

Social dialogue

Social dialogue and HR practices in European global companies



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This report presents the results of research conducted prior to the outbreak of COVID-19 in Europe in February 2020. For this reason, the results do not take account of the outbreak.

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Executive summary

Introduction

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

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

Policy context

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

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

Key findings

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

- Given the trend for decisions to be taken at a global rather than European level, even the EWC may not often be the appropriate level of social dialogue. There can be a tension between, on the one hand, standardisation and, on the other, the fact that management–employee relations at local level are largely shaped by national industrial relations systems and a range of legal frameworks. In light of this tension, local managers will find it difficult to deal with these two competing pressures.

Policy pointers

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

Introduction

This report contains the main findings of research on multi-level forms of social dialogue and human resources management (HRM) policies in multinational companies (MNCs) – enterprises that have subsidiaries in other countries. The way in which MNCs operate has become a topic of discussion in the media, politics and research. One controversial topic, for example, is global companies in the technology and IT sectors that have gained monopoly-like market positions and economic power, enabling them to influence political and fiscal framework conditions. In Europe, such companies are known as ‘GAFA’, which refers to Google, Apple, Facebook and Amazon, the highest-value (United States-based) global tech giants. The term is often used in the context of GAFA’s tax avoidance strategies in European countries. Other concerns relate to the globalisation of value and supply chains and the emergence of ‘footloose’ global companies. Overall, these debates imply that MNCs increasingly dominate national economies and politics because of their size and financial power.

Despite the lively debate around MNCs, there is a marked lack of data about them: often, empirical evidence and statistical data are neither complete nor widely available. However, we do know that, at a global level, MNCs are estimated to produce around one-third of global output, which confirms the importance of MNCs and their networks in the global economy (OECD, 2018). MNCs were also responsible for more than half of global world exports in 2014 and nearly 50% of global imports, a large part of this trade taking place within the networks of MNCs. Furthermore, it is estimated that approximately 28% of the global gross domestic product (GDP) is generated by MNCs. By contrast, the overall share of MNCs in global employment is relatively low: it represents about 23% of total employment and 26% of employment in the private business sector. Despite globalisation trends, the share of MNC employment is higher in the companies’ respective home countries than abroad; according to OECD estimations, for each job MNCs create abroad, more than two jobs exist at home.

Regardless of the lack of statistical data, it is clear that MNCs and their behaviour have a huge impact on employment and working conditions in subsidiaries, suppliers and subcontractors. Industrial or labour relations and social dialogue at company level are also affected. In this context, two issues have emerged in industrial relations research in Europe that should be regarded as the background of this study.

MNCs’ perceptions of and practices relating to social dialogue and labour relations in European countries:

Do non-European MNCs adapt to national or European framework conditions or try to circumvent existing rules and regulation?

The challenge of transnational and global regulation of social dialogue in MNCs:

European research and policy debates have highlighted the fact that transnational and global regulation of social dialogue still does not exist in MNCs at a global level, apart from company-specific codes of conduct, corporate social responsibility (CSR) commitments and some voluntary global framework agreements (around 130 at the time of writing). At a European level, the European Works Council (EWC) Directive provides for information and consultation rights; however these are much weaker than the respective rights of employees and their representation bodies at the national level.

This cross-border perspective of MNCs is not only driven by fundamental workers’ rights and social and working conditions. Globalisation amplifies the need for international standards within MNCs to globally foster their internal corporate culture, HRM policies and social dialogue institutions and, as a result, effectively implement their policies at subsidiaries in different geographical locations.

The role of globalisation is indicated by European and global employer organisations’ recent interest in transnational companies. For example, a series of thematic workshops was organised in 2017 and 2018 jointly by the International Training Center of the ILO, BusinessEurope and the International Organisation of Employers (IOE), as well as national employer organisations in Denmark, France, Germany, Italy and Spain (ITC-ILO, 2018).

This report contains the main findings of research on multi-level forms of social dialogue and HRM policies in MNCs, carried out for Eurofound by research and consultancy company Ecorys and business management consultant wmp consult. Much has been written both about HRM in MNCs and about social dialogue. The concept of social dialogue – and how it is understood in all EU Member States – can itself be difficult to understand. However as a point of reference, the entry for ‘social dialogue’ in Eurofound’s online European Industrial Relations Dictionary defines it thus: ‘According to the European Commission, social dialogue refers to ‘discussions, consultations, negotiations and joint actions involving organisations representing the social partners – employers and workers.’

