MNCs in a Strongly Regulated Economy: Does Labor Relations Really Matter?

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AGENDA

1. The (Danish) IR Model – characteristics and LME versus CME

2. Results from the Danish survey – union recognition and consultation

3. Conclusion: Does Labour Relations Matter?
EMPIRICAL BASE

- The INTREPID project
- Danish data only
- 119 companies (foreign-based and home-based)
- 88 foreign based
PART I

The Danish Industrial Relations Model

- A VERY QUICK OVERVIEW
THE INDUSTRIAL RELATIONS MODEL
- THE THEORETICAL VERSION

The State

Employers                      Trade Unions
THE INDUSTRIAL RELATIONS MODEL
- THE DANISH COORDINATED VERSION (CME)

The State

Employers

Trade Unions
THE INDUSTRIAL RELATIONS MODEL
- THE LIBERAL VERSION (LME)

The State

Employers    Trade Unions
Coordinated Market Economies (CME)

‘Coordinated market economies rely on formal institutions to regulate the market and coordinate the interaction of firms and firm relations with suppliers, customers, employees, and financiers’
LIBERAL MARKET ECONOMIES (LME)

‘In liberal market economies, the problem of coordination between firms and between firms and their financiers, employees, suppliers, and customers is solved through market mechanisms. LMEs are free market economies’
MNC’s HRM CONSIDERATIONS

- Integration: Is a common HRM-policy necessary?

- **Country-of-origin effect:** MNCs’ IR/HRM traditions is employed on subsidiary

- **Host country effect:** MNC adapt IR & HRM to local traditions
**THE DANISH LABOUR MARKET MODEL**

- A national & local model?
- Based on consensus
- Based on mutual recognition (unions and managements prerogative)

→ *not geared to globalisation?*
→ *can it cope with MNCs?*
GLOBALISATION – DRIVER FOR NEW LABOUR MARKET MODELS?

Globalization and new possibilities

- Technology transfer → less bounded capital and labour

- Liberalisation of economies → broader scope for transfer of capital

- The fall of the Iron Curtain → new (labour) markets

FaOS
Research Interest:
How are labour markets affected by MNCs?

a) What happens when MNCs from LMEs overtake enterprises from CMEs?

b) To what degree can/will/should the Danish Model of IR withstand MNC’s employment policies?

c) How are Danish IR affected by MNC management techniques?
MNCs’ different approaches

*Share-holder (widespread in LMEs):*
- Profit decisive, preferably fast
- Only investors counts (share holders)
- Typically liberal (anglo-amerikanske) countries (LMEs)

*Stake-holder (more often seen in CMEs):*
- Shareholders only one of many actors to considerate
- Local labour market, branding etc.
- Typically coordinated market economies (CMEs)
**When LME meets CME**

<table>
<thead>
<tr>
<th></th>
<th>Operating in LMEs</th>
<th>Operating in CMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Originated from LMEs</strong></td>
<td>No conflict</td>
<td>Expected turbulence area</td>
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PART II

EMPIRICAL STUDIES

- Preliminary results of the Danish part of the INTREPID project
Ownership Pattern
– Country of Origin

General picture:
- 28% Nordic
- 70% European
- 22% US

→ Proximity seems to count
→ MNCs invest to a high degree in countries with somehow alike labor market systems
LME and CME Originating MNC in DK

<table>
<thead>
<tr>
<th></th>
<th>CME</th>
<th>LME</th>
<th>Cross-over</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
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<td>19</td>
<td></td>
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<tr>
<td>Denmark</td>
<td>31</td>
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<td>Finland</td>
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<td></td>
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<tr>
<td>Norway</td>
<td>6</td>
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<tr>
<td>Sweden</td>
<td>15</td>
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<td>France</td>
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<tr>
<td>Germany</td>
<td>12</td>
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<tr>
<td>Belgium</td>
<td>1</td>
<td></td>
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<tr>
<td>Switzerland</td>
<td>8</td>
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<tr>
<td>Spain</td>
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<td>1</td>
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<tr>
<td>Italy</td>
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<tr>
<td>The Netherlands</td>
<td>2</td>
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<tr>
<td>Iceland</td>
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<td>Japan</td>
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<td>India</td>
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<tr>
<td>Australia</td>
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<tr>
<td>South Africa</td>
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<tr>
<td>Israel</td>
<td>1</td>
<td></td>
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<tr>
<td>Others</td>
<td>1</td>
<td></td>
<td></td>
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<tr>
<td>UK</td>
<td></td>
<td>7</td>
<td></td>
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<tr>
<td>Total firms</td>
<td>85</td>
<td>30</td>
<td>4</td>
</tr>
</tbody>
</table>

