Introduction

Interest in the employment and industrial relations issues raised by multinational companies (MNCs) has constantly increased over the last twenty years, both politically and academically. Politically, documents, declarations and policies have multiplied from trade union organisations and international organisations, such as the UN, the ILO, the EU and the OECD. While these initiatives focus on labour standards, employment and social responsibility more generally, collective bargaining has also become a prominent issue on the agenda. The mismatch between the transnational structure of MNCs and existing national, and local, structures of collective bargaining is being increasingly problematized (Collings 2008), and has become a significant focus of research as proposed more than a decade ago (Marginson and Sisson 1996).

The significance of MNCs as employers, their international organisation and management structures and their capacity to move production, jobs and workers across borders have important implications for the structures, agenda and outcomes of collective bargaining. In particular, one can distinguish between ‘destructive’ and ‘constructive’ effects on collective bargaining. Destructive effects concern existing collective bargaining structures, whether national or company-level. In this regard, MNCs may play a leading role – given their size and bargaining power - in pressing for changes in national collective bargaining systems, including opening up greater scope for negotiation at company level and bringing considerations of competitiveness to the fore on the bargaining agenda. Or they can radically alter the balance of power in company-level collective bargaining through the threat of relocations. On the constructive side, transnational collective bargaining in MNCs has long been proposed as a response (Levinson 1972): in this case, MNCs would become an additional level of collective bargaining. Although this has not materialised (Rojot 2006), researchers’ attention has been drawn to the rise of informal, implicit or indirect forms of transnational negotiations that may be seen as first steps towards some forms of transnational collective bargaining. This is happening at the initiative of MNCs themselves, through the standardisation of bargaining agendas and the use of cross-border comparisons of cost, performance and best-practice. But it is also occurring at the initiative of trade unions, especially in Europe, where European Works Councils (EWCs) offer some institutional
support. In Europe, the prospect of transnational collective bargaining has also arrived on the EU policy agenda and notably the Social Agenda 2006-10, even if the political will to promote it seems weak (Ales et al 2006; Gennard 2009). The constructive and destructive aspects are inter-related: relocation threats, for instance, are at the same time a destabilising element for national or local collective bargaining, and an incentive to trade unions to increase their cross-border co-ordination efforts in negotiating with MNCs.

This paper provides a summary and evaluation of the two-fold impact of MNCs on collective bargaining. After a first section reviewing the existing literature and debates, the empirical information comes from a comparative study of the 27 EU countries and Norway, based on national reports to a common questionnaire for the European Industrial Relations Observatory (EIRO)1, augmented by international institutions’ reports and statistics. The second section establishes the economic, through foreign direct investment, and employment significance of MNCs. The destructive effects of MNCs on collective bargaining arrangements and outcomes are reviewed in the third section, whilst the fourth examines the constructive effects in the shape of an emerging transnational dimension to collective bargaining (which simultaneously reinforces destructive tendencies). Trade union responses are considered in the sixth section before some conclusions are drawn.

The focus of the paper is the operations of the larger multinational companies (MNCs) which tend to influence developments in industrial relations, more generally, and collective bargaining in particular. In practical terms, ‘larger MNCs’ is defined as those companies which are covered by the EU’s directive on European Works Councils i.e. which employ at least 1000 employees in the European Economic Area (EEA) and have operations employing at least 150 in at least two EEA countries. The scope of the study includes both the operations of foreign-owned MNCs and those of ‘home-owned’ MNCs (i.e. MNCs which have their headquarters in any given country.) Collective bargaining is broadly defined, to include not only negotiations between trade unions and employers associations or individual companies but also company-level negotiations with works councils or similar representative bodies.

1. Collective bargaining and multinationals: Constructive and Destructive Effects

Both ‘destructive’ and ‘constructive’ aspects of multinational companies have received the attention of social scientists and empirical research alike.

A number of social scientists has warned of the negative or ‘destructive’ effects of MNCs for the regulation of labour and notably collective bargaining. The emergence of multinational companies is presented as a serious threat to labour (Tilly 1995; Castells 1996). For instance, Crouch (2004: 31), referring to earlier observations by Reich (1991), sees MNCs as undermining both political and economic democracy: ‘if the owners of a global firm do not find a local fiscal or labour regime congenial, they will threaten to go elsewhere’. Crouch qualifies this statement with the observation that many firms are geographically constrained, but without invalidating the essence of his overall negative evaluation. Similar assessments are made by Hyman (2001: 473): MNCs are the ‘visible hand’ of those processes of

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marketisation that are dismantling the social regulations erected during the post-war decades. Indeed, globalisation has a broader scope than just MNCs, as it includes portfolio investment, trade and migration, but as its ‘visible hand’, MNCs are the most tangible aspect and therefore the more contested or at least contestable.

The arguments by Tilly, Castells, Reich, Crouch and Hyman are mostly at the historical and theoretical level: they describe processes that may still be only emerging. Some empirical research confirms their propositions. Cooke (2001) identifies a sizable negative effect of collective bargaining centralisation on Foreign Direct Investment (FDI), which would support the idea of a ‘race to the bottom’. However, other similar studies are less conclusive on this point, notably by arguing that bargaining centralisation can operate in different ways and with opposite economic outcomes (Traxler and Woitech 2000). A recent analysis of US Foreign Direct Investment outflows finds that mandatory extension of collective agreements to unaffiliated employers (as well as union density) significantly deters FDI, but bargaining centralization is insignificant (Brandl et al 2010). Importantly, it finds no ‘feedback effects’: that is, changes in FDI inflows do not push countries to alter their collective bargaining structure. In this sense, there is no observable ‘social dumping’ and race to the bottom.

Besides the structure of collective bargaining, which may be rather stable, there is also its content, which may change faster. For instance, Scherer (2007) reports how most MNCs in Brazil respect local collective bargaining, but at the same time limit its scope. One way in which the bargaining process is being altered is through relocation threats, that tend to entail concession bargaining. Some authors see relocations as already devastating in their impact (e.g. Pastore 2007), but others, while convinced that relocations have brought location competition to unprecedented levels, see the process as more complex and diverse, with at least some scope for a proactive (rather than simply defensive) trade union negotiating role (Galgóczi et al 2008; Meardi et al 2009).

On the ‘constructive’ side, there are also interpretations of MNCs as political institutions that may themselves develop new mechanisms of negotiation, including transnational collective bargaining. From an organisational approach, this point of view has been presented particularly well by Kristensen and Zeitlin (2005). According to their interpretation, MNCs may prompt the construction of organisational channels that involve employees and their representatives, and even to ‘public interregional networks’, of which EWCs would be a prominent example. From an industrial relations perspective, this view is compatible with a ‘multi-level governance’ approach, whereby MNCs would add a further level to a dynamic and changing system of European collective bargaining (Marginson and Sisson 2004).