A large body of literature examines the articulation of social dialogue between the different levels,¹ from the EU level down to the local level (see for example Arrowsmith and Marginson, 2006; Eurofound, 2009a; Köhler and González-Begega, 2010; Lavelle et al, 2010; Dörrenbacher and Geppert, 2011; Marginson and Keune, 2011; Ales and Dufresne, 2012; Da Costa et al, 2012; Eurofound, 2015b; Aranea, 2016; Pulignano, 2017; Rosenbohm and Hertwig, 2017). However, very few studies have specifically addressed the interaction of HRM with social dialogue in companies that operate transnationally or the key factors and drivers behind the flow of communications between and mutual influences of these two areas in an MNC.² Given the variety of practices in place and the wide range of factors that have a bearing on this issue, it is a complex area and one that has, at times, been difficult to research.

A key factor influencing the operation of MNCs in Europe was the recession that began in 2008; this caused significant retrenchment and restructuring across Europe. MNCs across the European economy were impacted, but sectors such as manufacturing, finance and construction were hit particularly hard.

Figures from the Eurofound European Restructuring Monitor (ERM) show that, over the period from 1 January 2009 to 25 November 2019, 8,959 cases of restructuring involving job losses were recorded in the EU.³ In total, the database recorded 3,889,642 job losses. However, the database also recorded 6,630 cases of restructuring involving job creation, with a total of 2,457,873 jobs created. Therefore, while the majority of the restructuring events recorded in this period involved job loss and the net figure is job loss overall, the effect has been mitigated by restructuring that involved some job creation. The highest number of restructuring events involving job loss have been in the UK (1,444), Germany (1,031) and France (1,007), while the highest number involving job creation have been in Poland (1,211), the UK (955) and France (822). As such, these figures show some movement of employment from western to central and eastern Europe.

These waves of restructuring as recorded in the ERM database (largely involving MNCs), were carried out with the involvement of employee representatives to varying degrees; in some companies, consultation, discussion and even some negotiation determined the final outcome of restructuring plans and their impact on the workforce. In others, employee engagement was limited to information and consultation in compliance with the law.

Globalisation has gained momentum over the past 10 years, although its origins go back much further. The transformation of MNCs with headquarters in Europe, the United States (US) and Asia into global companies has changed the structure of the flows of information around the company. In some cases, decisions are made at the global level and directly cascaded down to the national level, thereby weakening interactions at the European level. Such a shift has implications for bodies such as EWCs, which may see their scope of influence diminishing.

Digitalisation has also accelerated over the past 10 years. While the use of technology such as computers and email is a more established feature of the modern workplace, new technological tools – such as big data, surveillance and monitoring systems, and artificial intelligence (AI) among others – are revolutionising the way in which processes, including HRM-related processes, are organised. This change may have significant consequences for social dialogue and HRM, including the standardisation and centralisation of practices and the devolving of some functions traditionally associated with HRM, such as payroll, to other departments, like finance.

A number of other factors also have an influence on the strategies and behaviour of MNCs.

- The ongoing uncertainty around Brexit and what this will mean for the future of EWCs, transnational agreements and the strategies of MNCs in general.
- The differences between home-country and host-country influences on HRM in MNCs are becoming less distinct, as demonstrated by previous research. More recent studies suggest that subsidiaries adopt HRM practices differently or develop hybrid practices that are shaped by headquarter and national influences, orientations and legal, industrial relations and social dialogue framework conditions.
- The growing number of non-European MNCs. MNCs headquartered in the US have been operating in the EU for many decades, while MNCs headquartered in China are now increasing in number and expanding their operations in the EU. These non-European MNCs bring their own practices in terms of HRM and social dialogue, and these are likely to have an influence on the operation of their EU subsidiaries.

1 In the context of this report, articulation refers to the links between different levels of social dialogue and HRM. Eurofound's European Industrial Relations Dictionary defines articulation as: 'the way in which different tiers in a multilevel governance system are linked. The term has also been used in relation to collective bargaining structures as well as social partners' organisations.'

