry agreed that a 75% indemnity during temporary layoff would still be relatively disadvantageous for employees as they would also lose on bonuses. Table 4 provides some examples of bonuses available to employees in ArcelorMittal S.A. and which would be lost during the temporary layoff.

Table 4: *Examples of salary bonuses at ArcelorMittal S.A.*

Bonus	Percentage of salary	Comments
Bonus related to difficult working conditions	Min. 10%	Requires the approval of HR management
Bonus related to dangerous working conditions	10–20%	Requires the approval of HR management
Bonus related to night work	25%	For work during 10.30pm and 6am
Bonus related to work carried out on public holidays	100%	
Bonuses for team leaders	5–10%	
Bonuses related to risky work conditions at nuclear power facilities	20–30%	Requires the approval of HR management

Source: *Mittal Steel S.A. Collective agreement, Annex on salary rate scale (2006, renewed yearly)*

In this context, the sectoral agreement covering the period 2004–2008 ensured that employees in this sector would be able to keep their bonuses based on seniority during temporary layoff (Article 52 (4,5) (Collective contract, October 21, 2004). However, after 2008, no more progress has been made in this area as social partners have failed so far to conclude a new social agreement for the period 2008–2012.

From February 2009 unions, in dialogue with ArcelorMittal's EWC, and with the support of the local management, strongly lobbied for government measures to help employees and companies during temporary layoffs. More specifically, FSS Metarom proposed that during this time employees and employers should be exempted from social contributions, whilst employees can still benefit from health insurance and continuity of pension (*Wall Street*, 19 March 2009). It was this lobbying which resulted in the introduction of the Government Emergency Ordinance No. 28/2009 of March 2009. In response, ArcelorMittal immediately introduced temporary layoff measures across all its Romanian subsidiaries.

The trade unions had also, unsuccessfully, proposed that infrastructure projects funded by the Romanian government could exclusively use Romanian workers. This was rejected by government representatives as contravening EU competition rules.

At company level, union and management representatives negotiated better conditions. At ArcelorMittal Galati, following the introduction of the 2009 ordinance, union and company representatives agreed to a tax-free indemnity of 85% of salary during temporary layoffs, plus bonuses related to seniority. An overview of the seniority-based bonuses is provided in Table 5.

Table 5: *Seniority-based bonuses at ArcelorMittal Galati S.A.*

Employment length in years	Bonus
1–3	3%
3–5	5%
5–10	10%
10–15	15%
15–20	20%
more than 20	25%

Source: *Mittal Steel S.A., Collective agreement, Annex on salary rate scale (2007, extended on an annual basis)*

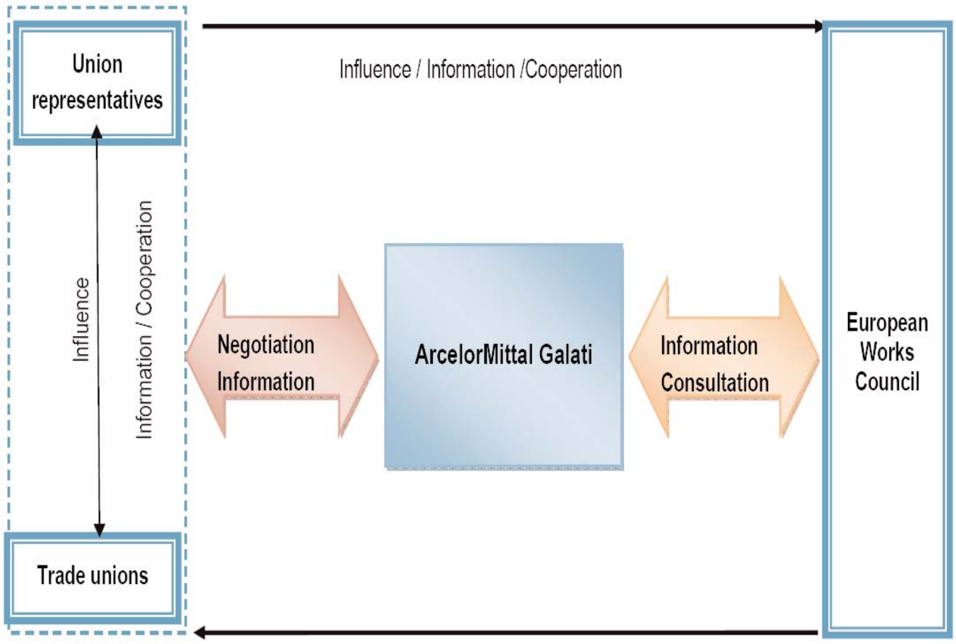
Design of measures at ArcelorMittal Galati

There are several key participants in collective bargaining and social dialogue at ArcelorMittal Galati: trade union representatives, the company's employee representatives, European Works Council (EWC) and the management. The relationship between these stakeholders is summarised in Figure 1.

