

# MULTINATIONAL COMPANIES AND THEIR ATTITUDE TOWARDS UNION ACTIVITY

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## **Abstract:**

*The intensification of the global economic activity has generated changes in working relations. The intensification of the activities within multinational companies has determined greater employment flexibility, but also a lower collective bargaining power of the employees, because the multinationals attempted to weaken the power of trade unions.*

*The purpose of this paper is precisely to identify the attitude of these companies towards trade union activity and the reaction of labour organizations in response to the challenges of the globalization.*

*The policy of multinational companies is, as it comes from the results presented in this paper, to avoid as far as possible syndicates recognition for collective bargaining of the reciprocal rights and obligations. One of the reasons would be that trade unions recognition would imply for the managers of these companies some restrictions of control management prerogatives.*

*In order to show strength against multinational companies, trade unions have joined at European and international level, trying to formulate a strategic response to the challenges of the globalization. Through global trade unions such as Global Syndicate Federations (GSF) and the European Trade Union Confederation, employees have obtained the right to be consulted, informed and negotiate their rights through international and European social dialogue.*

*Although multinational companies have an attitude of avoiding trade union recognition, the internationalization and Europeanization of syndicates contribute to maintaining the strategic partner role of the union in the struggle to ensure satisfactory life and working conditions of its members.*

**Key words:** globalization, multinational companies, working relations, syndicates

**JEL classification:** J51, J52, J 53

## **1. INTRODUCTION**

The globalization of the economic activity has generated and generates major challenges for workers and unions around the world.

Since 1997, K.Moody estimated that one of the effects of the globalization would be the increasing pressure to reduce costs so that firms remain competitive and, consequently, there will be some pressure on lower labour costs.

In addition to the prosperity that the globalization brings with it all over the world, it contributes at the same time to the 'convergent' 'increasing of the labour relations system worldwide. The concept of 'convergence' was originally used to refer to the way in which the process of the industrialism, with its technical and institutional arrangements associated, such as collective bargaining, for example, has generated a greater uniformity to the labour relations system within nation-states. Despite the challenges of the globalization of the economy, it is important to recognize the resilience of the national working relation systems, something that is an obstacle to convergence, and thereby, a source of disagreement between nation-states.[4]-[8]

Intensifying the global economic activity may be also responsible for emphasizing the convergence pressure of the new 'paradigm' of working relations based on deregulated labour markets, flexibility of employment, weak collective bargaining agreements and powerless trade unions.

From objective reasons, the policies in favour of the flexibility of the labour market, in contradiction with the macroeconomic administration, cannot be adopted in an unitary manner by all the European states, they must be adapted to the particular situations from each country and from each area.[ 6]

While on the one hand, trade unions can appreciate internal investments and jobs that are either maintained or newly created, on the other hand they may have a certain fear on the size, development and spread of the multinational companies, not only because of their apparent preference for avoiding union recognition, but also because, even if they recognize trade unions for collective bargaining, there are various strategies they can adopt to counterwork the influence of the trade unions and any action that these might take[4].

The purpose of this paper is precisely to present the perspective of the managers of the multinational companies on the role of the trade unions and the way syndicates have responded to the challenges of this international phenomenon, globalization.

## **2. ATTITUDES OF THE MULTINATIONAL COMPANIES TOWARDS SYNDICALISM**

Due to the apparent preference of the multinationals to avoid trade unions recognition, they may use the following strategies on the way to weaken union influence:

- Because of their available financial resources they can afford to absorb losses in a subsidiary located in a foreign country which is in conflict with a national union, and can still record a profit from their worldwide operations;
- They may have alternative supply sources and this can take the form of an explicit policy to reduce the company's vulnerability to a strike initiated by a national trade union;
- They can use the branch closure strategy, in a given country, meaning that they can temporarily move production using production facilities from other countries, and there is also the constant threat of closure of installations in a particular country or region;
- They can 'hide from the syndicates' by taking decisions at their remote headquarters, being physically difficult for the trade unions to influence the real decision makers within the company;
- They can exert a significant pressure on governments to adopt laws in their favour, especially when jobs are likely to be reduced as a result of a decision taken by the multinational company;
- They may use one or more of the above strategies to determine the syndicate to a competitive negotiation or to a concession, through which flexible working practices are accepted in exchange for promises of safety at work.

