

Social dialogue and HR practices in European global companies

Introduction

Following a request from the European Parliament, Eurofound has examined how social dialogue functions in multinational companies (MNCs), taking into account the experiences of European Works Councils (EWCs) and European framework agreements.

The overall aim of this research is to better understand the multi-level forms of social dialogue between the cross-border and national and local levels within MNCs, focusing on the transfer and articulation mechanisms used in decision-making and in the implementation of both human resources management (HRM) practices and social dialogue outcomes. The research is based on case studies and focus groups with experts.

Policy context

MNCs are estimated to produce around one-third of global output, and it is thought that about 28% of global gross domestic product (GDP) is generated by these companies. The overall share of global employment in MNCs is estimated to be about 23% of total employment and 26% of employment in the private sector. In addition, MNCs have a huge impact on employment and working conditions in subsidiaries, suppliers and subcontractors, not to mention industrial and labour relations and social dialogue at company level.

The way HRM interacts with employee representatives is influenced by a range of interlinked factors and trends, including: the home and the host country; the sector and type of company; and the often complex dynamics of the different levels within MNCs themselves, which may also be evolving. Key among relevant trends is the tension between the centralisation and decentralisation of HR functions and the impact that this has on the power of subsidiaries in relation to headquarters, as well as on the extent and quality of the social dialogue.

Key findings

- Standardisation and centralisation processes in HRM have the potential to damage established social dialogue, particularly at local and national levels. Factors such as the sector of operation and type of product offered can also influence articulation (i.e. the relationship) between the headquarters and subsidiaries, as these affect where key decisions are made.
- Managers in MNCs influence the articulation of social dialogue and HRM practices. National managers who come from the company headquarters will identify more closely with the global level, while managers with strong local links will identify more with the local level.
- Executive teams and global leadership are becoming both less dominated by the country in which the headquarters is located, and more multicultural in nature. This internationalisation of leadership might also have implications for social dialogue, as a growing number of executive managers may come from countries or regions outside Europe, and therefore have a different perception of labour relations, collective labour rights and social partnership.
- Some case studies analysed illustrate that major recent changes in business orientation and related restructuring operations are closely linked to pressure from 'activist' global private investment funds. Furthermore, three of the companies covered in the case study are characterised by restructuring programmes that resulted in employment reductions due to divestments, the sale of parts of the business no longer regarded as profitable, or concentration of functions and productions in Europe.
- EWCs can play a significant role in developing local trade union representatives and in promoting dialogue at EU level. All EWCs in the research sample display elements of good practice and even innovations that go beyond the standard provisions of the European Works Council Directive. There is a clear trend that, from the perspective of European management,

EWCs have become a more important partner of both HR and business management over time. They are particularly crucial because labour relations at national and local levels are characterised by a strong diversity of institutions, bodies and structures.

- The role and focus of the HRM function are shifting, and it could be that HRM will no longer be as visible within organisations. The research identified a potential ‘hollowing out’ of the power of middle-level HRM – a result of centralisation on the one hand and power devolved to the local level on the other – which may serve to further diminish the role of HRM. Other factors, such as the outsourcing of historically key HRM functions, might further diminish it.
- Given the trend for decisions to be taken at a global rather than European level, even the EWC may not often be the appropriate level of social dialogue. There can be a tension between, on the one hand, standardisation and, on the other, the fact that management–employee relations at local level are largely shaped by national industrial relations systems and a range of legal frameworks. In light of this tension, local managers will find it difficult to deal with these two competing pressures.

Policy pointers

- While company organisation and management are increasingly structured in line with global policies and orientations, labour relations are still dominated by the national level in terms of power, organisation and resources, as well as legally framed competences. Further consideration and action is needed to better balance employer and employee interests at transnational level.

- There is an increasing mismatch between transnational levels of company decision-making (global) and transnational social dialogue (European). More attention should be paid to reducing this imbalance by strengthening consultation forms and structures at global level.
- Existing EWCs should share relevant practices relating to how their involvement in corporate decisions has made a positive contribution to the company’s operation and culture across the EU.
- Both sides of industry, supported by the EU and national institutions, should seek to better align HRM policies and social dialogue in MNCs, as a ‘decoupling’ would have negative consequences for EU transnational social dialogue.
- Transnational social dialogue in MNCs must play a constructive role in managing the transition towards a low-carbon economy and technological and demographic change. In doing so, it will make a positive contribution to EU social dialogue.
- The COVID-19 outbreak has also strongly impacted on the operations of MNCs across the EU. The unprecedented consequences of the health crisis vary considerably from one MNC to another. Social dialogue between management and employee representatives, however, continues to work under these exceptional circumstances by reconciling workers’ rights to information, consultation and participation with business disruption. At the time of publishing this report, online meetings have replaced the usual cross-border contacts and physical meetings, but in essence, social dialogue is called to perform a fundamental role in managing the multiple social, employment and businesses effects arising from the Coronavirus pandemic.

Further information

The report *Social dialogue and HR practices in European global companies* is available at <http://eurofound.link/ef19009>

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