Generally, trade unions intervene in negotiations only when employee representatives ask for support. At ArcelorMittal Galati, employee representatives and management can negotiate various aspects, such as compensatory payments for voluntary leave and temporary layoff indemnities, and length and conditions of compulsory leave within the restrictions imposed by law and national/sectoral collective agreements. It should be noted that the local negotiations generally do not alter management's decision to implement any particular measure but primarily aim at ensuring that the implementation of the measures comes with the lowest possible social costs. Negotiated decisions apply to both unionised and non-unionised employees. In the steel industry, collective bargaining coverage is 90%. (Chivu, 2009)

ArcelorMittal's EWC was set up in July 2007 and currently has 54 members representing both group management and employees in nine EU countries where the group operates. These are Germany, Belgium, Spain, France, Italy, Luxembourg, Poland, the Czech Republic and Romania. The steering committee of the EWC has 25 members and the position of chairperson is held on a rotating basis.

Figure 1: *Key stakeholders involved in the design and implementation of flexitime*



Information / cooperation

In light of the financial crisis, ArcelorMittal management met with EWC members in November 2008 to present its scheme of voluntary redundancies, due to be implemented from January 2009. The aim of the scheme was to reduce staff by 12,000 employees at group level and by 6,000 in Europe.

This voluntary redundancy scheme was initially designed for employees in administrative or other non-production functions at numerous sites worldwide. However, on 15 December 2008, Mr. Lakshmi N. Mittal and the Group Management Board of ArcelorMittal met with the Secretariat of the EWC to discuss the extension of the scheme to production employees at various sites worldwide. It was discussed on a site-by-site basis following consultations with local employee representatives (United States Securities and Exchange Commission, Annual Report 2008). During the following consultation process, in 2009, the management and EWC representatives met at least eight times. After the announcement of the voluntary redundancy scheme during the EWC meeting late 2008, discussions between employee representatives and local management began in each country. At ArcelorMittal Galati, parties agreed that employees could apply for voluntary redundancies during the period between 12 December 2008 and 31 March 2009. Those willing to take up this measure would receive a one-off severance payment of between €2,364–€5,910 (approximately RON 10,000 – RON 25,000) in addition to their monthly salary for a duration of between six and 24 months according to each employee's length of service). While receiving this payment, workers would be allowed to take another job. Chronically ill workers would receive an additional payment of approximately €1,000. It is important to note that during this time, both the employer and employees would continue to pay social contributions based on the monthly indemnities (ArcelorMittal Galati SA, Collective Agreement 2008).

The payment of the monthly indemnities will only be made until the former employee reaches the formal age of retirement. During the period the former worker receives compensatory payments, he/she benefits from health insurance. Similar agreements were concluded at other Romanian subsidiaries of ArcelorMittal, such as ArcelorMittal Roman.

As for compulsory annual leave, the social partners at ArcelorMittal Galati agreed that each employee would take a maximum of 10 days of leave, by rotation, during the first quarter of 2009 (Ciutacu, 2009). The employee and management representatives said this would ensure that each employee would have at least 15 days of leave remaining which could be taken in a block at their convenience (National Collective Agreement 2007–2010).

Discussions continued at the local level in the first quarter of 2009 as management also planned to introduce a 10-day temporary layoff for all employees, by rotation, during the second quarter of 2009. This was prior to the introduction of the Government Emergency Ordinance 28/2009 in late March 2009. Management and union representatives were discussing at that time the possibility, during the temporary layoff, of a payment of 75% of salary plus the usual bonuses based on seniority. However, after a few rounds of talks, local management decided to postpone the scheme until the introduction of a government support measure. Immediately after the Government Emergency Ordinance was introduced, management and employee representatives agreed to implement the temporary layoff scheme at ArcelorMittal Galati. The period of suspension would be limited to 10 days per employee and paid at a rate of 85% of the basic salary plus bonuses. All employees, including local management, would be expected to take this leave on a rotation basis during a three-month period, in addition to the 10-day compulsory leave taken in the first quarter of 2009.