Studies conducting by Dowling in year 1999, in examining the relations between multinational companies and trade unions revealed that, among the American managers' value systems of that time, was also that of avoiding syndicates.

Another British researcher called P. Edwards made the following conclusions when examining the practices of 101 companies of which 43 were foreign:

- Prospects for union recognition seem to diminish with increasing globalization. Less than half of the managers- European respondents stated that their general policy is to avoid bargaining with the trade unions;
- Where companies were organized in a multinational way, 40% of them avoided syndicates;
- Avoiding unions seemed to be associated with the strategy oriented on market entry;
- If national governments or European Union policy makers strengthen union rights, it is unlikely to cause an immediate increase of the capital within the country or region.

The same author also exposes the reasons why these multinational companies prefer to avoid syndicates, if possible: the existence and recognition of trade unions involve, inevitably, some restrictions of the power of control management and the fact that the purpose of the syndicates includes the increasing of the living standards of the employees, and the management sees in this only that syndicates raise costs and their competitiveness, too.

Regarding union recognition and its consultation within the organizations operating in Romania, we show the results of a study conducted by the authoress, on the management of the

labour relations within 85 organizations from the N-E of the country, having more than 10 employees [2].

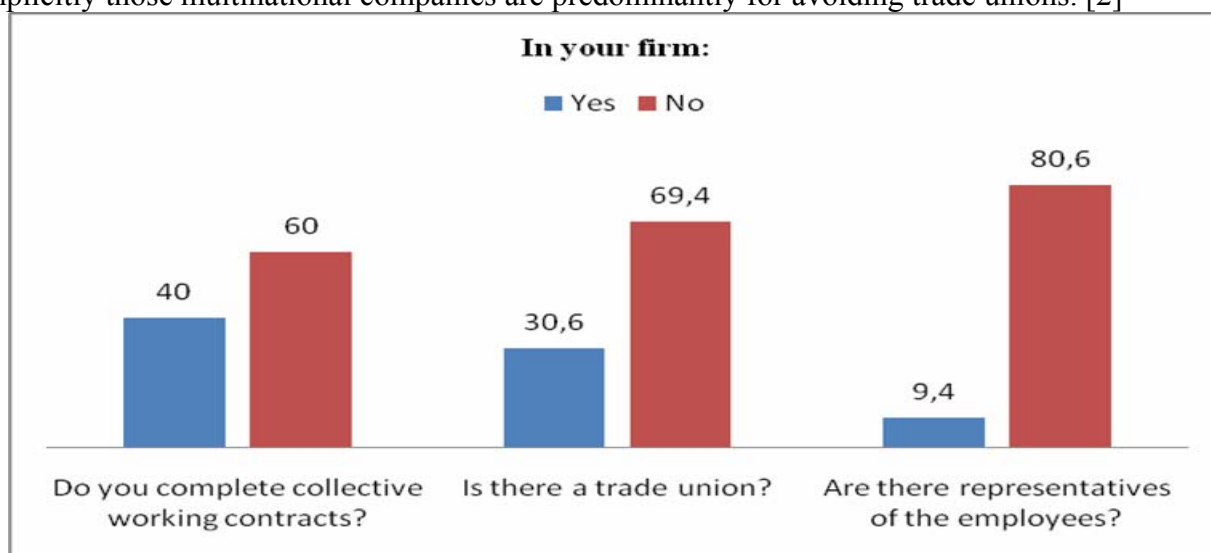
Most of the units surveyed are located in Suceava, Botoşani and Neamţ counties, due to the ease of distribution and collection of the questionnaires and management responsiveness. 11, 8% of the total respondent organizations are multinational companies.

In this regard, two questionnaires were developed: one addressed to managers (questionnaire C1) and another addressed to the employees from the same organization (questionnaire C2) in order to obtain the most accurate image of the management of the labour relations. Therefore, the sample is the probabilistic type. No.2 questionnaire was applied to a number of 473 employees in executive positions within the same organization.