2 For one of the few studies focusing on this subject (though it considers only German-based MNCs), see Rüb and Platzer (2018).

3 It should be noted that the ERM records restructuring events, which means that several cases may relate to different branches of a single MNC. The ERM also only records cases involving 100 or more jobs, so the majority of the restructuring cases recorded are likely to affect MNCs, although some may also involve large national companies.

- The ongoing debate on the quality and effectiveness of EU social dialogue, namely EWCs and cross-border information and consultation processes.
- The potentially increasing relevance of transnational company agreements (TCAs). The new generation of TCAs are much more detailed, focused on process and setting standards.⁴

There are also a range of drivers and trends that influence the interaction between HRM and social dialogue in MNCs. The most prominent factors that have come to light over the past 10–15 years include the following:

- geographical considerations, particularly the location of the home or host country
- specific sectoral factors
- the increasing importance of supply chains and their connection to the business model of MNCs
- issues related to the type of company (e.g. size, ownership etc.)
- centralisation and standardisation of HRM functions
- digitalisation and new technology – in part linked to centralisation and standardisation, as the ‘democratisation’ of HR data or self-reporting might also confer greater power on subsidiaries

These factors, among others, influence the way HRM and social dialogue are organised in companies – most specifically, the flows of information between different parts of the company both vertically (from senior

management at headquarters to regional and local management in subsidiaries) and horizontally (between the different subsidiaries within an MNC). These issues were discussed with experts and are reflected in this report, alongside the main relevant issues from the literature review.

Overall objectives of the study

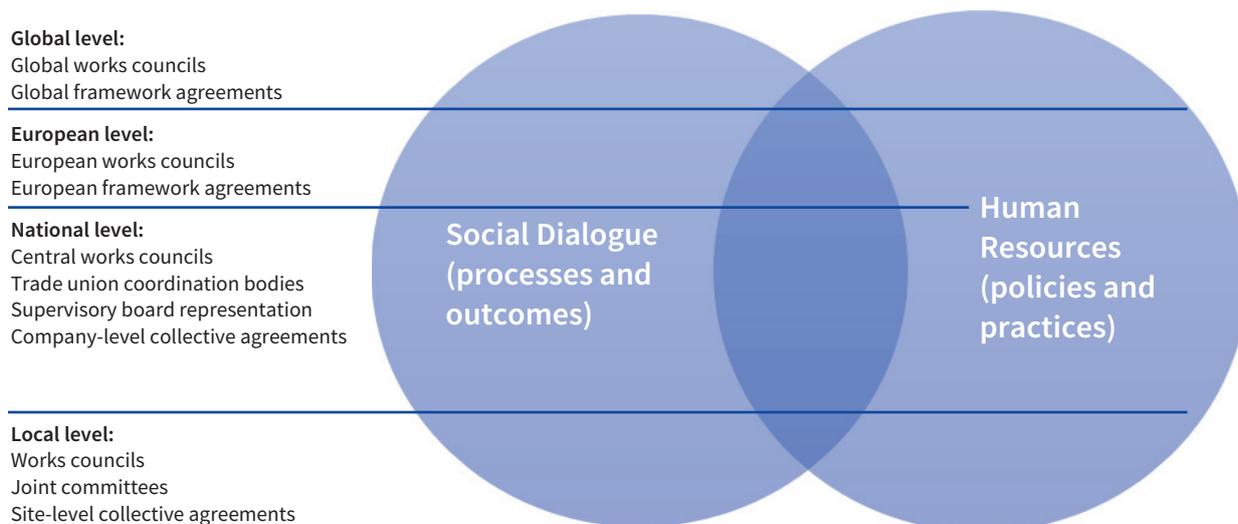
There is a lack of research on HRM trends and different patterns or types of practices, especially on its links with social dialogue at transnational and national/local level. The broad aim of this study is therefore to better understand the interaction between social dialogue and HRM policies and practices in MNCs, bearing in mind the contextual, political, regulatory and organisational complexities within which MNCs operate.

As outlined above, a number of drivers contribute to this diverse picture and increase the relevance of MNCs. In this context, the study attempts more specifically to investigate the multi-level forms of social dialogue between the cross-border and the national/local levels within MNCs. It focuses on the transfer and articulation mechanisms applied in decision-making and the implementation of both HRM practices and social dialogue outcomes.

