

NEWSLETTER

INTERNATIONAL

 ENGLISH VERSION

ROMANIA



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"ROMANIA IS NO LONGER JUST AN EXTENDED WORKBENCH"

AHK Romania, the largest bilateral chamber of commerce in Romania, is celebrating its 20th anniversary this year. What role does it play in the local economy?

The year 2022 is a special year for AHK Romania, because we are celebrating 20 years of successful activity as AHK. A lot has happened in these 20 years, both for us as AHK, for our large bilateral business community, as well as for Romania - the country is developing more and more from a "simple" production location to an innovation location. We are currently registering a particularly high level of interest in Romania - a location that is not yet well known everywhere in Germany and that is unfortunately sometimes, often wrongly, still viewed in a slightly negative light. Due to various global changes, for example with regard to the supply chain or energy issue or the Ukraine crisis, Romania is now being "rediscovered" or is being increasingly focused on.

More and more German companies have recently been investing in the setup of new development centers - often in good and close cooperation with Romanian universities - and thus, contribute to the development and competitiveness of Romania as an investment location. And we at AHK Romania are proud to be the driving force behind this development. But it's not just about university education. AHK Romania was and is the central partner of the Romanian Ministry of Education. It made a significant contribution to the introduction of the dual vocational training system in 2012 and has been supporting its further development ever since. We need well-trained specialists in Romania – at all levels of education and in all regions.

As the official representation of German business in Romania, and thus, the central contact for all ministries and public administrations at national and regional level, we carry out projects in Romania together with German business. Our task as a bilateral chamber of commerce is to actively support German companies exploring the Romanian market and Romanian companies interested in the German market through our services and events, thereby, contributing to the development of German-Romanian economic relations. We are talking about an impressive bilateral trade volume of over 33 billion euros - this corresponds to over 20% of Romania's foreign trade. As part of the AHK specialist initiatives, we also focus on current topics that are of interest to German-Romanian economic relations and to our AHK community. These include GreenTech (renewable energies, energy efficiency, environment, urban development), vocational training, arbitration and procurement management ("re-/near-shoring").

Why did you choose "sustainability" as the theme for your 20th anniversary? What are the most important projects on the agenda of AHK Romania at the moment?

The topic of sustainability is of central importance for the economy. In principle, it is about converting a previously predominantly linear economic system to a circular system.



Sebastian Metz

Executive board member of the German-Romanian Chamber of Industry and Commerce (AHK Romania), Bucharest

An enormous tour de force for the economy, which means enormous sums of investment over a long period of time. We are currently living at the expense of future generations and these costs are not or only partially priced into our current prices. This transformation process will demand a lot from us - also in terms of social compatibility. And it has become even more difficult due to the current geopolitical situation. As AHK Romania, we want to bring this topic to the center of the economic policy discussion, initiate dialogues, work out solutions and create new partnerships. It is clear to everyone that this cannot be completed in one year, but also that we have to do more here and we want to raise awareness of all those involved this year. It is imperative that we manage to invest the EU funds made available in combination with funds from the private sector in sustainable projects.

How is the German economy represented in Romania today? Which sectors are particularly active?

The German economy in Romania is very well and broadly established. Numerous German companies have invested here, established and expanded production and innovation sites. Around 7,500 companies with German share capital are active in Romania - well over 10% of foreign companies in Romania are German companies or have German capital participation. They employ around 250,000 people, generate sales of over EUR 27 billion (around 13% of Romania's GDP) and hold capital stocks of more than EUR 10 billion.

We expect further, numerous investments by German companies in Romania, including numerous newcomers. Our last economic survey clearly showed this trend once again.

The signs point to growth in both trade and investment, but we must work to ensure that the framework conditions for this continue to exist, because the "competition" does not sleep either. Concrete issues here are skilled workers, transport and energy infrastructure, an efficient administrative apparatus and the absorption of EU funds.

The first wave of German companies benefited from the low salaries, but German companies have been investing in highly automated and high-performance production facilities here for many years. Romania is no longer just an extended workbench, but is increasingly developing into a location for research and development. That's good and right, but we have to constantly work to ensure that it stays that way.

