



FaOS



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



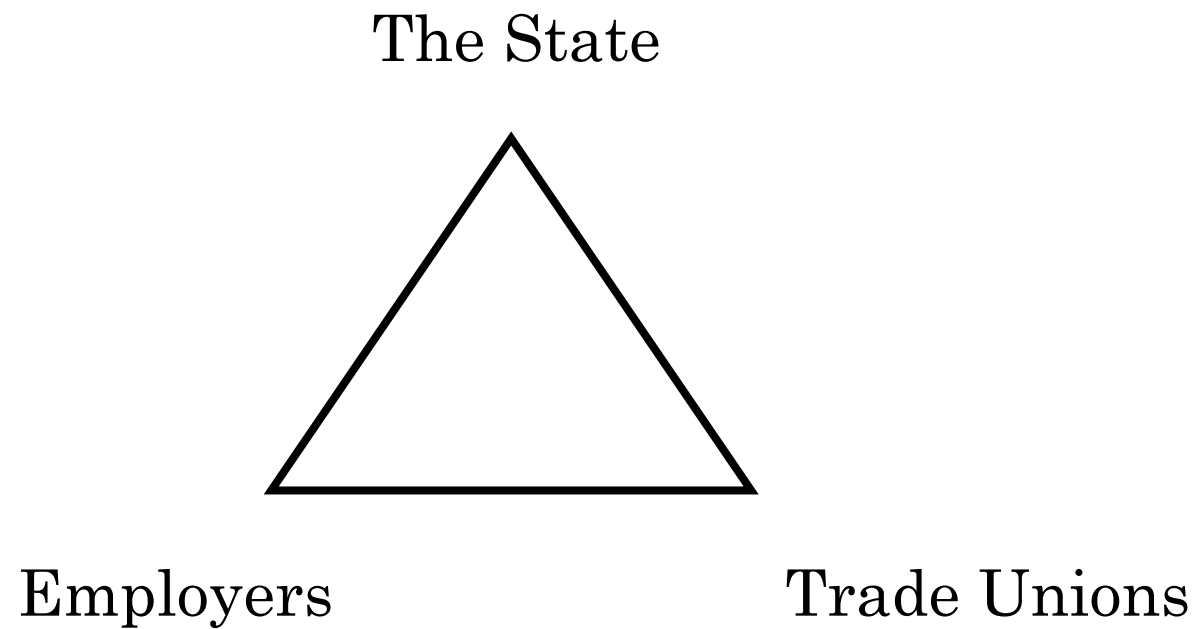
PART I

The Danish Industrial Relations Model

- A VERY QUICK OVERVIEW

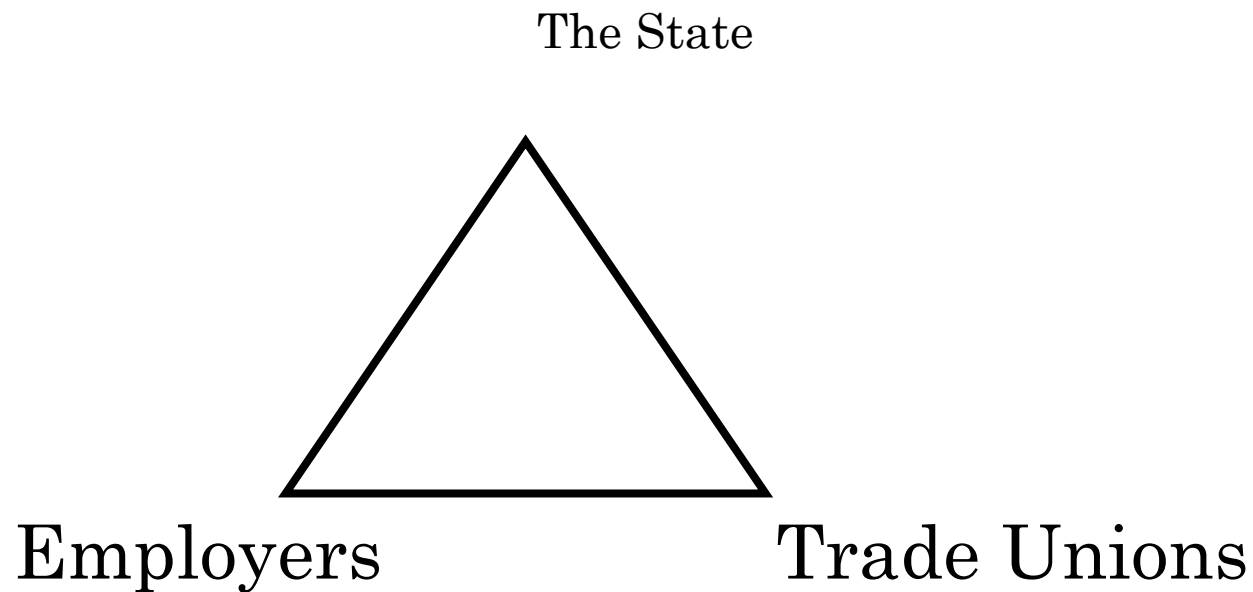


THE INDUSTRIAL RELATIONS MODEL - THE THEORETICAL VERSION

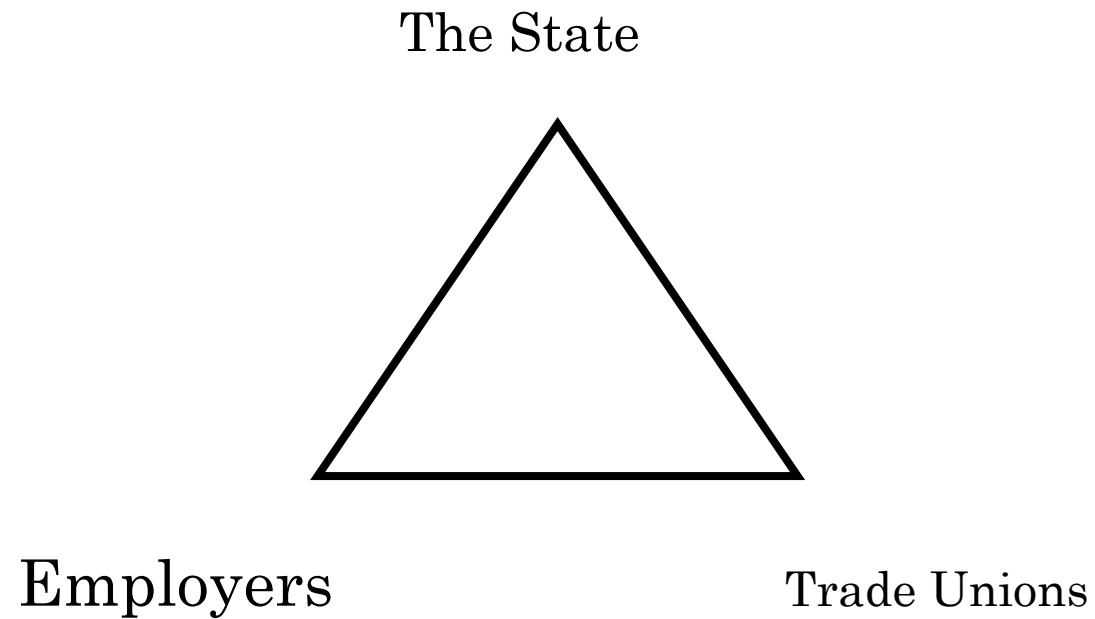


THE INDUSTRIAL RELATIONS MODEL

- THE DANISH COORDINATED VERSION (CME)



THE INDUSTRIAL RELATIONS MODEL - THE LIBERAL VERSION (LME)



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



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

	Operating in LMEs	Operating in CMEs
Originated from LMEs	No conflict	Expected turbulence area
Originated from CMEs	Expected turbulence area	No conflict



PART II

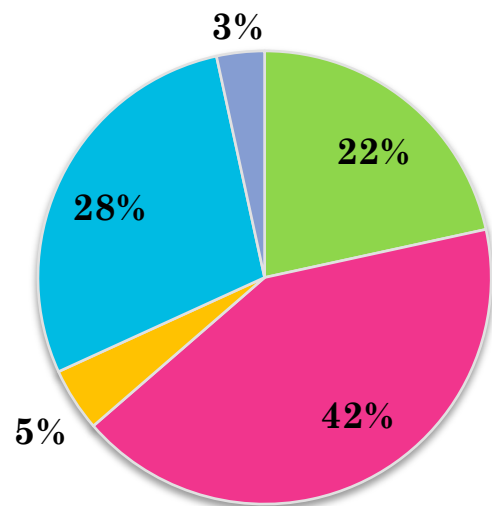
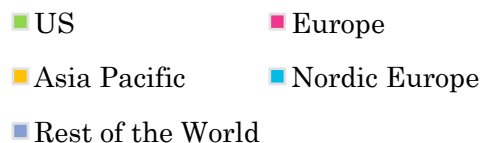
EMPIRICAL STUDIES

- Preliminary results of the Danish part of the INTREPID project



OWNERSHIP PATTERN – COUNTRY OF ORIGIN