Empirical research on the emergence of a MNC level in collective bargaining is only recent and necessarily still far from conclusive. A growing number of agreements have been signed in MNCs since the turn of the century, albeit numbers remain relatively small in magnitude (Ales et al 2006; Telljohan et al 2009), a particularly interesting form being International Framework Agreements (Papadakis 2011). But most of these recent agreements do not meet classic definitions of collective bargaining (Ro jot 2006), opening theoretical questions about the nature of collective bargaining itself. Arrowsmith and Marginson (2006), comparing the metalworking and banking sectors, report that the emergence of transnational collective bargaining is more likely in the former than in the latter, but also that even in metalworking it remains mostly implicit: a transnational framework of information and benchmarks, as well
as some procedural agreements, which frame and affect local collective agreements. Importantly, this transnational dimension originates, according to Arrowsmith and Marginson, in employers’ practices (cross-border standardisation, benchmarking and ‘best practices’), rather than in trade unions’ initiatives. Concession-bargaining through company-based Pacts for Employment and Competitiveness are an example of such transnational quasi-collective bargaining (Marginson and Sisson 2004), driven by employer strategies. Other researchers concur that metalworking, and even more specifically automotive production, display the most conducive preconditions for MNC-level collective bargaining (Anner et al 2006). Little seems to be happening even in other manufacturing sectors, for instance chemicals (Le Queux and Fajertag 2001).

Reviewing the existing literature, Collings (2008) lists the observable obstacles to the emergence of transnational collective bargaining in MNCs: structural obstacles (incompatible national industrial relations and trade unions structures), political obstacles (unfavourable political context), social identity, and power and information imbalances. A strong obstacle to transnational collective bargaining within the EU but also elsewhere has been employers’ resistance, while trade unions, although in favour, have been preoccupied with not relinquishing collective bargaining prerogatives to EWCs (Gennard 2009). There are also more positive views on the potential of recent trade union campaigns for starting to redress such power imbalances and national incompatibilities, opening up genuine ‘Europeanisation’ scenarios (Erne 2008).

These debates on the ‘negative’ and ‘positive’ effects of MNCs for collective bargaining as a form of social regulation interact with theoretical debates on convergence/divergence (e.g. Katz and Derbishire 2000), and on globalisation versus the resilience of national institutions. While globalisation-inspired views tend to underline both negative and positive effects, institutional approaches tend to dismiss both. In the next sections, an assessment will be provided looking at the information available from EU countries and Norway.

2. MNCs’ significance as employers

FDI and MNC employment

The economic and employment significance of MNCs has increased worldwide in the last two decades of international liberalisation of trade and investment: according to UN data (UNCTAD 2010), FDI has increased tenfold, and the number of MNCs and of their employees threefold. Yet this significance varies greatly by region and country. The European Union, as a ‘macro-market’ (Traxler et al. 2011) and an advanced economy, is a prime destination of FDI and its significance is much higher than the global average. Yet even within the EU there are major country differences, and we can therefore expect the collective bargaining impact of MNCs to vary country by country.

Data on MNCs’ employment profile are unfortunately not collected systematically, and a precise evaluation is impossible. Institutional estimates tend to systematically underestimate both the number of MNCs and numbers employed. On the first, they may consider only majority-foreign owned companies, and not those where there is a joint or minority foreign ownership stake; they may exclude forms of foreign control other than direct ownership, such as joint ventures and franchising; and they may only include larger companies. Concerning
the second, most figures relate to direct employees and not also to the substantial numbers employed in MNCs’ supply chains. Data are particularly fragmentary on home-based MNCs, as these are rarely distinguished from home-based companies in general. In addition, methodologies vary country by country and therefore national statistics are hardly comparable. More comparable, if still very approximate, are figures coming from international institutions such as the OECD, augmented in some cases by UNCTAD figures. For most countries, these data refer to companies ‘controlled’ by foreign investors, but for a minority UNCTAD data include only companies that are majority-owned by foreign investors.

From the available data, three clusters of European countries can be identified (Table 1). First, there are the smaller new member states (Czech Republic, Hungary, Estonia), together with Ireland, which are heavily dependent on FDI as the main source of capital formation (62% of total capital formation in the Czech Republic, around 80% in Hungary). Foreign-based MNCs employ a large proportion of the workforce, above 40% in manufacturing and above 20% in the private sector overall. Second, there are the highly internationalised countries of Northern and Western Europe, together with the largest new member states (Poland and Romania) and those with the lowest FDI inflow (Slovenia and Slovakia), where MNCs account for between 20 and 30% of employment in manufacturing (or, in Denmark, a substantial share of the service sector), and more than 10% in the private sector overall. Third, there are countries where foreign-owned companies are still rather marginal and home-based companies dominate, accounting for over 90% of employment (80% in manufacturing). This is the case of Germany and Southern Europe, with MNCs’ employment share being particularly low in Italy, Malta and Portugal. It is important to note that even the European countries with the lowest penetration of FDI, MNCs employment is well above the world average, which is estimated by the ILO as between 3 and 4% of total employment.

Table 1 – Variation in the prominence of FDI between European countries

<table>
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<tr>
<th>Cluster</th>
<th>Share of MNC’s in employment</th>
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<tbody>
<tr>
<td>Small FDI-dependent countries (CZ, EE, HU, IE, LU)</td>
<td>Large (&gt;40% in manufacturing, &gt;20% in total private sector)</td>
</tr>
<tr>
<td>FDI-open countries of North-West and Eastern EU (AT, BE, DK, FI, FR, LT, NL, NO, PL, RO, SE, SI, SK, UK)</td>
<td>Medium (20-30% in manufacturing, 10-20% in total private sector)</td>
</tr>
<tr>
<td>Home investment-reliant – Germany and Southern EU (DE, EL, ES, IT, MT, PT)</td>
<td>Small (&lt;10%)</td>
</tr>
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Source: OECD, UNCTAD, EIRO national centres

Geographic clusters matter in another respect as well. In most of the EEA, FDI is from other European countries. In some countries (Ireland and some new member states), US-owned MNCs are the predominant source of FDI. Regional clusters are also visible, especially in the Baltic and Nordic countries, where investment flows are predominantly from MNCs based in (other) Nordic countries.

For some countries, there are also estimates of the ratio between foreign- and home-based multinationals. In most western European countries, home-based MNCs employ more workers than foreign-owned companies. For example, in Finland and the UK the ratio of employment in home-based as compared to foreign-owned MNCs is more than twice. The
situation is different in countries with few home-based MNCs, such as the new EU Member States, but also Spain.

