



Labour market change

**Yazaki Wiring Technologies:  
Offshoring from Slovakia to  
Romania - case study**

## Yazaki Wiring Technologies: Offshoring from Slovakia to Romania

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

The Yazaki Group is a Japanese automotive component manufacturer specialising in wiring technologies. The company holds the largest global market share in the production of car wire harnesses.

It also develops and manufactures meters, electronic components and a range of other products for the automotive sector. The business began operations in 1929 and was officially founded in 1941 as Yazaki Electric Wire Industrial Co. Ltd. It remains majority owned by the Yazaki family in its second and third generation, running the business from its global headquarters in Japan.

Operations in Europe (trading as Yazaki Europe Ltd) began in 1980 with a sales office in the UK, followed by the first R&D centre in Cologne, Germany, where the company's European Headquarters are now located.

Globally, the Yazaki Group operates from 596 locations in 46 countries. At the end of 2017, the company had around 306,000 employees globally (EWC database). According to the company's website, by early 2020, this had dropped to around 250,000. In Europe, it is present in 23 countries across 64 locations (among which there are 10 in Germany, 6 in Romania, 5 in the UK, 3 each in France and Portugal, 2 each in Poland and Spain and 1 each in Belgium, Bulgaria, Croatia, Czechia, Italy, Lithuania, Slovakia, Slovenia and Sweden). Yazaki Europe Ltd employs around 50,000 workers in Europe in its various branches (down from 57,600 in 2017 - around 50% of these workers are in countries outside the European Union, e.g. in Russia, Ukraine, Tunisia, Morocco, etc.). The figure below shows the number of employees at Yazaki Europe Ltd within the European Union at the end of 2017.

Number of employees at Yazaki Europe Ltd (end 2017)

