Outsourcing

When an activity is externalised to another company

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What you should know about it:

- Outsourcing or subcontracting is the delegation of what management considers to be 'non-core' operations or jobs from internal production to an external entity (such as a subcontractor).
- Outsourcing should be distinguished from **relocation** and **offshoring**. While outsourcing refers to the contracting out of a production or service activity to an external company in the public or private sector within the same country, offshoring describes the transfer of production processes or services within the EU/EEA and relocation means that an activity is transferred outside the EU/EEA.
- Outsourcing concerns the transfer of secondary or transversal services or production. If it involves the separation of one or more entire divisions or business areas into a new legal entity, then it must be considered a **spin-off or franchising of activities**.
- Activities typically outsourced or subcontracted are IT support, Human Resources (e.g. payroll), accounting services, cleaning and security, logistics or any other specific production of good or service.
- Objectives of outsourcing: mainly to cut expenses, including those on personnel. In many cases, outsourcing is a tool for management to transfer business risks to its subcontractor. It can also be a way of hiring more specialised support where that is not available within the company itself.
- Outsourcing often happens at the expense of workers. The public or private company staff in the activity concerned may lose their job and the new provider may apply lower-level conditions and pay to its workers. Additionally, outsourcing may lead to long supply chains and complex arrangements. If workers are transferred to another employer (an autonomous entity), jobs and working conditions may be safeguarded for a certain period of time only (click **here** to learn more about transfer of labour contracts).

Your mission is to...

- Anticipate outsourcing in your company of the public or private sector by monitoring sectoral developments. Use trade union resources and information on the issue at European and national level.
- Gather all information that helps to understand the economic case of outsourcing but also possible "hidden" motivations of the management.
- 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.

- Gather information on the external company or contractor and pay specific attention to working conditions and labour relations. If feasible, use all channels to get in touch with trade unions at the entity to which production or services will be outsourced.
- Be pro-active: Claim your rights, do not wait for management to voluntarily come forward with the necessary information or ask for your opinion.
- For more generic recommendations on transnational restructuring please click **HERE**

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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 the impact of the outsourcing 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.

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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 and offshoring**
- Get in touch with your trade union coordinator and your European trade union federation to secure the full information of all concerned trade unions and start preparing a joint trade union response

Local worker representations

- 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 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 outsourcing.

Worker representatives on the Board

Employee 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. Check and follow any existing ETUF code of conduct/policy applicable in case of outsourcing.
- Gather information on the recipient of an activity that may be outsourced and try to establish contacts with the respective trade union structures.
- EWC coordinators should closely cooperate with the ETUF 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 contacts with representatives of the potential subcontractor.

Worker representatives on the Board

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 employee 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).

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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 large cases of restructuring in your country.

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.

Worker representatives on the Board

In case of a significant impact on the local workforce, worker representatives on the board may ask management to inform public authorities.

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Further reading and resources

OUTSOURCING RELOCATION

The outsourcing challenge: organizing workers across fragmented production networks

Organisation(s): ETUI

Type: Website

Category: Research

Language: English

Access: Public

Year: 2015

OUTSOURCING RELOCATION

Outsourcing

Organisation(s): Eurofound

Type: Website

Category: Research

Language: English

Access: Public

OUTSOURCING RELOCATION

Eurofound Restructuring Events Database: Factsheet Outsourcing

Organisation(s): Eurofound

Category: Facts and data

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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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