In all the EEA countries for which data are available, MNCs’ employment share is larger in manufacturing than services. The data on services do not, however, always distinguish between the public and private sectors, and this may distort the comparison. Services are also more heterogeneous: in some countries banking and telecommunications are dominated by foreign-owned companies whereas in other service industries there are few MNCs. Within manufacturing, the automotive sector tends to be the most heavily dominated by MNCs.

In terms of their general impact on industrial relations, most EIRO national centres report that foreign investment tends to be seen as a positive factor, quantitatively and qualitatively. On wages, for example, in all the countries for which OECD data are available (Czech Republic, Denmark, Finland, France, Hungary, Ireland, Netherlands, Norway, Poland, Spain, Sweden, United Kingdom) total employee compensation per employee is higher for foreign companies’ employees than for the average employee, in manufacturing and overall. There is disagreement, however, among experts on whether MNCs have a positive net effect on employment. Recent ILO and OECD studies underline that FDI is heterogeneous, and may often have substitution, rather than positive, effects on employment (Kim 2006; Molnar, Pain and Tagliioni 2008). FDI through mergers and acquisition, in particular, is frequently associated with job losses.

**MNCs and employers’ associations**

MNCs generally join nationally-based employer organisations and engage with them. The form and degree of such engagement, however, varies. In some countries, there seems to be no significant difference between MNCs and other companies in either membership rate or form of engagement (Estonia, France, Romania, Slovenia). In other countries, MNCs are key players, whether home-based MNCs (the Nordic countries), foreign-owned ones (Bulgaria, Ireland, Malta, Slovakia, as well as Cyprus in the banking sector), or both (Spain). One exception is Austria, where MNCs appear to have less influence than local companies, due to the specific organisation of the Chambers of Commerce (WKÖ): votes are not weighted by company size and therefore SMEs are more influential than the larger, but fewer, MNCs. Nordic countries are distinctive in the leading role of home-based and export-oriented MNCs in orienting collective bargaining towards international competitiveness considerations. Amongst the new member states and in Ireland, foreign-based MNCs assume a more distinctive role, given their employment significance as well as their different characteristics (especially where US-based MNCs are predominant).

There are some specific situations in the form of MNCs’ engagement with employer associations. This is most marked in Poland, where MNCs took the leading role in creating, in 1998, a new employer organisation – the Polish Confederation of Private Employers, (PKPP), in opposition to the Polish Employer Federation (PKP), which was dominated by state-owned enterprises. The PKPP went on to become the leading employer confederation, and now organises a large number of Polish-owned companies as well. In Bulgaria, foreign employers organised originally in a separate association (the Bulgarian International Business Association), but this later merged into the Confederation of Bulgarian Employers. In Latvia, a new MNC-dominated business association, IF, has been created. A more frequent situation amongst new member states is the tendency of MNCs to join national employer federations, but not their sector organisations. This is the case in Bulgaria, the Czech Republic and
Poland. Interestingly, it also occurred in the UK in the past, where US-based Ford and General Motors did not join the relevant sector employer organisation (the Engineering Employers Federation, EEF). Such practice has the potential of undermining the viability, or even possibility, of sector-level collective bargaining.

In most countries, foreign-owned companies are also organised in their own Chambers of Commerce by country of origin. While these never play a direct role in collective bargaining, they have, in some cases, been influential lobbies on industrial relations issues: for example, the American Chamber of Commerce in Germany on the reform of the works councils in 2001, the American Chamber of Commerce in Ireland on the implementation of the EU Directives on Working Time and on Information and Consultation of Employees, the American and Japanese Chambers on co-determination issues in the Netherlands, and some foreign Chambers in Portugal on employment flexibility. In some countries, these organisations are gaining more visibility. For instance, in France a federation of foreign chambers of commerce has recently been formed.

3. Destructive effects: MNCs and national and local collective bargaining

Collective bargaining coverage

Data on collective bargaining coverage in MNCs are only available for a few countries, where specific surveys have been conducted. For instance, in the United Kingdom the 2004 WERS survey found collective bargaining coverage in foreign-owned companies, at 32%, to be higher than the private-sector average (23%); a survey of MNCs in 2006 found a similar figure (29%). A parallel 2006 survey of MNCs in Ireland (2006) estimated collective bargaining coverage at 47%, also higher than the private sector average. In addition, EIRO national centres provided expert estimates of whether coverage is higher or lower than, or broadly the same as, the private-sector average (Table 2). In a large group of countries, collective bargaining coverage is estimated to be higher than the national average. In some countries, erga omnes extension of sector-level agreements means that coverage is 100% for both home-based and foreign-owned companies. In a further group of countries, collective bargaining coverage amongst MNCs is the same as that amongst locally-based firms. There are two exceptions, where collective bargaining coverage is judged to be lower in MNCs than in the wider economy: Estonia and Latvia. In these two Baltic countries FDI tends to be concentrated in lower-skill, lower-value added sectors, and may follow a similar low-cost, labour intensification logic to the well-known maquiladora investments on the US-Mexico border. A note of caution is that these comparisons do not control for the fact that MNCs tend to be larger organisations, and that these are also more likely to be covered by collective bargaining.

Table 2 - Collective bargaining coverage

<table>
<thead>
<tr>
<th>MNCs collective bargaining coverage</th>
<th>Countries</th>
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<tbody>
<tr>
<td>A) Higher than average</td>
<td>BG, CZ, ES, IE, LT, MT, NL, SE, SK, UK</td>
</tr>
<tr>
<td>B) (Virtually) 100% for the whole economy</td>
<td>AT, BE, FR, IT, RO, SI</td>
</tr>
<tr>
<td>C) Same as average</td>
<td>CY, DE, DK, EL, FI, HU, LU, NO, PL, PT</td>
</tr>
<tr>
<td>D) Lower than average</td>
<td>EE, LV</td>
</tr>
</tbody>
</table>

Source: EIRO national centres.
There is a relationship between whether collective bargaining arrangements in the private sector are multi- or single-employer based, and the pattern evident in Table 2. Under multi-employer bargaining, bargaining coverage tends to be the same for locally-based and MNCs (exceptions are Spain, Ireland, the Netherlands, Sweden and Slovakia). Where single-employer bargaining prevails, there is greater scope for bargaining coverage amongst MNCs to deviate from the pattern elsewhere in the private sector, whether upwards (more common) or downwards (the two Baltic states). The next two sub-sections review the (destructive) impact of MNCs on these two types of collective bargaining regime before stock is taken of the effect on the agenda and outcomes of bargaining.