In which country is the operational headquarters of your ultimate controlling company located? (foreign based only)



Base: Foreign-based (n = 88)

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

	CME	LME	Cross-over
US		19	
Denmark	31		
Finland	2		
Norway	6		
Sweden	15		
France	5		
Germany	12		
Belgium	1		
Switzerland	8		
Spain			1
Italy			1
The Netherlands	2		
Iceland			2
Japan	2		
India		1	
Australia		1	
South Africa		1	
Israel		1	
Others	1		
UK		7	
Total firms	85	30	4

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)?

	Operating in LMEs	Operating in CMEs
Originated from LMEs	No conflict	Expected turbulence area
Originated from CMEs	Expected turbulence area	No conflict



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

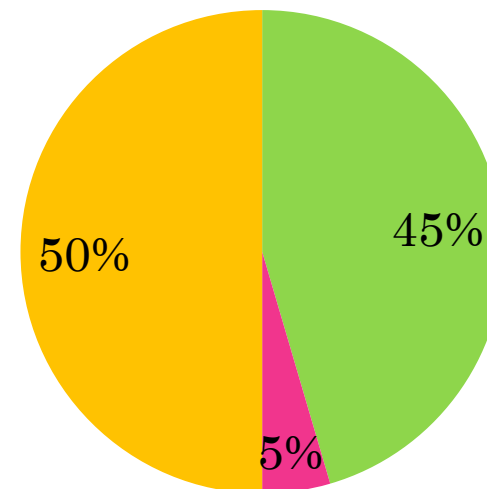
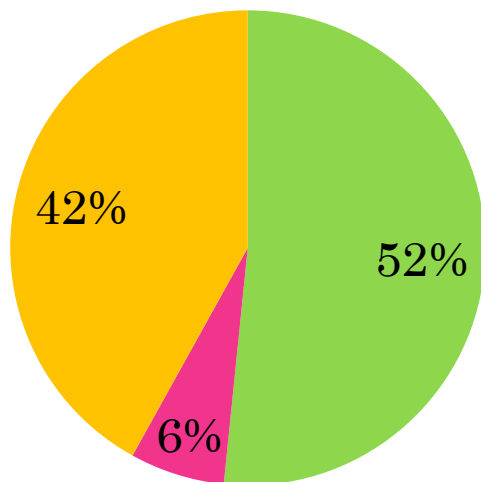


EMPLOYEE REPRESENTATION:

HOW WOULD YOU DESCRIBE THE POLICY OF MANAGEMENT TOWARDS UNION RECOGNITION WITHIN THE COMPANY IN DENMARK?

