DISENTANGLING COUNTRY SPECIFIC EFFECTS IN MNC EMPLOYMENT PRACTICES: THE CASE OF UNION RECOGNITION AND DOUBLE-BREASTING IN CANADA, IRELAND AND THE UNITED KINGDOM

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Introduction

- We seek to empirically study union recognition and double-breasting (DB) within and across three institutional contexts
  - Canada, Ireland, and UK are our countries of interest
  - We use quantitative empirical tools to measure variables that influence recognition and DB at MNCs in each country

- We use the “Varieties of Capitalism” (VOC) and national business systems literature as a starting point, but attempt to account for complexities related to organizational structure/policy/strategy and economic dominance
  - VOC distinguishes between LMEs and CMEs, but does not consider in great depth the differences within LMEs
VOC literature suggests that firms are considerate of and are adherent to the divergent institutional structures in which they operate.

Transference of home-country practices by MNCs to host environments is shaped by the MNC’s national business system (termed *home* effects):
- We would therefore expect that U.S.-based companies are less likely to recognize unions, and more likely to engage in double-breasting in their subsidiaries, than those originating in the other countries.
- Conversely, we argue that MNCs from coordinated market economies would be more likely to recognize unions and less likely to engage in double-breasting in their subsidiaries than U.S.-based companies.

However, institutional structures mediate the pressures for conformance to a single business system or approach (termed *host* effects).

A more complex view of host effects sees MNCs as strategic actors seeking to take advantage of ‘institutional distance’ (termed *dualities* or *dual institutional effects*):
- We expect that MNCs emanating from coordinated market economies are not uniformly more likely to recognize unions, or less likely to engage in double-breasting, than their U.S. counterparts.
Economic dominance literature suggests that organizations emanating from economically successful nations can most easily and credibly transfer and implement specific business policies and practices in their foreign subsidiaries:

- Economic performance of home country offers MNCs global legitimacy to carry these practices into foreign subsidiaries.
- Largely tied to the notion of U.S.-based standardization.
- This is often more pronounced when countries have “weak” IR systems and are more heavily reliant on FDI from MNCs.
- If the U.S. is providing the dominant economic model for MNC practices, we would anticipate that, in some cases, subsidiaries might attempt to implement the kinds of union avoidance strategies that are typically associated with U.S. MNCs.
- We also anticipate that the degree of institutional latitude to accommodate union avoidance practices will be greater where host economies are more dependent on U.S. FDI.
Institutional variation may be important, but it may not be the only relevant factor in explaining MNC behaviors within the global arena

“Universal contingencies” (size, sector, product diversity) may be dominant in terms of a firm’s union recognition practices
- We anticipate that MNCs operating in production are more likely to recognize unions, and more likely to double-breast, than those in the services sector
- Given that greater product heterogeneity increases the likelihood of variability across industries and products, increased product diversity is likely to be associated with increased double-breasting

Organizational policies (e.g. local discretion over union recognition) may also play a key role
- We suspect that local managers with a higher degree of discretion over IR practices are likely to exercise that discretion in favor of union recognition

The subsidiary’s connectedness to the global production network of the firm may also matter
- We anticipate that a higher degree of integration in the production network of the MNC will be associated with increased union avoidance and double-breasting
The challenge, as a number of studies highlight, is to understand the relative influence of these different lines of analysis on the behavior of MNCs.

This study draws on a number of complementary strands of analysis, which leads us to two final assertions:

- First, our approach suggests that multiple factors or lines of analysis are required to understand MNC subsidiary strategies with regard to union avoidance and double breasting.
- Second, reflecting differing insertions and degrees of dependency in the global economy as well as particular trajectories in home country institutional arrangements, these factors are likely to vary from one political economy to another.
Host Country Contexts

- All the host countries studied have similar levels of union recognition, and have seen decline in union activity (less pronounced in Canada than others)
- Canadian IR rooted in U.S. Wagner model; though viewed as more amenable to unions than the U.S., Canada has seen increased scope for union opposition
- U.K. and Irish IR rooted in voluntarist model; U.K. has a statutory procedure, but its impact has been modest, while Ireland has no mandatory legal process for securing recognition
- Ireland’s drive to attract FDI may play into this; MNCs exert substantial influence on public policy, including union recognition provisions
Proposition 1: We expect that U.S. MNC practices of union avoidance and double-breasting are more likely to be significant in Ireland than in the other two institutional contexts.

