European Foundation for the Improvement of Living and Working Conditions

Multinational companies and collective bargaining

This report is available in electronic format only.

Wyattville Road, Loughlinstown, Dublin 18, Ireland. - Tel: (+353 1) 204 31 00 - Fax: 282 42 09 / 282 64 56
e-mail: information@eurofound.europa.eu - website: www.eurofound.europa.eu

Multinational companies (MNCs) are significant employers across Europe, with corresponding influence in national collective bargaining systems. The international organisation and management structures of MNCs – and their capacity to move production and jobs across borders – have implications for the structure, agenda and outcomes of collective bargaining. This study finds that under multi-employer bargaining arrangements, MNCs have been a major source of pressure for decentralisation, giving greater scope for company negotiation. In relation to single-employer bargaining, MNCs often set the pace. Moreover, they make widespread use of cross-border comparisons of costs and performance in local negotiations in manufacturing. The result is the implementation of cost-saving and flexibility-enhancing measures, particularly in the context of company restructuring. Relocations – actual and threatened – heighten the coercive pressures of MNCs on local negotiators.

Introduction

As employers with a distinctive structure, behaviour and impact, multinational companies (MNCs) have attracted growing interest in industrial relations. Worldwide, this is reflected in debates on **corporate social responsibility** and global labour standards, as well as in policy responses – such as the Global Compact of the United Nations (UN) and the revision of the Organisation for Economic Co-operation and Development (OECD) 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, as follows.

- Firstly, as leading employers within national contexts, MNCs have been prominent in pressing for changes in national collective bargaining systems – this includes the call for greater scope for negotiation at company level and for bringing considerations of competitiveness to the fore in the bargaining agenda (**TN0503102S**).
- Secondly, because the scope of the MNCs' operations does not correspond with the boundaries of national collective bargaining, the agenda and outcomes of local negotiations can be influenced by cross-border comparisons of costs, performance and 'best practice' working and employment practices within MNCs.
- Thirdly, increased flows of foreign direct investment (FDI) between countries with different labour costs and conditions have led to growing concerns about relocations, actual or threatened (**TN0511101S**). Cross-national restructuring has become an increasingly prominent focus for negotiations.

This report provides a summary and evaluation of this three-fold impact of MNCs on collective bargaining. As a key group of employers, 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 focus of the report is the operations of the larger MNCs, which tend to influence developments in industrial relations, more generally, and collective bargaining in particular. In practical terms, 'larger MNCs' are defined as those companies which are covered by the EU's Directive on European Works Councils – in other words, companies that employ at least 1,000 employees in the European Economic Area (EEA) and that have operations employing at least 150 workers in no fewer than two EEA countries. The scope of the study includes both the

Wyattville Road, Loughlinstown, Dublin 18, Ireland. - Tel: (+353 1) 204 31 00 - Fax: 282 42 09 / 282 64 56
e-mail: information@eurofound.europa.eu - website: www.eurofound.europa.eu

operations of foreign-owned MNCs and those of 'home-owned' MNCs – that is, MNCs which have their headquarters in any given country.

Collective bargaining is broadly defined to include not only negotiations between trade unions and employer organisations or individual companies, but also company-level negotiations with works councils or similar representative bodies. A key distinction in private sector collective bargaining arrangements across the EEA can be drawn between those countries where multi-employer bargaining arrangements prevail, involving negotiations between employer organisations and trade unions, and those characterised by single-employer bargaining arrangements, involving negotiations between individual companies and trade unions. In a few countries, the typical situation differs between the manufacturing and services sectors.

Employment profile of MNCs

There is considerable data confirming the growth of MNCs since the early 1990s – particularly in terms of investment, trade, and research and development contributions, as detailed for example in the World Investment Reports of the United Nations Conference on Trade and Development (UNCTAD). However, information on the employment profile of MNCs is less systematic. Even among the UN institutions, estimates differ. According to UNCTAD, MNCs directly employed 82 million workers worldwide in 2007. Meanwhile, according to the International Labour Organization (ILO), by 2000 they already employed 95 million workers, equivalent to 3.4% of the world's workforce. Nevertheless, data on MNCs tend to systematically underestimate both the number of MNCs and number of people employed. This underestimation may firstly be attributed to the fact that the data may only consider companies that are majority foreign-owned and not those where there is a joint or minority foreign ownership stake. Moreover, they may exclude forms of foreign control other than direct ownership, such as joint ventures and franchising; alternatively, the data may only include larger companies. Concerning the second point, most figures relate to direct employees and not also to the substantial numbers employed in MNCs' supply chain. The data are particularly fragmentary in relation to home-based MNCs, as these are rarely distinguished from home-based companies in general.

Table 1 shows the available figures or estimates for employment in the foreign-owned companies based on data provided by the national centres of the European Industrial Relations Observatory (EIRO). The data cover most countries in the 27 Member States of the EU (EU27). These data are not always comparable as they refer to different years, mostly 2004–2006, and derive from different methodologies.

Table 1: Employment share of foreign-owned companies, by country, 2006 or most recent year (%)

	% of employment	% of manufacturing employment	% of services employment
AT	15–20*	15–20*	15–20*
BE	12.7		
DE	8.2		
DK	>30		
EE	15		
ES	11	16	10
FI	14.3	18.4	14.5
FR	19		
HU	35**	48.8**	27.1**
IE	9.5		
IT	10.7	12.4	7.1
LT	11.6		
LU	>46		
MT	5.4	16.8	1.6
NO	18.8	19.5	18.4
PL	14.3	21.9	8
PT	4	5.9	3
RO	11.2		
SE	13.5	60*	35*
SI	13.6	19	9.5
SK	15–20	20–25	15–20
UK	14.6	26.6	13–15

*Notes: * Figures refer to both foreign-owned and home country-based MNCs; ** Refers to private sector only.*

Source: EIRO national centres

For some countries, estimates have also been calculated for the ratio between foreign-owned and home-based multinationals. In most west European countries, home-based MNCs employ more workers than foreign-owned companies. For example, in Finland and the United Kingdom (UK), the ratio of employment in home-based MNCs compared with that in foreign-owned multinationals is over twice as high. The situation is different in countries with few home-based MNCs, such as the new EU Member States (NMS), but also in Spain, where the ratio is estimated to be in the range 0.4 to 0.6.

The EIRO national centres have also provided estimates regarding the trend in MNC employment (Table 2). In the majority of countries, employment is increasing, either rapidly or slowly. The exceptions are those countries undergoing a process of de-industrialisation, and where MNCs are concentrated in the declining manufacturing sector. In Spain, for instance, foreign-owned companies account for 16% of employment in the manufacturing sector, and 10% in the services sector; the shift in employment from the former to the latter sector has resulted in a decline in MNCs' share of employment.

Table 2: Trend in MNC employment as share of total employment, by country

Trend	Countries
Substantial increase in employment	BG, CZ, EE, FI, IE, IT, PL, RO, SI, SK, UK
Slight increase in employment	AT, DE, DK, HU, LT, NO, SE
Decline in employment	BE, ES, LU, NL, PT

Source: EIRO national centres

In all of the EEA countries for which data are available, the employment share of MNCs is larger in manufacturing than in the services sector. However, the data on services do not always distinguish between the public and private sectors, and this may distort the comparison. The services sector is 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.

Given the limitations regarding the comparability of national data, Table 3 provides figures for selected EU countries, as compiled by UNCTAD and the OECD. The figures from the two sources are not comparable as OECD data exclude public sector employment from the calculations, while UNCTAD data are based on economy-wide employment. For most countries, data on foreign-owned MNCs refer to companies 'controlled' by foreign investors; nevertheless, for a minority, UNCTAD data include only companies that are majority-owned by foreign investors.