**MNCs’ role under multi-employer bargaining arrangements**

In much of continental western Europe, MNCs are part of the multi-employer bargaining arrangements for their sector and are covered by the resulting agreements. There are some partial exceptions, most notably the Netherlands where roughly equivalent proportions of MNCs conclude their own company agreements and are covered by sector agreements, respectively. The proportion of MNCs concluding their own company agreements is significantly higher than amongst locally-owned companies. Typically, these company agreements specify higher wages and better working conditions than those specified in the sector agreement that applies to other firms. In Spain also, the larger MNCs tend to have their own company agreements, which specify comparatively higher wages and better conditions than those of the relevant sector agreement, whilst other multinationals are covered by sector agreements. In Germany, Volkswagen, which has its own company agreement which provides higher wages and better conditions than the regional metalworking sector agreement, is an exception from the general rule that MNCs are covered by sector agreements. In Portugal also, VW’s subsidiary AutoEuropa stands outside the sector agreement and negotiates its own arrangements with the company’s workers commission. Pharmaceuticals company Novo is an exception in Denmark, concluding its own company agreement with trade unions.

Where MNCs are part of sector-based, multi-employer bargaining, second-tier negotiations at company level are common, which result in company-specific improvements on the conditions, if not also the pay levels, specified in the sector agreement. A partial exception is Austria, where there is less negotiation at company level, even amongst MNCs. In Italy, Greece and Spain, MNCs are prominent as compared to locally-owned firms in the practice of second-tier company negotiations.

In those central and eastern European countries, where multi-employer bargaining exists, MNCs are often relatively detached from the outcomes: second-tier, company bargaining looms large with the result that levels of pay and conditions are significantly better than those specified in sector agreements. This was reported to be the case in Bulgaria, Romania and Slovakia. Such detachment is, however, less marked in Slovenia. In Slovakia, European-based MNCs are more likely to be covered by sector agreements than US- and east Asian-based multinationals, which tend to prefer their own company agreements.

Recent years have seen a widespread extension of the scope for negotiations at company level under multi-employer bargaining (MEB) arrangements across most countries, with the exception of Ireland and Norway where extensive scope already existed and Portugal where there has been little movement in this direction. It is difficult to evaluate the role of MNCs as
distinct from that of other large employers, but in some countries there is evidence of MNCs leading this development. Home-based multinationals have been an important source of changes in some countries. The ways in which MNCs have opened up scope for company negotiations is shaped by the possibilities available under different countries’ collective bargaining arrangements. In general, MNCs’ local negotiations are not necessarily limited to those issues on which sector agreements provided openings or a framework and in several countries go beyond to address further matters. No instances were reported where the outcome of these company negotiations breached the provisions of sector agreements.

In Austria and Germany scope for company negotiations has widened with growth in the number of opening and enabling clauses in sector agreements and shifts to agreements which provide sector-wide frameworks. In Austria, MNCs have been influential in pressing for such developments in both the metalworking and banking sectors, whilst in Germany it is less apparent that these developments have been particularly driven by MNCs. In both countries company negotiations tend not to go beyond the possibilities provided under sector agreements, although agreements in Germany over restructurings aimed at securing employment and maintaining production at specific sites are an exception. Home-based MNCs have been the main source of pressure for the greater scope for company negotiation over pay and working time in recent sector settlements in Finland and Sweden. This has gone furthest in service sectors, such as the introduction in Swedish banking of an individual pay negotiation model.

For both Belgium and France, the influence of MNCs on sector-level negotiations was reported to be difficult to evaluate. In Belgium, however, opening clauses enabling company negotiations on wage supplements are a feature of agreements in sectors dominated by MNCs, such as metalworking, chemicals and retail commerce. MNCs, led by those which are home-based, are prominent in taking up the possibility for company negotiations on pay linked to performance or productivity under Italy’s two-tier bargaining arrangements. In Spain, MNCs have been important in extending the scope of company negotiations. In banking these extend to variable payments systems, which are not addressed by the sector agreement. MNCs have also broadened the scope of company negotiations in Greece. In contrast to most other countries, there has been little opening up of sector agreements for company negotiation in Portugal, despite pressure from MNCs. MNCs have not been a noticeable source of pressure towards greater scope for company negotiation under sector agreements in Bulgaria, Romania, Slovenia or Slovakia. In all but Slovenia, however, the scope for company negotiations has always been reasonably extensive. Ireland’s central, multi-sector agreement – which has since been terminated - left plenty of latitude for MNCs to engage in company negotiations over a wide range of issues.

There are a few reported instances of MNCs opting out of sector agreements, by leaving the relevant employers’ association, in favour of company-based arrangements (either negotiated or non-negotiated). In some countries, such as Belgium, France and Portugal, the widespread use of extension arrangements makes opting out impossible. In Austria, compulsory membership of WKÖ has the same effect. In the Netherlands, the banking sector agreement was terminated in 2001 at the instigation of the Dutch-based multinational banks which dominate the sector. In the Greek banking sector, National Bank of Greece and Alpha Bank have refused to extend the authorisation previously given to the Hellenic Bank Association to negotiate a further sector agreement, imposing unilateral pay settlements instead, raising
trade union fears that the banks’ aim is to abolish sector negotiations. The decision of
Infineon to leave Germany’s metalworking employers association was prompted by the terms
of the sector agreement concluded in November 2008, although typically medium-sized firms
are said to be more concerned at the impact of sector agreements than MNCs. Much more
prominently, Fiat’s decision from December 2010 to start removing plants from the
metalworking sector agreement, and then in September 2011 to leave Federmeccanica, the
metalworking employers’ association and thereby opt out of the agreement altogether, carries
major repercussions for multi-employer bargaining arrangements in Italy (Pedersini 2012).

In Ireland, Independent Newspapers indicated that from 2008 it would operate outside the
now defunct national wage agreement, and implement company-based bargaining instead,
leaving the employers’ confederation, IBEC. Also in Ireland, Coca-Cola is one of several
MNCs which have opened new sites on a non-union basis, which were placed outside the
national agreement. In Slovenia, where membership of employers associations, which was
previously compulsory, is now voluntary, some incoming MNCs are not affiliating and
therefore escaping coverage by sector agreements. In retail commerce this practice has been
prevented by legal extension of coverage of the sector agreement. Some US- and Asian-based
MNCs are reported to have left employers’ associations in Slovakia’s manufacturing sector to
escape coverage by the sector agreement.

