# Offshoring

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When an activity stays within the company but is moved outside the EU borders

## What you should know about it:

- Offshoring means that an activity is relocated or outsourced outside EU or European Economic Area (EEA). The offshored activity may either continue to be owned by the company or may be moved to a subcontractor.
- Similar to **outsourcing** the private or public sector company that offshores activities will continue to be present in the home country.
- As offshoring refers to a transfer of production or services from any country within the scope of the from any country within scope of the EWC/SE WC to a country somewhere else in the world, the involvement of your Global Trade Union Federation may be appropriate. It this is considered, please consult your national and European Trade Union Federation.
- Though offshoring may be related to business expansion, in many cases, the aim of offshoring business processes consists of the reduction of costs, which may be achieved through lower labour costs, attractive regulatory environments or the proximity to sales markets. In most cases, the offshoring of domestic production activities concerns labour-intensive activities that are moved abroad to take advantage of lower wage costs.
- Manufacturing dominates offshoring statistics. Offshoring occurs in rather labour-intensive mid-tech sectors in the Western European countries and in lower-tech sectors in Central and Eastern European EU Member States. The only service sector with significant offshoring is banking and insurance.
- As offshoring involves more than one country, European and SE Works Councils are an important forum with regard to interest representation at European level. See in the section below about key aspects to be taken into account when it comes to offshoring.
- Quite often offshoring is used by the employer as a threat to implement internal restructuring, increase working time flexibility or get rid of benefits by arguing that labour costs were apparently too high.
- Offshoring may often involve **collective redundancies** or even **closures**.

## Your mission is to...

- Gather as much as possible of information about the employers' offshoring plan or ideas. It is necessary to distinguish between responses to actual offshoring plans and responses to the employers' threat of offshoring.

- Share the information with your sectoral, European and Global trade union organisation and ask for advice.
- In case there is an EWC/SE WC, liaise with fellow worker representatives and exchange information and experience. Offshoring represents a particularly difficult issue for EWCs due to the potential conflicting interests between the representatives of different countries.
- Get in touch with your EWC/SE WC coordinator and your European Trade Union Federation for advice.
- Share all information you can collect at local level with all EWC/SE WC members.
- Involve cross-border trade union networks or support the creation of such networks where these do not yet exist.
- Intensify communication within the EWC/SE WC and/or other affected sites across borders as well as in the national contexts.
- Be pro-active: Claim your rights, do not wait for management to voluntarily come forward with the necessary information or ask for your opinion.

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# Timeline matrix

## Management obligations

### European Works Councils SE Works Councils

- If the rumours are true and a project is under way which may be of importance for the European workforce in terms of its potential effect, central Management has the obligation to inform the EWC or SE WC as soon as possible (see intended decision)

### Local worker representations

- If the rumours are well funded and a project is under way which may have an impact on the workforce in terms of its potential effect, Local Management has the obligation to inform the local representatives as soon as possible (see intended decision). In case more than one country is impacted, such information should be coordinated and provided within the same timeframe. Local information then concerns in particular the impact of the relocation project on those local sites that will be affected.

### Worker representatives on the Board

- Management should inform the board members about the corporate strategy and any plans that are likely to affect the workforce at a very early phase and well in advance of any final decision.

## Workers' rights and action

### European Works Councils SE Works Councils

- As soon as rumours may appear to have some substance, EWC/SE WC members should confront management with the information already obtained and ask for further details, including – when appropriate - the formal information and preparations for consultation of the EWC/SE WC. This can be done at a regular meeting or via their Select Committee, Secretary, Chair or other spokesperson in between meetings.
- Consider using checklists of early warning signals that have been developed in trade union projects such as. **Anticipating and assessing risks related to outsourcing/offshoring**
- Get in touch with your trade union coordinator and your European and Global trade union federation to secure the full information of all concerned trade unions and start preparing a joint trade union response

### Local worker representations

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As soon as rumours may appear to have some substance, local worker representatives should confront management with the information already obtained and ask for further details, including - when appropriate – the formal information and preparations for consultation. This can be done at regular meetings of the local representative bodies or via their Secretary, Chair or other spokesperson in between meetings. This can also be done by individual shop stewards or the EWC/SE WC members representing of the country concerned.