Table 3: UNCTAD and OECD data on employment in MNCs, by country (%)

Country	UNCTAD data (2005)		OECD data (2004)	
	Foreign-owned MNCs' share of employment	Home-based MNCs' share of employment	Foreign MNCs share of total employment	Foreign MNCs share of employment in manufacturing
AT	5.28	10.32		
CZ	12.82	0.55	26	37.2
DE	5.51	12.83		15.4%
DK				14.4
ES				15.6
FI	9.17*	14.67		16.1
FR	7.54*		13.6	26.2
HU	15.53*		24.6*	42.4*
IE	7.68			48.0
IT	2.32*	2.66*	6.2**	10.9**
LU	24.4	47.3		
NL			14.2	25.1
NO	3.35*			22.3
PL	4.76*[1]		19.5	28.1
PT	3.0*[1]	0.5*		8.9
SE	12.88[1]	22.04	32.4	24.2
SI	6.81			
UK			14.5	26.6

*Notes: * Figures refer to 2003 data; ** Figures refer to 2003 data; [1] Foreign-majority companies only*

Sources: Own calculations from UNCTAD and OECD findings

Drawing on the information from both Table 1 and Table 3, three country clusters can be identified (Table 4). The first cluster comprises the smaller NMS countries (Czech Republic, Estonia and Hungary), along with Ireland, which are largely dependent on FDI as the main source of capital formation – for instance, 62% of total capital formation in the Czech Republic and around 80% in Hungary is reliant on FDI. In this cluster, foreign-based MNCs employ a large proportion of the workforce – above 40% of the workforce in manufacturing and more than 20% in the private sector overall. The second cluster consists of the highly internationalised countries of northern and western Europe, together with the largest NMS countries, Poland and Romania, and those with the lowest FDI inflow, namely Slovakia and Slovenia. In this group, MNCs account for between 20% and 30% of employment in manufacturing – or, in Denmark, a substantial share of the services sector – and more than 10% of employment in the private sector overall. The third cluster comprises countries where foreign-owned companies are still rather marginal and where home-based companies dominate, accounting for over 90% of employment, or 80% of employment in manufacturing. This is the case in Germany and southern Europe; in Italy, Malta and Portugal, MNCs' share of employment is particularly low.

Table 4: Variation in prominence of FDI between European countries

Cluster	Countries	MNCs' share of employment
Small FDI-dependent countries	CZ, EE, HU, IE, LU	Large share (>40% in manufacturing, >20% in total private sector)
FDI-open countries of northwestern and eastern EU	AT, BE, DK, FI, FR, LT, NL, NO, PL, RO, SE, SI, SK, UK	Medium share (20%–30% in manufacturing, 10%–20% in total private sector)
Countries reliant on home investment – Germany and southern EU	DE, EL, ES, IT, MT, PT	Small share (<10%)

Source: Data from the OECD, UNCTAD and EIRO national centres

Geographic clusters are relevant in another respect also. In most of the EEA countries, FDI comes from other European countries. In some countries – such as Ireland and some of the NMS – 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.

Although it is beyond the scope of this report, reference should be made to employment in European-based MNCs' subsidiaries located outside of the EU. In 2004, German-owned MNCs employed one million workers in other EU countries – 37% of whom were working in the NMS – along with 1.2 million workers outside of the EU. In terms of UK-owned MNCs, a 2006 survey found that these companies employed almost twice as many workers outside of Europe than in other European countries.

In terms of MNCs' general impact on industrial relations, most EIRO national centres report that foreign investment tends to be seen as a positive factor, both quantitatively and qualitatively. With respect to wages, for example, in all of the countries for which OECD data are available (the Czech Republic, Denmark, Finland, France, Hungary, Ireland, the Netherlands, Norway, Spain, Sweden and the UK), total employee compensation per employee is higher for those employed by foreign companies than for the average employee – both overall and in the manufacturing sector. However, experts disagree over 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 Taglioni, 2008). In particular, FDI through mergers and acquisition is frequently associated with job losses.

Collective bargaining coverage among MNCs

Data on collective bargaining coverage in MNCs are only available for a few countries, where specific surveys have been conducted. For instance, in the UK, the 2004 WERS survey found that collective bargaining coverage in foreign-owned companies, at 32%, was higher than the coverage in the private sector, at 23%. A survey of MNCs in 2006 found a similar figure (29%). A parallel 2006 survey of MNCs in Ireland estimated collective bargaining coverage to be 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 5). In a large group of countries, collective bargaining coverage is estimated to be higher than the national average. In some countries, the across-the-board extension of sector-level agreements means that coverage is 100% for both home-based and foreign-owned companies. In another group of countries, collective bargaining coverage among MNCs is the same as that among locally-based firms. There are two exceptions – namely Estonia and Latvia – where collective bargaining coverage is judged to be lower in MNCs than in the wider economy. In these two Baltic countries, FDI tends to be concentrated in lower-skill, lower value-added sectors, and may follow a low-cost, labour intensification logic similar to the well-known investments in the '*maquiladora*' (factories that import materials and equipment on a duty-free and tariff-free basis for assembly or manufacturing and which then re-export the assembled product, usually back to the originating country) 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 such organisations are more likely to be covered by collective bargaining.

Table 5: Trends in collective bargaining coverage, by country

Higher for MNCs than for home-based companies	BG, CZ, ES, IE, LT, MT, NL, SE, SK, UK
Virtually 100% for whole economy	AT, BE, FR, IT, RO, SI
Same for MNCs and home-based companies	CY, DE, DK, EL, FI, HU, LU, NO, PL, PT
Lower for MNCs than for home-based companies	EE, LV

Source: EIRO national centres

There is a link between whether collective bargaining arrangements in the private sector are multi-employer or single-employer agreements. This is reflected in the findings shown in Table 6, which differentiates between manufacturing and services as the prevailing arrangement varies in a few countries, and the pattern evident in Table 5. Under multi-employer bargaining (Groups B and C), the coverage tends to be the same for locally-based companies and MNCs; exceptions are Ireland, the Netherlands, Slovakia, Spain and Sweden. Where single-employer bargaining prevails, there is greater scope for bargaining coverage among MNCs to deviate from the pattern elsewhere in the private sector. In most of the countries concerned, coverage among MNCs is higher (Group A); in the two aforementioned Baltic states, Estonia and Latvia, it is lower (Group D), while in Poland and Hungary, no substantial difference is evident.

Table 6: Predominant private sector collective bargaining arrangement, by country

Country	Manufacturing	Services
AT	MEB	MEB
BE	MEB	MEB
BG	MEB	SEB
CY	SEB	MEB
CZ	SEB	SEB
DE	MEB	MEB
DK	MEB	MEB
EE	SEB	None
EL	MEB	MEB
ES	MEB	MEB
FI	MEB	MEB
FR	MEB	MEB
HU	SEB	SEB
IE	MEB	MEB
IT	MEB	MEB
LT	SEB	None
LU	SEB	MEB
LV	SEB	MEB
MT	SEB	SEB
NL	MEB	MEB
NO	MEB	MEB
PL	SEB	SEB
PT	MEB	MEB
RO	MEB	SEB
SE	MEB	MEB
SI	MEB	MEB
SK	MEB	MEB
UK	SEB	SEB

Notes: MEB = multi-employer bargaining; SEB = single-employer bargaining
Source: EIRO national centres

MNC role under multi-employer bargaining arrangements

In much of continental western Europe, MNCs are part of the multi-employer bargaining arrangements for the particular sector and are covered by the resulting agreements. Some partial exceptions are evident, most notably the Netherlands where roughly equivalent proportions of MNCs conclude their own company agreements and are covered by sector agreements. The proportion of MNCs concluding their own company agreements is significantly higher than that among locally-owned companies. Typically, these company agreements specify higher wages and better working conditions than those stipulated in the sector agreement that applies to other companies. In Spain also, the larger MNCs tend to have their own company agreements, which specify comparatively higher wages and better conditions, while other multinationals are covered by sector agreements. In Germany, Volkswagen (VW) has its own company agreement, which provides for higher wages and better working conditions than the regional metalworking sector agreement; this is an exception from the general rule that MNCs are covered by sector agreements. Similarly, in Portugal, VW's subsidiary AutoEuropa stands outside the sector agreement and negotiates its own arrangements with the company's workers commission. In Denmark, the pharmaceuticals company Novo constitutes another exception, 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; these negotiations result in company-specific improvements of working conditions, if not also pay levels, specified in the sector agreement. An exception is Austria, where little negotiation takes place at company level, even among the MNCs. In Greece, Italy and Spain, MNCs are more prominent compared with locally-owned companies in the practice of second-tier company negotiations.

