

New Labor Legislation: Stimulus and Technical Changes



This update includes the following topics:

- New deadlines for registration formalities
- Renewed social protection measures for 2010
- Job market stimulus
- New rules on retirement

The new legislation on employment enacted in the first quarter of 2010 blends social measures meant to stimulate economic growth with administrative changes related to registration formalities and mandatory retirement.

New deadlines for registration formalities

Government Decision no. 37/2010 for the amendment of Government Decision no. 161/2006 regarding the general employees' register (the "Register") Provides that the essential elements of a new employee's labor agreement (identification data, employment date, job position - COR classification and type of agreement) must be electronically recorded in the Register, which shall be then further submitted online to the relevant labor inspectorate, no later than the last business day before the employee starts working. Moreover:

- the date and grounds for termination of the labor agreement must be registered in the Register, and further filed online with the relevant labor inspectorate on the effective termination date thereof;
- in case of newly registered employers, the Register must be submitted to the relevant labor inspectorate no later than the last business day before the first employee starts work; and
- the following deeds are deemed administrative offenses:
 - ▶ failure to register the labor agreements within the Register prior to commencement of work - fine of RON 1,500 (currently approximately EUR 366) for each unregistered labor contract, without the aggregate value of the fine exceeding RON 20,000 (currently approximately

Salans Bucharest

will organize the event

"EMPLOYMENT - Practical solutions for implementing employment legislation" in

partnership with the weekly

business publication The Business

Review. The event will take place

*on **Wednesday, May 12, 2010,***

starting at 9am, at the

Intercontinental Hotel, Bucharest.

Salans will moderate a panel and

have a workshop together with a

representative of the Ministry of

Labor and Social Protection. Please

let us know if you wish to attend so

*that you can benefit from our **20%***

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fee. For details please visit

link <http://business->

[review.ro/events/legal-business-](http://business-review.ro/events/legal-business-series/employment/9059/program/)

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EUR 4,878); and

- ▶ inputting erroneous information in the Register may result in a fine ranging from RON 3,500 (currently approximately EUR 854) to RON 5,000 (currently approximately EUR 1,220).

Renewed social protection measures for 2010

Government Emergency Ordinance no. 4/2010 on certain social protection measures extends the fiscal incentives applicable to the temporary suspension of employers' activity, initially granted only for 2009 by Government Emergency Ordinance 28/2009.

1) Waiver of payment of the social security contributions owed to the State budget by both the employer and the employee in case of temporary suspension of activity (leading to the so-called "technical unemployment", **Rom. somaj tehnic**), as provided under art. 53 paragraph (1) of the Labor Code:

- for up to 3 months of activity temporary suspension in 2010, which may be either: (i) consecutive; or (ii) cumulative (i.e., the three-month period may be comprised of shorter periods of temporary suspension during 2010);
- applicable for any and each of the employer's units, sectors, installations with temporary suspended activity (e.g. the activity of one section is first suspended for three months; afterwards, the activity of another section is then suspended for another three-month period, etc); and
- the exemption period is deemed by law as contribution stage (**Rom. stagiul de cotizare**), but shall not be considered when calculating the length of service (**Rom. vechime in munca**).

2) Waiver, for maximum three months in 2010, of the obligation to pay income tax (16%) on the employee indemnity for technical unemployment (which is 75% of the base salary).



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Job market stimulus

Government Emergency Ordinance no. 13/2010 regarding certain measures for stimulating creation of new jobs and decrease of unemployment.

Employers retaining the services of unemployed persons shall be exempted from payment of social contributions for such persons for a period of six months from the employment date, under the following conditions:

- the new hired employees were registered as unemployed with the relevant unemployment agency at least three months prior to the date of the new employment;
- the new hired employees must remain employed with the same employer for at least 12 months, under the sanction of retroactive payment of all social contributions that would otherwise be due;
- there was no past employment relationship between the employer and the new hired employee for the previous six months; and
- the vacant job positions to be occupied by the new hired employees are not the result of redundancies operated in the last six months prior to the date of the new employment.

The six months exemption period is deemed by law as “contribution stage” (**Rom. *stagiu de cotizare***). The employers must pay the exempted social contributions retroactively, in case of redundancies during the twelve-month period of mandatory employment subsequent to the entry into force of the stimulus package.

New rules on pensions

Law 49/2010 regarding certain measures on employment and social security, amending Pension Law no. 19/2000 and the Labor Code, as follows:

- continuing employment after meeting the standard age-retirement conditions is now possible only with the employer’s prior approval;
- the labor agreement is lawfully terminated at the date when the standard age-retirement conditions are met; termination is ascertained by the employer’s decision issued within five business days after such date and further acknowledged by the employee and the relevant labor inspectorate within the next following five business days; and
- consequently, the former need to dismiss an employee complying with the standard age-retirement conditions who refuses to retire has been abrogated.

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