

Theme 1: Europeanisation and internationalisation of employment relations

Employment practice in multinational companies

A project funded by the ESRC and conducted by Paul Marginson with colleagues in other institutions (Tony Edwards, Paul Edwards, Anthony Ferner, Olga Tregaskis) and involving collaboration with research teams in other countries (Canada, Ireland, Spain) has enhanced our understanding of how multinational companies (MNCs) manage their international workforces in two main ways. First, while previous surveys are limited in their remit and coverage, the study has created a unique comparative dataset of the employment practices, and the forms of control over them, in MNCs. Specifically, it has entailed the compilation of data from parallel national surveys in Spain, Ireland, Canada and the UK. This dataset has been analysed by the research team, with the production of numerous papers already. Moreover, the project is expanding to more countries with the imminent addition of data from the Nordic area and subsequently from Australia, Mexico and Argentina, and extension to a Belgian partner. It will also form a model for cross-national comparative analysis.

Multinationals' integration and employment practice: main findings

- Levels of integration amongst MNCs are high. For the 'first-order' level of firm configuration, standardization of products and segmentation of operations across countries are widespread. At the 'second-order' level of corporate structure, multiple international lines of organization are evident in over two-thirds of firms. International integration of MNCs 'upstream' is mirrored in the 'downstream' (or third-order) organization of business functions, including HR. There is evidence of an 'international architecture' of HR in a substantial proportion of MNCs.
- The influences of these different levels on employment practice are partially nested within each other, rather than fully so. For some issues there is a direct effect of the first two levels, but for others, and for control over employment practices, the impact of upstream configuration seems largely indirect. That is, the effect of first- and second-order variables on the employment practice in question is substantially dampened once third-order HR variables, covering international architecture, are introduced.
- Differentiation across countries in the integration of subsidiaries into the worldwide company, and in the functions they perform, flows through into variations in employment practice. Distinct subsidiary roles are evident in the extent to which they supply other parts of the multinational with components or services and the nature of the largest occupational group (LOG). The analysis demonstrates the impact of these differential roles on employment practice on such issues as the adoption of HRM practices associated with motivation, opportunity and control.
- Country of origin effects are either accentuated or countered by dominance effects. Accentuation occurs in the case of MNCs based in the contemporarily dominant country, the US, with US-owned companies exercising significantly greater policy control over their subsidiaries than MNCs headquartered elsewhere. Country of origin influences have the potential to be most sharply countered by dominance effects amongst MNCs headquartered in co-ordinated market economies. The findings suggest that continental European companies may use the opportunity of operating in liberal market economies to experiment with practices that are precluded by domestic institutional arrangements.
- The effects of host country institutional environments both constrain and enable MNCs' employment practices. There is noticeable variation in the constraints exercised by the four host countries, underlined by our analysis of US MNCs; whilst the extent to which US- and non-US-owned MNCs differ in the policy control they exert over their subsidiaries is broadly similar, the actual level of policy control varies between the four countries. The notion that

host institutions might enable particular types of employment practice arises from MNCs differentiating between countries in terms of the location of different kinds of operation. This showed through in our analysis of MNCs' use of output and social control, which varies with subsidiary function.

Second, while previous research has been locked into a dualistic assumption that MNCs face a global-local trade-off, the study has gone beyond this by developing a new conceptual framework identifying different levels at which companies face decisions about integrating and differentiating their operations and practices. Viewed through this lens, there is no simple trade-off between global and local issues; rather, some forms of integration imply more, not less, differentiation. The links between these levels have been shown to be ordered in many respects, but less than completely so. The implication is that the HR function operates to a logic that is only partly determined by broader corporate strategy and structure. A symposium of papers on this theme will be published in *Industrial and Labor Relations Review* in 2013.

Internationalisation and industrial relations in the EU's six largest economies

Guglielmo Meardi has completed his research on industrial relations change in the six largest EU countries, funded by an ESRC mid-career research fellowship and based on empirically-based assessments of the effects of migration, multinational companies and EU policies.

To assess the effects of increased internationalisation on the regulation of employment relations in European countries, literature review, interviews, press analysis and document analysis were conducted on the industrial relations developments, since 1992, in the six largest EU countries (Germany, France, UK, Italy, Spain and Poland – accounting for over 70% of the EU population). The analysis has focused on the international pressures affecting the three main actors of employment relations: multinational companies (on the employer side); migration (on the employee side); and international organisations, with particular regard to the EU (on the state side). All three forces converge in undermining the potential of national industrial relations arrangements – but it emerges that national political traditions are still important in shaping these influences.