In central and eastern Europe, 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 working conditions are significantly better than those specified in sector agreements. This was reportedly the case in Bulgaria, Romania and Slovakia; however, such detachment is 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.

Role of MNCs in widening scope for company negotiations

In recent years, there has been widespread extension of the scope for negotiations at company level under multi-employer bargaining arrangements across most countries. The main exceptions in this instance are Ireland and Norway, where extensive scope already existed, and Portugal where there has been little movement in this direction. While several of the national centres identified MNCs as prominent drivers of this process, others commented that it was either difficult to evaluate the role of MNCs or that multinationals had not been particularly prominent in pressing for greater scope for company negotiations. The ways in which MNCs have widened the scope for company negotiations is shaped by the possibilities available under the different collective bargaining arrangements of the various countries. 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 such negotiations go further to address additional matters. Home-based multinationals have been an important source of changes in some countries. 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 a growth in the number of opening and enabling clauses in sector agreements and a shift to agreements providing sector-wide frameworks. In Austria, MNCs have been influential in pressing for such developments in both the metalworking and banking sectors; in Germany, on the other hand, it is less apparent that these developments have been particularly driven by MNCs. In both countries, company negotiations do not tend to go beyond the possibilities provided for under sector agreements, with the exception of agreements in Germany over restructurings aimed at securing employment and maintaining production at specific sites. In the Netherlands, similar developments apply, where companies remain within sector agreements. Home-based MNCs have been the main source of pressure for the greater scope for company negotiation over pay and working time, which has been a feature of recent sector settlements in Finland. Similarly, in Sweden, pressure from home-based MNCs has been influential in sector agreements moving to elaborating frameworks and specifying minima, thereby leaving greater scope for company negotiations. This has been most extensive in the services sector – as seen, for instance, in the introduction of the individual pay negotiation model in the banking sector. MNCs in the industrial sector are prominent in calling for reforms that would give greater scope for company-level negotiations over wages and working time for blue-collar workers. Extensive scope for company negotiations is also apparent in Denmark and Norway, although there is no indication that MNCs are pressing for this to be enhanced further.

For both Belgium and France, the influence of MNCs on sector-level negotiations has reportedly been difficult to evaluate. However, in Belgium, 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 sectors. In France, the environment and the wider issue of corporate social responsibility are additional issues addressed in some MNC company negotiations. In Italy, following the example of the home-based multinationals, MNCs are prominent in taking up the possibility for company negotiations on pay linked to performance or productivity under the country's two-tier bargaining arrangements. Company negotiations are also increasingly addressing vocational agreements, an issue not covered by sector negotiations. In Spain, MNCs have played a significant role in extending the scope of company negotiations. In the country's banking sector, these negotiations 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; this same is true of Cyprus.

MNCs have not had a noticeable impact on broadening the scope for company negotiation under sector agreements in Bulgaria, Romania, Slovakia or Slovenia. Nonetheless, in all of these countries, with the exception of Slovenia, the scope for company negotiations has always been reasonably extensive. Elsewhere, in Ireland, the country's central multi-sector agreement leaves plenty of latitude for MNCs to engage in company negotiations over a wide range of issues.

Opting out of and switching between sector agreements

There are a few reported instances of MNCs opting out of sector agreements, by leaving the relevant employer organisation, 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 precludes the possibility of opting out. In Austria, compulsory membership of the Austrian Federal Economic Chamber (Wirtschaftskammer Österreich, 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, the National Bank of Greece and Alpha Bank have refused to extend the authorisation previously granted to the Hellenic Bank Association (HBA) to negotiate a further sector agreement, imposing unilateral pay settlements instead. The banking trade union federation claims that the banks' aim is to abolish sector negotiations (**GR0807039I**). In Germany, the decision of the technologies company Infineon to leave the country's metalworking employer organisation was prompted by the terms of the sector agreement concluded in November 2008 (**DE0812049I**), although medium-sized companies are generally considered to be more concerned by the impact of sector agreements than MNCs. In Ireland, Independent Newspapers indicated that from 2008, it would operate outside of the national wage agreement and implement company-based bargaining instead. The company has since left the Irish Business and Employers' Confederation (IBEC). Also in Ireland, Coca-Cola is one of several MNCs that have opened new sites on a non-union basis, which are placed outside the national agreement. In Slovenia, where membership of employer organisations is now voluntary instead of compulsory as previously, 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 the sector agreement's coverage. In Slovakia, some US and Asian-based MNCs have reportedly left employer organisations in the country's manufacturing sector to escape coverage by the sector agreement.

A slightly more common practice is agreement switching, whereby an MNC transfers all or some of its activities to the coverage of a different agreement, which specifies less favourable conditions and/or wage levels and enables greater flexibility. Table 7 provides examples of such practices, all of which can be found in the central western and Mediterranean countries. The practice does not seem to be apparent among the Nordic countries; neither has it featured among the NMS with sector-based bargaining arrangements. This is probably due to the extent of the scope for company negotiations that exists among these two groups of countries, albeit in very different ways. The effect of agreement switching by MNCs – and threats to do so – has led to increased pressure on agreements in sectors specifying relatively high wage standards and favourable conditions to modify these.

Table 7: Examples of multinational employers switching between sector agreements

AT	In 2004, Bank Austria-Credit Austria (Bank Austria-Creditanstalt, BA-CA), withdrew from the employer organisation and collective agreement for savings banks (Sparkassenverband) and joined those for the commercial banks (Bankenverband) which specified less generous conditions of service (**AT0601201N**).
BE	The supermarket chain Carrefour reportedly attempted to transform some of its stores into franchise operations, thereby removing them from coverage of the sector agreement for large retail superstores. Franchise operations are covered by the agreement for independent retail stores, which specifies lower wages and less favourable working conditions than the agreements stipulated for superstores.
DE	Service operations, for example in information and communication technologies (ICT), of large manufacturers such as Daimler have been separated into legally independent subsidiaries, which are not affiliated to the metalworking employer organisation or covered by the sector agreement (**DE0508104S**). The direct banking operations of the large private banks have also been established as legally independent subsidiaries and placed outside the coverage of the private banks agreement.
ES	Some MNCs in the automotive and aerospace industries have placed certain non-production activities outside of the coverage of provincial metalworking agreements.
IT	The global telecommunications supplier Ericsson has indicated that it will try to move from the metalworking to the telecommunications sector agreement; the latter specifies less favourable conditions.

Source: EIRO national centres

The phenomenon of agreement switching can also occur at company level. In both France and the Netherlands, **outsourcing** arrangements have been used in sectors such as metalworking to escape the provisions of company agreements. The latter are usually more favourable than the minimum terms specified in sector agreements which cover the outsourced activities. In the Netherlands, this practice has resulted in several court cases.

Role of MNCs in single-employer bargaining arrangements

In single-employer collective bargaining, MNCs often set the pace 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 among locally-owned companies, particularly in the manufacturing sector. In the UK's manufacturing sector, 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 the services sector, home-owned MNCs in banking and retailing are influential in establishing patterns within their respective sectors.

There are, however, indications that MNCs that recognise trade unions for collective bargaining at existing operations are not doing so at more recently established sites. Examples in the UK include the UK-based GKN and Smiths Industries and the US-based Caterpillar and Cummins. A

2006 survey of the UK operations of MNCs found that half of the multinationals recognising trade unions did so at some but not all sites. Among the 60 unionised multinationals that had opened one or more new sites in the previous three years, two fifths had not recognised trade unions at any sites and a further two fifths had recognised unions at only some sites. Although Ireland is covered by a national agreement, such ‘double breasting’ practices are also quite common among multinationals. A parallel 2006 survey of the Irish operations of MNCs found a similar incidence of mixed recognition practices across sites among unionised companies. Of the 61 unionised companies opening new sites, a quarter of them did not recognise trade unions at any of these, while a further 35% of the companies recognised them at some but not all new sites. In Bulgaria, Metro, Viohalko and American Standard were among the MNCs that had not recognised unions at newly opened sites, although they negotiate with them at established sites. In Hungary, General Electric has engaged in the same practice. The scope for ‘double breasting’ practices is reduced in small economies: nonetheless, the banking group HSBC has established a non-unionised call centre in Malta, where its retail operations collectively bargain with trade unions. In Lithuania, the fixed line business of TeliaSonera is covered by collective bargaining, while its more recently established mobile communication operations are not.

