

Changing Perspectives of Employment Relations in the Globalized World: a Critical Review

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The increasing liberalization of international trade has been accompanied by a significant expansion of the activities and complexity of multinational corporations (MNCs), which now combine multinational ownership with control over multinational value-adding activities. MNCs appeared to have adopted either an ethno-centric or a polycentric approach to manage employee relations globally. However since the globalization, a tendency to drive the global convergence of employee relations practices based on either the best practice, high performance value adding or the least control model have become more preferred options. It is found that the power shift is fast changing towards the MNCs. This paper attempts to review the relevant literature and highlight the changing paradigm of employee relations approaches by MNCs, their mutual relationship with trade unions etc.

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Introduction

Multi-nationalism is a growing trend and led to globalization of the business world since 1980s (Thomson, 2006). It has been found that the number of organizations that have turned into globalized multi-national entities since 2000 increased almost thirteen times in comparison to what was in the previous decade across the globe. The maximum number of companies that spread their wings beyond their national borders is from Asia (Richardson, 2011). In the process of globalization and multi-nationalization of business, MNCs have adopted different choices when it came to decide how to manage trade unions in their overseas subsidiaries. According to Schuler et al. (2002), the MNCs' dilemma to handle the trade unions globally is conditioned by factors such as the industry in which they operate, their particular organizational or structural form, the stage of development which the concerned MNC has reached and their priorities between integration and differentiation between the parent company policies and the subsidiary related labor policies.

Typology of MNC Approaches

There have been debates about the culture of a company that determines specific practices pertaining to employee relations globally. There have also been debates about how culture specific particular practices may be and whether they can actually and meaningfully be transferred to other cultures, the culture free viewpoint. Perlmutter (1969) devised a typology of MNCs and their approaches to the management of their overseas operations. This typology seems to be an appropriate mechanism to be usefully applied to the management of employee relations. For example, under ethnocentric approach to management, employee relations in the overseas operations can be severely disturbed. An obvious example of the kinds of issues that can arise would be an American company, typically anti-trade union, setting up a subsidiary in Sweden and trying to avoid the recognition of trade unions and joint decision-making that are typical Swedish employee relations regime. MNCs adopting polycentric approach can facilitate the maintenance of policies and practices in the field of employee relations that are consistent with the culture and regulations of the host country. However, it is also possible that companies pursuing polycentric pattern, can face difficulty in maintaining internal consistency across the operations. For example, if a subsidiary of a multinational company signs an agreement with a trade union about employment protection for its members, it may prove to be an embarrassment to the corporate HQ which is planning a

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down-sizing or cost cutting exercise (Leat, 2007). Studies by Hendry (1994), Schulten (1996), Edwards et. al. (1996) have however shown that though region-centric and geocentric approaches attempt to maintain balance with local practices and HQ preferences, perfect employee relations have always remained a major challenge across the globe, though these two approaches have been suggested better options by most of the scholars like Schregle (1981), Schuler et al. (2002). However, in many parts of the world, MNCs are growingly adopting a blended practice of poly-centric and ethno-centric approaches. Based on 'Social effect theory' (Maurice et. al, 1980), scholars like Leat (2007) have highlighted such blended practice in employee relations, where attitudes towards the recognition of trade unions and involving employees and their representatives jointly in decision-making are found to be significantly practiced by maintaining balance between home country preferences and local compulsions. After conducting a detailed study on about twenty two major American companies doing business in Germany, Rodrigue (2009) has highlighted how these American companies have been virtually forced to leave their attitude of diffusing the influence of collective bargaining and allowed the trade unions to actively participate local trade unions of Germany to participate collective bargaining procedure.

Scholars like Leat (2007), Francis and George (2008) have identified a few factors, which, according to them significantly influence the MNC approaches towards employee relations in overseas operations. These are: impact of labor relations on poor performance, the relative size of home and foreign markets, nature of investment (green field or not), the perceived success of home country success and the degree of cultural distance at the host countries. Edwards et al. (1999) have however, identified four structural factors such as country of origin, the degree of production integration, the extent to which companies are structured along global lines and the nature of the product market which influence the employee relations approach of the multi-nationals across the globe. Therefore, it can be observed that neither any specific approach is being followed blindly by most of the multinationals, nor any single factor influences the adoption of the same.