Furthermore, in April 2009, more meetings were organised at the European and local level to discuss the suspension of production at various sites in Europe for an indeterminate period of time (Annual Report 2009). For example, at ArcelorMittal Galati, the management decided to halt the operations at its coke plant Uzina Cocso-Chimica (UCC) by the end of April 2009. This led to discussions about the possibility of transferring workers to a temporary ‘Skill Pool’ where employees could be retrained and/or apply for internal vacancies. Employee representatives who were interviewed suggest, however, that the management has generally expressed little interest in using the available non-productive time for retraining, invoking reasons like lack of funds and keeping costs down. Employee representatives also say they tried to apply for European funding for internal training but received little support from management.

Nevertheless, it should be noted that, according to the Labour Code, firms employing more than 20 workers are legally bound to provide appropriate conditions for employees to take part in vocational training programmes at least once every two years (ReferNet, 2009). More specifically, employees under the age of 25 have the right to professional training every year and those older than 25 every second year. If firms do not provide employees with free training during the specified period, employers must allow employees to take at least 10 days off for training and education (Romanian Labour Code, 2003, with subsequent amendments). Training leave is paid for by the employer as stipulated by the Romanian Labour Code. There is no available information on the precise number of employees who took up training in 2009, but interviewees asserted that very few employees requested time to attend internal training courses in that year. In 2010, the demand for training has picked up; however, it should be emphasised that the company has not encouraged employees to use their spare time for training during short-time working.

Interestingly, employee representatives and local management also discussed other possible flexitime measures such as short-time working. However, this option was not applied because the estimated losses in income and entitlements seemed too high. In Romania, the law makes a distinction between metallurgists working in normal conditions and those working in more difficult conditions who benefit from special treatment in terms of retirement age, pension and annual leave. A person in special working conditions would automatically be moved to the category of ‘normal worker’ for their period of short-time working, which of course would impact on his/her pension, salary and annual leave entitlements.

This is particularly relevant to ArcelorMittal employees, where workers in special/distinct working conditions comprise about 90% of the entire staff.

Implementation and outcomes

ArcelorMittal's plan to reduce personnel costs, which used voluntary redundancies, compulsory annual leaves and temporary layoffs in addition to a pay freeze and some inter-departmental transfers, was applied to its entire staff in Europe throughout 2009 in line with the legislation and collective agreements in place.

According to the information from the EWC, there are commonalities and differences in the implementation procedures and the impact of the flexibility measures applied in the EU subsidiaries of ArcelorMittal Group.

Overall, compulsory annual leave tended to be the least popular measure from the worker's perspective as it was perceived as interfering with family responsibilities and lacking flexibility (for example, it was up to the employer to decide when the leave must be taken).

Employees based in central and eastern Europe, such as Poland and Romania, generally preferred voluntary redundancies and were less positive about temporary layoffs (at least at the beginning of 2009). In company subsidiaries in Western Europe employees were less interested in voluntary redundancies and were particularly opposed to compulsory annual leave. A high level of disagreement about compulsory annual leave was reported in Germany and France. Up until 2010 early retirement schemes were common in eastern and central Europe, and popular with social partners and employees. Compensatory payments for voluntary redundancies also differed across the group which, in some cases, may have discouraged employees from applying. For example, in some western European countries compensatory pay would consist of six to seven months' pay compared with the maximum of 24 months in Romania. In other cases, framework conditions may have encouraged local management to reduce the working time of their staff. In Germany, for instance, the employer pays for the effective working time and employees receive a state allowance for up to 67% of the missing net wage, for a period of up to 24 months (Council of European Employers of the Metal, Engineering and Technology-Based Industries, 2009).

Temporary layoffs

At ArcelorMittal Galati, 85% of staff (approximately 7,900 people) were affected by temporary layoffs between May and July 2009. The remaining 15% of staff stayed at work as they were indispensable for maintenance work. In line with the local social agreement, temporary layoffs generally lasted for 10 days for each employee with only a minority of workers (15%) having their work suspended for 20 days. The 20-day measure was confined only to workers involved in lamination, which was most affected by the downturn in the market.

