

# Outsourcing and collective bargaining

## Definition

Outsourcing covers range of activities that may be variously known as:

- contracting-out
- sub-contracting
- externalisation
- and particularly in the context of public services – privatisation
- offshoring is new buzz word for particular type of outsourcing
- also factor in public private partnerships

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## What is outsourced

A very wide range of activities have been outsourced across the public services:

- cleaning
- information technology
- call centres
- payroll
- training
- network maintenance
- cleaning
- catering
- security
- accounting
- transport
- billing

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## Why is it on the agenda

### Collective bargaining resolution Congress, June 2004

- “All too often modernisation [is]... nothing less than a euphemism for cost cutting, outsourcing and violation of worker’s rights. EPSU supports modernisation that is based on negotiations between employers and unions. One-sided employer or government measures are rejected.”
- Corporate restructuring, of which outsourcing is one of most common elements, is one of six key collective bargaining themes that EPSU is committed to develop policy on over the current Congress period.

### Collective bargaining in utilities seminar May 2004

- Discussed range of common problems but both working groups separately identified outsourcing as the main issue



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## Offshoring

Has pushed outsourcing up the agenda with media full of latest “offshoring” trends

Essentially form outsourcing where service is transferred to foreign provider

Controversial as media focus tends to be on massive savings achieved on employment costs, highlighting in particular examples of UK/US firms using Indian IT/call centre companies

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## Reason for outsourcing

Impact of outsourcing on collective bargaining and workers' pay and conditions and response to it can depend on aims of outsourcing. For example are employer's main intentions to:

- Simply cut costs to boost profits, stem losses or in response to public finance cuts?
- Rationalise activities to concentrate on making core business perform better?
- Take advantage of potentially greater expertise and resources of specialist company eg in IT?
- Is it part of overall corporate strategy – so is this a local management initiative or will it be tried throughout the company

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## Issues raised by outsourcing

From the point of view of the provision of public services

- Quality and reliability of service
- Accountability and monitoring
- Public safety
- Skill needs and technical competence

More specifically in terms of collective bargaining:

- Trade union rights
- Job security
- Pay and conditions
- Equality
- Health and safety
- Information and consultation



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## The union view of outsourcing

Not surprising that for many trade unions outsourcing policy starts (and ends) with opposition.

The various processes of privatisation, sub-contracting, externalisation and offshoring are most commonly associated with attempts by employers to reduce costs.

Services are transferred to contractors who try to win contracts by cutting back on jobs and the pay and conditions of their workers. Lower pay, poorer pensions and other benefits, weaker health and safety procedures and inadequate training provision have all been typical of much of outsourcing, particularly in the public services.



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## The union response – opposition to all outsourcing?

While opposition might be the starting point, is this an adequate union policy?  
Are all outsourcing companies bad employers?

Are there cases where employers have more strategic view with aim to benefit from service provided by better-resourced organisation?

Could specialist company also provide better pay and conditions and career prospects for transferred employees?

In situations of financial crisis could outsourcing also be alternative to other potentially worse cost-cutting options?

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## Outsourcing policy

Right to information and consultation – unions need to be told at earliest stage that outsourcing is under discussion:

- why is it under discussion?
- which activities will be affected?
- what is the timetable?
- which potential outsourcing companies are involved?
- which consultants have been used and what research has been done on the issue – what alternatives can be considered?

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## Outsourcing policy

If initial consultation reveals that outsourcing is an unavoidable or even preferred option then negotiate over process:

- employees affected
- is there relocation/transfer choice
- details of outsourcers
- trade union rights/collective bargaining under new employer – can the takeover directive be applied here (see also EPSU merger and acquisition checklist)
- protection of pay and conditions – beyond legal minimum
- right to return to original employer

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## Role for EPSU

Facilitate drawing up model outsourcing agreement that member unions can adopt and/or adapt and try to agree with employers/employer associations?

Draw up a related, perhaps more general code of practice focussing on the process of information and consultation that could be discussed in sectoral social dialogue?

Co-ordinate campaign on outsourcing, highlighting examples of good practice to follow and problems created by bad practice