Trade Unionism & MNCs

For long, trade unions in both the developed and developing nations used to perceive inward foreign investment in negative lights. Kennedy (1980), Dowling et al. (1999a) and others have identified the factors like MNCs temperament of false fabrication of financial profits, dual sourcing policy to reduce the vulnerability of the corporation to a strike by a national union, ability to move production temporarily to facilities or opting for permanent closure of plant in host countries in the situation of militant trade unionism, making the union negotiation difficult by transferring decisions to the cor-

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porate headquarter, opting for 'investment strike', influencing government to pass and amend existing labor regulations in favor of investors etc. as the negative perception of the trade unions towards foreign investors. Thomas and Williamson (2002) in their significant research on the changing dynamics of international business and its impact on employee relations, have shown that trade union roles are fast diminishing in multi-national subsidiaries mainly in developing economies due to high volume investment in special industrial zones, such as 'special economic zones' in India, 'Foreign investment green field zones' in China and Vietnam etc., where trade unionism is not allowed by law of those countries. Their study has further shown that not only in these countries, even in countries of Eastern Europe, which were dominantly trade unionized to a great extent and which have also attracted low-technology high volume investments from many industrialized nations of Europe and Asia like Korea and Japan that in bringing such investments, one main pre-condition has indirectly been played one of the most important roles, i.e., complete government protection of investors from any type of problem to be created by the local unions. However, Leat (2007) and Dannis (2008)

in their different studies have indicated that this resisting attitude of the trade unions towards the foreign investors started changing since 2000 as this development is being growingly accepted as an imminent and unavoidable phenomenon in most of the growth oriented countries. They have highlighted the reasons like growing popular support for foreign investment in many countries, need for employment generation in developing nations, eagerness of the political leadership of most of the countries to attract foreign investments etc. for the changing attitude of local trade unions towards the foreign investors. In a different study, it is also noted that in many countries, where trade unionism and labor rights have been traditionally considered as legitimate rights of the working class, trade unions are found to be successful in influencing wage levels, in limiting employment level variations and in hindering global integration (Dowling & Schuler, 1990).

Dowling et al. (1999b) in examining MNC relations with trade unions noted that antipathy towards and a desire to avoid trade unions were deeply ingrained in American managers' value systems. They also concluded that a MNC's initial mindset is an important factor in shaping its position regarding trade unions and employee relations. Edwards et al. (1996) in their research on 101 MNCs, including 50 UK-owned and 43 non-UK based MNCs operating in UK have identified that the prospects for trade union recognition appear to be fast diminishing as globalization advances. They also observed that more global organizations are non-unionized than multi-domestic organiza-

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tions operating in UK during 1990-1995. While explaining the reasons, factors like strategic market penetration and existence of advanced organizational systems leading to the development of a mechanism of contract negotiation, location decisions to allow or not to allow trade unions to function was also identified. In a previous research on the employee relations practices and preferences of 84 US-owned and 50 UK-owned MNCs operating in three different industries in the UK, Hamill (1983) has concluded that the US MNCs were less likely to recognize trade unions. Lewing (1999) in his study on 39 MNCs, mostly American and Japanese, operating in the developing economies in Vietnam, Taiwan, Indonesia and Malaysia has shown that two factors play most dominant role in allowing the formation and recognition of trade unions in these countries. The factors identified were: practice of the trade unionism in the home country plants and the local regulations. Here also, Lewing (1999) showed that most of the Japanese owned subsidiaries in Vietnam are unionized, whereas same Japanese subsidiaries are less unionized in Indonesia and Malaysia and almost nil in Taiwan. The same study revealed that overall 31% American subsidiaries operating in these countries, covered in the study, are unionized. At the same time 43% of the Japanese companies, studied in the same countries, were observed to have recognized and functional trade unions.

Limitations of Unions

Studies of trade union movements in different countries have demonstrated several limitations of local trade unions, which have restricted their effectiveness from within in the fast emerging globalized regime across the globe. Hollinshed and Leat (1995) in their study have identified the factors like membership bases, structural nature, objectives and orientations of local trade unions, political affiliation of trade unions and business as well as regulatory compulsions in different countries, as responsible for endangered status of trade unions in different countries. According to them, in countries like France and Italy, various union factions and confederations exist in which effective cooperation on a national scale was largely unattainable. However, the countries, born of Soviet Union, have been found to be more appropriate where, based on some type of common ideologies, local unions were found to be united at the international level, the study reveals. Ramakrisnan and Rao (1999) in their study on the possibility of international collaboration of national level craft unions in South Asia have shown that in spite of almost same types of challenges faced by the working class, local national unions could not consolidate with national unions from other neighboring countries, due to different internal issues such as political differences, leadership conflicts and lack of grass root level pressure for such collaborations. Another major reason identified by them was predominant localized strategy adopted by local national unions, which has caused lack of coherence. Same observations have been made in several other studies on the trade union integration at the

international level. Hyman (1999), Hancke (2000), Traxler and Woitech (2000) in their studies, predominantly in the European context, have continued to point out the fact that most of the European trade unions were obsessed with national and local strategies. These scholars have also highlighted one significant development, which was unheard earlier. They observed that since 1990, most of the national level European trade unions have been cooperating with respective national governments in the pursuit of competitive strategies to attract and retain foreign investment. Leat (2007) has highlighted the example of Ford Motor. In early 1970s, when the Ford Motor, exasperated by the labor climate in its UK plants, decided to make no further investment in them and the media at the time hinted that Ford was about to pull out of the UK and make further investments in Netherlands. The UK unions were highly critical of Ford but the unions in Netherlands made no attempt to express solidarity with them. In fact, they expressed full support for the Netherlands business people, who were trying to woo Ford away from the UK.

