



INDUSTRIAL RELATIONS POLICIES IN MULTINATIONAL COMPANIES

Dr. Abha Kumari,
Assistant Professor,
Marwari College, Ranchi.

Abstract

While there is a large body academic debate surrounding Human Resource Management issues in Multinational Companies. Industrial relation issues often fail to receive the same degree of attention. It is generally assumed that multinational companies will, to some extent at least, adapt their practices to host country environments. However, recent work suggests that this process of adaptation is yet more complex and uneven. It is our contention that subsidiary policy on labour relations is not simply the product of adaptation from and to home and host institutional environments but is in fact shaped by the multiple power relations that characterize multinational company subsidiaries. It is when both management and workers have power resources that subsidiaries are more likely to develop a policy of strong engagement with trade unions.

Keywords : Comparative industrial relations, employment relations, labour relations, multinational companies, trade unions.

Introduction

The issue of how multinational corporations (MNCs) manage operations across national borders has been a long-standing area of academic debate and research. Whether continuing differentiation was the key characteristic of industrial relations (IR) systems. This question is arguably even more pertinent a decade and a half later. Developments in international trade and the continued growth of Foreign Direct Investment (FDI), illustrated by the fact that in 2005 there were an estimated 77,000 transnational firms with some 7,70,000 foreign affiliates engaged in international business (UNCTAD 2006), mean that MNCs are increasingly operating in multiple countries and thus are increasingly concerned with the peculiarities of the IR systems of the countries within which they operate, and further, their activities effect the employment experiences of an every growing number of employees on a global scale.

The understanding of these systems is even more significant, given that these MNCs 'are embedded in larger and wider societal collectivities'. Thus, they do not operate in isolation from the environment around them but rather must organize their activities in the context of the multiple institutional environments in which they operate. Indeed, they may also play a part in constructing these environments in which they operate. Indeed, they may also play a part in constructing these environments which may have a resultant impact on the experiences of employees in host countries.

The balance of power between capital and labour over the last three decades has shifted significantly in favour of capital. Multinational companies (MNCs) are central to this shift. MNCs are active in shaping globalization through the control of their transnational value chains but also through their capacity to frame the broader agenda for economic and social development. Governments everywhere, including the major international organizations of economic governance, orient state policy to favour Foreign Direct Investment (FDI), and similarly encourage trade unions and other civil society actors to do likewise in the interests of enhanced economic development. This shift in the balance of power has reinforced the capacity of MNCs to shape labour relations according to their interests and preferences, seemingly irrespective of institutional setting. The key themes surrounding the comparison of IR across borders and IR in MNCs. Further, we delineate the field of international IR (IIR) by considering the contribution that IR research can make to the study of management practice in MNCs and also the reasons why an IR perspective on MNCs has been under-represented in the literature. The impact of IR systems on MNC location and relocation decisions, key issues for employees, trade unions and managers of MNCs, are then discussed. Next, we consider the potential for and evidence of international collective bargaining as a potential counterbalance to the power exercised by MNCs in the global environment.

Power Dynamics within MNCs

Labour relations and, more broadly, employment relations are often a neglected subject in the study of MNCs even though they can contribute to a better understanding of MNCs' functioning. Collings (2008) argues that employment relations can make a distinctive contribution by introducing consideration of power, which is echoed elsewhere in the literature. Ferner, Edwards and Temple (2012) emphasize the importance of power and the dynamic interplay between MNC headquarters (HQs) and their subsidiaries. At both levels, they make a distinction between the power of process, the power of resources, and the power of meaning. Dorrenbacher and Gammelgaard (2011) highlight the importance of strategic

capabilities, such as bridging and networking in understanding power relations within MNCs. We draw on this strand of literature to understand power dynamics but also integrate more fully workers structural and associational power into the analysis. The focus is on four dimensions of power in subsidiary labour relations policies: the power of meaning in MNCs, subsidiary capabilities and resources, worker structural power, and worker associational power.

The Power of Meaning in MNCs

The literature on the labour relations practices of U.S. subsidiaries suggests that they are less likely to engage with trade unions. Union avoidance has been linked to the dominance of individualistic values, to the idea that the employer should be the unique supplier of employee welfare and to the hostility of employers towards the involvement of "third parties", such as trade unions, in labour relations to exercise pressure on local managers to implement union avoidance practices. We thus expect that U.S. MNCs through their legitimizing frame of union avoidance will favour non-engagement with trade unions in their subsidiaries.