The axes of internationalisation: main findings

- Multinationals: multinationals have a differential impact depending on the weight of Foreign Direct Investment in each country, and on the form of organisation of the American Chambers of Commerce. In all cases multinationals do exert pressure on competition on labour standards, but these are always mediated by national regulations and national actors.
- Migration: common pressures in terms of vulnerability and precarity of immigrants are dealt with by trade unions in ways that are framed by national political traditions with regard to citizenship and industrial relations. There are similarities across countries with regard to a general, pan-European openness to migration, but the ways unions deal with mobilisation, diversity and migration politics differ substantially; at the same time, unions have space for agency, with a range of different options in each country, including that of contesting their national framework.
- EU policies: EU-promoted 'flexicurity' policies have been translated in different ways depending on national institutions and debates, and in general have promoted the flexibility side more than the security one. The 'structural reforms' imposed by the European Commission and the European Central bank on Spain and Italy as conditions for financial support in 2010-12, however, mark a turning point in the relations between states and international organisations, and have raised issues of democratic deficit.

Taken together, these forces have contributed to more marketization and diminished national autonomy. Yet the experiment of the last twenty years of depoliticising industrial relations is failing

on two accounts. First, institutions, even if weakened and displaced, resist extreme market solutions like 'single contracts': labour relations remain too complex to be easily reformed and individualised. Secondly, despite twenty years of technocratic and managerial discourses, the political nature of industrial relations has come back into the highlight, causing legal and political difficulties.

The research has shown that the idea of 'models' in industrial relations has so many shortcomings (neglect of internal inconsistencies, change, contestation and international contamination) that it is best abandoned. Attention has been paid, theoretically and methodologically, to the role of political culture and language. By combining Crouch's approach with a focus on the contested, and therefore dialectically dynamic nature of work, and consideration of trans-national processes of concomitant change, an innovative comparative framework is elaborated to account for national traditions while avoiding the constraints of the concept of 'national models'

An important further theoretical implication refers to democracy. Confirming some points elaborated on the social failures of EU enlargement, the research has revealed that the promotion of market reforms without political representation channels involves risks of democratic and social instability. By analysing these debates and focussing on the 'disembedding' of national capitalisms as well as on actors' emerging transnationalism and ambivalent relations with national traditions, the research has provided insights on current debates on the political and social dimension of the EU.

The main output will be the first single-authored book on comparative European industrial relations since Crouch's one of 1993, to be published with Routledge in 2014, which is expected to provide a core reference for European students, practitioners and researchers. In the meanwhile, Meardi has had the opportunity to contribute to European debates on industrial relations by giving a number of talks throughout Europe (see Part 3).

Meardi also joined, as an advisor, a large project on the Europeanisation of industrial relations conducted by the University of Linz in Austria (Prof. Susanne Pernicka) and funded by the German Research Foundation (DFG). The project, with the title 'Industrial Relations in Europe – How Trade Unions Might Contribute to Horizontal Europeanisation' focuses on trade union strategies in the automotive and software industries, and the fieldwork will be completed during 2013. Meardi will take part in a findings analysis workshop in Linz.

Collective bargaining as a changing mode of labour market governance in Europe

The European project, part of the EU-funded GUSTO project and completed in 2012 by Paul Marginson and Manuela Galetto in collaboration with colleagues in France, Germany, Italy, Hungary, the Netherlands and Slovakia, focused on the reorientation of collective bargaining, as a central mode of labour market governance, to address questions of competitiveness, flexibility, employment and income security. The research asked whether: the scope of collective bargaining has changed together with the increase of uncertainty? there are trade-offs between different areas of uncertainty and sustainability? and how new uncertainties are distributed (zero sum games, are there winners and losers, and has there been space for genuine positive compromises)?

Although we have been interested in longer term trends, the timing of our research has made it imperative to pay specific attention to the impact of the global financial crisis and the crisis of the Eurozone. The project has concentrated on the analysis of two sectors that epitomise major uncertainties: the metal sector, in which traditionally collective regulation has played a significant role, but in which heightened exposure to world markets and internationalisation has put collective bargaining under strain; and the health care sector, which has traditionally been sheltered from a too harsh exposure to the markets, as it was believed that access to increasing capacities of medical science and care practices should be widely shared and public. However, frequent policy changes and the post-crisis drive towards austerity have exposed this sector to high uncertainties as well. The major findings are summarised in the box.