Danish-based

Foreign-based



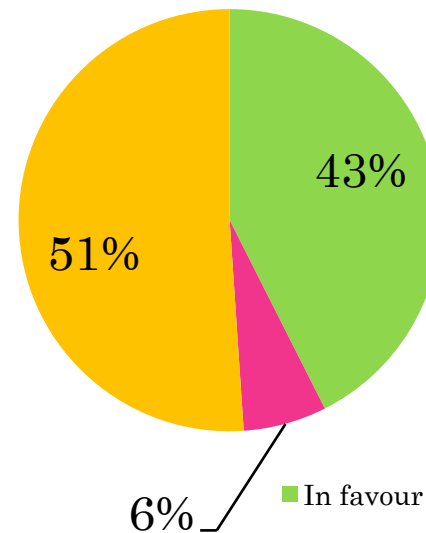
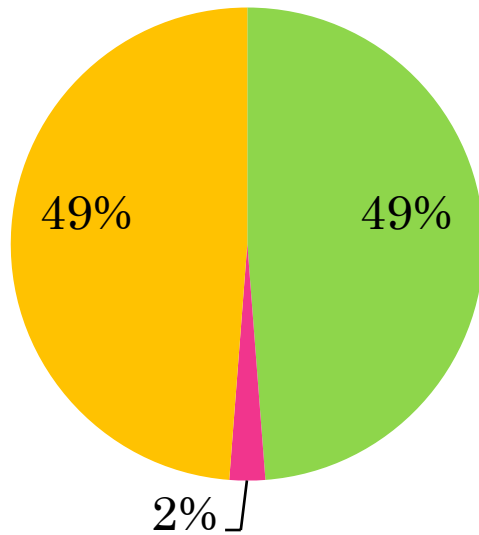
- In favour of union recognition
- Not in favour of union recognition
- Neutral towards union recognition

EMPLOYEE REPRESENTATION:

HOW WOULD YOU DESCRIBE THE POLICY OF MANAGEMENT TOWARDS UNION RECOGNITION WITHIN THE COMPANY IN DENMARK?

LMEs

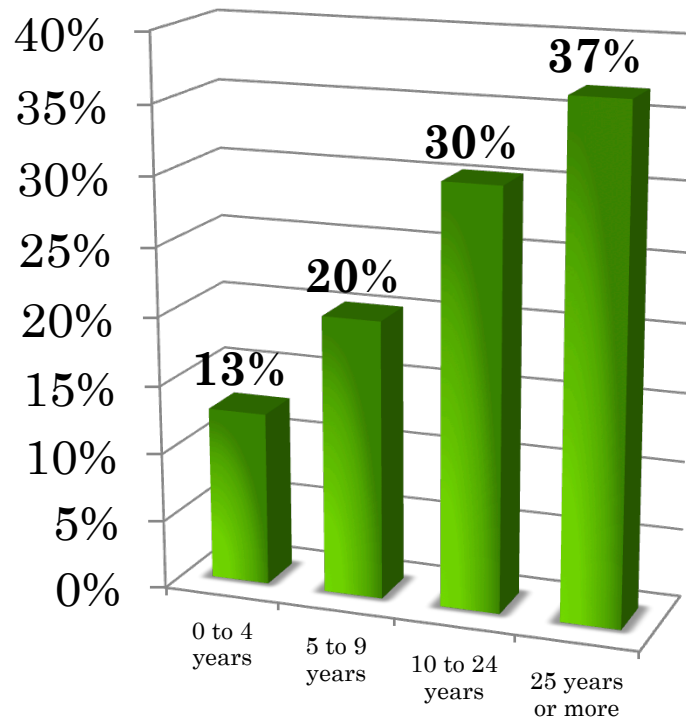
CMEs



- In favour of union recognition
- Not in favour of union recognition
- Neutral towards union recognition