Subsidiary Capabilities and Resources

Even though MNCs are powerful actors that can ostensibly exercise tight control over their operations, they are also seen to be a contested arena characterized by tensions between competing actors. Far from being monolithic organizations, coalitions of actors within MNCs pursue different goals and deploy their power resources to attain them. Local managers are not simply passive agents following the directives and policies established by HQ. They draw on resources from various levels and use their distinctive capabilities to advance their own agenda and pursue their specific interests. In particular, they show that local managers and trade union representatives work together to increase the margin of manoeuvre of the subsidiaries vis-à-vis the HQ. The crucial point is that managers need to mobilize their resources and use their capabilities to engage with trade unions in this global game.

Workers' Structural Power

HQ power over subsidiaries is further constrained by worker power. Despite the asymmetry of power between workers and employer, workers always retain some power to resist and to influence employer decisions. Worker power can be derived from many sources, notably their structural power. The structural power of a workplace trade union needs to be understood in relation to its role and location within the organization of production and services, be it in terms of representing scarce skills or the potential they have to exert effective pressure on the

flow of goods and services. Structural power is a key consideration for MNC strategies focused on the optimal distribution of activities along their global value chains. Accordingly, workers may be more vulnerable to competitive pressure or have more leverage over the bargaining of working conditions. This observation applies to their particular sets of skills, to the kinds of value-added activities in which they work and the variability of production cycles.

Workers' Associational Power

Associational power stems from the collective organization of workers. Associational power includes unions and political parties but also a variety of other forms, such as legal recognition of trade union action or the institutional representation of workers on boards of directors or work councils. It is thus related to the institutional arrangements that generate collective resources for workers. Institutions may be constraining or facilitating, both limiting prospects for change but also providing resources that can enable actor agency to reshape patterns of relations. Workers' associational power is therefore a resource on which trade unions in MNC subsidiaries can draw but it is embedded in the history of relations between actors and institutions in each national setting.

Findings

Subsidiary policy on labour relations is measured by combining two indicators: the presence or absence of unionized workers in the subsidiary and the degree of trade union involvement in decisions related to employment issues. This yields three patterns of management engagement with unions: non-engagement (49%) where unions are not present in the subsidiary, weak engagement (33%) where unions are present but weakly involved in decisions related to employment issues, and strong engagement where unions are strongly involved in decisions related to employment issues.

Our first proposition with regards to the effect of country of origin is supported by the findings. U.S. subsidiaries display a distinctive policy on labour relations in comparison with subsidiaries originating from other countries. U.S. subsidiaries are less likely to engage with trade unions.

The second proposition focuses on management capabilities and resources. Our results suggest that subsidiary discretion over union recognition, subsidiary discretion over HR issues, and ties between the subsidiaries and the parent MNC are all related to subsidiary policy on labour relations. While subsidiary discretion over union recognition and over HR issues seem to favour engagement with trade unions, strong ties with the parent MNC work in

the opposite direction. Internal management capabilities are not associated with the subsidiary policy on labour relations.

The third proposition concerns worker structural power. Fluctuations in levels of employment are not associated with subsidiary policy on labour relations while both the distinctiveness of worker skills and the subsidiary position within the value chain are positively and significantly associated with subsidiary policy on labour relations. Subsidiaries are more likely to engage with unions when workers have distinctive skills and when the subsidiaries have both manufacturing and R & D functions, as opposed to only manufacturing. Subsidiaries are less likely to engage with unions when they are only involved in services or in resource extraction industries.

To better understand these results, we need to locate the patterns of subsidiary policy on labour relations according to both discriminant functions and to identify the direction of the association between the independent variables and the discriminant functions.

Suggestions

Our findings suggest that the power of meaning exerted by MNCs, as captured through country of origin, shapes subsidiaries policies over labour relations. Subsidiaries from the U.S. are more likely to pursue a union avoidance policy compared to MNCs from other countries. They are also more likely to report that decisions over union recognition are centralized. These results add to a growing body of research suggesting that U.S. MNCs are not only hostile to trade unions but also exert tight control over decisions concerning union recognition. This policy of non-engagement does not appear to be sensitive to workers' associational power. This anti-unionism orientation and the vision that the employer should be the unique guarantor of employee welfare appear to provide a legitimizing frame for subsidiary managers to implement a policy of non-engagement with trade unions.

