

*Employment Practices in Unionized  
Subsidiaries of Multinational Companies  
Operating in Canada, Mexico and Argentina*

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# Central question: countries or unions makes difference?

- Job quality in MNCs is affected by:
  - Quality of union representation
  - Bargaining power of unions
- Other factors:
  - Specific context of host country
  - Country of origin of the MNC
  - Export destination
  - Weight of labor costs in the total cost of production.

Aidt and Tzannatos (2002); Christopherson, 2002 Edwards and Wajcman, 2005; Freeman and Medoff, 1984; Kohan and Shulman, 2007; Mosley and Layna, 2008; Quintanilla, 2002; Tilly, 2007.

# Common features in IRS: Argentina and Mexico (and Canada?)

- Legislated regulatory models
  - Little room for negotiation (better working conditions) between actors,
  - Differences in levels of legal protection and their effectiveness.
- Persistence of corporative (state type) union regimes
- High degree of state intervention in the organizational and claiming process.
- Monopolistic structures of representation.
- Low levels of internal democracy in unions.
- Power concentration in some union representatives (directives/leaders).

# Different contexts in host countries

- **Mexico:**
  - Macroeconomic policies to control inflation;
  - Growth based on export manufacture model driving by MNCs based on increase outsourcing and low wages
  - Labor and union repression (for democratic unions)
  - Degraded ability of union representation and collective bargaining, since the 80's
  - Patronal unilaterality gained force in determining working conditions.
  - Wages and productivity dissasociated themselves (no virtual circle).
  - The ISR became an attraction factor –not an obstacle- for MNCs.
- **Argentina:**
  - Macro and sectoral policies after 2001 crisis centered in quality employment.
  - Best opportunity in the 2000s to generate quality jobs and better paid formal.
  - Revitalization of union power and the counterweight to employers.

# Power distribution

Mexico (-)	Argentina (+)
<ul style="list-style-type: none"><li>• Greater room for state intervention in recognition of trade unions and leaders, and selection of <i>holders</i> of collective agreements.</li><li>• Collective bargaining by company or plant (decentralize)</li><li>• Prevention and inhibition / repression of conflicts without State capacity to resolve</li><li>• Coercive union membership.</li><li>• Employer power to select the counterpart (CA).</li><li>• No accountability or performance requirements for union. Low weight of positive incentives</li></ul>	<ul style="list-style-type: none"><li>• Less room for discretionary government intervention and employers.</li><li>• Requirements of real representativeness</li><li>• Revitalization of negotiations by branch.</li><li>• Preventive and conflict resolving state control</li><li>• Increased importance of positive incentives and good performance in representation.</li></ul>

## Labor Differences (1)

	ARGENTINA	MEXICO
Employment regime (LM)	Lower profile	the highest profile
Enforcement with labor rights	Higher level	Lower level
Index of rigidity of employment (WB, 2009)	130 (out of 180)	141 (out of 180)
Labor market Flexibility	legal reforms and partially reversed	De facto very high and in process to institutionalize
Monthly minimum wages (purchasing power)	600 US dls	200 US dls
Unionization rate	37% (salaried workers)	25% (salaried workers)
Method to obtaining legal status/union registration	20% (sector or company)	20 workers (company)
A collective bargaining coverage	60% of employees registered	25% (90% simulated)
Presence of delegates	12% of total firms > 50% in large firms (+ 200 emplo.)	No data (bt very low)
legal union power and scope of the right to strike	State intervention could to stop the strike	No mandatory

## Labor Differences (2)

	ARGENTINA	MEXICO
Autonomy and representation within the company	High	Very Low
Collective rights makes restriction on the employer	Much more 3.4 index of 5 points	Much Less 2.2
Union unity	Required by law	limited pluralism with union consolidation clauses (to enter or going out of the union) negotiated with employer
Minority unions (do not have the majority)	Can't negotiated the collective Agreement	Discretion of employer to select collective bargain holder
Type of bargaining	Centralized	Decentralized with increasing simulation
Determination of the most representative organization	Determined by State	Negotiated by employer and union
Intermediate levels of representation.	Weak	Absence (in general)
Membership	Positive incentives (benefits such as social works	Negative Incentives (exclusion clauses
Rule of law and collective conflict resolution	State intervention or independent Justice System	Presence of unions and employers in JCyA (arbitration council)

## The Project

Country	MNCs June 2010	
	Population	Sample
UK	1,729	302
Spain	1,085	330
Ireland	517	260
Denmark	435	151
Norway	290	76
Canada	1,398	208
Mexico	922	171
Argentina	577	155
Australia	1,008	70
<b>Total</b>	<b>7,961</b>	<b>1,723</b>



Start in 2005; Census (from 4 to 16 months; private and public data sources Plus Telephone screening).

