EXECUTIVE SEARCH

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ROMANIA

ROMANIA: MARKET DEVELOPMENTS, LABOUR LAW AND RECRUITMENT

"OVERALL, WE BELIEVE ROMANIA IS ON THE RIGHT TRACK"

Sebastian Metz
Executive Board Member of the German-Romanian Chamber of Industry and Commerce, Bucharest

How would you assess Romania's current political climate and its impact on the trust of German investors?

German companies are monitoring current political developments in Romania very closely. Investment decisions depend mainly on stable and competitive framework conditions, reliable and efficient institutions, and predictable fiscal and economic policies.

The local business community supports the credible continuation of the reform agenda that the Romanian government has 'imposed' on itself. Periods of political transition may lead to short-term caution; however, in our view, Romania's competitive advantages remain valid: member status of the EU, NATO and the Schengen Area; close integration into European supply chains; a strong industrial base and a well-educated workforce; along with a good university education system nationwide.

Again, the key factor now is that reforms are continued, infrastructure and digitalisation projects are driven forward, and economic policy decisions are communicated in a credible and transparent manner.

From the German-Romanian Chamber of Commerce's perspective, Romania will remain an attractive location for German companies if continuity, predictability and trust are further enhanced and the reforms move forward in a timely manner.

2. How secure are the framework conditions for investment in areas such as infrastructure, public authorities and legal certainty? Where do you see progress or a need for action?

The framework conditions for investment in Romania have improved noticeably in recent years.

We see progress, in particular, in infrastructure projects, improved connections with the European markets, the use of EU funding, and the expansion of energy infrastructure. Projects such as new motorway links across the Carpathians, new bridges over the Danube and greater interconnection of energy markets are important for driving the economy forward, stabilising energy prices and enhancing the country's competitiveness.

At the same time, planning certainty remains a key issue for investors. Companies make decisions over the long term. This requires a reliable tax framework, transparent legislative processes and sufficient lead times for regulatory changes. There is also a need for action regarding the further digitalisation of public administration, faster approval procedures, less bureaucracy and the consistent application of legal provisions. Overall, we believe Romania is on the right track.

Where do you currently see the greatest opportunities for German companies? Which sectors are showing particularly strong growth?

We currently see the biggest opportunities for German companies in areas, where Romania can combine its industrial base with future-oriented sectors: energy, infrastructure, digitalisation, defence and security, and nearshoring.

The energy sector, for example, is developing particularly dynamically, with investment in renewable energies, grids, storage technologies and hydrogen solutions. At the same time, infrastructure and logistics projects, including those linked to full Schengen integration are opening up new opportunities for production, trade and distribution hubs. Added to this is the strong digital economy: Romania has a highly skilled workforce in software development, cybersecurity, artificial intelligence and digital services, and is increasingly being used as an innovation hub for the European market.

WE SEE THE BIGGEST OPPORTUNITIES FOR GERMAN COMPANIES IN AREAS LIKE ENERGY, INFRASTRUCTURE, DIGITALISATION, DEFENCE AND SECURITY, AND NEARSHORING.

New opportunities for cooperation are also emerging in the defence and security sectors due to the geopolitical situation and rising European investment.

Nearshoring also remains an important trend, as companies seek to make their supply chains more resilient and relocate activities closer to European sales markets.

Romania is often perceived mainly as a manufacturing hub. Where else does the country offer opportunities?

Romania is often seen as a production location, but the country's potential extends far beyond that.

In recent years, Romania has developed into a dynamic hub for technology and digital services. With a well-educated workforce, a vibrant university landscape and established technology hubs such as Bucharest, Cluj-Napoca, Timișoara and Iași, the country offers attractive conditions for software development, cybersecurity, artificial intelligence, research and development, and shared service centres. Added to this is potential in dual vocational training, the upskilling of skilled workers, business services, regional management centres and nearshoring.

Therefore, not only is the country of interest as a manufacturing hub, but increasingly also for companies seeking to combine innovation, skilled services and regional expansion within the European single market.

Romania has been a full member of the Schengen Area since 2025. How does this specifically impact German-Romanian economic relations, and what impact does this have on Romania as a business location?

Romania's full accession to the Schengen Area is an important economic step, and a clear advantage for the country as a business location.

ROMANIA'S FULL ACCESSION TO THE SCHENGEN AREA IS AN IMPORTANT ECONOMIC STEP, AND A CLEAR ADVANTAGE FOR THE COUNTRY AS A BUSINESS LOCATION.

For German and Romanian companies, this means, above all, fewer administrative hurdles, shorter waiting times at borders and more predictable transport arrangements. This makes supply chains more efficient, reduces logistics costs and facilitates intra-European trade. For industry, logistics, trade and export-oriented companies in particular, this boosts competitiveness and increases Romania's attractiveness as an investment destination. Romania is also moving closer to the European single market. This means that it can further expand its role as a bridge between Central and South-Eastern Europe and the Black Sea region. Schengen – and, in the long term, OECD membership too – are also important recognitions that strengthen the country's international reputation. Schengen accession, is therefore, a positive signal for German-Romanian economic relations: cooperation becomes easier, existing value chains become more stable and new investment decisions become more attractive.

EMPLOYMENT LAW IN ROMANIA: LEGISLATION, PRACTICAL ADVICE AND PITFALLS

Christian Weident
Lawyer, Managing Partner Legal, STALFORT Legal. Tax. Audit., Bucharest

What are some of the common mistakes that German head offices make when hiring and letting go of executives in Romania?

German parent companies frequently make mistakes resulting from a lack of knowledge of the fundamentals of Romanian employment law.

This includes, in particular, the use of German model contracts or clauses without adapting them to Romanian law. Particular points of error include unclear provisions regarding role, remuneration and bonuses, secondary employment, termination, non-competition clauses, etc.