Our results also suggest that other forms of power shape subsidiaries policies of engagement with trade unions. Three findings stand out in this respect.

First, both structural and associational power resources are associated with subsidiaries policies. Subsidiaries evolving in a context where workers have structural power, as measured by the nature of value-added activities in the subsidiary, are more likely to engage with trade unions. When this dimension of structural power is combined with distinctive worker skills, subsidiaries are more likely to pursue a policy of strong engagement with trade unions. In contrast, where workers have less structural power (the subsidiary activities are concentrated in the service sector or resource extraction), subsidiaries are more

likely not to engage with trade unions. These results speak to a growing body of labour geography literature that underscores the active and constitutive role of workers.

It is the combination of both forms of power resources - structural and associational - that explain the difference between weak and strong engagement with unions. A policy of weak engagement is more prevalent within subsidiaries in Argentina and where workers have structural power, as measured by the nature of the value-added activities of the subsidiary, but do not have distinctive skills. In contrast, a policy of strong engagement is more widespread within subsidiaries in Canada, and where workers have structural power in terms of both the value-added activities of the subsidiary and their distinctive skills. The institutional context of greater or lesser associational power appears critical for union involvement. Where the institutional context is characterized by stronger associational power, subsidiaries are more likely to pursue a policy of some form of engagement with trade unions, be it weaker or stronger. These results underscore the importance of taking into account both workers' associational and workers' structural power when seeking to understand labour relations within MNCs.

Second, management power resources also make a difference in subsidiary policy on labour relations. The degree of management discretion over decisions on HR issues appears to be a critical ingredient in the development of a policy of strong engagement. This finding suggests that to implement a policy of union engagement, subsidiary managers need a margin of maneuver to adapt HR decisions to the context and to cope with or modulate trade unions demands and needs. This takes the form of subsidiary discretion over both union demands and needs. This takes the form of subsidiary discretion over both unions recognition and also over a range of HR issues. Intriguingly, diluted or weaker links with MNC HR networks are also part of the local manager resources associated with trade union engagement. When these three conditions are met, not only is the subsidiary more likely to have a policy of union engagement, but it is more likely to be a strong engagement. Conversely, where managers have less discretion over HR issues and subsidiary managers are strongly tied into MNC HR networks, the policy is more likely to be one of weak engagement with trade unions. These results certainly speak to a growing body of research that highlights that local managers need power resources to establish distinctive policies within their subsidiaries.

Finally, when power resource from both, management and worker are combined, a clearer picture of the factors associated with subsidiary policies on labour relations emerges, within MNCs characterized by strong engagement with trade unions, both actors have power resource. Workers can rely on both structural and associational power while, at the same

time, local manager have more discretion over HR decisions, In contrast, in subsidiaries where there is a policy of weak engagement with trade unions, manager have altogether less discretion. These findings suggest that a policy of strong engagement requires the presence of actors that can mobilize power resource that MNC subsidiaries are more likely to develop a policy of strong engagement with trade unions. For trade unions, it may be quite difficult to be involved in the decision-making but, in our view, it is crucial. It mean that to have some form of influence within the workplace trade unions need to rely on resourceful managers, In contrast, when both actors are weakly resourced, the dominant scenario in non-engagement with unions, In other words, and perhaps this would not come as a surprise to many experienced trade unionists, our results indicate that trade unions representatives MNC subsidiaries would appear to be better off with stronger rather than weaker subsidiary managers.

Conclusion

This article has sought to understand how the integration of both management and worker power can enhance our understanding of subsidiary policies on labour relations. The analysis is of course subject to the limits of cross-sectional, single respondent surveys when attempting to grasp the complex power dynamics at work within MNCs on labour relations policy. However, the effort to operationalize actor power resources and capabilities at the level of both the MNC parent and at that of the subsidiary yields a number of distinctive analytical findings.

First, the power of local actors within MNCs is often assumed to be weak. Even though such an assumption requires some qualification, our results lend support to it. Within U.S. subsidiaries, particularly labour relations policy. In these subsidiaries, both local managers and workers appear less able to alter the union avoidance strategy pursued by headquarters. Even if they were inclined to do so, they do not seem to have sufficient resources to resist the anti-union legitimizing frame put forward by the U.S. MNCs.