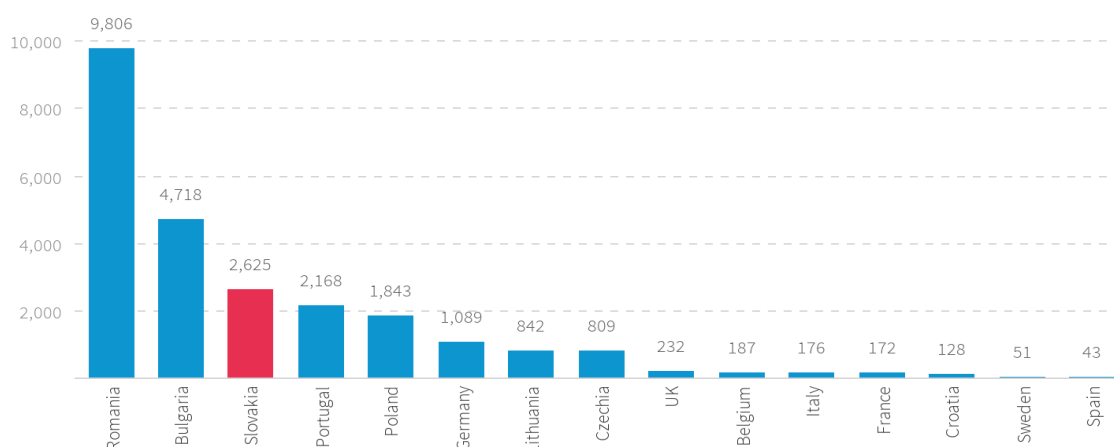


Chart: Author • Source: EWC Database

### Employment trends at Yazaki Wiring Technologies in Slovakia

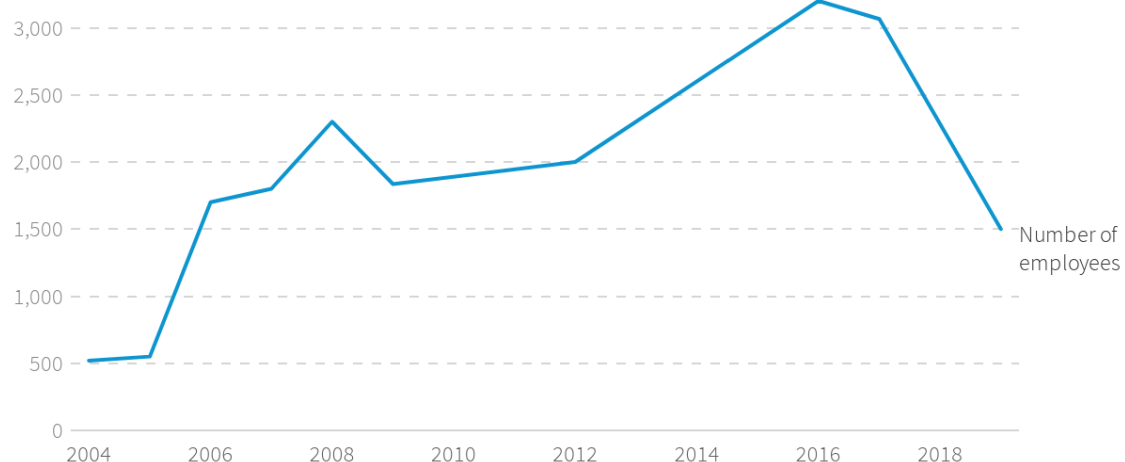
In Slovakia, the company was established in 1993 and initially operated from sites in the Trenčín Region and Prievidza before establishing a presence in Michalovce in eastern Slovakia (prior to 2004 this was run as a joint venture with Siemens). The site at Michalovce grew after a significant expansion took place in 2004, when the company signed new contracts with the Ford Motor Company and Daimler Chrysler. This expansion is estimated to have led to the creation of [460 new jobs on the site](#). The most significant expansion to date took place in 2008, after an investment of around 1.7 billion euro was made to cater for the production of cables for BMW. [In 2007, the company employed 1,800 workers. This increased to 2,300 in 2008, with a further 700-1,000 jobs created in subsequent years](#). However, the years 2008-2010 also witnessed some fluctuation in employment numbers for a variety of reasons. The global economic downturn precipitated the loss of around [165 jobs](#) at the Michalovce site, as the automotive sector found itself impacted by the crisis and a reduction in demand for new vehicles. In addition, around [900 jobs were lost](#) when the company closed its plant in Prievidza, with a further 300 workers offered a transfer to the plant in Michalovce, some 300km from the Prievidza site (less than 20 workers took up this offer).

In Michalovce, [300-400 additional posts](#) were created in 2009, following the signature of a new contract with BMW to produce wire harnesses for additional models.

As a result of these developments, by 2012, the company employed around 3,200 workers. However, due to a reduction in orders from automotive manufacturers, [100 redundancies](#) were announced to take place by the end of the year.

In 2016 (the year prior to the announcement of the relocation of staff to Romania, which is the subject of this case study), the Michalovce plant provided jobs for around 3,050 workers. However, the Yazaki Group's Slovakian branch had seen its revenues fall by around 25% to 85.8 million between 2015 and 2016. By January 2017, the workforce had declined to 2,700 and in 2019, [1,500 workers](#) remain employed at the Michalovce plant, according to company sources.

Employment trend at Yazaki Wiring Technologies, Slovakia



Source: ERM

## Offshoring from Slovakia to Romania

The recent offshoring therefore constitutes the most significant reduction in employment at Yazaki's Slovakian site(s) since the beginning of its operations in the country. The rationale for the relocation provided by the company revolves around concerns over the cost base and associated fears of losing competitiveness vis-à-vis other companies on the market. According to HR representatives, the decision to relocate was taken by company management at the European (rather than the global) level. Initial announcements reported by the ERM show plans for approximately [600 workers to be made redundant](#) by September 2017. At the time there were concerns that the restructuring would affect as many as 1,000 jobs at the plant. The redundancies are attributed to step-by-step offshoring of the company's production from Slovakia to Romania, where the group employs more than 4,500 people in three factories in Craiova, Arad and Ploiesti.

In 2011, theDaily.SK reported on the breakdown of collective bargaining between trade unions and Yazaki after the company refused to increase wages from an average of 477 euro per month (including bonuses and overtime). At the time, the trade union OZ Kovo turned to the Ministry of Labour to act as an intermediary in the dispute. The trade union considered the wages offered to be unacceptable as they were seen to amount to only 50% of average earnings in the country, with the nominal wage in the company having fallen in recent years. The company had offered to increase wages by 4.5% but only in exchange for workers giving up their right to bonuses and overtime supplements. The trade unions had demanded an increase of 7.4% to bring the salary up to a standard of that of four years earlier. The head of the trade union representation at the plant at Michalovce at the time argued that the company was threatening employees with redundancies and possible withdrawal from the country if the trade unions demanded what the company perceived to be excessive wage increases<sup>1</sup>. The dispute was eventually settled with a 5% average wage increase (7% for workers on the lowest wages). However, demands for higher wages are considered to have played a role in the ultimate decision to relocate production to Romania.

Staff reductions in Slovakia were implemented gradually. Both the local office of the Public Employment Service (the office of the Centre of Employment, Social Affairs and Family – UPSVaR – in Michalovce) and the EWC representative at the plant confirmed that relocation was realised step-by-step without the company issuing collective redundancy notices. In line with EU legislation on collective redundancies, the [Labour Code](#) stipulates that to classify as a collective redundancy, an employer has to dismiss at least 10 employees in companies with 21-100 workers or at least 10% of staff in companies with 100-299 worker, or at least 30 employees in companies with 300 or more workers within 30 days. The provisions of the Labour Code also apply to workers on temporary contracts (up to contract expiry date). Legal grounds for collective redundancies are closure, relocation or organisational restructuring of the business.