What makes Romania attractive as a location, also in comparison to other Eastern European countries?

Many German companies benefit from the size of the market. With over 19 million inhabitants, Romania is one of the larger markets in the EU.

In terms of investments in production facilities, size and proximity to Western Europe are very important. The country, which has been a member of the EU since 2007 (and a member of NATO since 2004), offers numerous locations for a wide range of

investment projects - in particular the strong industrial foundation that already existed in communist times is an important locational advantage.

For the manufacturing industry, Romania is also geographically very well located because the production sites are not far from the "mother locations".

In addition to the capital - Bucharest, other regions have also developed into strong economic centers. There are competitive universities here with which production companies and IT&C companies successfully work together. This is another reason why these centers have become more and more attractive for young people over the past five years, and the quality of life has also increased. Another reason for investors to settle here.

In addition, Romania has a well-established vocational school system based on the German model, which is being worked on continuously.

The tax system is also favorable and attractive for the economic environment. Added to this is the legal framework of the EU, which creates uniformity and security for entrepreneurs. And last but not least, Romania and Germany share a centuries-old cultural bond. The German minority in Romania continues to play a special role in ensuring productive bilateral economic relations.

"THE ROMANIAN DIASPORA IS AN INTERESTING RESERVOIR OF CANDIDATES"

What are the current trends on the Romanian job market?

As in most Eastern European countries, there is a clear shortage of workers of all kinds in Romania.

In addition to structural reasons, there are some current causes for this. The Romanian economy has largely overcome the problems of the Covid period and is experiencing a considerable recovery. Foreign and local companies are recruiting heavily. The trend towards "nearshoring" makes Romania interesting again as a production and more efficient location.

However, Romania is also important for international companies as a location for shared services centers, for example in the areas of finance or IT. Accordingly, there is currently an urgent need for staff here.

The shortage is exacerbated by the emigration of well-qualified personnel to other EU countries. More than three million Romanians are currently living in other EU countries. In addition to Germany, important destinations for Romanian workers are Italy, Austria and France.



Christian Tegethoff
Managing Director
CT Executive Search

Companies that have specialist or management positions to fill in Romania should keep an eye on this highly interesting pool of candidates. Many Romanians living abroad are quite willing to return if they are offered an attractive position at home.

The high demand for personnel has led to a steady increase in salaries for quite some time. This year's apparent double-digit inflation will also most likely lead to demands from the Romanian workforce regarding remuneration, hence keeping the salary increase trend going.

The considerable demand for personnel is only partially alleviated by the approximately 500,000 Ukrainian refugees currently based in Romania. These are almost exclusively women and children because men of military age are currently not allowed to leave Ukraine. Although the Ukrainian women are selectively integrated into the labor market, they are not suitable for decisively influencing the situation on the labor market.

What makes the Romanian executive market special?

In Romania today, there is a large reservoir of well-trained executives, some with MBAs and other internationally renowned qualifications.

The international companies operating in the country have invested a lot in the training and further education of their employees over the years. Romanian managers who have been trained in foreign companies cultivate a more "democratic" management style than has been traditionally practiced in Romania. The latter is now the domain of purely local, often owner-managed companies.

Micromanagement, autocratic structures and a lack of freedom to make decisions are now seen as negative factors, especially among younger Romanians, and mean that many prefer to work in a foreign company.

However, economic development has not stood still either. Some traditional companies have tried to reposition themselves by recruiting internationally experienced managers and to make a change towards modern systems and internal processes.

In general, Romania does have highly skilled personnel. The Romanian diaspora is also an interesting target group for identifying potential candidates - some of the specialists and executives working abroad are quite open to returning to their home country, provided a challenging and attractive job beckons.

What positions are you currently recruiting to in Romania?

In Romania, CT Executive Search primarily fills management positions for international companies, most of which have Western European or US roots. The majority can be attributed to mid-sized companies, plus corporations.

Romania is interesting for companies from the consumer and capital goods sectors both as a sales market and as a production location. Accordingly, the majority of our mandates relate to positions in the areas of sales and production.

In which regions are you mainly active?

In terms of numbers, the largest proportion of mandates relates to Bucharest, where many companies have set up their Romanian national subsidiaries. But we also work regularly at the country's industrial sites - for example in Braşov, Râmnicu Vâlcea or Slatina.