Second, introducing workers' resources into the equation enhances our understanding of power dynamics within structural power, measured in terms of position within the value chain, seems to favour a policy of engagement with trade unions as distinctive worker skills are associated with a policy of strong engagement with trade unions. Associational power, as captured through macro-institutional resources embedded in traditions of state labour law and policy, are also closely linked to subsidiary policy on labour relations to engage with trade unions. In other words, our results suggest that institutional resources make a difference in

the labour relations policies adopted by multinational subsidiaries and it is important for future research to better elucidate this process.

Third, it is the combination of both workers' and subsidiary managers' power resources, which helps disentangle power dynamics within the subsidiaries. A policy of strong engagement with trade unions appears more likely in subsidiaries where both local managers and workers have sufficient power resources. Even though relations between workers and employers are characterized by a structured antagonism, the presence of resourceful local managers is not detrimental for trade unions. In fact, as highlighted by other studies it may even be a necessary condition for the development of a subsidiary policy of strong engagement with trade unions. There is thus a need to distinguish between different levels of power dynamics to understand subsidiary policies on labour relations.

These three analytical points have two important consequences for the analysis of power dynamics within MNCs. First, it is important to take into account the various types of resources and capabilities and their interaction at different levels within the MNC. Second, there is clearly a need to take into account more fully the power resources deployed by workers and managers at the local level in order to get a better understanding of the factors that shape subsidiary policy on labour relations.

References

- Almond P and Ferner A (eds) (2006) *American Multinationals in Europe : Managing Employment Relations across National Borders*. Oxford: Oxford University Press.
- Belanger J, Levesque C, Jalette P, et al. (2013) Discretion in employment relations policy among foreign-controlled multinational in Canada. *Human Relations* 66 (3) : 307-332.
- Bensusan G, Carrilo J and Ahumada I (2011) Es el sistema nacional relaciones laborales mexicano : un obstaculo o una ventaja para la competitividad de las CMNs? *Revista Latinoamericana de Estudios del Trabajo* 16 (25) : 121 - 154.
- Bensusan G and Moreno-Brid JC (2012) La interaccion de las politicas macroeconomicas y laborales : continuidades y rupturas. In : Puchet M, et al.) eds) *America Latina en los albores del siglo XXI*. Vol. 2. Aspectos sociales y politicos. Mexico : Ed. Flacso, pp.145 - 180.
- Coe NM, Dicken P and Hess M (2008) Global production networks : Realizing the potential. *Journal of Economic Geography* 8(3) : 271 - 295.
- Collings DG (2008) Multinational Corporations and Industrial Relations Research: A road less travel. *International Journal of Management Reviews* 10 (2) : 173 - 193.

- Dorrenbacher C and Geppert M (eds) (2011) *Politics and Power in the Multinational Corporation*. Cambridge: Cambridge University Press.
- Edwards P and Belanger J (2009) The Multinational Firm as a contested terrain. In: Collinson S and Morgan G (eds) *Images of the Multinational Firm*. Chichester: Wiley, pp. 193 - 216.
- Hardy C (1996) Understanding power: Bringing about strategic change. *British Journal of Management* 7 (suppl 1): 3 - 16.
- Herod A, Rainnie A and McGrath-Champ S (2007) Working space: Why incorporating the geographical is central to theorizing work and employment practices. *Work Employment and Society* 21 (2): 247 - 264.
- Jacoby S (1997) *Modern Manors: Welfare Capitalism since the New Deal*. Princeton: Princeton University Press.
- Kristensen PH and Morgan G (2012) From institutional change to experimentalist institutions. *Industrial Relations* 51 (1): 413 - 437
- Lamare JR, Gunnigle P, Marginson P, et al. (2013) Union status and double-breasting at multinational companies in three liberal market economies. *Industrial and labour Relations Review* 66 (3): 696 - 772.
- Murillo MV (2000) From populism to neoliberalism: Labor unions and market reforms in Latin America. *World Politics* 52 (2): 135 - 174.
- Murray G and Verge P (1999) *La representation syndicale: visages juridiques actuel et futur*. Quebec: Presses de l'Universite' Laval.
- Novick M, Palomino H and Gurrera MS (eds) (2011) *Multinacionales en la Argentina; estrategias de empleo, relaciones laborales y cadenzas de valor*. Buenos Aires: Ministerio de Trabajo, Empleo y Seguridad Social, Programa Naciones Unidas para el Desarrollo.