

Overview of Romanian Employment Law

Insights

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Since 2000, Romania has been the recipient of significant foreign investment, garnering more foreign investment than any other central and southeastern European country. In addition to its central location, Romania has a well-educated workforce and low labor cost as compared to other European Union (EU) member states. Before multi-national employers look to expand operations in Europe's seventh most-populous country, however, an important first step is understanding the laws governing employment in Romania.

The Romanian Labour Code

All employers in Romania must comply with Romanian labor law, whether they employ Romanian citizens or foreign nationals, and regardless of the size of business. The Romanian Labour Code (Codul Muncii), which was enacted in 2003, governs the relationship between employers and employees, and covers local employees working for Romanian employers in Romania and abroad, as well as foreign citizens working in Romania. In addition to the Labour Code, employees' workplace rights and benefits may be negotiated by trade unions or elected employee representatives. Employers with 20 or more employees are required to negotiate a collective labor agreement.

The Employment Contract

Under Romanian law, all employment relationships are governed by a contract, which must be in writing and written in Romanian, and executed prior to the commencement of employment. At a minimum, the contract must spell out key terms such as salary, required job duties, entitlement to annual leave (generally 20 days), the duration of the agreement, and whether there are any specific risks associated with the performance of job duties. Pursuant to law, the work week is generally limited to no more than five eight-hour days, and a maximum of 48 hours per week. Part-time workers must work a minimum of ten hours per week, two hours per day. Other negotiable terms may be included in the contract, but employees may not contract away any rights provided under Romanian law.

Although the written contract should be executed as soon as possible, employers who fail to have a written contract in place within 30 days after the employment relationship has begun may be sued for damages. All contracts must be registered with the local labor inspectorate within 20 days of execution, and any amendments to the contracts must be filed within five days of amendment.

Non-competition provisions may be included in the contract, but to be enforceable, the employee must receive a monthly non-competition benefit as part of his or her compensation. The non-competition agreement is limited to a maximum of two years in duration, and the geographic scope must be specified. The contract should also provide a list of prohibited competitive activities, the third parties for whom the employee may not work, and the amount of the monthly non-competition compensation.

Foreign Born Employees

Romania has been a member state of the European Union since January 2007, which has led to a loosening of restrictions on foreign workers in Romania, but foreign citizens (who are not EU citizens) may only work in Romania pursuant to a work authorization permit issued by the Romanian Office for Immigration. The work authorization is usually issued for a one-year period, and may be extended as long as the individual work contract has been extended.

Termination

An individual work contract may be terminated only through “lawful” dismissal or resignation. Dismissals are generally “lawful” only under the following circumstances:

- The employee has repeatedly violated a work rule or committed a serious violation of a work rule;
- The employee has been shown (by a competent medical examiner) to have a physical or mental disability that prevents him or her from carrying out assigned job duties;
- The employee is “unfit” for his or her job;
- The employee has been taken into police custody for more than 30 days pursuant to the Code of Criminal Procedure;
- The elimination of employee’s position based on financial reasons, reorganization, etc.

Keep in mind that prior to a dismissal based on an alleged violation of work rules, the employee is entitled to take part in a preliminary hearing regarding the alleged violation. Where the employee will be dismissed for a physical or mental disability or general lack of fitness for a position, the employer first must consult with an occupational medicine physician to determine whether there are other, more suitable positions within the company, given the employee’s disabilities or limitations. For dismissals based on company reorganization or financial reasons, the employer is liable for damages if the reorganization or financial reasons are determined to be groundless or contrary to law.

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