The practice of ‘double breasting’ can also occur on a cross-border basis: in such instances, MNCs that engage in collective bargaining in their home country may initiate non-unionised operations in other countries. This was reportedly the case in the Baltic states, particularly in respect of Finnish and Norwegian-owned companies. The Estonian Metalworkers’ Federation (Eesti Metallitöötajate Ametiühing) has, for example, raised the issue under its cooperation agreement with the Finnish Metalworkers’ Union (Metallityöväen Liitto).

MNCs and innovations in collective bargaining

The growing internationalisation of markets within and beyond Europe’s single market is increasing the international exposure of all companies, resulting in more intensive competitive pressures. In turn, this is prompting innovations in the agenda and outcomes of collective bargaining, including on the key issues of payment systems and working time arrangements. As noted earlier, 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 of such negotiations is addressed in a later section of this report.

With regard to payment systems, pressure from MNCs – such as the steel company Böhler-Uddeholm – led to 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 in order to enhance the scope for the implementation of variable payment schemes. In the Netherlands, the negotiated implementation of company-level variable pay systems has been driven forward by home-based MNCs, including the electronics company Philips. Likewise, in Finland, home-based MNCs are prominent in the introduction of variable payment 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.

In Belgium, the 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 the Fortis financial services company, incorporating a mandatory individual-performance element. In Italy, home-based MNCs have been prominent in negotiating the introduction of variable payment schemes, including profit-related bonuses. Similarly, in Spain, MNCs have played a significant role in implementing variable payment schemes. For example, profit-sharing arrangements have been introduced under the banking sector agreement. At the financial services company BBVA, a flexible pay system has opened up 15% of the salary for a trade-off between cash and various benefits. In France, the insurance company Axa and global IT firm IBM have both recently secured an agreement – through consultation with the 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 are of interest to the French Business Federation (Mouvement des entreprises de France, Medef).

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

In Ireland, US-based multinationals have had a significant impact on collective bargaining through the introduction of the variable payment systems used in their home operations, including individual performance-related pay and profit-related bonuses. Individual performance-related payment schemes are now widespread among the large UK and foreign-owned banks that dominate UK banking, and these are regulated to a considerable extent by collective agreements. In Malta, the trade unions were consulted over the introduction of an individual performance-related pay scheme by the banking group HSBC. Nonetheless, bonus payments, particularly profit-related bonuses, tend not to be subject to negotiation in the UK operations of banks. In the UK's metalworking sector, 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 pushed 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 have reportedly set the pace in company negotiations over more flexible working time arrangements – in both the metalworking and service sectors.

In France, the implementation of the 35-hour working week gave particular impetus to negotiations over more flexible working time arrangements; MNCs have tended to be prominent among the employers concluding such agreements relatively early on. In Spain, MNCs in the automotive sector have negotiated annualised flexible working time arrangements. Although Portugal has seen little recent innovation in collective bargaining agenda in general, an exception is VW's subsidiary AutoEuropa, which has concluded agreements introducing flexible working time arrangements to match those of the group's operations in other European countries (see below). 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. A compressed working week, involving new shift arrangements, has been negotiated in beverage MNCs in Bulgaria, including at InBev, Heineken and Carlsberg. Elsewhere, in Lithuania, MNCs are reportedly more likely than local companies to have negotiated flexible working time arrangements. In the UK, the negotiated introduction of working time corridors – which enable working time to fluctuate over a reference period – has become widespread among MNCs in the manufacturing sector, especially in the automotive and aerospace industries.

In general, restructuring has become increasingly prominent on the agenda of collective bargaining. In several countries, innovative agreements concluded by MNCs were identified, examples of which are shown in Table 8.

Table 8: Examples of innovative agreements on restructuring, by country

BG	The agreement concluded at InBev's Pleven plant in northern Bulgaria in 2005, ahead of its closure, provided for the transfer of some employees to other company sites, along with enhanced payments and a programme of supporting actions – for example, retraining courses or counselling – for those being made redundant.
CZ	Wide-ranging restructuring agreements have frequently followed the acquisition of local companies by major MNCs in the Czech Republic. Examples include the car manufacturer Škoda Auto and the steel company ArcelorMittal Ostrava.
DE	An agreement at Daimler is one of a growing number addressing the adverse impact of the current crisis. It provides for shorter working time and a corresponding reduction in pay, as well as a commitment to maintain employment over a specified period. It also postpones for several months payment of the wage increase due under the sector agreement.
EE	An agreement involving the Estonian Labour Market Board (Töötururuamet) at the textile manufacturer Kreehnholmi Valdus in Estonia provided workers being made redundant as a result of company restructuring with retraining opportunities and counselling.
ES	An agreement with Hewlett-Packard addressed employment implications and consequences of the transformation of its operations from manufacturing to design and other high value-added activities.
IE	An agreement at the Axa insurance company in the face of competitive difficulties provides for the restructuring of pay scales, along with a review of the performance management and reward system, changes to the profit sharing scheme, and 120 voluntary redundancies (**IE0809019I**).
IT	In 2008, the electrical appliances company Electrolux concluded an agreement that envisaged the closure of its plant in the northwestern province of Florence. The agreement stipulated that the plant was to be sold to Energia Futura, and would be converted to the production of solar and renewable energy products. It also contained measures to protect employment (**IT0810039I**).
IT	The Orlando Group, which closed a plant in the Liguria region in northwestern Italy, negotiated a compressed working week for the part of the workforce transferred to the company's other site in Italy, in recognition of the time required for commuting.
LT	The closure of one of Danisco's two plants was accompanied by an agreement, with the trade union providing training opportunities to re-skill and social assistance over a three-year period for workers being made redundant.
PL	To address the adverse impact of the severe economic downturn, an agreement at FSO's Warsaw automotive plant (majority owned by the Ukrainian Motor Corporation (UkrAVTO)) instigated three months' temporary leave on 75% of regular pay for most of the 1,800 workers remaining, following redundancies in early 2009. Shorter working time and reduced pay arrangements have been introduced by other automotive companies, including Opel, Toyota and VW.
RO	The restructuring agreement concluded at Automobile Dacia has become a model for negotiations in other multinationals in Romania. A special department was set up to provide counselling and guidance to those made redundant, advising them on how to find a new job or start a business. Training courses geared towards local labour

	market needs were provided by the local employment agency (**TN0810016S**).
SE	At Volvo, recent redundancies have been accompanied by negotiations and social dialogue involving the company, trade unions, public authorities and municipalities in the Gothenburg region in southern Sweden. These have resulted in a range of initiatives financed by the company, including the provision of education and training packages and professional support for job searching).
SK	Responding to the sharp economic downturn, an agreement at US Steel Košice reduces working time to four days, with reduced pay for the fifth, non-working day.
UK	Following the onset of the current economic recession, innovative agreements providing for shorter working time – of three to four working days – and reduced pay have been concluded at automotive MNCs, including JaguarLand Rover and JCB (**UK0811029I**).

Source: EIRO national centres

Newer issues also feature on the bargaining agenda of MNCs. One noteworthy development in some countries is the conclusion of agreements regulating the use of temporary agency workers (TAWs). In Belgium, despite significant use of TAWs by MNCs, this tended not to be addressed by company agreements; chemicals is among the sectors where several company agreements now tackle this issue. MNCs in Spain are also prominent in their use of TAWs; as a result, a growing number of multinationals are negotiating frameworks to regulate their engagement. MNCs make widespread use of TAWs in the Czech Republic's manufacturing sector, where some company agreements aim to regulate the use of these workers. Elsewhere, in Bulgaria, agreements over the use of TAWs have been concluded at the operations of the food manufacturers Danone and Kraft Foods. Foreign-owned MNCs are more likely to use TAWs than locally-based companies in the UK; in several larger manufacturing MNCs, agreements regulating the use of such workers have been established.