POSSIBLE EXPLANATORY FACTOR: YEARS IN DENMARK

Foreign-based: years in Denmark

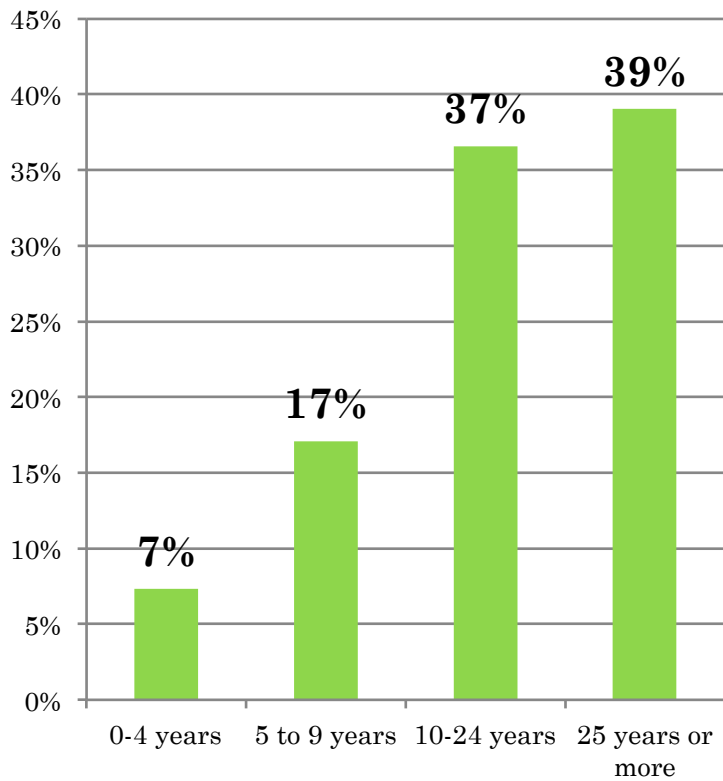


- A majority has been present for quite some time in Denmark
- Are acquainted with the Danish labor market system
- high level of union recognition
- No difference btw. LME & CME

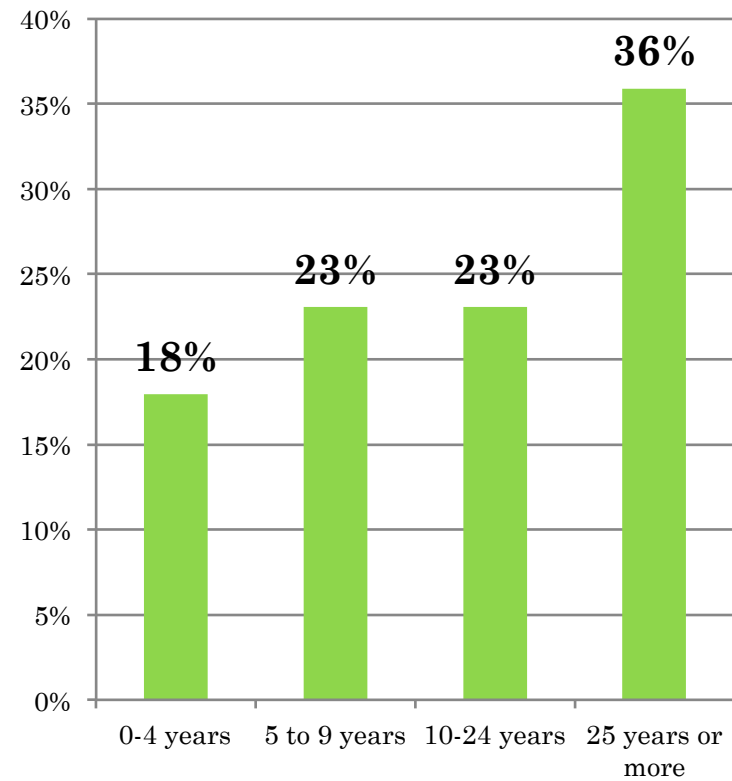


POSSIBLE EXPLANATORY FACTOR: YEARS IN DENMARK

LMEs



CMEs

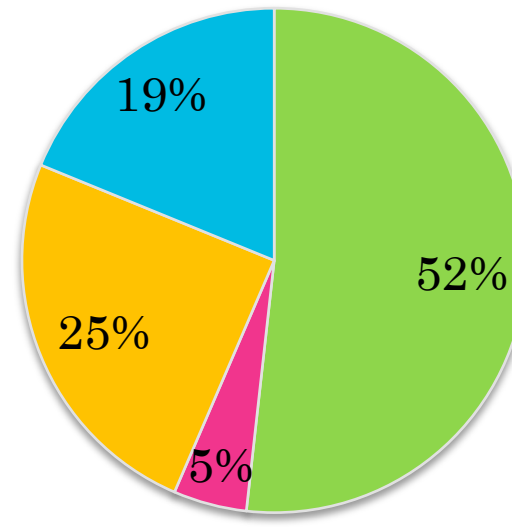
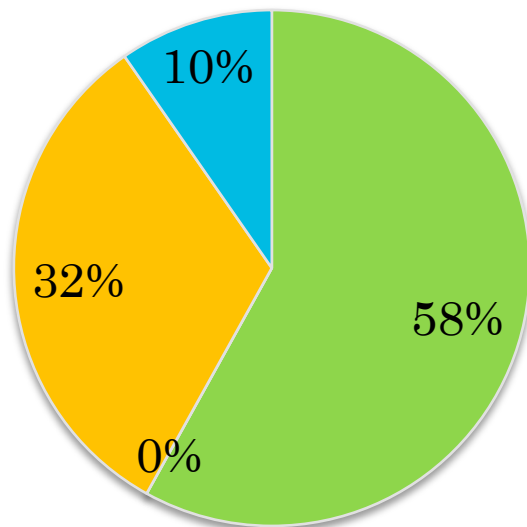


HR-MANAGERS PERCEPTION OF UNIONS REPS:

THINKING ABOUT TRADE UNIONS IN THE COMPANY IN DENMARK, WHAT APPROACH DO THE TRADE UNION REPRESENTATIVES GENERALLY ADOPT?

