

EU enlargement into central and eastern Europe and industrial relations

The ESRC-sponsored project, led by Guglielmo Meardi and also involving Paul Marginson, on the impact of US and German-based multinationals on employment practice in the new EU member states was formally completed in December 2005. The comparison of twelve case studies in Hungary, Poland and Slovenia (four in each) within the automotive component sector challenges some established views on the coherence of national production models. Both German and American companies appear rather pragmatic in transferring employment practices associated with their home-country model, and in some instances have abandoned them altogether. The findings also question conventional presumptions about the nature of ‘social dumping’ within the enlarged EU. Several of the plants observed had attained levels of productivity equivalent to, or in excess of, sites in western Europe, which combined with lower labour costs gave these operations a tangible unit labour cost advantage. Moreover, the plants concerned had done so without introducing much of the ‘social’ element of western European production models. Yet it is also true that workforce resistance to excessive flexibility or unilateral management is becoming increasingly detectable.

Multinationals’ employment practices in Central-Eastern Europe: key findings

The research was based on twelve German and American-based multinationals with successful, technologically advanced plants in the automotive component sector, three each in Poland, Hungary and Slovenia. The research design was testing the potential for implementation of best employment practices; the findings cannot therefore be generalised to all multinationals operating in the region. Key findings include:

- foreign investors in automotive supply have rapidly achieved western levels of productivity, flexibility and quality in their Central-Eastern European plants, with a consequent gap in unit labour costs between eastern and western European sites;
- direct international performance comparisons are an everyday reality for Central Eastern European employees, regularly faced with shop-floor level comparative data;
- HRM practices also correspond in several cases to sophisticated, state-of-the art western concepts;
- technological and organisational transfers are readily apparent, but employment practices do not systematically reflect country-of-origin models, responding instead to contingent processes of hybridisation in which local and sector influences are also evident;
- differences between German and US-owned companies are evident in corporate culture (more traditionally production-oriented in German companies and more financially-oriented in US companies) and functional flexibility (based more on systematic vocational training in German companies);
- some variation can be observed on working time (overtime is more common than annualisation in US companies) and numerical flexibility (permanent contracts are more prevalent in German companies);
- few differences can be observed on industrial relations (German-owned plants are not more likely to be unionised), pay (which is very flexible in both German- and US-owned plants), teamwork (reflecting sector-level best practices);
- diversity management and equal opportunities are generally very underdeveloped;

- although pay, numerical and functional flexibility tend to be higher than in western Europe, within a matter of years either through trade unions negotiating activity or informal bargaining levels of flexibility are becoming constrained;
- differences exist between Hungary, Poland and Slovenia; in particular, dense associational regulations in Slovenia provide more consent for rapid organisational change, as well as a more effective link between industry and vocational education.

A summary report of the findings was prepared and presented in December at workshops for managers and employee representatives from the participating companies, trade union officials, officials from business associations in Budapest, Warsaw and Ljubljana. In Poland, staff from the American embassy and a leading German foundation also attended the dissemination event. Papers analyzing findings from the project were presented to the European Sociological Association (September) and the German Industrial Relations Association (October). Further dissemination activity is planned through the coming year. New research questions have emerged on the nature of cross-border influences within MNCs in the enlarged EU, and Guglielmo Meardi has been involved in the preparation of new funding applications for follow-up research to the French (unsuccessful) and Austrian (outcome pending) governments.

Guglielmo Meardi has also pursued his comparative work, and co-coordinating role, on the INTAS-sponsored project on post-communist trade unions. The first year of research, on national-level developments, revealed an interesting paradox among former USSR-countries: the more trade unions reform themselves, the weaker they become. This is explainable through the natures of resources and opportunities available in those societies, and contrasts very clearly with the situation of the Central-European countries now in the EU, where trade unions tend to be weak but also show some positive signs of revitalization. The international team is now engaged in the company-level part of the research, with case studies of (rare) occurrences of successful union workplace organization.