By contrast, at ArcelorMittal Iasi, only 30% of the 1,213 employees – primarily administrative staff – were laid off temporarily. The differences between subsidiaries suggest that ArcelorMittal's plan to reduce personnel costs was contingent entirely on the work levels within a certain subsidiary and department as well as on the agreement between local management and employee representatives.

Those stakeholders interviewed consider that temporary layoffs are likely to come in the third quarter of 2010 as production has not yet picked up sufficiently. However, employee representatives suggest that ArcelorMittal's employees in Romania now have more positive attitudes towards temporary layoffs.

Compulsory annual leave

This measure affected more than 90% of Romanian staff and elsewhere in Europe during the first half of 2009. At ArcelorMittal Galati, compulsory annual leave was generally limited to between five and 10 days for each employee. There are plans to reintroduce compulsory annual leave for 1,100 employees due to the lack of work in certain sectors.

Voluntary redundancies

There is very limited follow-up information on what happened to workers who decided to take up this option. There is a common understanding that the majority of workers in this category were relatively close to retirement.

As previously mentioned, a high proportion of employees working for ArcelorMittal in eastern and central Europe chose to take voluntary redundancy during the first three months of 2009. Table 6 shows the number of voluntary departures in each country for which information is available.

Table 6: *Take-up of voluntary redundancies for countries where data are available*

Country	Number of voluntary redundancies (by end of 2009)
Romania	5,900
Poland	5,075
Belgium	2,500
Czech Republic	1,700
France	2,500
Spain	953
Total	**18,628** (out of the total 21,000 losses across the entire group at the end of 2009)

Source: *Information from vice-president of ArcelorMittal's EWC*

It should be noted that workers who take voluntary redundancy do not have some of the benefits received by unemployed people in Romania, for example medical insurance and continuity of pension contributions.

The firm's voluntary redundancy scheme is no longer operating in Romania. The scheme was re-opened at ArcelorMittal Roman in January 2010 for three months, but registered a very low take-up rate.

Transfers

In Romanian law, transfers of workers between two enterprises (or subsidiaries) are not permissible. However, inter-departmental transfers of workers are allowed with the approval of the employee. As has been mentioned, ArcelorMittal set up a Skill Pool in each subsidiary for employees who decided to stay with the company but whose jobs were no longer available due to a permanent halt in operations. This would enable employees to have their skills re-assessed and then be encouraged to take on vacant positions in the same company. The level of training provided before occupying a new position greatly varied as some employees went for very similar positions that required little or no training. There are no statistics on the number of employees who have received training during transfer, but Table 7 shows the number of workers who went through the Skill Pool. The process of transfer to a new position in ArcelorMittal Galati varied from one case to another and could take between a day and two months. Most importantly, for three months, the employee would receive the same salary they received in their previous position. In some cases, employees who took on new jobs lost out on bonuses. Those most affected were workers from the Cocso-Chimica Plant which was shut down in summer 2009.

Table 7: *Number of workers transferred into new positions*

Region	Number of transfers	
	May 2009	End of 2009
ArcelorMittal Galati	1,500	200
ArcelorMittal Roman	363	Not available
Europe	7,000	2,500

Conclusions

The economic crisis and financial turmoil has had a negative impact on the automotive, engineering and construction industry which triggered a devastating decrease in the global demand for steel. The rapid decline in orders compelled the world's largest steelmaker ArcelorMittal Group to implement a programme of production cuts and cost containment. The group has so far avoided the use of compulsory redundancies, resorting to different measures such as temporary layoffs, voluntary redundancies, compulsory annual leave and pay freezes. In this study it can be seen how ArcelorMittal Galati had to juggle various challenges. These ranged from the sharp decline in the global demand for steel, to pressure from the European Commission to demonstrate long-term financial viability and tackle overcapacity, plus strong demands from unions to avoid compulsory redundancies. Information available suggests that the company has prioritised voluntary redundancies with generous severance payments over other measures of personnel restructuring. In 2009 alone, almost 6,000 Romanian workers took voluntary redundancy from the group. This raises serious questions about the future of these people, particularly in terms of long-term unemployment, decreased pension entitlements and lack of health insurance (after the compensatory six to 24 months). The relatively high take-up rate for voluntary redundancies in eastern Europe, compared with western European subsidiaries, reveals a general lack of public awareness about the long-term challenges that this measure might create. However, trade union representatives emphasise that each employee opting for this measure was informed of the long-term consequences of quitting, particularly given the unfavourable labour market situation.

