Debating the flexibility and security nexus in the GVC: is there a scope for reframing employment relations?

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Background

- Analytical framework for PhD thesis

- Spin-off of OT project “Multinationals in Europe Between Flexibility and Security”
  - Inter- and intra-country comparative study on the implementation and the impact of ‘flexicurity’ practices at the multinational company level
  - Combining a company-level approach in the study of macro-institutional (labour market) level ‘flexicurity’
  - Employees’ view on employment practices within MNCs
  - Project leader: Valeria Pulignano at KUL
Objectives

• To examine how MNCs manage flexibility and security employment practices in the context of Global Value Chains (GVC);

• To analyse the main dynamics which lead MNC to adopt (if any) flexibility-security combination and the reasons for this choice;

• To provide an analytical framework to explain these dynamics.
The context of MNCs operations: inter-firm and intra-firm relations

• Inter-firm relations between MNCs in GVCs
  – Economic transaction-cost perspective (Gereffi et al. 2005): governance depends on product characteristics and suppliers’ capacities, shaping the lead firm-first supplier link;
  – Employment studies (Grimshaw et al. 2005, Gibbon & Ponte 2008): inter-firms relationships in GVC are based on risk, trust and power. Companies also adopt certain ‘models of practice’ driving their relations with suppliers.

• Intra-firm relations within MNCs
  – MNCs as ‘structures of power’ spreading common practices across borders in accordance to “home-country” (i.e. “country of origin”) and “host-country” effect (Ferner & Edwards 1995; Almond et al. 2005);
  – MNCs as “political organisations”/ “contested terrain” (Bélanger & Edwards 2006);
    - Intra-(and within) firm power conflicts;
    - “Transnational social space” (Morgan 2001);
  – Local actors can draw on institutional resources to pursue their interests against the isomorphing pressures from HQ (Morgan & Kristensen 2006)
The GVC perspective in the study of MNCs

- GCC and GVC scholars were initially especially interested in industrial development, while economic geographers researched on relations between companies. Now there is growing but still little attention to relation between the governance of GVC and employment (exceptions: Hammer 2008, Fichter & Sydow 2002, 2008, 2011);

- Studies on micro-politics in MNCs have seldom considered the “value chain” dimension;

- Disentangle inter- from intra-firm perspective:
  - the inter-firm power dimension along the GVC (NIDL) → labour market segmentation;
  - the intra-firm socio-political dimension within the “transnational social space”.
The GVC perspective in the study of flexicurity

• Weak conceptualisation and lack of contextualisation of “flexicurity” at the level of (and between) firm(s) (for a critique see Pulignano & Keune, 2011);

• Universal “win-win” solutions vs. substitution effects (“trade-offs”) (for a critique see Burroni & Keune 2011).
RQs and methodology

• RQs:
  - Do MNCs reconcile employment flexibility and security needs along the GVCs, and if so, how?
  - What are the conditions and the social dynamics explaining the different flexibility-security multiemployer combinations?

• Methodology:
  - Intra- (and inter) country comparative study of 4 MNCs in UK and Italy;
  - 1st- and 2nd-tier suppliers
    - Advantages: different institutional contexts (LME vs. CME/MME), variety of inter- (and intra-) firm relations;
    - fsQCA to formalise the case-study analysis and explore functional equivalents for the outcomes;
The intra-firm and inter-firm relation

Intra-firm dimension (MNC):
- HQ
- Subsidiary management
- Subsidiary labour

Inter-firm dimension (GVC):
- Supplier
Inter-firm and intra-firm relationships: the selected variables and their operationalisation

• **Intra-firm relations**
  – Dependent variable
    • Subsidiary autonomy (high/low)
  – Independent variables
    • HQ and local institutional context
    • Market characteristics
    • Strategic relevance of local subsidiary for MNC
    • HQ organisational strategies
    • Availability of resources (financial, human, technological, institutional, ideological, network) for local subsidiary
    • Labour power (unionisation rate, collective bargaining)

• **Inter-firm relations**
  – Dependent variable
    • Power-based or trust-based (collaborative) consumer-supplier relations
  – Independent variables
    • Subsidiary and supplier institutional context
    • Market characteristics
    • Product characteristics (transaction complexity and codification)
    • Supplier capabilities
    • Availability of resources (financial, human, technological, institutional, ideological, network) for supplier and subsidiary
    • Labour power (unionisation rate, collective bargaining)
Hypotheses

• Companies can solve the ‘trade-off’ between flexibility and security by externalising flexibility along the value chain to less powerful suppliers (Rubery et al. 2005, Rutherford and colleagues 1995, 2007, Crouch 2010)

H1: If inter-firm relations are based on “power” rather than “trust”, consumer firms will externalise flexibility on their suppliers

• The externalisation of flexibility can lead to a worsening of the internal working conditions (Flecker & Meil 2011).

H2: Subsidiaries will try to maximise the level of flexibility internally

• ‘Subversive’ subsidiaries have to gain legitimacy and competitive advantages in the local context (Morgan & Kristensen 2006) by relying on their internal labour market and granting security to their workers

H3: Highly autonomous subsidiaries will keep a (relatively) low level of flexibility internally
## Analytical framework

### Inter-firm relations (subs – suppliers)

<table>
<thead>
<tr>
<th>Intra-firm relations (HQ – subs)</th>
<th>Power-based relations</th>
<th>Trust-based relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>High subsidiary autonomy</td>
<td>Outsourcing flexibility</td>
<td>Sharing the risk</td>
</tr>
<tr>
<td></td>
<td>External flexibility: high</td>
<td>External flexibility: low</td>
</tr>
<tr>
<td></td>
<td>Internal flexibility: low</td>
<td>Internal flexibility: low</td>
</tr>
<tr>
<td>Low subsidiary autonomy</td>
<td>Divide and conquer</td>
<td>Internalising the risk</td>
</tr>
<tr>
<td></td>
<td>External flexibility: high</td>
<td>External flexibility: low</td>
</tr>
<tr>
<td></td>
<td>Internal flexibility: high</td>
<td>Internal flexibility: high</td>
</tr>
</tbody>
</table>
Thank you!