Further issues that are reportedly emerging in the bargaining agenda of MNCs in some countries include the following:

- equality and diversity practice – as seen in Italy, Malta, Slovakia and the UK, where consultation with the trade unions is more common than negotiation;
- social and environmental responsibility – as is the case in the Czech Republic and France, where local agreements are linked to international framework agreements (IFAs), which also address this topic (see next chapter);
- teleworking – in this respect, agreements have been concluded by Dexia and other banks in Belgium (**BE0801039I**), by MNCs in the Czech Republic's telecommunications sector and by multinationals in these and other service sectors in Spain.

MNCs and cross-border dimension of collective bargaining

As 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 – which are the product of labour costs and productivity – 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 led to larger differences in unit labour costs between Member States than had prevailed previously, particularly in manufacturing; this, in turn, has resulted in a consequent rise in the perceived scope for actual or threatened relocations (**TN0511101S**).

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 particular company. For example, comparisons in automotive manufacturing tend to take a regional 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 manufacturing tend to be global. Where comparisons feature in the service sectors, such as finance, then they tend to maintain a global focus.

Differences are also apparent in this respect between groups of Member States, with the deployment of cross-border comparisons being a prominent feature of negotiations in many west European countries. Operations in lower cost countries in eastern Europe, as well as in southern and eastern Asia, are a particular focus for comparison. However, among the central and south east European NMS, comparisons 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 manufacturing and supply due to the internationally integrated nature of production. In Finland, comparisons are particularly common in the pulp and paper and ICT sectors. MNCs in the automotive, food manufacture and textiles sectors are prominent in their use of comparisons in Belgium. In Italy, Sweden and the UK, the use of comparisons by MNCs is reportedly widespread across the manufacturing sector. According to trade unions, there is extensive use of comparisons by manufacturing MNCs in Slovenia, where unit labour costs are converging towards west European levels. Such comparisons are also prominent in the automotive and electrical sectors in Hungary and Slovakia. Among 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, Ireland, Malta and Sweden. In contrast, in Bulgaria and Romania, as well as the Baltic states, the use of such comparisons is largely unknown. Labour costs, in particular, are low compared with elsewhere in the EEA and, if anything, it is the trade unions that 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 the services sector, call centres, back office operations and IT activities are the main focus of actual and threatened relocations – or 'offshoring' – with India also becoming a prominent destination. Relocation can also be an indirect process. In Norway, for example, home-based MNCs have downsized their domestic operations, while expanding overseas without direct relocations taking place. MNCs' operations in the central and south east European NMS are not immune from threats of relocation. In the Czech Republic, Hungary and Slovenia, there are reports of MNCs in manufacturing threatening to relocate operations to southeastern Europe. Elsewhere, in Romania, the destinations involved in threatened relocations in food manufacturing are situated further east. In Lithuania, MNCs in food manufacturing are also reported to have threatened relocation to Byelorussia, Russia and the Ukraine.

The impact on local negotiations of management's deployment of cross-border comparisons is often agreements that 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 the 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 (**DE0703029I**). Even if threats to relocate are not explicitly made, they can be implicit in local negotiations. For example, in Sweden, it was reported that both parties in the manufacturing sector are often aware that without measures to reduce costs and enhance flexibility, relocations could ensue.

Examples of the impact of cross-border comparisons and threats to relocate in manufacturing on local negotiations in MNCs are outlined in Table 9. In the case of threats to relocate, the table indicates that negotiations are not always successful in retaining activity and employment at existing locations: in some instances, relocations go ahead.

Table 9: Examples of impact of cross-border comparisons and threats to relocate on local negotiations in manufacturing MNCs

AT	The steel manufacturing company Voest-Alpine has repeatedly threatened to relocate its Austrian operations to central-east European countries, since labour costs are deemed to be too high and environmental regulations overly rigid. There is little scope for company negotiation under the sector agreement, and the resulting dialogue – which to date has averted the threat being implemented – has involved management, the local public authorities and social partner representatives.
BE	At VW's Forest plant in western Belgium, a reduction in pay levels and an increase in working time from 35 to 38 hours a week were negotiated in order to bring the plant into line with standards prevailing at the company's sites in Germany, thereby minimising the threat of relocation.
CZ	Negotiations at the aluminium producer Alcoa Fujikura resulted in lower wage increases than elsewhere because of threatened relocation. Nonetheless, in 2008, the company moved part of its production to a site in Romania, where labour costs are lower.
DE	In 2004, Daimler announced that a new Mercedes model might have to be produced at its plants in Bremen in northwestern Germany and South Africa if cost savings and longer actual working time could not be realised at its Sindelfingen plant in southwestern Germany. After two weeks of worker protests, an agreement along these lines was reached, utilising a recent opening clause in the sector agreement (**DE0408102N**, **DE0407106F**).
DE	The German Metalworkers' Union (Industriegewerkschaft Metall, IG Metall) and the works council at VW agreed to a special package of measures for a new autonomous production unit, Auto 5000, in 2001. Levels of pay for the 5,000 employees are lower than those collectively agreed at the parent company, in order to reduce operating costs and prevent production of the model involved being moved to sites in Portugal or

	Slovakia.
DE	In 2004, the electronics group Siemens concluded an agreement with IG Metall to increase weekly working time from 35 to 40 hours at two sites manufacturing mobile phones, in the face of the management's threat to relocate part of its production and jobs to two plants in Hungary (**DE0407106F**).
DK	In 2004, the international food producer Danish Crown threatened to shut down the Tulip Slaughterhouse in Ringsted on the Danish island of Zealand. According to the management, production would be moved to German operations with lower labour costs, if the 230 workers refused to accept a 15% wage cut. Initially, the employees accepted the cut, but after protests from the trade union the Danish Food and Allied Workers' Union (Nærings- og Nydelsesmiddelarbejder Forbundet, NNF) and widespread strikes at other Danish Crown slaughterhouses, they refused the measure. In the end, the Tulip Slaughterhouse was closed and production was moved to Germany.
FI	The lengthy dispute in Finland's paper industry in 2005 was accompanied by speculation of relocation of some operations of the MNCs dominating the sector to Russia and other countries, if the employers' demands on the use of sub-contract labour (on lower wages and conditions) and working time arrangements were not met (**FI0507201N**).
FR	In 2004, an agreement was reached at the electronics engineering group Bosch's Vénissieux site in eastern France aimed at safeguarding future production and employment, and averting relocation to a site in the Czech Republic. The agreement consisted of concessions on pay and working time, including a shift from a 35-hour to a 36-hour week. Bosch subsequently pressed for similar agreements at its other French production sites (**FR0408101N**, **FR0604019I**).
IE	The glass manufacturer Waterford Crystal regularly issued threats of relocation, as well as outsourcing, to influence the agenda and outcomes of company negotiations. This resulted in wage reductions and increased flexibility of working.
MT	The international tobacco group British American Tobacco (BAT) announced it was relocating its profitable Maltese production operation to eastern Europe, where costs were lower. Trade union attempts to retain production locally were unsuccessful, and enhanced redundancy packages were negotiated.
NO	In a context where the agricultural equipment manufacturer Kværneland was considering moving production to sites elsewhere in Europe, the trade union agreed to a two-year wage freeze, along with new and more flexible working time arrangements. The agreement was reached as part of a major restructuring initiative, which maintained production and employment at the company's Norwegian operations.
PT	Management at the VW subsidiary AutoEuropa systematically uses comparisons of costs and performance in local negotiations, with an implicit threat to relocate. This has resulted in agreements on extended and more flexible working time arrangements and on new practices seeking to reduce absenteeism.
PT	In 2005, management at Opel in Azambuja in western Portugal demanded that the works councils sign agreements on working time aimed at implementing similar arrangements to those negotiated at AutoEuropa. Despite the threat of relocation, the works council did not accept the demands. Production ceased at the end of 2006, and was transferred to sites in Spain and Russia.
UK	PSA Peugeot-Citroën's car manufacturing plant was unable to secure a mandate to produce new models, despite successive local agreements that had delivered rapid

	improvements in costs and flexibility; this was attributed to its inability to match the lower costs that investment in a new facility in Slovakia promised. The plant eventually closed in 2007 (**UK0605029I**).
UK	Major changes in work organisation, work practices, working time arrangements and payment systems were negotiated by the trade union at Rolls-Royce's major manufacturing plant near Glasgow, western Scotland, in 2003. The changes were implemented in the context of a company decision to invest in a new site nearby or to relocate to the Czech Republic. The outcome was that production remained in Scotland.