Slightly more common is the practice of agreement switching, whereby a MNC transfers all
or some of its activities to the coverage of a different agreement, which specifies less good
conditions and/or wage levels and enables greater flexibility. This only happens, or is
threatened, in central western and Mediterranean countries (e.g. Bank Austria-Credit Austria,
Carrefour in Belgium, ICT in Germany, Ericsson in Italy). The practice would not seem to
feature amongst the Nordic countries; neither has it featured amongst those new member
states with sector-based bargaining arrangements. This is probably due to the extent of the
scope for company negotiations that exists amongst these two groups of countries, albeit in
very different ways. The effect of agreement switching by MNCs – and threats to do so - is to
bring pressure to bear on agreements in sectors specifying relatively high wage standards and
good conditions to modify these.

**MNCs’ role under single-employer bargaining arrangements**

Under single-employer collective bargaining, MNCs often act as pace-setters for other
companies. In the Czech Republic, Estonia, Hungary, Lithuania and Malta this is reflected in
the negotiation of higher wages and better working conditions in MNCs than those found
amongst locally-owned companies, particularly in manufacturing. In UK manufacturing,
wage settlements in large UK- and foreign-owned MNCs are widely regarded as setting a
benchmark for company wage negotiations more generally. Information on settlements in
these leading MNCs is reported in specialist publications which inform negotiations. In
services, home-owned MNCs in banking and retailing are influential in establishing patterns
within their respective sectors.

There are, however, indications that large MNCs which recognise unions for collective
bargaining at existing operations are not doing so at more recently established sites.
Examples in the UK include UK-based GKN and Smiths Industries and US-based Caterpillar
and Cummins. A 2006 survey of the UK operations of MNCs found that half of those
recognising unions did so at some but not all sites. Among the 60 unionised multinationals
which had opened one or more new sites in the previous 3 years, two-fifths had not recognised unions at any and a further two-fifths had recognised unions at only some. Although Ireland is covered by a national agreement, such ‘double breasting’ practice is also quite common amongst multinationals. A parallel 2006 survey of the Irish operations of MNCs found a similar incidence of mixed recognition practice across sites amongst unionised companies. In Bulgaria, Metro, Viohalko and American Standard were amongst MNCs which had not recognised unions at newly opened sites, although they negotiate with them at established ones. In Hungary, General Electric has engaged in the same practice.

The practice of ‘double breasting’ can also occur on a cross-border basis, with MNCs which engage in collective bargaining in their home country opening non-union operations in other countries. This was reported to be a feature in the Baltic states, particularly in respect of Finnish- and Norwegian- owned companies. The Estonian metalworkers’ federation has, for example, raised the issue under its cooperation agreement with Finland’s Metalworkers’ Union.

**MNCs and changes in the agenda and outcomes of collective bargaining**

While this paper focuses on the structure of collective bargaining, some mention of evidence on its substantive content is also important to evaluate the impact of MNCs. Growing internationalisation is prompting innovations in the agenda and outcomes of collective bargaining, including on the key issues of payments systems and working time arrangements. The extent to which these developments are being led by MNCs, and how far their influence in sector negotiations can be evaluated, varies across countries. Innovative agreements addressing restructuring are a feature of MNCs in several countries; the cross-border dimension to such negotiations is addressed in a later section.

On payments systems, pressure from MNCs such as Böhler-Uddeholm lay behind the introduction of a binding profit-related pay scheme in Austria’s metalworking sector agreement in 2006. The broader aim of MNCs in the sector has been to constrain across-the-board increases in wages so as to enhance the scope for the implementation of variable payments schemes. In the Netherlands, the negotiated implementation of company-level variable pay systems has been driven forward by home-based MNCs, including Philips. In Finland also, home-based MNCs are prominent in the introduction of variable payments schemes across the private sector. A similar development is reported in Sweden’s metalworking sector. A particular feature of banking in Finland, Sweden and also Norway has been the diffusion of the collectively agreed individual pay model by multinational banks headquartered in the Nordic countries.

Belgium’s banking sector concluded a new framework agreement in 2007, which introduces company-based salary systems. This was prompted by the implementation of a new salary system at Fortis, incorporating a mandatory individual-performance element. Home-based MNCs have been prominent in negotiating the introduction of variable payments schemes in Italy, including profit-related bonus. Likewise in Spain, MNCs have been prominent in implementing variable payments schemes. For example, profit-sharing arrangements have been introduced under the banking sector agreement. At BBVA, a flexible pay system opens up fifteen per cent of salary for trade-off between cash and various benefits. In France, Axa and IBM have both recently secured agreement, via consultation with works councils and subsequent individual consent, to reduce the basic wage of sales staff and increase the
proportion of average salary accounted for by commission. According to trade unions, IBM tends to act as a ‘laboratory’ for innovations in social policy that interest Medef.

MNCs have introduced variable payments schemes, including performance-related pay and profit-related bonus, through company negotiations in Bulgaria and the Czech Republic, whilst the introduction of profit-related bonus has been placed on the bargaining agenda in the operations of some MNCs in Romania. In Slovenia and Slovakia, however, the main impact of MNCs is reported to be on pay levels rather than systems, with the negotiation of company-specific wage supplements common.

In Ireland, US-based multinationals have had significant impact on collective bargaining through the introduction of the variable payments systems used in their home operations, including individual performance-related pay and profit-related bonus. Individual performance-related payments schemes are now widespread amongst the large UK- and overseas-owned banks which dominate UK banking, and these are regulated to considerable extent by collective agreement. Likewise, unions were consulted over the introduction of an individual performance-related pay scheme by HSBC in Malta. Bonus payments, particularly profit-related bonus, in the UK operations of banks, however, tend not to be subject to negotiation. In UK metalworking, large MNCs have introduced new variable payments schemes in recent years. Whereas local, site-based bonus schemes tend to be negotiated, profit-related schemes tend not to be.

In relation to working time, MNCs successfully pressed for the introduction of delegation clauses in Austria’s metalworking agreement, which enable management and works councils to determine company-specific working time arrangements within broad parameters and over reference periods. In Finland and Sweden, MNCs are reported to be pacesetters in company negotiations over more flexible working time arrangements – in both the metalworking and service sectors.

In Spain, MNCs in the automotive sector have negotiated annualised flexible working time arrangements. Although Portugal has seen little recent innovation in collective bargaining agendas in general, an exception is VW’s subsidiary AutoEuropa, which has concluded accords introducing flexible working time arrangements to match those at the group’s operations in other European countries. Similar arrangements, augmented by individual working time accounts, have been negotiated by MNCs in Slovakia’s automotive sector and in the wider manufacturing sector in the Czech Republic (in Spain, Portugal, Slovakia and Czech Republic the influence of VW is apparent). A compressed working week, involving new shift arrangements, has been negotiated in beverage MNCs in Bulgaria, including InBev, Heineken and Carlsberg. MNCs are reported to be more likely than local companies to have negotiated flexible working time arrangements in Lithuania. In the UK, the negotiated introduction of working time corridors, which enable working time to fluctuate over a reference period, has become widespread amongst MNCs in manufacturing, especially in automotive and aerospace.