The study also highlights the positive role of the government and unions in supporting flexitime arrangements during economically difficult times. Exemption from social contributions, guaranteed provision of a decent salary for employees, together with continuity of pension entitlements and health insurance during temporary layoffs are conditions that encourage companies and employee representatives to take up such measures. However, recent articles in the press suggest that Romanian employers still find it burdensome to pay a 75% indemnity for each employee during temporary layoffs, which is a non-productive time. Some suggested that the temporary layoff indemnities should be paid out of the unemployment fund rather than the salaries fund (ZF Eveniment, 7 February 2010). Furthermore, the implementation of such measures requires tight control and monitoring procedures to ensure that employers who benefit from social security exemptions do not then continue to use laid-off staff, however sporadically. The media in Romania has highlighted cases of abuse in some companies (Financiarul, 26 April 2010 and Money.ro, 11 September 2009) The Government Ordinance, in 2010, introduced a new clause about control and monitoring procedures to combat possible abuse. However, to prevent such abuse there has to be no time lag between the employer's decision to send staff home and notification of public employment authorities. Such measures also require employers and other stakeholders to help employees understand the consequences of their work being suspended or cut. In Romania some contributory social benefits such as unemployment and public pension entitlements are affected as under a temporary layoff some contributions are calculated on the basis of the national minimum (gross) wage. The existence of costs associated with temporary layoffs suggests that companies should first try to use alternative measures before embarking on short-time working measures.

Another aspect raised by this case study is the fact that employees generally perceive compulsory annual leave as inflexible and annoying. Although a relatively harmless cost-reduction measure, workers have generally little say in deciding the timing of compulsory annual leave which can have consequences on family commitments and work–life balance.

Ironically, in a country that passed legislation on the mandatory provision of training for employees, this study shows few encouraging signs that the regulation has led to a change in practices of and attitudes towards longer-term investment in the workforce. Companies committed to cut costs during economically difficult times might find it burdensome to invest in training; however, evidence from this study also suggests that employees have not been very willing to engage in training. In the case of ArcelorMittal, non-productive time has not been used for general training with only a minority of the transferred employees benefiting from substantial training. Perhaps if the exemption from employers' contributions was conditional on the provision of training, more companies would use the idle time for this. During the crisis, the government revamped a measure to support companies willing to train their own staff by offering a subsidy of 50% of the training costs for 20% of the staff once a year, provided that they keep the staff. However, available evidence suggests that the take-up of this offer has been very low.

Finally, similar to other cases of international restructuring such as Dexia, this case again highlights the essentially limited role which can be played by European Works Councils in affecting global transformation plans. In the case of ArcelorMittal, although the EWC representatives emphasised that they were informed and consulted in a timely fashion, evidence suggests that consultation at this level remains superficial, with little, if any, impact on the management's final decisions. The implementation of the anti-crisis measures taken at the international level and virtually affecting the entire ArcelorMittal Group have taken place at national level, meaning that the benefits offered to employees, and their acceptance rates, in different countries have varied.

Bibliography

Arcelor Mittal Galati SA, Collective agreement, 25 November 2008.

ArcelorMittal spread of operations available online at **http://www.arcelormittal.com/index.php?lang=en&page=683**

ArcelorMittal Annual Report 2009

Chivu, L. (2009), *Representativeness of the European social partner organisations: Steel industry – Romania*, EIROnline. Available online at: **http://www.eurofound.europa.eu/eiro/studies/tn0811027s/ro0811029q.htm**

Ciutacu, C. (2009), Eurofound, 'Tackling the recession: Romania', available online at: **http://www.eurofound.europa.eu/emcc/erm/studies/tn0907020s/ro0907029q.htm**

Council of European Employers of the Metal, Engineering and Technology-Based Industries (2009), S*hort-Time Working 2009*, Berlin

Financiarul, (26 April 2010) available online at **http://www.financiarul.ro/2010/04/26/in-somaj-tehnic-dar-totusi-la-servici/**

Government Emergency Ordinance GEO No. 28/2009 of March 2009) OUG nr. 28/2009 'Privind reglementarea unor masuri de protectie sociala', published in Official Monitor, Part 1, number 186 of 25 March 2009