Face-to-Face Survey (6 to 24 months)

More than 40 researchers from 21 Universities



# MNC Survey. Firm Characteristics

Employment Size			
	Canada	Mexico	Argentina
100-499	50%	32%	55%
500-999	18%	22%	19%
1000-4999	27%	29%	20%
5000 +	5%	17%	6%
Total	100%	100%	100%

% Export Revenues			
	Canada	Mexico	Argentina
0%	26%	22%	47%
1-25%	21%	19%	22%
26-50%	14%	8%	15%
51-75%	9%	16%	4%
76-100%	29%	35%	13%
Total	100%	100%	100%

% of Labor Cost/total cost			
	Canada	Mexico	Argentina
Less than 10%	4%	14%	22%
10% – 40%	58%	52%	45%
More than 40%	38%	34%	33%
Total	100%	100%	100%

# MNC Survey. Firm Characteristics (2)

Union Recognition			
	Canada	Mexico	Argentina
<b>Firm</b>	47%	63%	79%
Large Occupational Group	44%	100%	78%
Industry Level	12%	21%	69%

Scope of Union Representation			
	Canada	Mexico	Argentina
None	55%	52%	21%
Limited union representation	35%	34%	64%
Active union representation	11%	14%	15%
Total	100%	100%	100%

# Logistic Regression: Type of union vs. structural variables. Does the context can explain union type differences?

Union representation type	If country of origin USA		Total
	Yes	No	
No representation	54.9%	40.4%	47.2%
Limited union representation	37.3%	43.8%	40.8%
Active union representation	7.8%	15.7%	12.1%
Total	100 %	100%	100 %

Chi-Square Tests 0.003

Union representation type	Sector		Total
	Manufacture	Service	
No representation	36.7%	63.9%	47.2%
Limited union representation	46.3%	32.0%	40.8%
Active union representation	17.0%	4.1%	12.1%
Total	100.0%	100%	100%

Chi-Square Tests 0.000

Union representation type	Country application			Total
	Canada	Mexico	Argentina	
No representation	55.0%	52.0%	33.8%	47.2%
Limited union representation	34.5%	34.1%	53.8%	40.8%
Active union representation	10.5%	13.8%	12.4%	12.1%
Total	100%	100%	100%	100%

Chi-Squares Tests 0.001

Union representation type		B	Sig	Exp B	95% Confidence Interval for Exp (B)	
					Lower Bound	Upper Bound
Limited union representation	Intercept	.146	.685			
	Labor Cost	-.001	.894	.999	.987	1.011
	Employment size	.000	.041	1.000	1.000	1.000
	% Export revenue	-.014	.001	.986	.979	.994
	US country of origin	-.427	.137	.653	.372	1.146
	Other country of origin	0 <sup>b</sup>	.	.	.	.
	Manufacture	1.648	.000	5.196	2.668	10.118
	Service	0 <sup>b</sup>	.	.	.	.
	Canada (country of applica)	-.736	.031	.479	.245	.936
	Mexico (country of applica)	-1.308	.002	.270	.119	.615
	Argentina	0 <sup>b</sup>	.	.	.	.
Active union representation	Intercept	-1.838	.005			
	Labor cost	-.010	.315	.990	.971	1.010
	Employment size	.000	.020	1.000	1.000	1.000
	% export revenue	-.014	.021	.986	.974	.998
	US country of origin	-.886	.043	.412	.175	.973
	Other country of origin	0 <sup>b</sup>	.	.	.	.
	Manufacture	2.758	.000	15.765	4.703	52.844
	Services	0 <sup>b</sup>	.	.	.	.
	Canada (country of applica.)	-.450	.409	.637	.219	1.859
	Mexico country of applica.)	-.370	.512	.691	.229	2.087
	Argentina	0 <sup>b</sup>	.	.	.	.

# Preliminary Conclusions

## Limited representation vs No representation

- Significant: Employment, exports, sector and country of operation
- Manufacture more likely to have limited representation rather than none representation (B positive). This is the MOST important relation: 5.19 more times likely to occurred.
- A more employment, more likely that the company has limited representation rather than lack of it (but not very clear- Beta almost 0)
- A more exports, companies tend to have no representation in relation to having limited (B minus). Firms that export "prefer" no representation.
- Argentine companies are more likely than Canadians to have limited representation, while Mexican companies are in last place.

## Active representation vs No representation

- Significant: employment, export and sector. Not significant the host country
- Tendency to have preference for active representation against non-representation (B positive) for larger firms (but no so clear) and for manufacture firms. Again, if manufacture, the probability of having an active representation is 15.7 times higher than no representation.
- Companies with higher exports and U.S. (B negative) are more likely to have no representation rather than to have an active one.

# Preliminary Conclusions

- The literature shows that Industrial Labor System, like an environment for MNCs operation, is key to understand main trends in unionism density, type and scope of unions (especially in Argentina and Mexico, and especially militant vs. simulated type).
- Nonetheless, sector rather than host country (and country of origin) is the key variable to explain main differences, following by export ratio and employment size.
- The manufacture and services MNCs tend to have a more similar performance independently of place of operation.
- Instead of restructuring process in the manufacture and service booming, the traditional pattern is live: more active unions in manufacture and large companies.