Source: EIRO national centres

In relation to the services sector, Ireland and the UK have been particularly affected by the offshoring of call centres, back-office operations and IT activity; this is primarily due to the availability of qualified, English-speaking workers in India and some other Asian countries. In Ireland, the 2008 announcement by the financial services provider Hibernian that it was offshoring elements of its back-office operations to India was accompanied by negotiations with the trade unions to address the effects on the local workforce. In the UK, trade unions have concluded innovative agreements that anticipate the effects of offshoring on the local workforce; the agreements have been reached with several major companies, including Barclays and HSBC in banking, and British Telecom (BT) in telecommunications (**UK0405103F**).

In a somewhat different scenario, the Finnish-based Nokia telecommunications group is reported by authoritative sources to have threatened to move its operations out of the country, unless the parliament approved the so-called 'Lex Nokia' bill aimed at preventing corporate espionage. The legislation, which has now been passed, contains provisions enabling employers to view metadata concerning employees' emails (**FI0903029I**).

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. Thus, they 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 reflected in a 2006 survey of the UK operations of MNCs: the survey found that 12% of the MNCs 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 distinguished in a 2009 report by the European Foundation for the Improvement of Living and Working Conditions (Eurofound) (Telljohann et al, 2009): namely, **international framework agreement**s (IFAs) and European framework agreements (EFAs). IFAs are global in their scope of application and have mainly been concluded between MNCs and global union federations (GUFs). EFAs, on the other hand, are regional or European in scope and are concluded with EWCs, national trade unions and European industry federations (EIFs) of trade unions.

The Eurofound report identifies 68 IFAs known to have been concluded by mid-2008. Almost all have been negotiated since 2000. Although global in their scope, the overwhelming majority of IFAs (61 IFAs) have been concluded by MNCs headquartered in EU countries. Among the European-based companies, French and German-owned multinationals are particularly prominent, accounting for 16 and 17 agreements, respectively. Dutch and Swedish-based multinationals accounted for a further six agreements each. IFAs are concentrated among MNCs that operate in 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, as well as private services.

Most IFAs address core labour standards, as specified in the ILO's 1998 Declaration on Fundamental Principles and Rights at Work, including prohibition of forced and child labour, non-discrimination in employment, **freedom of association** and compliance with minimum standards for wages and working time. The agreements aim to ensure compliance with these standards across the worldwide operations of the MNC. The majority of agreements also refer to suppliers, although the Eurofound report finds that only a minority include a commitment to enforce the agreement among suppliers; more frequently, the agreements oblige MNCs to inform suppliers of the IFA and encourage them to comply with its provisions. Examples of IFAs based on information provided by the national centres are outlined in Table 10.

Table 10: Examples of IFAs

BE	The IFA between the materials technology group Umicore and the IMF and International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM), signed in 2007, was the first to be concluded by a Belgian-based MNC. As well as respecting fundamental social rights, the agreement focuses on the working environment, including health and safety, training and environmental standards.
DE	At VW, an IFA was negotiated with the IMF and the group's international works council in 2002. It commits the parties to respect fundamental social rights, and the company to inform and encourage its suppliers to comply with these rights (**EU0207203F**).
ES	The Spanish-based telecommunications provider Telefónica concluded an IFA with the European trade union federation UNI Europa and relevant Spanish unions in 2001. The agreement, which takes the form of a code of conduct, obliges the parties to uphold fundamental social rights; it also includes clauses on health and safety standards, environmental standards, training and employment stability and respect for others at work (**EU0105213F**).
ES	In 2007, the Spanish-based fashion distributor group Inditex concluded an IFA with the International Textile, Garment and Leather Workers' Federation (ITGLWF). Under the agreement, both parties undertake to ensure that international labour standards are observed throughout the company's supply chain. To this end, the IFA is accompanied by a code of conduct for external manufacturers and suppliers.
FR	The French-based PSA Peugeot Citroën concluded an IFA with the IMF and EMF in 2006. The agreement goes beyond upholding fundamental social rights, to also address training, **equal opportunities**, **health and safety**, and financial participation (**EU0603019I**).
IT	The household appliances company Indesit was the first of three Italian-based MNCs to conclude an IFA – that is, with the International Metalworkers' Federation (IMF) and Italian metalworking trade unions in 2002. The agreement aims to ensure compliance with fundamental social rights in the company's worldwide production chain, as well as in its own operations.
LU	An IFA was concluded between the Luxembourg-based steel company AreclorMittal and the IMF and European Metalworkers' Federation (EMF) in 2005. The agreement commits the parties to respect fundamental social rights; it also addresses health and safety, and social dialogue issues – including anticipating and managing change – along with environmental standards (**EU0601206F**).
NO	Aker Solutions – a leading global provider of engineering and construction services, technology products and integrated solutions – is one of four Norwegian-based

	MNCs to have concluded an IFA. The company reached the agreement with IMF and the Norwegian United Federation of Trade Unions (Fellesforbundet) in 2008. The IFA upholds fundamental social rights, and also addresses working conditions, health and safety, and environmental standards. The agreement states that suppliers will be informed of its contents and encouraged to comply with the provisions.
UK	The international security solutions Group 4 Security (G4S) became the first UK-based MNC to conclude an IFA. The agreement was negotiated with UNI Europa and the GMB general trade union in 2008. The IFA addresses compliance with fundamental social rights; it also seeks to improve social dialogue and enhance working conditions across the company's worldwide operations (**EU0902059I**).

Source: EIRO national centres

The number of IFAs looks set to grow further. For example, discussions between trade unions and management are reported to be underway at the Norwegian-based mobile operators group Telenor, while trade unions have allegedly made approaches to the Italian-based automobile manufacturers Brembo, Fiat and Piaggio.

Drawing on a 2008 European Commission inventory of transnational agreements – namely, the Mapping of transnational texts negotiated at corporate level – the 2009 Eurofound report identifies 73 EFAs. These have been concluded with 40 MNCs, reflecting their tendency to be more issue-specific than the IFAs. European-level negotiations appear to have been particularly prevalent among a core group: 10 companies account for 42 of these agreements. They include the four US-owned multinationals – Ford, GE Plastics, General Motors and the tobacco company Philip Morris (Kraft Jacobs) – which between them have concluded some 20 agreements. French-based MNCs are also prominent, accounting for 23 EFAs. The employee-side signatories are more varied than for the IFAs. EWCs are most numerous, being the signatories to 52 agreements. National trade unions and EIFs are signatories to a minority of EFAs, sometimes as co-signatories with EWCs – as seen in four restructuring agreements at General Motors Europe and three recent agreements at the water, waste and energy services group Suez. Some recent EFAs have been concluded solely with EIFs (and national unions), including three at the French energy multinational Total (involving the European Mine, Chemical and Energy Workers' Federation (EMCEF)) and agreements with EMF at the energy group Areva and the electrics company Schneider. EFAs are spread across a range of sectors, with some concentration in metalworking.

EFAs cover a range of issues, with some agreements addressing more than one topic. In particular, some agreements addressing core labour standards also elaborate key principles underpinning particular company employment and personnel policies. Based on the findings of the aforementioned Eurofound report, the most frequent issues addressed by the agreements are outlined in Table 11.