The management at Yazaki Wiring Technologies in Slovakia were able to reach staff reduction by not renewing fixed-term contracts and negotiating redundancy settlements with affected employees by mutual agreement. Severance conditions (as set out in the Labour Code) were implemented by the plant management in collaboration with the trade unions. Severance pay of between one to four months' the employee's average salary is payable in total depending on the number of years of employment with the company. A social plan was elaborated by the company and the local trade union and applied to redundant employees. This centred around the selection of workers for redundancy and severance packages. For some workers, this involved payments above the required standards and almost all workers left the plant by agreement with the management.

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<sup>1</sup> <http://www.thedaily.sk/trade-unions-fights-against-poverty-salaries-at-yazaki/>

Jobs affected were in production as well as in clerical and administrative support services (mainly low skilled occupations). Some of the redundant clerical workers were offered jobs in production, but few availed of this option due to the lower wages in production and therefore preferred to find employment elsewhere.

A number of workers were asked to provide training to new hires in Romania and some did in fact travel to Romania to provide this.

Despite no collective redundancy notices being issued, the UPSVaR regularly communicated with the plant management and monitored the dismissals carried out in order to obtain information on the likely additional jobseeker registration and to allow the office to plan support for affected workers. UPSVaR in Michalovce provided the usual range of services to affected workers. These include information about vacancies, job matching, information on and participation in active labour market policy measures (e.g. training and re-training).

Since 1 January 2018, 580 dismissed employees from the Yazaki plant have been registered as job seekers at the UPSVaR. By September 2019, 380 have been removed from the registry either because they have found employment (in Slovakia or abroad) or due to removal from the register resulting from unsatisfactory collaboration with the office (e.g. failure to provide information on job search activities and refusal to accept jobs being offered).

According to worker representatives, the management argues that the economic goals of the relocation have been achieved and as a result, remaining positions in Slovakia are considered to have been stabilised.

UPSVaR sees that the overall impact of the redundancies on the locality as being limited and no alternative employment strategies have been developed to address job losses in the sector and at Yazaki Wiring Technologies specifically. Although the company is a significant employer in the area, generally (and at the time of the relocation) the locality of Michalovce registered the second highest number of vacancies in the country.

#### Employee representation at Yazaki Europe Ltd and in Yazaki Wiring Technologies in Slovakia

At the time when the offshoring at Yazaki Wiring Technologies in Slovakia was announced, negotiations to establish an EWC at the company were under way, with an agreement signed in January 2018 in Bonn (see <http://www.ewcdb.eu/company/423<sup>2</sup>>). Although the redundancies were announced in September 2017, when negotiations on the EWC were still under way, since they were implemented gradually (into 2018), the EWC was eventually able to play some role in receiving information on the progress of the restructuring process, but was not able to accompany this formally from the beginning.

The EWC has 20 members representing around 25,000 employees in 15 countries (Belgium, Bulgaria, Czechia, Croatia, France, Germany, Italy, Lithuania, Poland, Portugal, Romania, Slovakia, Spain, UK) with the largest sites situated in Romania, Bulgaria and Slovakia. All countries are represented with one member except Romania (4 members), Slovakia (2) and Bulgaria (2) in accordance with the formula established in the agreement (for each of the employees employed in a country falling under the scope of the agreement amounting to 10% of the workforce of Yazaki Europe Ltd or a fraction thereof, one member is appointed).

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<sup>2</sup> Sign up required to consult the database.

The EWC agreement is governed by German legislation and provides that the body is to meet twice annually on different sites. It is also foreseen that guest representatives from Slovenia and the six non-EU countries where the company is represented (Serbia, Turkey, Russia, Ukraine, Morocco and Tunisia) will also be invited to attend. The agreement stipulates provisions for the election of EWC representatives and for the interlinkage between transnational and national information and consultation mechanisms.

A five-member steering committee is also appointed which can meet at any time when deemed necessary. The venue for such meetings can be chosen freely without the prior approval of the company. The EWC also has the right to establish working groups and contracts with experts of their choice.

Information on the topics agreed to be within the remit of the EWC (e.g. employment development, mass redundancies, relocations, fundamental changes to the organisation, investments, etc.) should be furnished by the employer in writing three weeks in advance of any meeting. The EWC is responsible for issues of a transnational nature, which is defined in line with the provisions of the Recast EWC Directive. Section 3, para 2 of the installation agreement states that when determining the transnational nature of an issue, both the extent of its potential impact and the management level concerned must be considered. Issues concerning the company as a whole or at least two countries should be considered to be transnational. This also includes issues which, irrespective of the number of countries concerned, are of relevance to the European employees in terms of the scale of their impact or which concern the transfer of activities between countries.