Newer issues also feature on the bargaining agenda in MNCs. One development of note in some countries is the conclusion of agreements regulating the use of temporary agency workers (TAWs), which is reported as characterising some MNCs in Belgium, Spain, Czech Republic, Bulgaria and UK. Further issues reported as featuring on the bargaining agenda of MNCs in some countries include; equality and diversity practice (Italy, Malta, Slovakia and
the UK, where consultation with unions is more common than negotiation); social and environmental responsibility (the Czech Republic and France, where local agreements are linked to international framework agreements (IFAs) which also address this topic); and teleworking, where agreements have been concluded by Dexia and other banks in Belgium, by MNCs in the Czech Republic’s telecommunication sector and by MNCs in these and other service sectors in Spain.

4. Constructive effects: Towards transnational collective bargaining?

The cross-border dimension to collective bargaining in MNCs

Moving to the ‘constructive’ impact of MNCs on collective bargaining, indirect cross-border co-ordination is the most important aspect. Because the scope of MNCs operations extends beyond the boundaries of nationally-based arrangements for collective bargaining, the agenda and outcomes of their local, company negotiations can be influenced by cross-border comparisons of labour costs, flexibility and performance by management. In principle, local negotiations can also be shaped by comparisons of terms and conditions by trade unions and works councils, although in practice such activity is less common. When unit labour costs differ between actual and potential production locations across countries, then management’s use of cost and performance comparisons in local negotiations can be accompanied by threats to relocate. The EU’s 2004 and 2007 eastern enlargements have brought larger differences in unit labour costs between member states than had prevailed previously, particularly in manufacturing, and a consequent rise in the perceived scope for actual or threatened relocations. In fact, both constructive and destructive effects are simultaneously in play. On balance, from the perspective of national and local collective bargaining the impact of these ‘constructive’ cross-border dynamics tends to be negative or ‘destructive’.

The use of cross-border comparisons of labour costs, flexibility and performance by MNCs was generally reported to be more extensive in manufacturing than in services. The focus of these comparisons is worldwide or European, depending on the sector and/or the company. For example, comparisons in automotive manufacture tend to be regional in focus, whereas those in the components segment of the sector are increasingly global in scope. In food manufacturing, cross-border comparisons are mainly European in scope, whereas those in pharmaceutical manufacture tend to be global. Where comparisons feature in service sectors, as in finance, then they tend to be global in scope.

Differences are apparent between groups of member states, with the deployment of cross-border comparisons being a prominent feature of negotiations in many western European countries. Operations in lower cost countries in eastern Europe and south and east Asia are a particular focus for comparison. Amongst the central and south eastern European new member states, however, comparisons would seem to be less frequently used in local negotiations. In Germany and Spain, the use of cross-border comparisons in local negotiations is particularly prominent in automotive manufacture and supply due to the internationally integrated nature of production. In Finland, it is the pulp and paper and communications technology sectors where such comparisons are prominent. MNCs in the automotive, food manufacture and textiles sectors are prominent in their use of comparisons in Belgium. In Italy, Sweden and the UK MNCs’ use of comparisons is reported to be widespread across manufacturing. According to trade unions, there is extensive use of
comparisons by manufacturing MNCs in Slovenia, where unit labour costs are converging towards western European levels. Their use is prominent too in the automotive and electrical sectors in Hungary and Slovakia. Amongst the service sectors, the use of cross-border comparisons is emerging as a feature of local negotiations in financial services in some countries, including Finland, Sweden, Ireland and Malta. In contrast, in Bulgaria and Romania and in the Baltic states, the use of such comparisons is largely unknown. Labour costs, in particular, are low as compared to elsewhere in the EEA and if anything it is trade unions which attempt to introduce cross-border comparisons of wages and conditions into local negotiations.

Where they are invoked, threats to relocate in manufacturing most frequently involve destinations in eastern Europe and the industrialising economies of Asia. In services, call centres, back office operations and IT activities are the main focus of actual and threatened relocations – or ‘offshoring’ – with India also a prominent destination. Relocation can also be an indirect process. In Norway, for example, home-based MNCs have downsized their domestic operations whilst expanding overseas without direct relocations taking place. MNCs’ operations in central and south eastern European new member states are not immune from threats to relocate. In the Czech Republic, Hungary and Slovenia there are reports of MNCs in manufacturing threatening to relocate operations to south-east Europe, whilst in Romania the destinations involved in threatened relocations in food manufacturing are further east. In Lithuania, MNCs in food manufacturing are also reported to have threatened relocation to Byelorussia, Russia and Ukraine.

The impact on local negotiations of management’s deployment of cross-border comparisons is often agreements which introduce cost-saving and flexibility-enhancing measures. These include concessions in working conditions, reductions in additional company-specific payments and conditions (in countries where sector agreements prevail), and introduction of more flexible working time arrangements. Where a threat to relocate is involved, such measures may be traded-off against a guarantee from management to maintain production, and therefore employment, at the location in question. In Germany in particular, where labour costs are comparatively high and the hitherto compensating productivity advantage is being eroded by lower cost central European neighbours, such negotiations have become increasingly common. Even if threats to relocate are not explicitly made, they can be implicit in local negotiations. For example, in Sweden it was reported that in manufacturing both parties are often aware that without measures to reduce costs and enhance flexibility, relocations could ensue.

In services, Ireland and the UK have been particularly affected by the offshoring of call centres, back-office operations and IT activity, primarily because of the availability of qualified, English-speaking labour in India and some other Asian countries. In Ireland, the 2008 announcement by financial services provider Hibernian that it was offshoring elements of its back-office operation to India was accompanied by negotiations with unions to address the effects on the local workforce. In the UK, unions have concluded innovative agreements which anticipate the effects of offshoring on the local workforce with several major companies, including Barclays and HSBC in banking and BT in telecommunications.

European and International Framework Agreements
A small but growing number of MNCs have negotiated transnational framework agreements with national and/or international trade union organisations and/or European Works Councils (EWCs). These agreements do not address wages or working time, widely regarded as the core issues of sector- and company-level collective bargaining within countries, hence should not be regarded as a straightforward extension of collective bargaining to European or global levels. An indication of the scale of the phenomenon is given by a 2006 survey of the UK operations of MNCs, which found that 12% were covered by an international code of conduct which had been negotiated with an international trade union organisation or EWC. Two main types of transnational agreement are distinguishable (Telljohan et al 2009): International Framework Agreements (IFAs) and European Framework Agreements (EFAs). IFAs are global in the scope of their application and have mainly been concluded between MNCs and Global Union Federations (GUFs), whereas EFAs are regional i.e. European in scope and have been concluded with EWCs, national unions and European Industry Federations of trade unions (EIFs).