Metarom available online at **http://www.emf-fem.org/Affiliated-organisations/Romania/FSS-METAROMunion** representative of ferrous metallurgy industry

Ministry of Public Finances, ArcelorMittal Galati's 2008 figures retrieved 10 May 2010. Historical exchange rates available from the website of the European Central Bank at **http://sdw.ecb.europa.eu/browse.do?node=2018794**

Ministry of Regional Development and Tourism, May 2010. Information available online at **http://mie.ro/stiri_en.php?s=213&lang=en**

Mittal Galati (a) *ERM factsheet*, available online at **http://www.eurofound.europa.eu/emcc/erm/static/factsheet_5164.htm?template=searchfactsheets&page=1&sel=3&date=&totalRecords=60&issearch=&nav=&order=&type=DESC**

Mittal Galati (b) *share prospectus*, **http://www.arcelormittal.com/rls/data/pages/652//Bonds_20092014.pdf**

Money.ro (9 November 2009), 'ArcelorMittal Galati started the salary negotiations for 2010' (ArcelorMittal Galați a început negocierile salariale pentru 2010), available online at **http://www.money.ro/siderurgie-si-metalurgie/arcelormittal-galati-a-inceput-negocierile-salariale-pentru-2010.html**

Money.ro (11 September 2009) available online at **http://www.money.ro/fiscalitate/somajul-tehnic-pe-hartie-o-noua-metoda-de-fentare-a-sistemului.html**

'National Collective Agreement 2007–2010', (Contract colectiv de muncă unic la nivelul ramurii metalurgie feroasă, metalurgie neferoasă şi produse refractare pe anii 2004-2008 nr. 2004/2004 din 04/08/2004), published in MVV nr. 14 - 21/10/2004 Available at: **http://www.legislatiamuncii.ro/Contractul-colectiv-de-munca.html**

National Institute of Statistics, Romania, available online at **http://www.insse.ro/cms/rw/pages/index.en.do**

Official Monitor of Romania, Part I, 93/10

ReferNet (2009), *VET in Europe – Country Report Romania*, available online at **http://libserver.cedefop.europa.eu/vetelib/eu/pub/cedefop/vetreport/2009_CR_RO.pdf**

Rentrop and Straton (2009), *The guide of the employer. Temporary Layoff*, available online at **http://www.fml.ro/somaj-tehnic/materiale/Somaj%20tehnic%202009.pdf**

Report from the Commission to the Council and the European Parliament (2009), 'Second monitoring report on steel restructuring in Bulgaria and Romania', COM/2009/0146 final

Roland Berger Strategy Consultants (2004). 'Romanian Steel Industry: Forging ahead', available online at **http://rbd.doingbusiness.ro/articole/2004_9/roland_steel_sept2004.pdf**

Romanian Labour Code, 2003 (with subsequent amendments), Romanian Government website, available online at **http://www.gov.ro/nota-de-fundamentare-oug-nr4-5-02-2010__l1a108201.html**

Romanian Statistical Yearbook (2008), available online at **http://www.insse.ro/cms/rw/pages/anuarstatistic2008.ro.do**

United States Securities and Exchange Commission, *Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934* (For the fiscal year ending December 31, 2008)

Wall Street, 19 March 2009. 'ArcelorMittal: Nu inchidem nicio unitate din Romania, dar avem nevoie de sprijin de la stat', available online at
http://www.wall-street.ro/articol/Companii/61321/ArcelorMittal-Nu-inchidem-nicio-unitate-din-Romania-dar-avem-nevoie-de-sprijin-de-la-stat.html

ZF Eveniment (7 February 2010) available online at
http://www.zf.ro/eveniment/scutirea-de-cas-la-somajul-tehnic-ne-ajuta-dar-tot-dam-75-din-salariu-unor-angajati-care-nu-produc-5482834/

Ziarul Financiar, A. Cojocaru. *Este necesar ca 2010 sa fie un an profitabil, spune seful combinatului siderurgic Mittal Galati*. Published 17 January 2010. Available online at
http://www.zf.ro/companii/este-necesar-ca-2010-sa-fie-un-an-profitabil-spune-seful-combinatului-siderurgic-mittal-galati-5359463/

EF/10/59/EN