Proposition 2: Given its integration into the North American free trade zone and its reliance on the U.S. as its predominant trading partner, Canada is also more likely than the U.K. to exhibit dominance effects.

Proposition 3: The effect of Canada’s legal procedures is, however, likely to provide more protection for union organization, than the more voluntary arrangements prevailing in the other two countries.
We use coordinated surveys of MNC HR practices from each country.

The sample initially totaled 633 foreign-owned MNCs in Canada, Ireland, and the U.K.

Our union recognition model includes all 633 MNCs.

Our double-breasting model includes only unionized, multi-side MNCs (N = 232).

We use common IVs across both models:

- Home country: U.S. (ref), France, Germany, U.K., Japan, Nordic, Rest of Europe, Rest of World
- Host country: Canada, Ireland, U.K. (ref)
- Structure/contingency: service v. production sector; small (ref), medium, or large size; single, dominant, or range of (ref) products
- Organizational policy: full discretion v. less than full discretion
- Network integration: was the firm supplied by/exporter to the parent company?

We then partition the sample into three host country subsets, using essentially the same IVs within each country.
How We Divided Our Sample

Full Sample of Foreign-Owned MNCs (N = 633)

Union Recognition Model
Includes all foreign-owned MNCs (N = 633)

Canadian Subset for Union Recognition Model (N = 163)
Irish Subset for Union Recognition Model (N = 213)
U.K. Subset for Union Recognition Model (N = 257)

Double-Breasting Model
Includes only multi-site unionized MNCs (N = 232)

Canadian Subset for Double-Breasting Model (N = 56)
Irish Subset for Double-Breasting Model (N = 82)
U.K. Subset for Double-Breasting Model (N = 94)
Logistic Regression: Full Sample

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>UNION RECOGNITION MODEL</th>
<th>DOUBLE-BREASTING MODEL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B (S.E.)</td>
<td>Odds Ratio</td>
</tr>
<tr>
<td>Home: France</td>
<td>.118 (.419)</td>
<td>1.125</td>
</tr>
<tr>
<td>Home: Germany</td>
<td>1.117** (.439)</td>
<td>3.055</td>
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<tr>
<td>Home: U.K.</td>
<td>1.334*** (.467)</td>
<td>3.797</td>
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<tr>
<td>Home: Japan</td>
<td>.239 (.456)</td>
<td>1.270</td>
</tr>
<tr>
<td>Home: Nordic</td>
<td>.764* (.463)</td>
<td>2.147</td>
</tr>
<tr>
<td>Home: Rest of Europe</td>
<td>.591* (.330)</td>
<td>1.806</td>
</tr>
<tr>
<td>Home: Rest of World</td>
<td>-.057 (.465)</td>
<td>.944</td>
</tr>
<tr>
<td>Host: Canada</td>
<td>1.084*** (.302)</td>
<td>2.955</td>
</tr>
<tr>
<td>Host: Ireland</td>
<td>.676*** (.249)</td>
<td>1.965</td>
</tr>
<tr>
<td>Sector: Production</td>
<td>1.742*** (.232)</td>
<td>5.711</td>
</tr>
<tr>
<td>Size: 500-999</td>
<td>.490* (.286)</td>
<td>1.633</td>
</tr>
<tr>
<td>Size: 1000+</td>
<td>1.329*** (.249)</td>
<td>3.779</td>
</tr>
<tr>
<td>Diversif: Single Product</td>
<td>.405 (.270)</td>
<td>1.500</td>
</tr>
<tr>
<td>Diversif: One Dominant Product</td>
<td>.565** (.269)</td>
<td>1.760</td>
</tr>
<tr>
<td>Discretion: Full</td>
<td>.838*** (.226)</td>
<td>2.313</td>
</tr>
<tr>
<td>Supplies to Other Sites</td>
<td>-.304 (.237)</td>
<td>.738</td>
</tr>
<tr>
<td>Supplied by Other Sites</td>
<td>.081 (.254)</td>
<td>1.084</td>
</tr>
</tbody>
</table>
### Logistic Regression: Country Subsets