This part of the research focused on the bisection between the two spheres of social dialogue and HRM, as noted in Figure 1.

The case studies are contained in the working paper published alongside this report:
<http://eurofound.link/ef19009>

Figure 1: Interaction of social dialogue and HRM policies and practices



Source: Authors' own compilation

⁴ The European Commission (2012, p. 2) defines a TCA as: ‘...an agreement comprising reciprocal commitments, the scope of which extends to the territory of several States and which has been concluded by one or more representatives of a company or a group of companies on the one hand, and one or more workers’ organisations on the other hand, and which covers working and employment conditions and/or relations between employers and workers or their representatives.’

Methodology

The present study has been carried out in two parts. The first is based on a literature review and three expert seminars organised to debate relevant issues. Each seminar built on the discussions and exchanges that took place in the previous seminar. The second part of the research looks at actual HRM and social dialogue practices in this area through case studies of MNCs, including interviews with management representatives and employees at headquarter and subsidiary level.

The researchers designed and conducted case studies on four MNCs that have subsidiaries and workplaces in different EU Member States. The case studies aimed to assess the existing links between social dialogue at the horizontal and vertical levels across different Member States. This assessment was carried out first by analysing practices and mechanisms of transfer (HRM) and articulation (social dialogue) within the multi-level system of governance in MNCs and, second, by identifying whether these are congruent in terms of both decision-making processes (top-down versus bottom-up processes) and the implementation of decisions, outcomes and practices (i.e. degree of local autonomy).

The case study research also includes an analysis of the extent to which HRM and social dialogue mechanisms are related and interrelated, as well as factors that influence their degree of interrelation (such as national industrial relations/social dialogue factors, company sector, company culture, company size, etc.), and the reasons for this. It also includes any trends that can be identified in HRM.

Literature review and expert seminars

The literature review examines existing research on the interaction of social dialogue and HRM in MNCs. It also compiles real-life examples of social dialogue practices that link different horizontal levels (for example central management, EWCs or employee board-level representation), vertical levels (between the EU and national levels of management) and labour (subsidiaries, local workplaces, employee representatives and national works councils).

Three expert seminars were also held to debate key issues relating to the themes uncovered by the literature review and the case study work.

The first expert seminar was held on 27 November 2018 in Madrid. After an initial briefing about the project, the participants discussed the following themes:

- the latest developments in organisational dynamics and factors influencing the articulation of HRM policies and social dialogue in MNCs
- global HRM trends and transnational restructuring in MNCs

- developments in multi-level governance in MNCs – namely, cross-border social dialogue mechanisms and HRM

The discussion between the experts at this meeting fed into the development of the literature review and the further shaping of the project, including the organisation of the second seminar.

The second expert seminar was held on 8 April 2019 in London. Before the seminar, a questionnaire was sent out to participants with a request to submit their thoughts on key issues in advance. The seminar was attended by seven experts who debated the following issues:

- interactions and links between social dialogue and HRM (approaches and trends)
- multi-level links between the main actors in HRM and social dialogue (drivers and trends)
- the role of social dialogue and HRM in decision-making in the context of restructuring and the allocation of resources and investments across countries and subsidiaries
- the main factors that influence, on the one hand, the multi-level interaction between social dialogue and HRM policies and, on the other, the behaviour of the social partners in MNCs (including the role of technology and digitalisation)

The third expert seminar was held on 10 September 2019 in Brussels and was attended by 14 experts. They discussed the following themes:

- interactions and links between social dialogue and HRM (variety of approaches, practices and trends at headquarter level)
- top-down and bottom-up links and interactions between HRM and social dialogue (framework conditions and supportive and hindering factors, including the role of restructuring and reorganisation)
- conditions that favour positive social dialogue outcomes and favourable situations for all, including sectoral, geographical and other drivers
- the role of HRM in relation to social dialogue and existing and future challenges and the likely impact of new HRM tools on people management and social dialogue
- the challenges that will result from changes in workforce composition for employee representatives and managers at national and supranational level and the likely impact of these challenges on the role of HRM
- how HRM policies are managing polarised workforces and the diversity of social dialogue practices in MNCs

- the main factors influencing the performance of and multi-level interaction between social dialogue and HRM policies and the behaviour of the social partners in MNCs
- the specific role of new technology as a factor or driver
- the implications for EU social dialogue as a whole, including views on the way forward for current research and future research needs

After the seminar, participants were asked to submit written comments based on the discussions and any further thoughts.