Filling production-related positions, in particular, requires a lot of research. Here, we can rely on the support of our colleagues in Bucharest, who have a lot of experience working for customers from German medium-sized companies.

“LABOUR SHORTAGES ARE STILL AN ISSUE”

Could you shed more light on Schmitz Cargobull's activities in Romania? Why was the Bucharest location chosen at the time?

In Romania, we maintain a sales subsidiary that deals with the sale of new and used vehicles and the spare parts business. We have a total of 35 employees in Romania, the country headquarters is in Bucharest. Our sales network is distributed throughout the country.

Schmitz Cargobull came to the country relatively early; the company has had contacts in Romania since the early 1990s. The Sales Director at the time recognized the potential early on and wanted to be the first to be there. We were one of the first foreign commercial vehicle companies in Romania. That turned out to be a brilliant decision. We showed interest early on and that earned us respect.

Romania is one of the larger European markets, local customer needs are demanding and diverse, and the country is central to the logistics industry.

How is business going at the moment? Which topics do you mainly deal with?

In a word: mediocre. We are caught between two millstones: the continued high order backlog and the limited availability of goods. Transporting production components is expensive. As a company with a relatively high proportion of purchased parts, we feel, among other things, the lack of availability of products of all kinds.

As a result, we are often only able to deliver ordered units later, which means that we also run into price scissors.



Roland W. Schacht

is Regional Manager Central Europe and Managing Director of Schmitz Cargobull Romania with responsibility for Romania, Moldova, Greece and Cyprus. The German Schmitz Cargobull AG is Europe's leading manufacturer of semi-trailers, bodies and trailers.

In short: the demand on the customer side is there, everyone needs transport capacities, but there is not enough material to meet current needs.

One of the reasons is the reduction in production capacity during the Corona lockdowns. The demand, which then increased surprisingly quickly, cannot be met at the moment, so that a demand overhang has arisen. The USA are also in high demand and are often prioritized by the Asian suppliers. Added to this, is the current energy crisis.

Therefore, we are currently in even more frequent contact with customers in order to offer them the best possible security and to create a certain amount of predictability.

Meanwhile, the labor shortage in Romania continues to be an issue. Employees are hard to come by, sometimes we employ headhunters just to look for clerks. Although many Romanians returned from abroad during the Covid pandemic, many of them have already left for western and southern Europe. The standard of living there and the higher wages are still causing many workers to turn their backs on Romania.

How did the Russo-Ukrainian War affect your business?

Romania shares a long border with Ukraine and the conflict immediately created a great deal of insecurity here. This also applies to Moldova, for which we are also responsible. Many people had already packed their bags there after the outbreak of war.

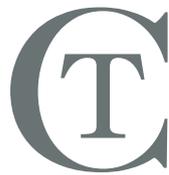
The wave of refugees to Romania was enormous, around 500,000 Ukrainian refugees came to the country. While they are welcome in Romania, they also pose a challenge to the country.

The majority of Romanians support the EU course towards Russia, as well as the perspective of Moldova joining the EU. The sanctions are seen as necessary to slow down Putin. Romania hosts a large NATO base, which is welcomed by large parts of the population.

What expectations do you have for the further involvement of Western European companies in Romania?

There are already many foreign production sites in Romania and I don't necessarily assume that very many will be added here. International companies not previously represented here see Romania as an interesting location for areas such as IT, research and development or shared service centers. This is supported by the many well-educated people in the country.

But "nearshoring" is not just a buzzword. Depending on the respective industry, Romania has further potential as a supplier location. In terms of infrastructure, however, there is still some catching up to do, but a lot is already being done here, also thanks to EU funding.



EXECUTIVE SEARCH



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CT Executive Search focuses on placing key positions in Eastern Europe and the Emerging Markets – in Russia / CIS, Africa, the Middle East and Asia. We are experts in cross-border search processes and identifying high-performing candidates, adding value to international companies. Leveraging a broad network of analysts and consultants across Eastern Europe and the emerging markets, CT Executive Search has established itself as a reliable partner to well-reputed multinational companies.

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