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>UNION RECOGNITION MODEL</th>
<th></th>
<th>DOUBLE-BREASTING MODEL</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>CANADA</td>
<td>IRELAND</td>
<td>U.K.</td>
<td>CANADA</td>
</tr>
<tr>
<td></td>
<td>B (S.E.)</td>
<td>Odds Ratio</td>
<td>B (S.E.)</td>
<td>Odds Ratio</td>
</tr>
<tr>
<td>Home: Continental Europe</td>
<td>-0.081 (0.765)</td>
<td>0.922</td>
<td>1.263*** (0.469)</td>
<td>3.537</td>
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<tr>
<td>Home: Other Anglo-American</td>
<td>-0.367 (1.070)</td>
<td>0.693</td>
<td>1.575*** (0.539)</td>
<td>4.830</td>
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<tr>
<td>Sector: Production</td>
<td>1.772*** (0.664)</td>
<td>5.884</td>
<td>2.256*** (0.434)</td>
<td>9.542</td>
</tr>
<tr>
<td>Size: 500-999</td>
<td>1.109 (0.866)</td>
<td>3.031</td>
<td>-0.342 (0.509)</td>
<td>.711</td>
</tr>
<tr>
<td>Size: 1000+</td>
<td>1.012 (0.625)</td>
<td>2.751</td>
<td>1.096** (0.461)</td>
<td>2.992</td>
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<tr>
<td>Diversif: Single Product</td>
<td>1.835** (0.754)</td>
<td>6.262</td>
<td>.114 (0.479)</td>
<td>1.121</td>
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<tr>
<td>Diversif: One Dominant Product</td>
<td>0.274 (0.711)</td>
<td>1.315</td>
<td>0.145 (0.479)</td>
<td>1.156</td>
</tr>
<tr>
<td>Discretion: Full</td>
<td>1.854** (0.763)</td>
<td>6.385</td>
<td>0.848** (0.392)</td>
<td>2.334</td>
</tr>
<tr>
<td>Supplies to Other Sites</td>
<td>-0.725 (0.598)</td>
<td>0.484</td>
<td>0.562 (0.468)</td>
<td>0.570</td>
</tr>
<tr>
<td>Supplied by Other Sites</td>
<td>0.396 (0.664)</td>
<td>0.673</td>
<td>0.363 (0.426)</td>
<td>1.437</td>
</tr>
</tbody>
</table>

Nagelkerke $R^2$ for Canada = .328 (union recognition model); .457 (double-breasting model)
Nagelkerke $R^2$ for Ireland = .378 (union recognition model); .385 (double-breasting model)
Nagelkerke $R^2$ for U.K. = .303 (union recognition model); .221 (double-breasting model)
Conclusions

- U.S. MNCs do tend to carry their union avoidance practices into foreign subsidiaries
  - However, not all countries are evenly affected by this
- There is no evidence of “institutional distance” exploitation by German MNCs, but there is variation between MNCs emanating from CMEs
- Not all LMEs exhibit similar home effects (U.K. MNCs more union-friendly than U.S.)
- Differentiating by host is useful: union recognition more widespread in Canada than Ireland; however, U.K results are at odds with expectations
  - Double-breasting results confirm our expectations in that Canada is most likely to support this behavior
- Sector, size and product diversity generally work as we anticipated
- Results for value chain integration only partially borne out
- Discretion is important for union recognition, but not for double-breasting
Two factors cut across all national contexts in the host country analysis: sector and discretion.

Irish results are dominated by home country, supporting the idea that it is most susceptible to U.S. economic dominance.

Canadian results do not exhibit expected dominance effects; this could be due to overriding influence of legal regulations, or perhaps willingness of European MNCs to behave like U.S. MNCs when in Canada.

U.K. lack of dominance effects not surprising; MNCs appear less likely to shape the IR environment.

Overall, the results point to a need to take into consideration many complexities.