Total population: 
85 CMEs 
30 LMEs 
4 Cross-Overs 

Foreign-owned only: 
45.5% CME (40 companies) 
50% LME (44 companies) 
4.5% cross-overs (4 companies) 

*Please let’s not discuss the categorization of LME/CME at this point... 😊*
OWNERSHIP PATTERN
– COUNTRY OF ORIGIN (FOREIGN-OWNED ONLY)

LME-originating MNCs as wide-spread in Denmark as CME-originating MNCs.
- 46% originating from CME
- 50% originating from LME

But what happens when companies from LMEs (country-of-origin) invest in companies in CMEs (host-country)?

<table>
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EXPECTATIONS ON UNION APPROACH

- Foreign based MNCs have a more negative approach to employee involvement than Danish based MNCs.

- LME-originated MNCs have a more negative approach to unions than CME-originated MNCs.
EMPLOYEE REPRESENTATION:
HOW WOULD YOU DESCRIBE THE POLICY OF MANAGEMENT TOWARDS UNION RECOGNITION WITHIN THE COMPANY IN DENMARK?

Danish-based:
- In favour of union recognition: 52%
- Not in favour of union recognition: 6%
- Neutral towards union recognition: 42%

Foreign-based:
- In favour of union recognition: 50%
- Not in favour of union recognition: 5%
- Neutral towards union recognition: 45%
EMPLOYEE REPRESENTATION:
How would you describe the policy of management towards union recognition within the company in Denmark?

LMEs

49% In favour of union recognition
49% Neutral towards union recognition
2% Not in favour of union recognition

CMEs

51% In favour of union recognition
43% Neutral towards union recognition
6% Not in favour of union recognition
POSSIBLE EXPLANATORY FACTOR: YEARS IN DENMARK

Foreign-based: years in Denmark

- A majority has been present for quite some time in Denmark
  - Are acquainted with the Danish labor market system
  - High level of union recognition
  - No difference btw. LME & CME
**Possible Explanatory Factor:**
Years in Denmark

**LMEs**
- 0-4 years: 7%
- 5 to 9 years: 17%
- 10-24 years: 37%
- 25 years or more: 39%

**CMEs**
- 0-4 years: 18%
- 5 to 9 years: 23%
- 10-24 years: 23%
- 25 years or more: 36%
HR-MANAGERS PERCEPTION OF UNIONS REPS:

Thinking about trade unions in the company in Denmark, what approach do the trade union representatives generally adopt?

- Danish-based:
  - A cooperative approach: 58%
  - An adversarial approach: 32%
  - It depends on the issue: 10%
  - Don't Know: 0%

- Foreign-based:
  - A cooperative approach: 52%
  - An adversarial approach: 25%
  - It depends on the issue: 5%
  - Don't Know: 10%
HR-MANAGERS PERCEPTION OF UNIONS:

Thinking about trade unions in the company in Denmark, what approach do the trade union representatives generally adopt?

- **LMEs**
  - A cooperative approach: 31%
  - An adversarial approach: 25%
  - It depends on the issue: 40%
  - Don't Know: 4%

- **CMEs**
  - A cooperative approach: 65%
  - An adversarial approach: 25%
  - It depends on the issue: 5%
  - Don't Know: 5%
Country of origin – and adopted union rep approach

Cooperative approach – foreign owned only

Only significant result:
HR-managers from CME’s have a way more positive view on union reps than HR-managers from LMEs
EXPECTATIONS ON EMPLOYEE INVOLVEMENT

- Danish based MNCs will try to spread Danish employment involvement principles to subsidiaries abroad

- Danish based MNCs to a higher degree than foreign based MNCs
  - have a policy on employment involvement
  - Go beyond the legal requirements reg. involvement
EMPLOYEE INVOLVEMENT:

Would you say that practices in relation to employee involvement in the worldwide company are ...