Papadakis (2011) identifies 82 IFAs known to have been concluded by the end of 2010. Almost all have been negotiated since 2000. Although global in their scope, the overwhelming majority of IFAs have been concluded by MNCs headquartered in EU countries, and account for 67 of the total. Amongst European-based companies, French and German-owned multinationals are particularly prominent, accounting for 16 and 18 agreements, respectively. Dutch- and Swedish-based multinationals accounted for nine and six agreements, respectively. IFAs are concentrated amongst MNCs which are inserted into producer-driven supply chains; rather few have been concluded by multinationals controlling buyer-driven supply chains. Accordingly, they are concentrated in particular sectors, including construction, energy, food manufacturing and metalworking, and also private services.

Most IFAs address core labour standards as specified in the ILO’s 1998 Declaration on Fundamental Principles and Rights at Work (prohibition of forced and child labour, non-discrimination in employment, and freedom of association and collective bargaining), as well as compliance with minimum standards for wages and working time. Agreements aim to ensure compliance with these standards across the worldwide operations of the MNC. The majority also refer to suppliers, although only a minority include a commitment to enforce the agreement amongst suppliers; more frequently agreements oblige MNCs to inform suppliers of the IFA and encourage them to comply.

Drawing on a 2008 European Commission inventory (EC 2008) of transnational agreements, Telljohan et al (2009) identify 73 EFAs. These have been concluded with 40 MNCs, reflecting their tendency to be more issue-specific than IFAs. European-level negotiations appear to have particularly taken root amongst a core group: ten companies account for 42 of these agreements. This includes four US-owned multinationals – Ford, GE Plastics, General Motors, Philip Morris (Kraft Jacobs) - which between them have concluded 20 agreements. French-based MNCs are also prominent, accounting for 23 EFAs. The employee-side signatories are more varied than for IFAs. EWCs are most numerous, being the signatories to 52 agreements. National unions and EIFs are signatories to a minority of EFAs, sometimes as co-signatories with EWCs – as in four restructuring agreements at General Motors Europe and three recent agreements at Suez. Some recent EFAs have been concluded solely with European Industry Federations (of trade unions), along with national unions, including three
at Total (involving EMCEF) and agreements with EMF at Alstom, Arcelor, Areva and Schneider. EFAs are spread across a range of sectors, with some concentration in metalworking. They cover a range of issues, with some agreements addressing more than one. In particular, some agreements addressing core labour standards also elaborate key principles underpinning particular company employment and personnel policies. According to the Eurofound report, the most frequent issues addressed by agreements include restructuring, social dialogue, health and safety, employment/personnel policy, data protection, fundamental rights and corporate social responsibility.

The EFAs which come closest to the outcomes of collective negotiation at national level within MNCs are the frameworks negotiated to handle specific restructurings at Ford Europe, on three occasions, General Motors Europe, on six occasions, with Alstom and Schneider following the acquisition in 2010 of a division of Areva by the two MNCs, and at Danone’s biscuits business. These establish principles and parameters which are intended to provide a frame of reference for the ensuing national and local negotiations.

MNCs registered under the Eurostatute are also becoming a source of international agreements. An example is Nordea, where the four trade unions organising the Nordic countries’ employees formed a transnational trade union in response to the MNC’s conversion to an SE. The resulting transnational structure deals with issues such as the working environment, stress, training and strategic development, although core issues such as pay and other employment conditions are still determined at national level. The Nordea Union recently secured collective agreements in a newly formed joint venture company between Nordea and IBM.

5. MNCs and trade unions

Trade unions’ attitudes towards MNCs and responses to their consequences for collective bargaining vary. In some countries, especially in the new member states, but also in Ireland, Netherlands and UK, trade unions have a generally positive view of MNCs and welcome the inflow of foreign investment. In Poland, trade unions have in some cases been willing to sign special deals, in particular no-strike agreements, in order to attract investment, especially from US and Japanese companies, echoing practice in the 1980s in the UK. While the potential for employment creation is a common motivation, in the new member states a frequent additional argument is the expectation that foreign-owned companies might transfer into local industrial relations environments their western European social dialogue and employee participation practices. Research studies, however, raises some doubts, as industrial relations transfers from the West seem to be the exception rather than rule, and contingent on rather specific conditions (Marginson and Meardi, 2006; Meardi et al. 2009). By contrast, in some western European countries trade unions also express negative opinions about MNCs. In Belgium, they criticise MNCs for tending to have more conflict-prone industrial relations, excessive flexibility, and remote management structures. Trade unions in Sweden are critical of MNCs’ aims to further decentralise collective bargaining, and in the industrial sector have successfully opposed further movement in this direction. Elsewhere, trade unions have not necessarily favoured decentralisation of bargaining, but have accommodated pragmatically to such developments.
The most pressing issue for trade unions in respect of MNCs is how to deal with their geographic mobility, especially in the form of relocation threats. Trade union responses display a broad variety, which goes against any deterministic view that relocations are unavoidable and trade unions’ responses doomed to failure. Strategies vary from defensive (concession bargaining, negotiation of social plans) to more offensive, including political mobilisation, creating openings for political exchange and negotiations on alternative business plans. It is also important to observe that different responses may be better suited in different contexts, and that the same strategies that are successful in some places, may fail elsewhere. For instance, the Irish mobilisation efforts seen at Irish Ferries, or the French political pressure seen at ABB-Alstom Power, have failed on other occasions where circumstances differ, for instance in France in the Arcelor case (Erne, 2008). It is also difficult to tell in which instances concession bargaining is unavoidable, and in which it can be resisted. Portuguese trade unions in the General Motors plant of Azambuja refused to make concessions in 2005, but could not avoid the plant’s closure in 2006. By contrast, in the Portuguese Volkswagen plants, continuous dialogue and negotiations have avoided relocations.

When mobilisation occurs, sometimes it takes specific forms due to the high visibility of many MNCs. Particular media interest in protests against MNCs has been noted in Belgium (Carrefour, Renault, Volkswagen), the Czech Republic (Škoda and Siemens), Denmark (Lidl), Poland (retail chains), and UK (Total). Additionally, protests and campaigns on MNCs tend more frequently to involve other actors, such as NGOs (e.g. Attac in France), or even lead to the emergence of new ones, such as the Association of the Harmed by Large Commercial Chains – ‘Biedronka’ - in Poland. In the new member states, but also in Spain, trade union protests against MNCs often take the form of legal action in addition to, or instead of, industrial action.