Each representative is then allowed to discuss these topics with the works council (where present) in their countries, with the exception of any issues which have specifically been deemed to be strictly confidential. A consultation procedure is considered concluded when the EWC has rendered its opinion which must be communicated within a period of five weeks following the meeting. Information and consultation are clearly defined in the agreement as two distinct steps, which consultation allowing EWC representatives to provide opinions on proposed measures and to obtain a response.

As mentioned above, Slovakia is represented on the EWC with two members, including the chair of the local trade union organisation OZ Kovo at the Michalovce plant (indeed, both Slovakian representatives come from the Michalovce plant). The trade union OZ Kovo represents members at the plant and is responsible for negotiating a single employer collective agreement with the management. OZ Kovo is one of the largest trade unions in Slovakia, although membership of the union at the plant stands at only around 1%.

In Slovakia, the Labour Code specifies the role of the EWC and the national employee representatives (e.g. trade unions and works councils where present).

#### [Consultation process linked to the offshoring of jobs to Romania](#)

The EWC representative consulted for this case study confirmed that both the EWC and the local trade union representation at the plant were informed about the relocation in line with the Labour Code (paras 241 and 241a). Both considered that the likely reason for the relocation was the lower cost base in Romania as a result of lower wages in this country.

Information is considered to have been provided in a timely fashion on the occasion of one of the twice-yearly general assemblies (which was indeed one of the first formal meetings of the EWC after its establishment). No disputes arose either in relation to the timing of information provision or the rationale provided for the relocation. However, there was some criticism of the fact that information

and consultation was not provided in two distinct stages (as foreseen in the EWC agreement). However, this did not lead to any dispute, largely because the decision on the relocation was taken prior to the establishment of the EWC and it was no longer able to influence this decision-making process. The EWC did provide its own alternative suggestions to the planned relocation, including on the associated number of job cuts (as well as by seeking to retain higher added value production in Slovakia). However, the company management had their own economic calculations and rationale behind their decision and it therefore proved difficult to reach agreement regarding the number of job cuts foreseen. Some of the EWCs proposals were considered in the final decision on the number of relocated jobs, but no precise figures could be provided.

Collaboration also took place between the EWC and the local trade union OZ Kovo. However, this ultimately had little impact on the number of job losses effected.

### Job gains at Yazaki in Romania

In contrast to the company's operations in Slovakia, employment at the group's sites in Romania has continued to grow over time. The figure below provides an approximation of this growth process based on data from the ERM and the EWC database.

#### Employment trend at Yazaki Romania

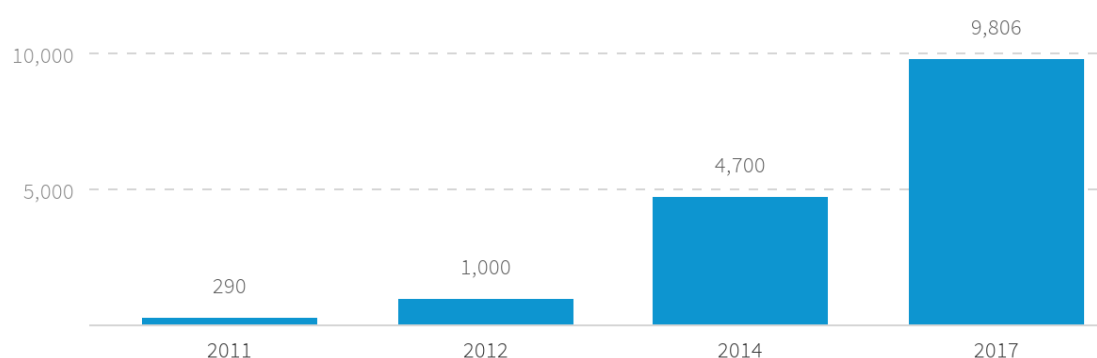


Chart: Author • Source: ERM and EWC database

The company operates from 6 sites in Romania (Arad, Braila, Caracal, Ploiest, Timisoara and Urlati). In 2011, it operated from sites in Arad, Caracal, Ploiest and Timisoara with around 290 employees. Between 2011 and 2012 nearly 1,000 additional jobs were created at the new production unit in Caracal, with a further two sites at Braila and Urlati being added in 2014-2015. These two new production capacities served to more than double employment at Yazaki in Romania between 2014 and 2017, with some of this being capacity shifted from Slovakia to Romania.