Danish-based

Foreign-based



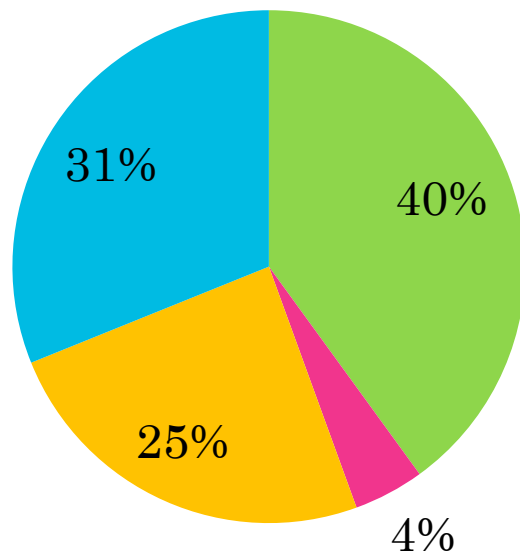
- A cooperative approach
- An adversarial approach
- It depends on the issue
- Don't Know...



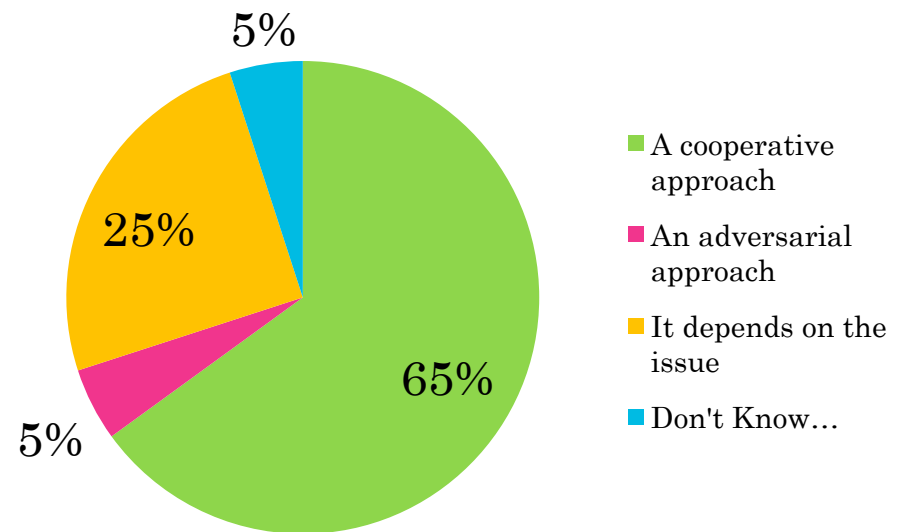
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LMEs



CMEs

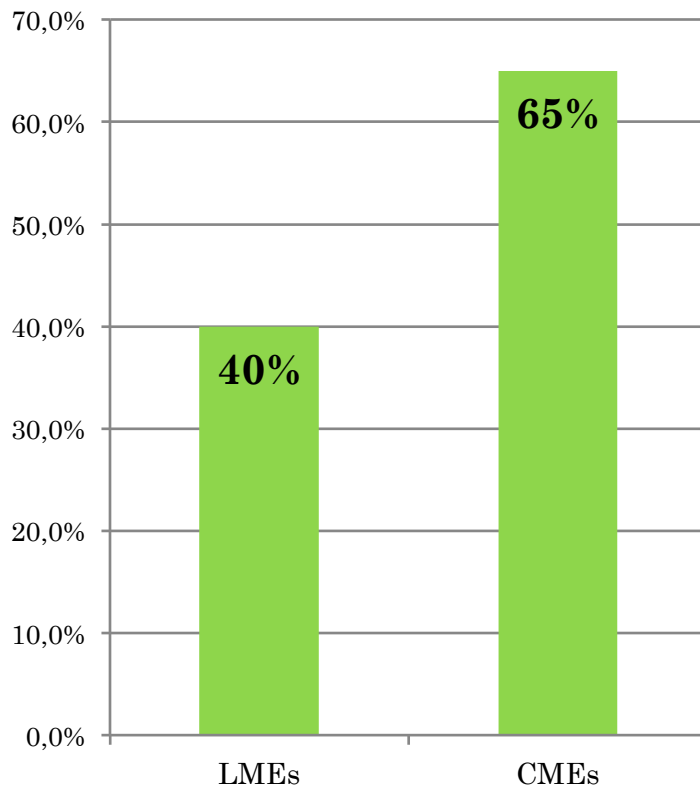


- A cooperative approach
- An adversarial approach
- It depends on the issue
- Don't Know...



