The Distinctiveness of Employment Relations within Multinationals: Patterns of Developmental Concerns in Four European Countries

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Introduction

• Many questions remain unanswered as regards the distinctiveness or specificity of employment relations within multinationals: this is the subject matter of this paper.
• What about the specificity of MNCs as organizations? While it is usual to present them as large and complex, the key characteristic rather is that they operate across national frontiers and hence have to adjust to many institutional environments.
• This is a key factor underlying the issues of power and politics that are particularly acute and have been the object of much attention.
Introduction

• These matters may have implications for the shaping of employment relations (ER): in spite of the structural divide between labour and local management, they may have joint interests in the political standing and long-term viability of the subsidiary. On matters such as the allocation of resources and mandates, their objectives may coincide.

• A conceptual model (Edwards et al., 2006; Bélanger and Edwards, 2007) contributes to the understanding of such social dynamics: it is applied here.

• ‘Developmental concerns’: on the basis of distinct rationales, the agents may agree on arrangements and compromises aimed at creating better conditions for the reproduction of the ER in their workplace over time.
Objectives of the paper

• DC refer to longer-term considerations enhanced by the will of employees to keep their jobs and to foster the sustainability and development of the workplace where they earn their living. It is a concept and not a list of specific issues.

• Based on a comparative study of the subsidiaries of four multinationals located in four different countries, this paper applies this concept as a key analytical tool for understanding the distinctiveness of ER within MNCs.

• The fieldwork material relates to flexibility and security in a broad sense, issues that may be seen as the most appropriate employment practices to study in connection with DC.
Objectives of the paper

• The first objective stems from the proposition that MNCs may represent a particularly fertile ground for negotiations and compromises based upon DC. The basis of this proposition to be tested empirically relates to the politics associated with the position and standing of the subsidiary within the firm and the internal regime competition that follows.

• The second objective is to compare the processes of negotiations and compromises that occurred in the 16 subsidiaries in which fieldwork was conducted and to account for the major variations that were encountered. The different patterns observed emanate from a complex combination of factors. At the end, action does prevail but we are able to identify distinct patterns of DC.
Operationalization of key notions

• These patterns emanate from a complex interaction between structuring factors such as technology, the type of products and the competitive position of the firm, as well as the modes of corporate control and the institutional settings in which subsidiaries operate. The research design takes account of all of these factors.

• None of these factors is determining; it is the combination of them that creates more or less favourable conditions for local arrangements and compromises.

• We also make a distinction between relations that occur ‘vertically’, between HQs and subsidiaries, and those by which local plants are led to interact and compare themselves ‘horizontally’, in various countries.
Research approach

• 2-by-2 cross-national comparative case studies of MNCs subsidiaries across 4 countries in Europe (Belgium, Germany, Italy and United Kingdom) = 16 cases

• Contextual variables (similar by group of two):
  • Structural company-level features i.e. technology (high/low), nature of the product (standardized/differentiated), market competition (high/low)
  • Country-of-origin (US/France)
  • HQ-subsidiary relationship (benchmarking/direct control)
  • Local institutional environment (national/local labour markets)

• Richness of contextual variables selected for analysis
Cases

16 cases in total; four per MNC and per country
Methodology

• Cross-national comparative multi-case study;
• Period: 2011-2012, follow-up interviews in 2013-2014;
• 96 semi-structured interviews with local (HR) Mgt, local trade unions, employee representatives but also EU-level HR Mgt, sector-level experts and TUs;
• Document analysis and participatory observation;
• Interviews: 90-120 minutes duration, translated and transcribed (analysis with NVivo);
• Triangulation in the sources of empirical data.
Findings

- Concession-driven compromise
- Medium-low DC

- Consensus-driven compromise
- High DC

- No compromise
- Low DC

- Consensus-driven compromise
- High DC

Variety of DC around the regulation of flexibility-security in European subsidiaries of MNCs
# Findings

**US1**
- Progressive increase of flexibility resulting from benchmarking
- Facilitated by the standardized nature of the product
- Unstable and unpredictable markets pushed union to agree to concessions
- Concessions are mediated by local/national institutional environment and minor support by HQ

→ **Concession-driven compromise**

**US2**
- High levels of flexibility, reinforced by benchmarking, “just-in-time” production and unstable markets
- Unions were pushed to agree to a bundle of flexibility practices independently from national/local institutional settings
- Lack of guidance/support by the HQ when implementing flexibility (interest in numbers, but not practices)

→ **No compromise**
Findings

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<th>FR1</th>
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<tr>
<td>• High degree of specialization of plants (selling differentiated products) inhibited benchmarking and facilitated finding local solutions together</td>
<td>• Differentiated/customized nature of the products protected plants, focus on long-term public orders created stability</td>
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<td>• This was facilitated by the presence of expatriate managers in the top- and middle-management</td>
<td>• Management and unions negotiated in a cooperative way about security practices</td>
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<td>• Relative low impact of national/local institutional settings</td>
<td>• Presence of expatriates facilitated that (close relation with the HQ)</td>
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<td>➔ Consensus-driven compromise</td>
<td>• Relative low impact of national/local institutional settings</td>
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Discussion and Conclusion

- HQ-subsidiary relationship: the modes of corporate control reflect to some extent the features of the ‘country-of-origin’ of the MNC.

- However, the patterns of workplace relations emanate from a combination of many factors. Most of these factors have to do with the nature of each single firm, e.g. technology, nature of product, product market, and the mode of corporate control over subsidiaries.

- We refer to this combination of structuring and organizational factors as the corporate features of a multinational.

- This combination of all the forces that shape a specific subsidiary-level social dynamics creates more or less favourable conditions for compromises around the regulation of flexibility and security.
Discussion and Conclusion

• These corporate features, which have much to do with the ‘historical legacies’ of the multinational (Kristensen and Zeitlin, 2005), interact with the institutions of the host country.

• In the analysis of host-country institutions, this paper takes into account both the national (e.g. collective bargaining and union representation structures and rights) and the local features (e.g. tight local labour market).

• The argument of this paper is that corporate features prevail over host-country institutions. The empirical material presented indicates that these corporate features predominate in shaping the nature and extent of compromises based upon developmental concerns.
Discussion and Conclusion

• Two observations that stand out from our study have broader implications for theory.
• First, each multinational has its own corporate features, its own ways of ‘doing business’ and ‘doing politics’. In the words of Elger and Smith, each firm has its own ‘distinctive corporate repertoire’ (2005: 64). These notions will lead us to be more specific about what is too generally referred to as ‘corporate effects’.
• Second, it is now acknowledged in the literature that institutions should not be conceived as ‘given’ or static, although the implications of this are too often overlooked. In the words of Morgan and Hauptmeier, ‘the comparisons and depictions of national systems of employment relations have tended to be overly static’ (2014: 213; see also Ferner et al. 2012). This paper has shown how the agents involved in employment relations within MNCs interpret institutions, use them (or not) as strategic leverages and play political games within this set of constraints and opportunities, bending the rules if necessary.