To obtain the data from the direct application of questionnaires two computer programmes were used: Microsoft Office Excel 2007 and SPSS 15.0.

Of all the respondent managers only 30, 6% have confirmed the existence of trade unions within their organization for collective bargaining of rights and obligations of their employees (figure no 1) [2].

38% of managers agree that 'syndicates help find ways to improve performance in the workplace, 23% disagree with this statement and 24% were neutral. Yet when they were asked if they prefer to talk directly to the employees than to the unions, 49% agreed, 12 % disagreed and 24 % were neutral. From these data we can conclude that the managers of these organizations implicitly those multinational companies are predominantly for avoiding trade unions. [2]



**Figure no.1. Collective working contracts completed, trade unions and representatives of the employees within the organizations**

(Source: own processing after data collected from the application of questionnaires)

### **3. THE INFLUENCE OF THE SYNDICATES ON MULTINATIONAL COMPANIES**

According to Dowling and Schuler in years 1990, trade unions have the ability to limit the choices of the multinational companies in three ways:

- by influencing the level of salary.
- by limiting changes in employment level.
- by preventing global integration.

The two authors argue that labour costs, while decreasing as significance, yet play a major role in determining cost competitiveness, although the impact is likely to be higher in low technology operations, where labour costs as a percentage of total costs may be the biggest. However, any influence that unions have on the salary level is significant and may affect the level

of employment. The ability of syndicates to restrict working hours and employment patterns may have a more serious effect on profits than labour costs.

The ability of syndicates to influence policy and activity within multinational companies also depends, to some extent, on their structure. For example, if the company relies on one group of employees for the next stages of production, then this group of employees and their trade unions have a high power of negotiating. If the actions of the employees in one country affect the interests of the employees from another country, the transnational cooperation becomes more important than the competition between different national union movements. However, recent developments, that have strengthened the power and influence of the multinational companies, and diminished both the power of union movement and national governments to control and limit their activities, raise serious doubts about the ability of syndicates to continue to influence the objectives and activities of the multinational companies. [4]

All arguments strengthen our belief that the influence of trade unions on multinational companies decreases towards worldwide integration and adoption of a global orientation.

#### **4. RESPONSES OF TRADE UNIONS FOR MULTATIONALS – INTERNATIONALIZATION AND EUROPEANIZATION OF SYNDICATES**

Trade union membership in many developed countries has been declining in recent years of the twentieth century and the twentieth-first century. The reasons for this decline recall the decrease of the number of the industrial units where syndicates were traditionally strong but also business industrialization and approaches to this phenomenon-syndicalism within the multinational companies. Many of new jobs created are mostly within Member States of the European Union, in the service sector, where there is no tradition of syndicalism and the employers are not willing to recognize trade unions to negotiate. [2].

The global economy does not focus on the production sector anymore, going to the services and restructuring the public sector. [3].- [12].

The globalization process has made its mark in countries like Romania, Czech Republic, Slovakia, Slovenia, Estonia and Hungary, the syndicates losing the opportunity to exercise pressure on international companies, facing, in the same time, a reduction of trade union members [1]. If in the early 1990s the unionization rate in Romania was about 90%, in 1993 to about 70% [5] so that in 2011 the average rate of unionization to reach 35% [11] and it always evolves downward, which means that the number of trade union members diminished to one quarter to the one recorded in 1990.

Any analysis on the effects of globalization on employment relations would be incomplete without understanding how trade unions have responded to the challenges of this international phenomenon. The globalization has imposed some major challenges for trade union movements worldwide. The increasing power of multinational companies eroded union's ability to regulate employment relations through collective bargaining. To show strength in front of multinational companies, trade unions have joined at international and European level, trying to give a strategic response to the challenges of the globalization. [8]

Generally speaking, there are three main approaches that have been used to promote a better union internationalization during the years 2000. [8]

- firstly, syndicates united internationally to regulate working conditions in a particular sector of activity. For example: the International Transport Workers' Federation;

- secondly, international relations were developed and trade union networks that operate within the same company, very notable being trade union associations from motor vehicles industry;

- developing joint campaigns between unions from developed countries and those from developing countries like the syndicates from apparel industry. Although there have been successes, where unions won recognition, multinational companies found relatively easy to transfer production in other countries, which led to factory closures in some developing countries.