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

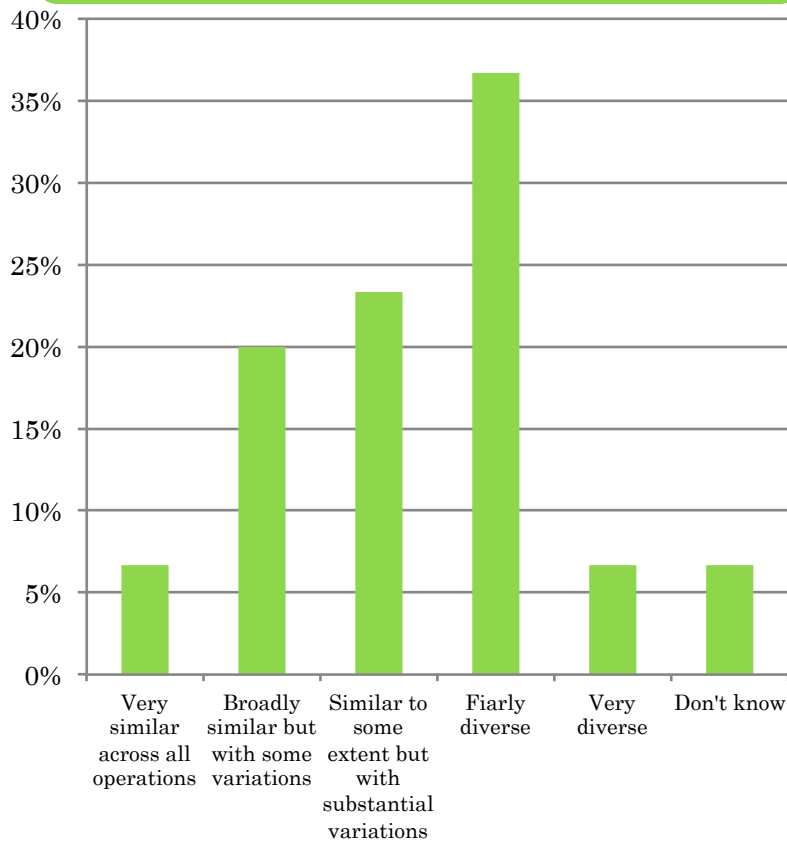
- Danish based MNCs will try to spread Danish employment involvement principles to subsidiaries abroad
- Danish based MNCs to a higher degree than foreign based MNCs
 - have a policy on employment involvement
 - Go beyond the legal requirements reg. involvement



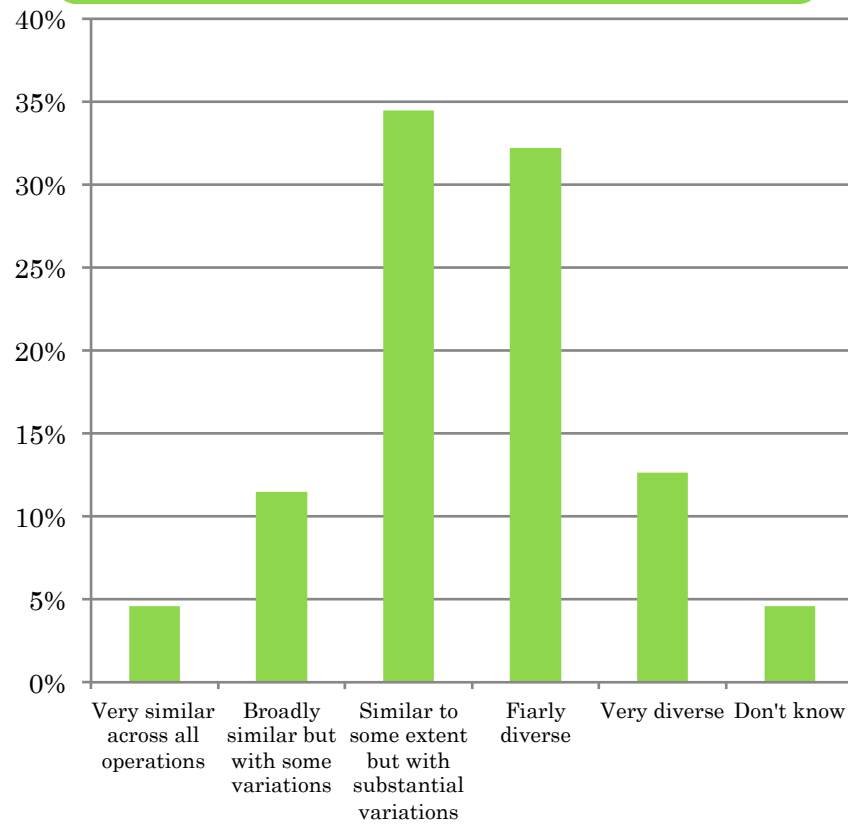
EMPLOYEE INVOLVEMENT:

WOULD YOU SAY THAT PRACTICES IN RELATION TO EMPLOYEE INVOLVEMENT IN THE WORLDWIDE COMPANY ARE ...