Table 11: Examples of issues addressed by EFAs

Type of issue	Company
Restructuring, including 'anticipation of change'	Axa, Club Méditerranée, Danone, Deutsche Bank, Diageo, EADS, Ford Europe (three agreements), General Motors Europe (six agreements), Lhoist, RWE, Schneider, Solvay, Suez, Total, Unilever
Social dialogue	Axa, Daimler, ENI, GE Plastics, Generali, If Insurance, Metro, Nordea (two agreements), Philip Morris/Kraft Jacobs, Total, Vivendi
Health and safety	ArcelorMittal (two agreements), ENI, Lafarge, Marazzi, Sara Lee, Solvay, Suez, Vinci, Vivendi
Employment/personnel policy	Air France, Dexia, Etex, Geopost, Solvay
Data protection	GE Plastics, Philip Morris/Kraft Jacobs (three agreements), Porr, Unilever
Fundamental rights and corporate social responsibility	Allianz, Bouygues, Ford Europe, Generali, Hartmann, Suez, Vivendi

Source: Telljohann, da Costa, Müller, Rehfeldt and Zimmer, 2009

The EFAs that come closest to the outcomes of collective negotiations at national level within MNCs are the frameworks negotiated to handle specific restructurings at the following MNCs: Ford Europe, on three occasions; General Motors Europe, on six occasions; and at Danone's biscuits business. These agreements establish principles and parameters that aim to provide a frame of reference for the ensuing national and local negotiations.

MNCs registered under the European Company Statute are also becoming a source of international agreements. An example is Nordea, the Nordic financial services company. As a result of Nordea's plans to operate at overall European level, four trade unions organising the Nordic countries' employees formed a transnational trade union called the Nordea Union (**DK0411101N**). The resulting transnational structures deal 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.

MNCs and employer organisations

MNCs generally join nationally-based employer organisations and engage with them. However, the form and degree of such engagement varies. In some countries – such as Estonia, France, Romania and Slovenia – no significant difference seems to be evident between MNCs and other companies in either the membership rate or form of engagement with regard to employer organisations. In other countries, MNCs are key players – whether they are home-based MNCs, as in the Nordic countries, foreign-owned ones, as seen in Bulgaria, Ireland, Malta, Slovakia, as well as the Cypriot banking sector, or both home-based and foreign-owned MNCs, as is the case in Spain. One exception is Austria, where MNCs appear to have less influence than local companies, due to the specific organisation of the WKÖ: votes are not weighted by company size and therefore SMEs are more influential than the larger, but fewer, MNCs. The Nordic countries are distinctive for playing the leading role of home-based and export-oriented MNCs in orienting collective bargaining towards international competitiveness considerations. Among the NMS and in Ireland, foreign-based MNCs assume a more distinctive role, given their employment significance (see Chapter 1) as well as their different characteristics, especially where US-based MNCs are predominant.

Some specific situations are evident in terms of MNCs' engagement with employer organisations. 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 Lewiatan (Polska Konfederacja Pracodawców Prywatnych Lewiatan, PKPP Lewiatan). The latter was established in opposition to the Confederation of Polish Employers (Konfederacja Pracodawców Polskich, KPP), which was dominated by state-owned enterprises. PKPP went on to become the leading employer confederation and now also organises a large number of Polish-owned companies. In Bulgaria, foreign employers organised originally in a separate association – the Bulgarian International Business Association (BIBA); however, this later merged into the Confederation of Employers and Industrialists in Bulgaria (CEIBG). In Latvia, a new MNC-dominated business association, If, has been created. A more frequent occurrence among the NMS is the tendency for 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 the US-based Ford and General Motors groups did not join the relevant sectoral employer organisation, namely the Engineering Employers' Federation (EEF). Such a practice has the potential to undermine 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 within their country of origin. While these organisations never play a direct role in collective bargaining, they have, in some cases, acted as influential lobbies in industrial relations issues. For example, the American Chamber of Commerce in Germany had an influence on the reform of the works councils in 2001, while the American Chamber of Commerce Ireland played a role in the implementation of the EU Directives on working time (Directive 2003/88/EC) and on information and consultation of employees (Directive 2002/14/EC). At the same time, the American and Japanese chambers wielded an influence on co-determination issues in the Netherlands, while some foreign chambers in Portugal had an impact on employment flexibility. In certain countries, these organisations are gaining more visibility: for instance, in France, a federation of foreign chambers of commerce has recently been formed.

In most of the countries where multi-employer bargaining prevails, MNCs do not seem to have a distinctive voice in collective bargaining compared with other employers. Nonetheless, there are certain cases where a specific attitude can be detected. In France and some of the NMS, for example, MNCs are typically less concerned with the existing sector agreements, because they can easily afford higher standards. In Greece, a similar lack of interest can be attributed to the fact that large MNCs see sector-level bargaining in the country as being more relevant for small and medium-sized enterprises (SMEs). In other countries – namely, Finland, Ireland, Portugal and Sweden – MNCs have been the frontrunners in demanding a decentralisation of collective bargaining. For instance, the current economic crisis has exacerbated critical views of the rigidity of Ireland's national agreement. In Portugal, sectors in which MNCs are concentrated are expected to be prominent in taking advantage of new provisions that enable either party to terminate agreements that have technically expired but that until now have remained in force; it is anticipated that they will replace these with agreements that allow for greater scope for company negotiation.

MNCs and trade unions

Trade unions' attitudes towards MNCs and responses to their impact on collective bargaining vary. In some countries, especially in the NMS as well as Ireland, the Netherlands and the 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 the US and Japanese companies, echoing similar practices in the 1980s in the UK. While the potential for employment creation is a common motivation, a frequent additional justification in the NMS is the expectation that foreign-owned companies might transfer into local industrial relations environments their west European social dialogue and employee participation practices. Nevertheless, research studies raise some doubts in this respect, 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, trade unions in some west European countries express negative opinions about MNCs. In Belgium, the unions criticise MNCs for their tendency towards more conflict-prone industrial relations, in addition to excessive flexibility and remote management structures. In Sweden, meanwhile, trade unions 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 the decentralisation of bargaining, but have accommodated pragmatically 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 (**TN0511101S**) (see Chapter 4). Trade unions have responded to such threats in a variety of ways, as indicated by the examples provided by EIRO national centres (Table 12).

Table 12: Examples of trade union responses to relocation threats

Country	Trade union response
AT	Trade unions have called for local governments to withdraw their subsidies to MNCs that do not keep their job guarantee commitments by relocating abroad. Other efforts include the negotiation of social plans.
BE	Trade unions have organised customer campaigns against some MNCs, for instance against the automobile manufacturer Renault using the 'This is my last Renault' stickers.
DE	IG Metall has called for uniform international accounting laws; it also requests that relocation decisions should require a two-thirds majority on the supervisory board of large German companies.
ES	Public demonstrations have been held against Volkswagen, Nissan and Delphi, with successful resistance against relocation at Volkswagen.
HU	A protest demonstration was held outside General Electric's Budapest headquarters, along with a 30-minute warning strike at the major plant near Budapest against threatened relocation of production from two plants to China (**HU0801039I**).
IE	A large public demonstration took place in light of the Irish Ferries case, threatening disruption of the national-level social partnership and leading to a compromise agreement with the involvement of the primary dispute-resolution institution, the Labour Relations Commission (**IE0512203F**).

IT	An alternative industrial plan was proposed for the Electrolux plant in Scandicci in western Italy, leading to an agreement on the sale and reconversion of the site (**IT0810039I**).
LT	In order to reduce the risk of relocations eastwards, the Trade Union of Lithuanian Food Producers (Lietuvos maistininku profesine sajunga, LMPS) at the Philip Morris tobacco company initiated the establishment of a coordination council comprising trade unionists from Kazakhstan, Russia and the Ukraine.