Collective bargaining in the crisis: main findings

- Collective bargaining as a governance form continues to be of significance, but in addressing new as well as old uncertainties trade-offs have increasingly focused on securing employment, or employability, and not only wage improvements
- Contrary to existing assumptions, encompassing and powerful trade unions are not a root cause for creating labour market outsiders. Instead, the current trend towards decentralisation of bargaining and weaker trade unions might exactly foster the emergence of insider/outsider cleavages
- Public policies are crucial for promoting sector and company agreements, but at the same time, public policy has also turned into a major factor of uncertainty
- As a consequence of heightened policy and political uncertainties, traditionally sheltered sectors are increasingly losing their privileged place, whereas uncertainties stemming from markets and increasing competition have in some countries bottomed out for traded sectors.
- The financial crisis has prompted a re-nationalisation rather than a Europeanisation of collective bargaining

The research also looked, more specifically, at the role of collective bargaining in the governance reforms in hospital health care. Public authorities across Europe have moved to reform the organisation and governance of publicly-provided hospital health care in the face of growing budgetary pressures and changes in the volume and quality of demand. These reforms, which have been strongly influenced by the doctrine of 'new public management' (NPM), involve four processes: managerialisation, in place of professional control; marketization, involving introducing mechanisms of market competition; corporatisation, involving quasi-corporate status for publicly-owned hospital organisations; and partial or full privatisation. The research explores the implications of these reforms for collective workforce governance arrangements, and for employment conditions. Two questions are addressed. First, to what extent have hospital reforms prompted changes in arrangements for collective bargaining, and in employment conditions? Second, have the resulting changes been towards collective workforce governance arrangements and employment conditions that more closely resemble private sector practice, as anticipated by the NPM literature? Drawing on five country cases (France, Italy, the UK, Hungary, Slovakia), the research maps cross-country variation in reform trajectories, and investigates whether different outcomes in terms of collective workforce governance arrangements and employment conditions are due to these differing trajectories or to other factors.

Whilst changes in collective bargaining and other mechanisms of workforce governance have occurred in all five countries, and whilst these are connected to reforms in hospital governance, the expectation of the proponents of 'new public management' that the outcome would be arrangements which more clearly resemble those found in the private sector has not in general been realised. Overall, the consequence of reforms inspired by the 'new public management' doctrine has not been the displacement of distinctive modes of workforce governance in publicly-funded hospitals. This is not to conclude that established mechanisms of administrative regulation and collective bargaining have not come under pressure, and have not undergone changes as a result. But the logics which have shaped these changes are multiple, and include political choices and constraints and the strategies and responses of employers and trade unions.

National institutions and firm-level employment relations

Geoff Wood has published (with Cheah, Mazouz and Yin) a paper on what determines the decisions of emerging markets' multinationals (MNCs), such as those headquartered in China, to invest in

Africa and whether this is any different to their counterparts from mature markets, focusing specifically on the HRM context. The paper explores the effect of potential host country wages, local capabilities and the relative rights of owners versus workers on FDI decisions, as well as other relevant factors such as mineral resources and corruption. The authors find that emerging-market MNCs were not deterred by relatively weak legal protection of private property (as indeed, was also the case for their counterparts from mature markets); hence, any weakening of countervailing worker rights is unlikely to unlock significant new FDI. However, emerging market MNCs were more likely to invest in low wage economies, and did not appear to be concerned by local skills gaps; the latter would reflect the relative de facto ease with which even partially skilled expatriate labor can be imported into many African countries. At the same time, a reliance on low wage, unskilled labor, coupled with the extensive usage of expatriates brings with it a wide range of challenges for the HR manager, challenges which a firm committed to cost-cutting may lack the capabilities to resolve.

In an additional paper (with Bischoff), Wood presented a study of the impact of context on the South African small businesses, focusing on why they chose to comply with some aspects of labour law, and not others: employers are generally reluctant to comply with regulations set by the statutory industry wide collective bargaining bodies, the Bargaining Councils, and, in turn, this reflects hostility to unions and South Africa's specific historical experience.

Wood continued his work on national institutions and employment relations and organised a visit to Japan in January 2013 for this purpose. He is also co-editing the *Oxford Handbook on Institutions and Industrial Relations*.

Global Labour Governance

IRRU engaged with the Global Priority Programme on Global Governance organised by the University of Warwick. Paul Marginson joined its convening group and made a presentation on collective bargaining at its inaugural conference in July. Within that group, IRRU initiated work in the preparation of projects around the topic of global labour governance, which would bring together over forty experts from different Departments of the University, to study the elaboration and enforcement of global labour standards, looking at transnational processes of labour migration, multinationals' investment and international trade. The research is inspired by previous work of Marginson on multi-level governance, Meardi on transnationalism, and Donaghey and Reinecke on global supply change.

In this perspective, IRRU is strengthening its collaboration with important centres worldwide, and in particular at Cornell in the USA and Renmin in China. A visit of colleagues from Renmin School of Labour and Human Resources, led by the School's Dean, took place in July to explore co-operation in research and teaching.