Danish-based



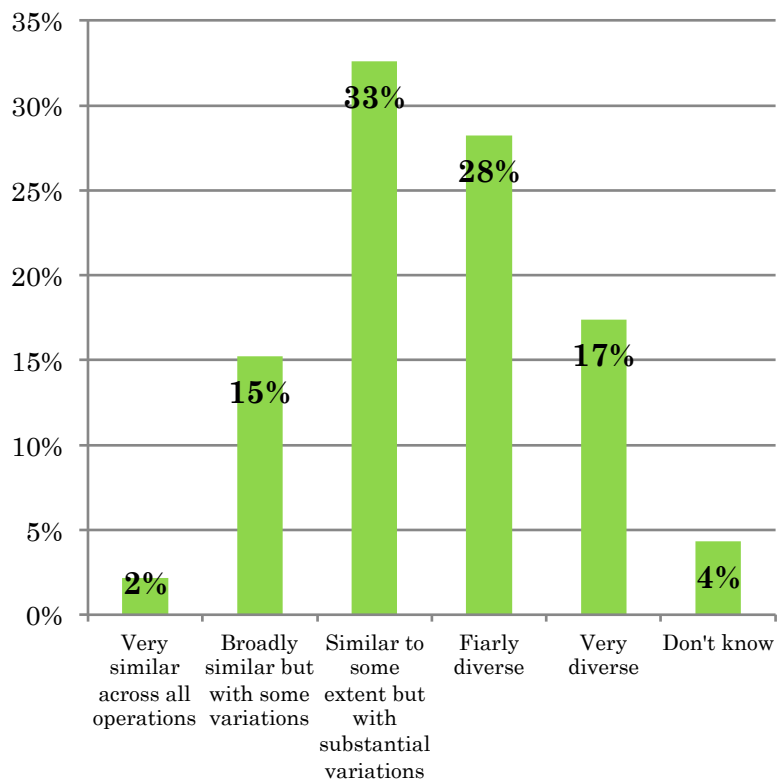
Foreign-based



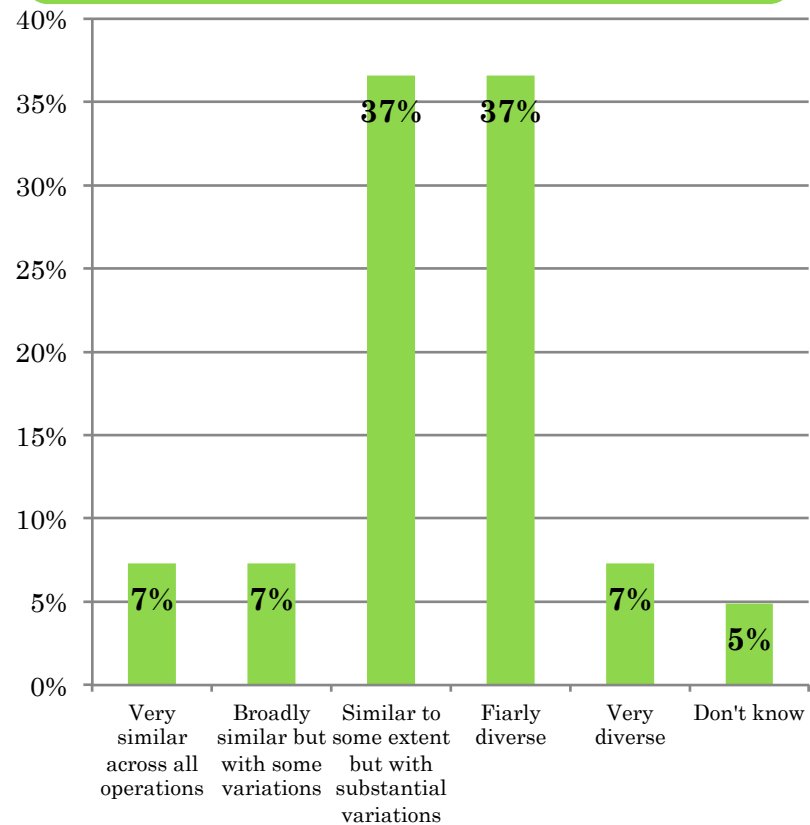
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LMEs

