



Labour market change

**Honeywell Transportation Systems  
(since May 2019 Garrett Motion  
Italia): Offshoring from Italy to  
Slovakia - case study**

## Honeywell Transportation Systems (since May 2019 Garrett Motion Italia): Offshoring from Italy to Slovakia

This case study was carried out for a European Restructuring Monitor project on transnational restructuring (2019-20).

Report: [ERM report 2020: Restructuring across borders](#)

### Introduction

Honeywell Transportation Systems (since May 2019 Garrett Motion Italia) is a manufacturer of turbochargers for diesel engines. The new company is now headquartered in Switzerland, while Honeywell's HQ is located in the US. Since the restructuring discussed by this case study took place when the company traded as Honeywell Transportation systems, company and employment data for Honeywell are subsequently used. Honeywell is present in 70 countries on around 1,250 sites and employs around 129,000 workers.

### Offshoring from Italy to Slovakia

Workers at the company's Atessa site went on strike in July 2017 over a fear of business closure. This was triggered by the company's decision to build a twin site in Slovakia and to back up production codes for the product produced at Atessa. Between July and November 2017, the company did not respond to requests from workers' representatives and public institutions to clarify the future of the site. In November 2017, the decision was announced to close the site and move production to Slovakia.

After a period of decline in employment numbers, 420 workers were engaged at the site at the time of the announcement. All but 20 lost their jobs as the entire production process was relocated to Slovakia. In addition, press reports speak of an additional 80 jobs being affected in the supply chain (employee representatives put this figure at between 250-300 whereas management representatives argue it to be as low as 40-50).

The decision to relocate production was taken at the global headquarters of the company and was part of a more comprehensive reorganisation of all plants at the global level. This was attributed to overcapacities linked to the decline in demand for turbochargers for diesel engines and competitiveness considerations linked to labour costs for the production of turbochargers for petrol engines. This rationale was not accepted by the Italian trade unions at the Atessa site, emphasising that, while not cost-competitive with production sites in Eastern Europe, the Atessa site was more productive and efficient than other production sites in Western Europe (and particularly in France, the site of Thaon-Les-Vosges). The Atessa site won a prize for the best production site in Europe according to the principles of the Honeywell Operating System. Employee representatives expressed the feeling of a strong home country bias in the company's location decisions, arguing that a significant part of the top management is French. This interpretation was disputed by management, who argued that the selection criteria for the closure of specific sites are different. The French site producing similar products to that in Italy was considered by the company to be more conveniently located near an R&D centre which could provide a beneficial integration of research and production, as well as being smaller (reflecting lower required capacities).

Employee representatives also argued that supports for the job creation were provided in Slovakia. They argued that local government subsidised the building of the plant and granted hiring incentives.

Local management tried to postpone the decision to close the plant for as long as possible, also relying of social shock absorbers already in use at the plant prior to the restructuring (CIGO and CIGS). However, they eventually agreed with the headquarter's decision and implemented a closure plan with efforts to limit its negative consequences for workers, including seeking prospects for the reindustrialisation of the site.

#### Employee representation at Honeywell

An EWC agreement is in place at Honeywell. This dates back to 1998 and was renegotiated in 1999 and 2005. It was signed with EMF and EMCEF and their representative unions in the countries where Honeywell plants meet the relevant size thresholds. The agreement is governed by Belgian law.

At the affected site in Italy, the metalworkers' federations of the three confederal unions (FIOM-CGIL, FIM-CISL and UILM-UIL) as well as UGL are recognised.

#### Consultation process linked to the offshoring of jobs to Slovakia

According to management representatives, the EWC was informed about the relocation, but EWC representatives dispute this, arguing that Italian members of the EWC only received this information 'informally' by a company representative at a meeting in April 2017. Both sides agree that no consultation took place at this level. The EWC agreement states that 'at each annual meeting and at meetings held for extraordinary issues' [e.g. those that substantially impact employment in two or more Member States] 'the company will afford employee representatives the right of consultation regarding all information presented. Consultation is defined as an exchange of views and the establishment of a dialogue'.

Employee representatives at the national level were officially informed of restructuring plans only after several months of strike actions by workers fearing a business closure (see above). This information was provided in November 2017 (several months after the closure decision had been taken by the board).

No consultation on the closure decision took place, but employee representatives were involved in negotiations on a plan to mitigate the social effects of the closure (e.g. compensation, training initiatives, etc.).

The package agreed provides each worker a dismissal compensation package of two years' annual salary (around €50,000). Dismissed employees are to receive unemployment benefits (until June 2020). Re-training initiatives were also funded by the company according the management representatives. The package was considered to be generous by employees, compared to what has been offered in other restructuring situations.

The company also argues that significant efforts were undertaken to support re-industrialisation, i.e. through finding a potential buyer for the production site, willing to employ a share of the dismissed workers. In order to encourage such investment, the company offered to sell the production site and some of the machinery for €1. However, employee representatives argue that the conditions imposed by the company (in particular the non-competition clause, banning similar production on the site) proved a significant obstacle to finding a potential investor and slowed down this process. An investor was eventually found in August 2019 (Baomarc). This company committed to take on 172 of the dismissed workers.

The Ministry of Economic Development called a meeting of the crisis table to address the situation at Honeywell's Atessa site, in which the company participated through a nominated external consultant. The goal was to discuss support measures and plans for re-industrialisation. According to

trade union representatives, the regional administration offered up to €4 million in training funds and the national government up to €50 million for research and development activities. The company management denies that such funds were being offered.