Source: EIRO national centres

The diversity of responses and outcomes, as evident from Table 12, goes against any deterministic view that relocations are unavoidable and that trade unions' responses are doomed to failure. Strategies vary 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. 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 evident at the power generation company ABB-Alstom Power, have failed on other occasions where circumstances differ – such as in France in the Arcelor case (Erne, 2008). It is also difficult to determine in which instances concession bargaining is unavoidable, and in which cases it can be resisted. Portuguese trade unions at the General Motors plant in Azambuja refused to make concessions in 2005, but could not avoid the plant's closure in 2006. By contrast, at the Portuguese Volkswagen plants, continuous dialogue and negotiations have prevented relocations. Recent research confirms the variability and contingency of trade union responses to relocation threats (Meardi et al, 2009).

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 the UK (Total). In addition, protests and campaigns against MNCs tend more frequently to involve other actors, such as non-governmental organisations (NGOs) – as seen in the case of Attac in France; or they may even lead to the emergence of new campaigns, such as the Association of the Harmed by Large Commercial Chains 'Biedronka' initiative in Poland. In the NMS, as well as 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 MNC comparisons by collating their own comparative information. This takes different forms. The trade unions that most frequently use international wage comparisons in their own national collective bargaining are those from the lower-wage NMS, including the Czech Republic (especially at Škoda and Siemens), Latvia, Romania and Slovakia. In west European countries, comparisons focus on other issues in order to counteract the employers' labour cost considerations. The Swedish Union of Metalworkers (IF Metall), in particular, has been collecting its 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 the steel company Corus.

In this regard, international trade union contacts are important. In metalworking, in particular, the collective bargaining coordination initiative of the EMF is visible. Recently, new international network activity, often within the EWCs, has emerged in a number of countries. This has occurred in the west – for example, at Nokia in Finland. It has also emerged in the east – for instance, 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 the gas company E.ON Ruhrgas.

UK trade unions have reportedly been less active than others in western Europe in international action. This can be attributed to constraints on the right to strike and, until recently, the absence of information and participation prerogatives. It is also linked to the trade unions' organisational focus on the plant rather than the company. In rare cases – for example, the mobilisation in the Netherlands against the mining equipment manufacturer IHC Holland's activity in Myanmar in southeast Asia – trade unions have been involved in campaigns against MNC activities outside the EU, similar to actions in the 1970s and 1980s regarding operations in Chile and South Africa.

Conclusions

This report identifies important developments – and some emerging trends – in relation to three crucial issues: MNCs' role within national systems of collective bargaining; the cross-border parameters that inform and shape the agenda and outcomes of their local negotiations; and the specific consequences that may stem from their ability to threaten and implement relocations. Even though MNCs have become an important subject for research in industrial relations, systematic comparative data are rarely available. This means that the findings of this comparative study are indicative and cannot be taken as definitive. Methodological difficulties in compiling the report arose from inconsistencies in definitions in national statistical sources, along with the extensive overlap between large companies and MNCs and, in some countries where key sectors are strongly export oriented, the similar conditions facing local and multinational employers.

The first issue – MNCs' role within national systems of collective bargaining – has different implications for multi-employer and single-employer bargaining systems. In multi-employer bargaining systems, at first sight MNCs adapt to the existing systems: they usually affiliate to employer organisations (where the larger ones exercise an influential voice), and their collective bargaining coverage is generally equivalent to the private sector average. However, in most of the 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 – namely, the countries Finland, Germany, the Netherlands and Sweden – the prominent role is more often played by home-based rather than foreign-owned MNCs. In the Mediterranean countries – that is, Greece, Italy, Portugal and Spain – as well as in the NMS countries Bulgaria, Romania and Slovakia with regard to multi-employer bargaining, MNCs display a noticeably higher incidence of second-tier or company negotiations compared with 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 some isolated instances of MNCs opting out of sector agreements have emerged – as seen, for example, in Germany and the Netherlands. Elsewhere, there have been cases of MNCs circumventing specific sector agreements by switching sector of affiliation – as observed, for instance, in Austria, Belgium, Italy and Spain.

In relation to single-employer bargaining, collective bargaining coverage is typically higher among MNCs than in the private sector on average, given their size and visibility. This is often reflected in the pace-setting role of MNCs in terms of their generally higher wages and better working conditions. The Baltic states are exceptions in this context, due to the nature of the FDI involved, focusing on lower value-added sectors, such as forestry: in other words, collective bargaining coverage is lower and terms and conditions are not necessarily better than the local average. There is also evidence of pragmatic or changing behaviour by some MNCs, which recognise trade unions and practise collective bargaining at longer established sites, while opening new sites on a non-union basis.

Concerning the bargaining agenda, under both multi-employer and single-employer bargaining, MNCs have been at the forefront of agreements – usually company ones – introducing variable payment schemes and more flexible working time arrangements in many countries. Also prominent on the company bargaining agenda has been the restructuring issue, resulting in some innovative developments.

The second theme of this report addresses the cross-border dimension of collective bargaining in MNCs. In this respect, the study found that the use of cross-border comparisons is far more extensive in manufacturing than in services, above all in the automotive sector. In services, however, the use of comparisons is becoming increasingly apparent in financial services. The scope of these comparisons – covering labour costs, best practice and performance – is European or worldwide, depending on the specific product market. These comparisons are widely used by management in local – that is company or plant – negotiations in manufacturing in most west European countries, as well as in Hungary, Slovakia and Slovenia. In some of the NMS, similar comparisons, for the opposite reasons, are occasionally made by trade unions. The main impact on 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.

The third focus of this report is the threat of relocation – a prominent area of controversy surrounding MNCs, albeit not only limited to them. Existing research shows that relocations, actual and threatened, are not as widespread as public debate sometimes presumes; nonetheless, they are significant, accounting for about 5% of job losses through restructuring, according to the European Restructuring Monitor (ERM). In any case, they have significant repercussions for the collective bargaining agenda and outcomes. Negotiations and the local agreements that result from these can avert threatened relocation, but this is by no means always the case (see Table 9); the same can be said of other, political or mobilising, strategies that trade unions have at various times used to respond to relocation threats (see Table 12).

The negotiations addressing the issues involved are nearly always local in their scope. Of the growing, although still modest, number of transnational framework agreements, only a minority address the principles that might frame cross-border restructuring, and no more than a handful have addressed specific restructuring decisions. On the trade union side, a growing number of cases are emerging in both the old and new Member States of transnationally coordinated responses. According to the specific conditions, localised action – including local negotiation as well as political pressure – is sometimes considered more appropriate by the trade unions involved.

Overall, the study shows that, on the one hand, national collective bargaining structures seem robust and flexible enough to accommodate MNCs within them without major disruptions. However, on the other hand, and especially in internationalised product markets, 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.

Paul Marginson and Guglielmo Meardi, IRRU, University of Warwick

References

Erne, R., *European Unions*, Ithaca NY, ILR Press, 2008.

Kim, K., 'Direct employment in multinational enterprises: Trends and implications', MULTI Working Paper, No. 101, International Labour Organization (ILO), 2006.

Marginson, P. and Meardi, G., 'EU enlargement and the FDI channel of industrial relations transfer', *Industrial Relations Journal*, 37:2, 2006, pp. 92–110.

Meardi, G., Marginson, P., Fichter, M., Frybes, M., Stanojević M. and Tóth, A., 'The complexity of relocation and the diversity of union responses', *European Journal of Industrial Relations*, 15:1, 2009, pp. 27–47.

Molnar, M., Pain, N. and Taglioni, D., 'Globalisation and employment in the OECD', *OECD Economic Studies*, No. 44, Organisation for Economic Cooperation and Development (OECD), 2008.

Telljohann, V., da Costa, I., Müller, T., Rehfeldt, U. and Zimmer, R., European Foundation for the Improvement of Living and Working Conditions (Eurofound) *European and international framework agreements: Practical experiences and strategic approaches*, Luxembourg, Office for Official Publications of the European Communities, 2009, available online at: http://www.eurofound.europa.eu/publications/htmlfiles/ef08102.htm.

Annex: Country codes

Table A1: List of country codes

Country code	Country name
AT	Austria
BE	Belgium
BG	Bulgaria
CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
EE	Estonia
EL	Greece
ES	Spain
FI	Finland
FR	France
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MT	Malta
NL	Netherlands
NO	Norway
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
UK	United Kingdom

EF/09/39/EN