Additional risks arise when the parent company, the local subsidiary and HR do not act in a coordinated manner. In practice, it is primarily the drafting of contracts that lacks legal certainty, and the failure to comply with formal requirements when amending, terminating or cancelling contracts that lead to disputes and liability risks.

Which new legal requirements apply to companies under the EU pay transparency regulations?

Directive (EU) 2023/970 on pay transparency will, in future, require companies to design and document their pay structures on the basis of objective and gender-neutral criteria.

Job applicants must be informed of the proposed starting pay or pay range as early as at the start of the recruitment process. In addition, information must be provided on pay criteria and the average pay of comparable groups of employees.

Companies above a certain size are required to submit regular reports, and in the event of unjustified gender-based pay differences, joint pay reviews with employee representatives may be required.

The specific obligations for Romanian companies depend on national implementation. At present, only a draft law is available.

Which employment law requirements should companies consider when operating decentralised sites and implementing mobile working in Romania?

In the case of decentralised locations, labour, tax and, where applicable, registration law obligations must be assessed depending on the organisational and legal structure. Clear responsibilities and the allocation of powers are essential in practice.

Mobile working is generally regarded as teleworking in Romania. Under the Teleworking Act No. 81/2018, this must be agreed upon, on an individual basis, whilst certain substantive requirements must be observed. The place(s) of work, working hours, availability, work equipment, cost allocation and monitoring arrangements should be clearly set out in the employment contract or in a corresponding supplementary agreement. In addition, there are obligations relating to health and safety at work and data protection.

In practice, risks arise primarily from unclear responsibilities, inadequate recording of working hours and a lack of regulations governing the secure use of IT systems outside the workplace.

Which legal options are available to companies in Romania to protect key staff from being poached by competitors?

Companies can protect key staff primarily through effective contractual and practical measures. In particular, post-contractual non-competition clauses are permissible provided the statutory requirements are met. This requires a limitation in terms of subject matter, geographical scope and duration, an explicit contractual provision, and appropriate compensation for the non-competition period.

During the employment relationship, statutory non-competition and confidentiality obligations apply. However, in practice, these are also specified in detail through, amongst other things, the employment contract and the company's rules and regulations.

In addition, companies should restrict access to confidential information, protect trade secrets and, upon termination of employment, ensure the return of documents and the deletion of data.

A balanced approach is crucial: clauses that go too far are legally vulnerable in Romania and may lose their protective effect.

Particular caution is required when companies enter into no-poaching arrangements. Such agreements are now in principle recognized as anti-competitive and may trigger fines running into the millions, including in Romania.

FAQ: EXECUTIVE SEARCH FOR ROMANIAN SUBSIDIARIES

Christian Tegethoff
Managing Director
CT Executive Search

How does the recruitment of senior executives in Romania differ from that in other Central and Eastern European EU countries?

- Romania has a well-educated pool of senior executives in the manufacturing sector, for example, in the automotive and consumer goods industries. A strong pool of candidates can also be seen in the shared service centres and IT.

- Senior executives are particularly concentrated in certain regions. Bucharest, Cluj-Napoca, Timișoara and, to some extent, Brașov attract a disproportionately high number of qualified top managers.

- Romania has a large diaspora across Europe. This provides an additional pool of internationally experienced Romanian executives that can be considered during the recruitment process.

When is it worth considering Romanians living abroad during the recruitment process?

- I would strongly advise that Romanian expats be considered seriously for C-level positions and demanding transformation roles. International experience is especially valuable here.

- 'Repatriates' are of particular interest for greenfield projects, business expansions, restructuring or the professionalisation of local organisations.

- The chances that a highly skilled Romanian candidate living abroad would consider repatriation increase significantly if a position promises a clear career progression. A typical scenario is a move to the management team of a subsidiary in Romania. Personal reasons, such as being close to parents and family or a strong desire to return home, can also increase such candidates' willingness to make the move. At the same time, the career prospects of their partner and suitable schooling options for their children are often decisive factors in the decision to return.

When it comes to the remuneration of C-level executives in Romania and Germany, how big would you say is the pay gap?

- At C-level, the pay gap between Romania and Germany is significantly smaller than for employees without managerial responsibilities. In recent years, the remuneration of Romanian executives in larger international companies is more or less at par with that in Western Europe. Annual salaries in the six-figure euro range are by no means unusual for experienced managing directors.

- When comparing salaries, it should be noted that Romanian executives often state their salary expectations as net amounts. From a German perspective, these figures may initially appear comparatively low.

- For a rough cost comparison, a rule of thumb for higher management salaries is to calculate approximately 1.7 to 1.75 times the net salary. Therefore, a net salary of 5,000 euros per month roughly corresponds to employer costs of 8,500 to 8,750 euros per month. This does not yet take into account bonus payments, company cars, private health insurance and other benefits.

- Depending on the size of the company, the sector and the scope of responsibility, the total staff costs for comparable C-level positions in Romania can often be around 20 to 40% below the German level. However, for large international companies and particularly sought-after executives, the gap may be smaller.

What motivates Romanian managers to relocate for a new position?

- A clear career progression usually motivates Romanian managers more than a modest pay rise.

- Greater managerial responsibility. Good examples of this include an opportunity to take up a managerial role at a larger production site, taking on P&L responsibilities, or moving into a managing director role.

- The company's reputation, long-term job security and the location's prospects for development also play an important role in the decision.

- German companies enjoy a good reputation amongst Romanian employees.

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EXECUTIVE SEARCH IN EUROPE, INDIA AND THE MIDDLE EAST

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BERLIN

CT Executive Search Europe GmbH
Central Office
Französische Str. 12
10117 Berlin, Germany
Telephone: +49 30 201 88 370
E-mail: office@ct-executive.com