



Employee involvement and trade union presence: evidence from Foreign Owned MNEs in Australia

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Introduction

- This paper investigates employee involvement strategies in Foreign Owned Multinational Enterprises (FOMNEs) in Australia.
- Focuses on variables that influence different types of employee involvement for example country of origin, trade union presence, industry sector and company strategy

Employee Involvement and Participation

- Employee involvement and participation has received increased attention over recent years in a range of contexts and from a variety of perspectives (Budd, Gollen and Wilkinson 2010; Marginson, Edwards, Edwards, Ferner, and Tregaskis 2010; Lavelle, Gunnigle, McDonnell 2010).
- Employee Voice : “...any workplace process that allows employees to exert some influence over their work and the conditions under which they work” (Markey and Hodgkinson 2003:112), to more structural features of company and employee voice mechanisms such as joint consultative committees (Dundon, Wilkinson, Marchington, and Ackers 2004; Cregan and Brown 2010).

- *Indirect* mechanisms include statutory representative arrangements, union bargaining structures, joint consultative committees and company councils (Benson 2000; Lavell *et al* 2010; Marginson *et al.* 2010)
- *Direct* mechanisms such as quality circles, team meetings and meetings between employers and employees (Dundon *et al* 2004; Marginson, *et al.* 2010).
- Participative decision making or information sharing?

The Australian context

- The Australian institutional framework has been dominated by a long tradition of legal regulation of employment conditions through a centralised third party tribunal system and a strong trade union presence (Pyman *et al* 2006; Holland *et al* 2009).
- Since the 1980s there has been a significant decline in trade union density, and legislation that has led to decentralised bargaining, dismantling of compulsory conciliation and arbitration and restrictions on trade unions (Peetz 2006).

- In other countries where there has been a decline in trade union density there has also been a significant increase in non union representative voice (joint consultation) and direct employee involvement mechanisms (Dundon et al., 2004; Haynes *et al*, 2003; Kersley *et al* 2006).
- Some evidence that increased popularity of SHRM with its focus on a more direct employment relationship is contributing to minimizing third party intervention, especially union representation in Australia (Holland, Nelson & Fisher 2000; Peetz 2006).

MNE Research in Australia

- AWIRS 1995 *'there is a pronounced divergence in the HR practices of overseas workplaces when compared with locals.'* McGraw and Harley (2003)
- CRANET The legislative changes in Australia in the 1990s *'have created a very favourable setting for the application of calculative HRM practices'*.
- Also found that US MNCs *'consistently diverge from their host country counterparts including the UK and Australia'*, Gooderham, et al (2006) and Fenton-O'Creevy, et al (2008)

Employee Involvement Practices and the Institutional Context

- Indirect forms of EV more constrained to local adaptation – strongly influenced by institutional context (Ferner 1997)
- Direct channels of EV are more open to innovation (Marginson et al 2010)
- Expect MNEs to make high use of direct employee involvement strategies

Research Questions

- Research questions: what is the extent of employee involvement strategies and what are the explanatory factors that influence the use of employee involvement strategies in FOMNES in Australia?
- For example does country of origin, nature of the industry, company strategy and the presence of trade unions in their subsidiaries have any effect on EI strategies in MNEs?

Methodology

- A large scale survey of employment practices of MNEs in Australia part of the *INTREPID* project
- Development of a comprehensive database of 1008 Australian and FO MNEs in 2009
- Criteria FOEs 100 employees in Australia and over 500 worldwide; Australian 100 in another country and 500 worldwide

The Australian MNE Population Profiled

Country of Origin	No. In Population	Industry	No. In Population
US	407	Services	554
Australia	168	Manufacturing	392
UK	90	Primary	62
Japan	71	Total	1008
Germany	49		
France	39		
Nordic	26		
Asia	54		
Rest of World	44		
Rest of Europe	60		
<i>Total</i>	<i>1008</i>		

- A stratified sample of 550 MNEs was identified according to country of origin and sector
- In 2010 and 2011 structured face to face interviews were conducted with the senior HR executives of 211 MNE's operating in Australia.
- A response rate of 40%.

Which of the following mechanisms do you use to
communicate with the largest occupational group in your
Australian operations?
Employee Involvement Index

Employee Involvement Practice	No No %
Meetings between senior management and whole workforce	153(86)
Meetings between line managers and employees	174(98)
Attitude and opinion surveys	145(82)
Suggestion schemes	102(58)
Systematic use of management chain to cascade information	165(93)
Newsletters or emails	171(97)
Company intranet providing information to employees	159(90)
Joint consultation committees	108(61)
Open door policy	171(99)

Findings

- The first research question asked: *what is the incidence and approach to employee involvement strategies in FO MNEs in Australia?*
- 1. Found that FO MNEs are wide users of a range of direct employee involvement practices, in particular one way top down communication strategies for example cascading information through the management chain (93% 165n), newsletters and emails (97% 171n) and the use of the Company intranet (90% 159n).

- 2. More participatory two- way direct employee involvement methods are also utilised and these include meetings with line managers (98% 174n), meetings between senior management and the whole workforce (86% 153n) and attitude and opinion surveys (82% 145n).
- 3. While indirect employee involvement methods such as joint consultative committees did not emerge as being as important (61% 108n), they still play a significant role in organisational communications.

Which is the most important?

- Meetings between line managers and whole workforce (89n 50%)
- Meetings between senior management and whole workforce (27n 15%)
- JCCs (2n 1%)

- *Influences on the use of employee involvement strategies*
- The industry sector and the LOG have no impact
- The country of origin does have an impact but it is not the USA that is the greatest user of employee involvement strategies, it is the UK.
- Possible that in Australia, UK MNEs are taking advantage of the changing employee relations landscape and are moving quickly towards HRM linked employee involvement strategies.

- Trade union presence was a significant influence on employee involvement strategies – more likely to use JCCs and more likely to use suggestion schemes.
- No trade union presence - more likely to use intranet.
- Final significant influence is company HRM strategy. SHRM orientation was positively linked to employee involvement strategies supporting the range of literature that identifies employee involvement as a key feature of SHRM (Mackey and Boxall; Zacharatos *et al*).

Some questions?

- JCCS and Union presence – union engagement or union avoidance?
- Why the UK? The Irish study found that UK firms less likely to adopt a direct approach than US firms. However, Marginson et al (2010) argued that UK MNEs in the UK no less likely than US MNEs to use direct approaches.
- Will we see the same pattern in Australian MNEs?
- What might these early findings suggest?