Trade unions have also been counteracting MNCs’ comparisons through their own gathering of comparative information. This takes different forms. The trade unions which most frequently use international wage comparisons in their own national collective bargaining are those from the lower-wage new member states, including the Czech Republic (especially at Škoda and Siemens), Latvia, Romania and Slovakia. In Western European countries, comparisons focus on other issues, in order to counteract the employers’ labour costs considerations. The Swedish trade union IF Metall, in particular, have been collecting their own comparative information on productivity, while the British trade union Unite has been comparing employment protection in cases of MNCs’ restructuring at Peugeot-Citroën, General Motors and Corus.

In this regard, international trade union contacts are important. In metalworking, in particular, the collective bargaining co-ordination initiative of the European Metalworker Federation is visible. Recently, new international network activity, often within European Works Councils, has emerged in a number of countries, both in the West (e.g. at Nokia in Finland) and in the East (e.g. at Gas de France in Romania, where international pressure led to the signing of a social pact including a new ‘Common Social Charter’ on employee rights and guarantees – a similar one is now proposed at E.On Ruhr Gas). UK trade unions have been reported to be less active than others in western Europe in international action, which can be attributed to constraints on the right of strike and (until recently) the absence of information and participation prerogatives, as well as by the unions’ organisational focus on the plant rather
than the company. In rare cases (e.g. in the Netherlands against IHC-Calland’s activity in Myanmar) trade unions have been involved in campaigns on MNCs’ activities outside the EU, similar to actions in the 1970s and 1980s on South Africa and Chile.

Conclusions

This paper has identified developments and emerging trends in MNCs’ role within national systems of collective bargaining, and in the emergence of a MNC-specific cross-border dimension to collective bargaining. Being based on national reports, the main limitation lies in the absence of systematically comparable data and information. This means that our findings are indicative, and cannot be taken as definitive.

The disruptive potential of MNCs for national collective bargaining has different aspects under multi- and single-employer bargaining arrangements. In the former, at first sight MNCs adapt to the existing systems: they usually affiliate to employers’ organisations (where the larger ones exercise an influential voice), and their collective bargaining coverage is usually equivalent to the private sector average. However, in most countries concerned, MNCs have been a major source of pressure for decentralisation of bargaining arrangements by introducing greater scope for company negotiation within sector (and inter-sector) agreements. Such pressures occur in different ways depending on economic and industrial relations structures. In Northern Europe (Germany, Sweden, Netherlands, Finland), the prominent role is played more by home-based, rather than foreign-owned, MNCs. In the Mediterranean countries (Greece, Spain, Italy and Portugal), as well as in the new member states with multi-employer bargaining (Bulgaria, Romania, Slovakias), MNCs display a noticeably higher incidence of second-tier (i.e. company) negotiations as compared to locally-based firms: while respecting the sectoral structure of collective bargaining, these companies reduce its impact by increasing the scope for decentralised arrangements. Legal extension mechanisms in most cases prevent radical disruption to existing structures, but where they are absent there have been isolated instances of MNCs opting out of sector agreements (e.g. the Netherlands and Germany). Elsewhere there have been instances of MNCs circumventing specific sector agreements by switching sector of affiliation (e.g. Austria, Belgium, Spain and Italy).

Under single-employer bargaining, collective bargaining coverage is typically higher amongst MNCs than the private sector average, given their size and visibility. This is often reflected in the pace-setting role of MNCs in terms of generally higher wages and better conditions. The Baltic states are the exceptions, due to the nature of the FDI involved (focussing on lower-added value sectors, such as forestry): collective bargaining coverage is lower and terms and conditions are not necessarily better than the local average. Disruptive effects are most apparent in the growing practice of ‘double-breasting’ in which newer sites are established on a non-union basis, with no collective bargaining, alongside established sites with union recognition and collective bargaining.

Concerning the bargaining agenda, under both types of bargaining regime MNCs have been at the forefront of (usually company) agreements introducing variable payments schemes and more flexible working time arrangements in many countries. Also prominent on the company bargaining agenda has been restructuring, resulting in some innovative developments in
agreements. In multi-employer bargaining systems, both these developments have fuelled the further opening up of scope for company negotiation.

The cross-border dimension of collective bargaining in MNCs is emerging mostly through the use of cross-border comparisons, more widespread in manufacturing than services and above all in the automotive sector. In services, the use of comparisons is, however, becoming apparent in financial services. These comparisons (European or worldwide, depending on the specific product market) are widely used by management in local (company and plant) negotiations in manufacturing in most western European countries, as well as in Slovenia, Hungary and Slovakia. In some new member states, similar comparisons – for the opposite reasons – are occasionally made by trade unions. The main impact on the outcome of local negotiations is the introduction of cost-saving and flexibility-enhancing measures, including concessions in working conditions, reductions in (company-specific) pay supplements and more flexible working time arrangements. Where a threat to relocate is involved, such measures are sometimes traded-off against guarantees from management to maintain production, and therefore employment, at the location in question. Insofar as the cross-border dimension of collective bargaining is being driven by management, it is having disruptive effects on the standards established through national and local collective bargaining.

Relocation heightens these disruptive effects. Existing research shows that relocations, actual and threatened, are not as widespread as public debate sometimes presumes, but they are significant nonetheless. In any case, they have significant repercussions for the collective bargaining agenda and outcomes. The negotiations addressing the issues involved are nearly always local in their scope, and the local agreements which result from these can avert threatened relocation, but this is by no means always so. Therefore, relocations threaten both the content (concession bargaining) and the existence itself (diminished trust) of local company-level collective bargaining.

On the transnational level, there is a noticeable growth in agreement making at both European and global levels in MNCs. Many of these agreements establish principles or parameters on specific employment practices, or are aimed at upholding international labour standards. Only a minority of transnational framework agreements address cross-border restructuring, and no more than a handful have addressed specific restructuring decisions. On the trade union side, there are a growing number of cases, in both the old and new member states, of transnationally co-ordinated responses. According to specific conditions, however, localised action (including local negotiation as well as political pressure) is sometimes considered more appropriate by the unions involved.

To conclude, this paper shows that, on the one hand, national collective bargaining structures seem robust and flexible enough to accommodate MNCs within them without major disruptions. Yet, on the other, and especially in internationalised product markets, the tensions between the international scope of MNCs’ business operations and management decisions and the capacity of national and local collective bargaining arrangements to regulate them highlight the need – if collective bargaining is to remain a prominent form of labour market regulation – for promoting the development of the still embryonic transnational mechanisms of co-ordination and negotiation.
References


