



# Multinational companies and collective bargaining

## Executive summary

### Introduction

Significant numbers of workers are employed in multinational companies (MNCs) across Europe. According to the International Labour Organization (ILO), MNCs employed 95 million workers in 2000, equivalent to 3.4% of the world's workforce. As a key group of employers, MNCs have exercised considerable influence in collective bargaining, pushing for changes in national systems – particularly in terms of the scope and interest areas of collective bargaining.

A report from Eurofound's European Industrial Relations Observatory (EIRO), *Multinational companies and collective bargaining*, examines how the practices of MNCs, the strategic choices they make and the changes they press for, set against the responses of trade unions, are crucial for understanding the evolution of Europe's varied systems of collective bargaining. The report focuses on the larger MNCs, and includes both foreign-owned and home-owned multinationals. Moreover, the report makes a distinction between multi-employer bargaining (involving negotiations between employer organisations and trade unions) and single-employer bargaining (encompassing negotiations between individual companies and trade unions). It should be noted that although MNCs have become an important subject for research in industrial relations, systematic comparative data are rarely available. Therefore, the findings of the report are indicative and should not be taken as definitive.

### Policy context

As employers with a distinctive structure, behaviour and impact, MNCs have attracted growing interest in the industrial relations arena. This is reflected in worldwide debates on corporate social responsibility and global labour standards, as well as in policy responses – such as the Global Compact of the United Nations and the revision of the Organisation for Economic Co-operation and Development's Guidelines for multinational enterprises. In Europe, the EU's forums on restructuring and mobility also

respond to the impact of MNCs. The significance of MNCs as employers within Europe's different national economies, their international organisation and management structures, along with their capacity to move production, jobs and workers across borders, have important implications for the structures, agenda and outcomes of collective bargaining. These implications centre on three issues:

- MNCs' prominence in pressing for changes in national collective bargaining systems – including the call for greater scope for company-level negotiation and for more emphasis on competitiveness in the bargaining agenda;
- the influence of cross-border comparisons of costs, performance and 'best practice' working and employment practices within MNCs on the agenda and outcomes of local negotiations;
- the increased focus on cross-national restructuring in negotiations, owing to growing concerns about relocations.

### Key findings

The report identifies important developments, and some emerging trends, in relation to these three issues.

The first issue concerns the role of MNCs within national systems of collective bargaining. In terms of collective bargaining coverage, in the majority of countries the coverage among MNCs is either higher than the national average or the same as that for home-based companies. MNCs have generally been at the forefront of agreements, usually company ones, introducing variable pay schemes and more flexible working time arrangements; the issue of restructuring has also been prominent on the agenda, resulting in some innovative developments. Nonetheless, 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.

With respect to multi-employer bargaining, although MNCs usually adapt to the existing systems, they have acted as a major source of pressure for decentralisation of bargaining arrangements by introducing greater scope for company negotiation within sectoral and inter-sectoral agreements. Although legal extension mechanisms generally prevent disruption to existing structures, in a small number of cases MNCs have opted out of sectoral agreements or evaded such agreements by switching sector of affiliation. In terms of single-employer bargaining, MNCs stand out as setting the pace, particularly in terms of higher wages and better working conditions. There is also evidence of changing behaviour in this context, with some MNCs recognising trade unions and practising collective bargaining at longer established sites, but opening new sites on a non-union basis.

The second focus of the report is the use of cross-border comparisons in collective bargaining among MNCs – more specifically, in terms of labour costs, flexibility and performance of management. The research found that such comparisons are more extensive in the manufacturing sector than in services – particularly in the automotive sector – and are widely used in company negotiations in manufacturing in most western European countries as well as some of the NMS. Operations in lower cost countries in eastern Europe, as well as in southern and eastern Asia, are a particular focus of comparison. The main impact of such comparisons on local negotiations is the introduction of cost-saving and flexibility-enhancing measures, including reductions in company-specific pay supplements; where relocation is a threat, such measures may be traded off against a guarantee to maintain production and employment.

Turning to the third focus of this report – the potential effects of MNCs' ability to threaten or implement relocations – such threats have significant repercussions for collective bargaining agendas and outcomes. Although negotiations and resulting agreements can avert threatened relocation, sometimes the relocation goes ahead. The strategies vary considerably, ranging from defensive ones – such as concession bargaining or the negotiation of social plans – to more offensive strategies, including political mobilisation, creating openings for political exchange and negotiations on alternative business

plans. Trade unions have also been counteracting MNC comparisons by collating their own comparative information. In this regard, international trade union contacts are important; for instance, in one of the NMS, international pressure led to the signing of a social pact, which included a charter on employee rights and guarantees.

## Policy pointers

The research confirms that the importance of MNCs as employers has been growing since the 1990s. However, information on the employment profile of MNCs is less systematic and the data tend to underestimate both the number of MNCs and number of people employed. Moreover, data on collective bargaining coverage in MNCs are only available for a few countries where specific surveys have been conducted.

In terms of the general impact of MNCs on industrial relations, most countries report that foreign investment tends to be viewed as a positive factor. Nonetheless, experts disagree over whether MNCs have a positive net effect on employment: in particular, foreign direct investment through mergers and acquisition is frequently associated with job losses.

Regarding relations with the social partners, MNCs generally join nationally-based employer organisations and engage with them, although the form and degree of such engagement varies. Trade unions, meanwhile, have a mixed attitude to MNCs: unions have been especially critical of MNCs' alleged tendency towards more conflict-prone industrial relations, excessive flexibility and remote management structures and, in particular, are concerned about the threat of relocation.

Overall, the findings indicate that national collective bargaining structures seem robust and flexible enough to accommodate MNCs within them. Nevertheless, the tensions between the international scope of MNCs' business operations and management decisions, and the capacity of national collective bargaining arrangements to regulate them, highlight the need – if collective bargaining is to remain a prominent form of labour market regulation – for developing the still embryonic transnational mechanisms of coordination and negotiation.

### Further information

The report – *Multinational companies and collective bargaining* – available online at:  
<http://www.eurofound.europa.eu/eiro/studies/tn0904049s/index.htm>

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