- Any information obtained at local level should systematically be shared with the EWC/SE WC members of the other countries. This will make it possible to get a picture very quickly of the transnational nature of the possible offshoring measure.

### Worker representatives on the Board

- Worker representatives on the board have access to the same information as shareholder representatives. If any rumours about possible outsourcing of activities are going around and such plan has not been communicated to the board yet, then the issue can be raised at the next meeting, asking for full disclosure of the business case. If however such plan was already shared with the board, signals can be sent to the EWC, local worker representatives and/or trade union officers that indeed such restructuring is being prepared. Caution: specific rules on confidentiality may apply.

## Trade union action

### European Works Councils SE Works Councils

- Contact the respective ETUF and Global Union Federation: Check and follow any existing ETUF code of conduct/policy applicable in case of offshoring and/or any pre-existing transnational framework agreement or similar company-specific document.
- Gather information on the recipient country of a possible offshoring activity and try to establish contacts with the respective trade union structures.
- EWC coordinators should closely cooperate with the ETUF/GUF and EWC members in the concerned countries

### Local worker representations

- Rumours may be well-founded or not. Therefore, the first mission is to gather as much information as possible to substantiate your presumptions. Possible actions include exchanges with workers concerned, checking publicly available sources (press, corporate website, ...) and gathering information on the potential subcontractor or target country and site of the potential offshoring.
- ETUFs to check level of information with member organisations

### Worker representatives on the Board

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In some cases, trade union officers may have a mandate on the company board. If that is not the case, then a close contact to the worker representatives who are on the board will be essential. This will allow rumours to be quickly verified and, if confirmed, to prepare further steps (see the following sections in the timeline).

## Role of public authorities

### European Works Councils SE Works Councils

- No role of public authorities at this stage. However, you may inform yourself about the role of national or local public authorities in particular in large cases of restructuring in your country involving redundancies.
- Please also note that there are European support instruments for workers affected by offshoring-related redundancies, the **European Globalisation Fund**, the EGF. Based on applications of national public authorities, the EGF may provide support for individual workers that are facing redundancies such as reskilling and other.

### Local worker representations

- In some countries, when larger parts of the workforce are concerned, public authorities may be asked to get involved. To prepare for such intervention at a later stage, check your national legislation to find out what rules will apply and which procedures you must follow.
- Laws and regulations on **collective redundancies** and the **transfer of activities to a different undertaking** may be of particular interest.
- Make yourself familiar with European legislation on cushioning the effects of redundancies that are related to globalisation, i.e. the **European Globalisation Fund**.

### Worker representatives on the Board

- In case of significant impacts on the local workforce, worker representatives on the board may become prepared to ask management to inform public authorities.

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# Further reading and resources

OFFSHORING

## ERM annual report 2016: Globalisation slowdown? Recent evidence of offshoring and reshoring in Europe

Organisation(s): Eurofound

Type: Website

Category: Research

Language: English

Access: Public

Year: 2017

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## Subcontracting and Social Liability, ETUC. Brussels

Author(s): Cremers Jan, Houwerzijl Mike

Organisation(s): ETUC

Type: PDF

Category: Research

Language: English

Access: Public

Year: 2021

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## Eurofound Database on Restructuring cases: Recent cases of offshoring and delocation

Organisation(s): Eurofound

Type: Website

Category: Facts and data

Language: English

Access: Public

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## Due Diligence and Subcontracting

Organisation(s): ETUC

Type: Website

Category: Union guides

Language: English

Access: Public

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OUTSOURCING RELOCATION OFFSHORING

## Offshore outsourcing. A handbook for employee representatives and trade unionists

Organisation(s): UNI Europa

Type: PDF

Category: Union guides

Language: English

Access: Public

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