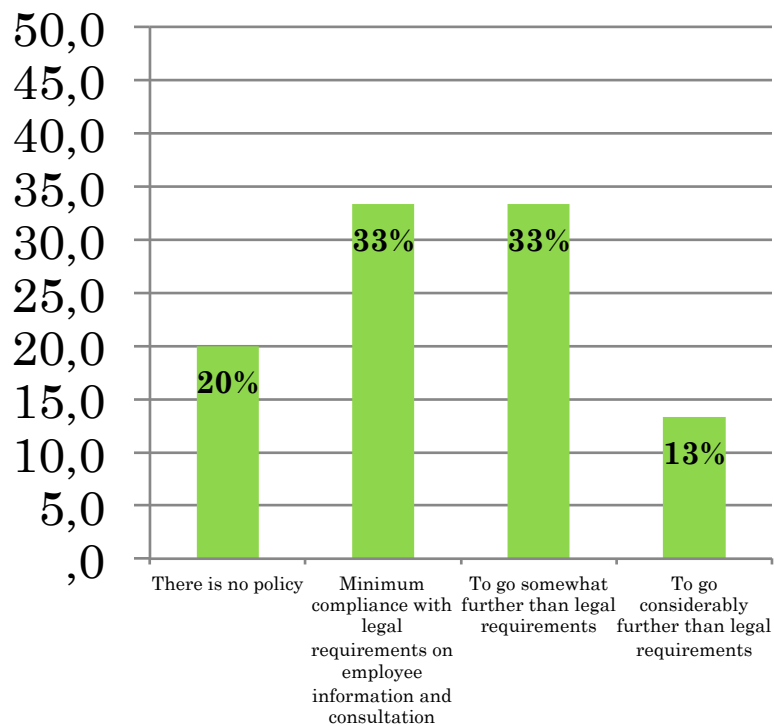


CMEs

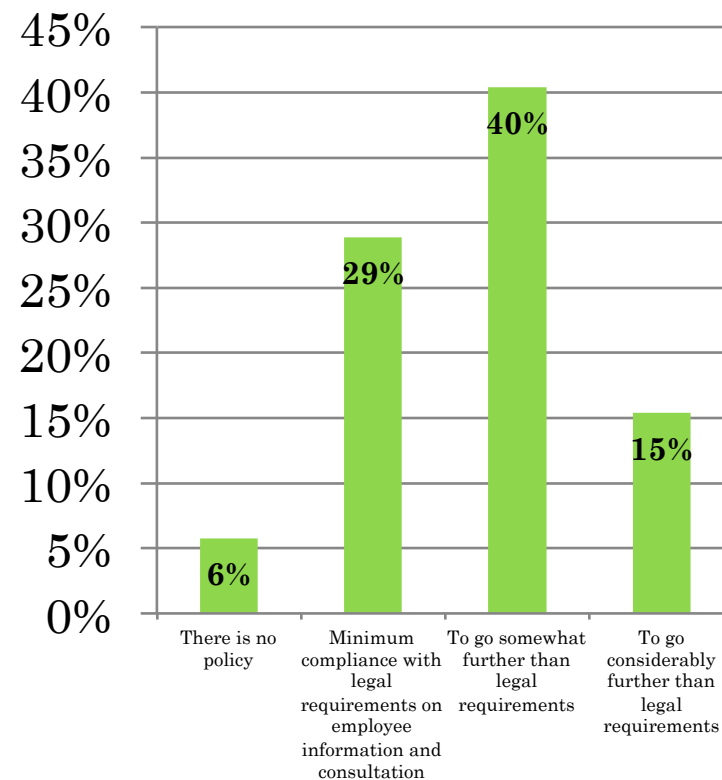


INFORMATION & CONSULTATION:
WHICH OF THE FOLLOWING STATEMENTS COMES CLOSEST TO CAPTURING THE WORLDWIDE COMPANY'S POLICY [ON INFORMATION & CONSULTATION]?

Danish-based

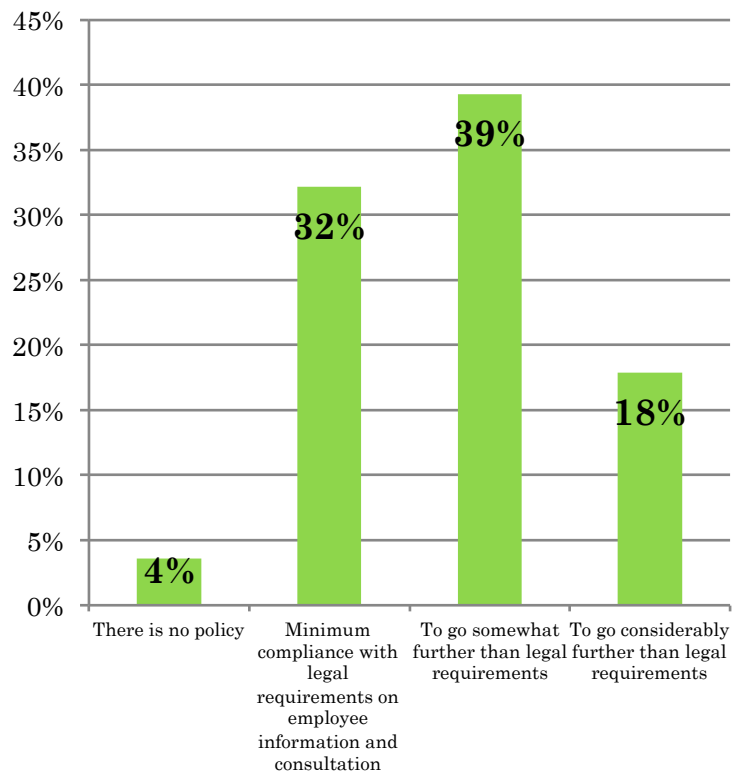


Foreign-based

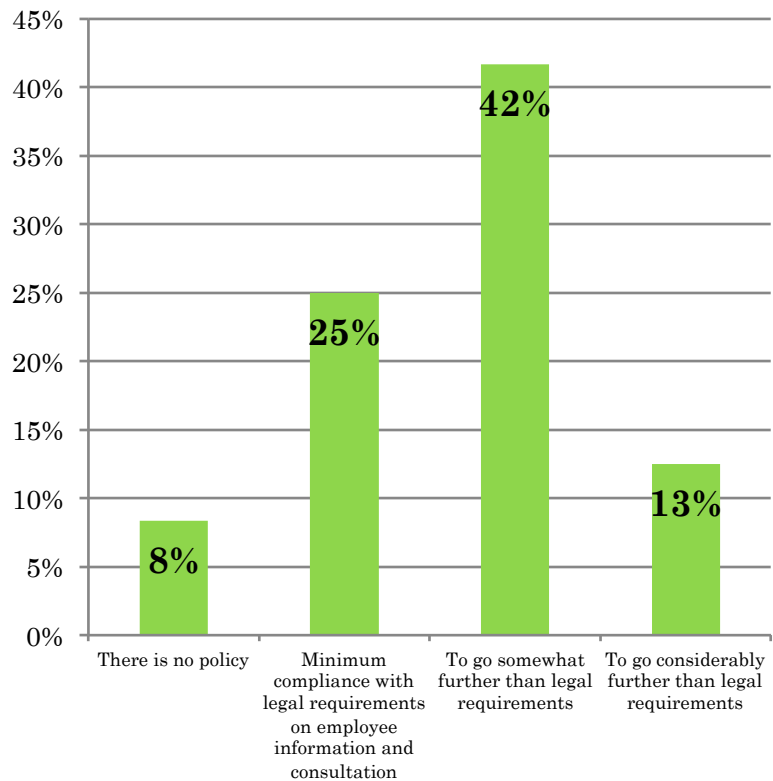


INFORMATION & CONSULTATION: WHICH OF THE FOLLOWING STATEMENTS COMES CLOSEST TO CAPTURING THE WORLDWIDE COMPANY'S POLICY [ON INFORMATION & CONSULTATION]?

LMEs



CMEs



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

FaOS but collective agreements governs labor market relations