Therefore, international trade unions, as Global Syndicate Federations (GSF) have attempted to give a strategic response to the challenges of the globalization. These federations represent the interests of the national unions in industries. Currently, 10 Global Union Federations are formed, among them: the International Worker Transport Federation which includes 624 syndicates, representing 4,500,000 transport workers from 142 countries [13], International Public Services and International Metalworkers Federation that includes commercial ventures from Romania. Along with the highest union authority - the International Trade Union Confederation, Global Syndicate Federations formed the global network of unions.

Among the activities carried out by the Global Syndicate Federations, the most important is the Conclusion of Frame International Agreements with multinational companies, which establishes a set of rules designed to govern working relations within the company at international level, in particular by establishing a set of minimum standards of employment. Frame International Agreements are important because they represent a new and innovative approach to international trade union movement of regulating working relations beyond the national order. [8]

The most important European syndicate authority constituted is the European Trade Union Confederation (ETUS), established in 1973. Following the political changes in Central and South Europe, a number of unions joined this confederation, so far their membership reached 85 national trade union confederations from 36 countries as well as 10 European industrial federations, with a total of 60 million members. [10] Of trade union confederations in Romania, the following are member of ETUS: Frăția - the National Confederation of Free Trade Unions of Romania, the National Trade Union Bloc and the Democratic Trade Union Confederation of Romania.

The European Trade Union Confederation is recognized by the European Union and The European Council as a representative part of trade union movement at European level. Its main objectives are the following [10]

- To influence decisions taken at European level through representations on the EU institutions and participation in consultation processes within the EU. The confederation had an important role in formulating the dispositions comprised into the Directive for information and consultation of the employees (2002), in drafting the EU Charter of Fundamental Rights and the Treaty of Lisbon.
- To negotiate with the employers at European level the rights of the employees through the 'European social dialogue';
- To protect and promote members' rights through trade union movements, such as organizing meetings and demonstrations in European cities.

Despite the current global economic crisis changes it seems too early to pull out of the question trade unions as they try to adapt to the new conditions at national and international level. According to some opinions [9], a crisis is usually a good opportunity for trade unions to promote themselves, only this time we are witnessing a syndicalism crisis.

No doubt, however, trade unions, acting to fulfil their purpose –the defence and protection of the employees- continue to be an important factor of economic and social balance, a powerful partner for executive and employer organizations, capable of providing continuous improvement of work and life conditions of their members [7].

## 5. CONCLUSION

Following this presentation, we conclude that globalization has made and still make many problems for workers and trade unions of all countries, implicitly for those in Romania.

As might be expected, this has resulted in, among other things, the emergence of labor relations that replaced the industrial relations based on collective bargaining through trade unions. Instead, the new employment relationship is based more on labor flexibility, individually and collectively negotiated contracts, therefore a lower rate of unionization. The law requires states that if there is an organization set up a union have collective bargaining with employee representatives

designated by them.

All statements above are reinforced by rather low rates of unionization on both worldwide and domestically. No results of studies conducted by specialists in multinational companies of the existence of trade unions and managers opinion on avoiding or, conversely, recognition of the union as a strategic partner, are not encouraging. Less than half of the European respondents managers stated that their general policy is to avoid bargaining with trade unions and, where multinational companies were organized, 40% of them are avoided unions. In Romania the situation is similar in the sense that managers optic organizations implicitly those of multinational companies are mainly to avoid unions, a percentage of 49% of survey respondents applied by the author prefers to consult and negotiate directly with employees than with unions .

Although multinational companies try to avoid the syndicates' recognition, the latter joined at European and international level in order to counter this attitude. Thus the emergence of international and European trade union agenda more progressive, based on a common need to effectively regulate labor standards around the world leads us to conclude that multinationals will not completely destroy trade unionism, but instead unions continue to be an important economic and social balance factor, a powerful partner, capable of achieving continuous improvement of working and living conditions for their members.

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