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Attempts are being made to consolidate international trade union linkages; mounting large scale campaign against global capitalism is not a completely absent phenomenon at the international level, though such an effort seems to be extremely rare. In the 1980s, Nestle plant in Goa, India decided to stop production and declare long term lock-out in Panaji plant

citing labor disputes. Even, the local government failed to end the stalemate. Finally, under pressure and intervention from the “International Union of Food Workers (IUFW)” and several other employee unions, active at Nestle plants across the globe, mainly Canadian Nestle Workers’ Union, British Nestle Workers’ Union and Indonesian Nestle Employees’ Union; management of Nestle plant at Goa entered in to an agreement with the union (Krishnan & Rao, 2008). Another example of spontaneous and adhoc international trade union solidarity and activity against particular multi-nationals has been cited by Leat (2007), where the trade union members from Renault operations of Belgium, France, Germany, Italy, Spain, UK and Netherlands, Portugal, Greece and Austria informally protested and resisted the Renault France and Management decisions to downscale their operations and manpower and shifting the base to Spain, for a few months. However, finally, Renault demonstrated the power of a global MNC to exercise its autonomy and ignore the views of the international trade union movement. Renault even ignored the requirements of the EU Directive that provides employee representatives with rights to prior consultation in the event of collective redundancies. The entire episode depicts the limitations of trade union power against the might of MNCs across the globe. Over the years, international trade union organizations such as The International Confederation of Free Trade Unions (ICFTU), World Federation of Trade Unions (WFTU), World Confederation of Labor (WCL), Asia and Pacific Regional Organizations (APRO), African Regional Organization (AFRO), Trade Union Confederation of Americas

(TUCA), European Trade Union Congress (ETUC) etc. have emerged and caused significant impact on trade union movements across the globe through their affiliated unions. However, due to their ideological differences, regional orientations, economic influences free run of MNCs could not be restricted as desired.

Impact of International Regulations

In the wake of fast expanding MNC domination across the globe, the very imminent question has been started to be raised that whether effective regulation is really possible, though several international organizations such as International Labor Organization (ILO), Organization of Economic Cooperation and Development (OECD), International Chambers of Commerce (ICC) etc. have tried to address this issue with varying degree of accomplishments. While ILO has been most active in seeking to establish global standards for the employment and treatment of labor at work, ICC and OECD have produced codes of conduct and guidelines seeking to regulate the activities of MNCs in the area of employment and employee relations. Most recently, since 1980s, attention has tended to center on regulation through the insertion of minimum labor standards into international arrangements and agreements allowing trade liberalization, such as those asso-

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ciated with the World Trade Organization (WTO), North American Free Trade Association (NAFTA) and European Union (EU) (Leat, 2007).

Conclusion

Scholars like Rafale (2011) and Sprinten (2012) have however identified several reasons for the limited accomplishments of trade unions, regulatory bodies to control the might of MNCs and also advocated some measures. According to them, some of the most significant reasons are: voluntary nature of membership of ILO, lack of commitment by the national governments of the ILO member countries in spite of endorsing several conventions, competitiveness among member countries of EU to attract and retain foreign investments in the situation of outflow of capital to less developed and developing economies, repeated rejection of inclusion of labor standard issues at WTO platforms etc. However, they have been found to be more optimistic on the possible roles to be played by EU, NAFTA and WTO in future. They have expressed their opinion that if such organizations, which are more powerful and considered to be privileged among member and non-member nations, have the ability to influence MNCs financially, for example by refusing entry, imposing tariff barriers, denying tax benefits, legislating towards bringing non-compliant MNCs for court action and possibly imposing hefty fines; situation might change to a great extent. However, it is a well accepted truth that the trade unions, other regulatory and regional organizations have not so far demonstrated effectiveness at countering or influencing the activities of MNCs, mainly

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in relation to employee relations perspectives. It is also believed that in the era of globalization, transfer of capital etc., this stage will ever change in the foreseeable future. Even, the recent attempts by the organizations like ILO, EU and WTO in regulating the employment and employee regulations activities of trans-border organizations, including MNCs by inserting minimum labor standards and employee relations into free trade agreements are yet to improve the situation dramatically.

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