Danish-based

- Very similar across all operations: 5%
- Broadly similar but with some variations: 10%
- Similar to some extent but with substantial variations: 15%
- Fairly diverse: 10%
- Very diverse: 5%
- Don't know: 0%

Foreign-based

- Very similar across all operations: 5%
- Broadly similar but with some variations: 10%
- Similar to some extent but with substantial variations: 15%
- Fairly diverse: 10%
- Very diverse: 5%
- Don't know: 0%
EMPLOYEE INVOLVEMENT:

Would you say that practices in relation to employee involvement in the worldwide company are ...

**LMEs**

- Very similar across all operations: 2%
- Broadly similar but with some variations: 15%
- Similar to some extent but with substantial variations: 33%
- Very diverse: 28%
- Don't know: 4%

**CMEs**

- Very similar across all operations: 7%
- Broadly similar but with some variations: 7%
- Similar to some extent but with substantial variations: 37%
- Very diverse: 37%
- Don't know: 5%
**Information & Consultation:** Which of the following statements comes closest to capturing the worldwide company's policy [on information & consultation]?

### Danish-based

- There is no policy: 20%
- Minimum compliance with legal requirements on employee information and consultation: 33%
- To go somewhat further than legal requirements: 33%
- To go considerably further than legal requirements: 13%

### Foreign-based

- There is no policy: 6%
- Minimum compliance with legal requirements on employee information and consultation: 29%
- To go somewhat further than legal requirements: 40%
- To go considerably further than legal requirements: 15%
INFORMATION & CONSULTATION:

WHICH OF THE FOLLOWING STATEMENTS COMES CLOSEST TO CAPTURING THE WORLDWIDE COMPANY'S POLICY [ON INFORMATION & CONSULTATION]?

LMEs

- There is no policy: 4%
- Minimum compliance with legal requirements on employee information and consultation: 32%
- To go somewhat further than legal requirements: 39%
- To go considerably further than legal requirements: 18%

CMEs

- There is no policy: 8%
- Minimum compliance with legal requirements on employee information and consultation: 25%
- To go somewhat further than legal requirements: 42%
- To go considerably further than legal requirements: 13%
PRELIMINARY CONCLUSION: DOES LABOUR RELATIONS MATTER?

- No major differences between LME-MNCs and CME-MNCs regarding
  - union recognition
  - policy on employee involvement

- But a major difference regarding perceived union representative approach
  - more LME-MNCs than CME-MNCs have a negative perception of union reps’ approach
PRELIMINARY CONCLUSION: DOES LABOUR RELATIONS MATTER?

- At least when operating in the context of a CME (Denmark), MNCs behave in a similar way (regardless of origin) in terms of discretion over union recognition, employee involvement and consultation.

- But on discretion:
  - MNCs originated from LMEs are distinguishable from those originated from CMEs by the extent to which they grant discretion to their subsidiaries with regards to:
    - Pay & Performance evaluation
    - Organizational development & training.

   ➔ Pay and performance as management prerogative versus
   ➔ Collective agreements have a big say in CMEs
   ➔ Potential future turbulence area
Preliminary conclusion: Does labour relations matter?

General possible explanation:
- MNCs operating in strong CMEs tend to adapt to the host country labor market system (especially legislation)
Preliminary conclusion: Does labour relations matter?

Further research:
- Qualitative studies in DK & Norway
- Comparative studies – INTREPID
- → what is the approach when (the same) LME-MNCs operate in LMEs respectively in CMEs?

Main interest of social partners in DK:
- Are IR-systems in CMEs geared to ‘aggressive’ MNCs?
  → legislation seems to be their prime reference point for IR but collective agreements governs labor market relations