Case study research

This part of the research began with an initial selection of 20 companies. The list aimed to secure a mixed sample of MNCs based on the characteristics below.

Sector of operation: Cases were drawn from both the industry and services sectors.

Transnational restructuring and reorganisation: This related in particular to changes in the allocation of new investments. We were interested in the degree to which this influences decision-making and affects employment relationships between Member States.

Nature and frequency of engagement in social dialogue between management and employee representatives: It was expected that a difference would be visible between, on the one hand, companies with long-established social dialogue traditions and a build-up of trust between employers and employees evidenced in concrete outcomes (e.g. joint texts and active working groups) and, on the other hand, companies where social dialogue is infrequent and/or not well-embedded.

Size and areas of operation: A difference was expected between relatively small and EU-based MNCs, which

may be more likely to foster diversity within the company, and those that are global companies with non-EU headquarters, operating worldwide, with a global and integrated outlook and approach to HRM and social dialogue.

Degree of maturity: There may be important differences between very established MNCs, which will have built up long-standing working relationships between the main actors engaged in HRM and social dialogue, and those that are relatively new, in which social dialogue is not yet fully established.

Access to actors: From a practical point of view, this was a very important selection criterion. The aim was to conduct semi-structured qualitative interviews using an agreed discussion guide with HR managers and employee representatives at the MNC headquarters and in two or three of the MNC's national subsidiaries.

The final sample of MNCs for this research consisted of four MNCs that varied in terms of the following characteristics.

- **Sector:** Three companies had strong manufacturing structures and only one company belonged to private services.
- **Size:** This ranged from a workforce of less than 30,000 to more than 150,000.
- **Headquarter location:** The MNC head offices were in Denmark, Italy, the Netherlands/United Kingdom (UK) and Switzerland.
- **Social dialogue outcomes:** These included EWC agreements and TCAs with a global and/or European scope.

As Table 1 shows, there are also similarities between the sample companies, such as three out of four companies having negotiated a pre-Directive EWC agreement and the same number having negotiated Global Framework Agreements with global trade union federations.

Table 1: Overview of the MNCs selected for the case studies

Company	Sector	Size	Headquarters location	Subsidiaries/ country-level fieldwork	EWC	TCA
ABB	Energy and automation technology	144,000	Switzerland	Finland, Germany, Poland	1996	Yes
Danfoss	Heating and cooling technology	27,800	Denmark	Denmark	1996	No
UniCredit	Finance	96,000	Italy	Czechia, Italy, Slovenia	2007	Yes
Unilever	Consumer goods	158,000	Netherlands/UK	Austria, Denmark, Germany, Lithuania, Netherlands, Switzerland, UK	1995	Yes

Source: Authors' own compilation

Fieldwork consisted of questionnaire-based interviews with representatives of both HR management and employees at headquarter level as well as at the level of subsidiary countries. Around 30 interviews were carried out, covering 12 different EU countries. Due to difficulties in conducting interviews with management

representatives, the majority of interviews were with employee representatives at the national level. However, at least one management representative was interviewed in each of the four cases.

The working paper that accompanies this report gives the full versions of the case studies (Eurofound, 2020).

1 Overview of main trends

Globalisation and internationalisation

Globalisation has impacted the way MNCs operate and, more specifically, how they organise their processes, including HRM and how they engage with employee representative bodies. In particular, globalisation can amplify the need for international standards within MNCs to foster global internal corporate cultures, HRM policies and for social dialogue institutions to effectively implement their policies at subsidiaries in different geographical locations. TCAs can play an important role in providing the transnational framework within which to debate these issues within an MNC. Accordingly, TCAs have developed significantly over the past three decades in response to economic globalisation. TCAs exhibit the growing need that organised labour and some MNCs have for additional governance structures that build on labour relations.

The transformation of Europe-, US- and Asia-headquartered MNCs into global companies has changed the way in which these companies are organised and how flows of information around the company are structured. As a result, interactions at the European level can be weakened, as decisions are made at the global level and directly cascaded down to the national level. Such weakening has implications for bodies such as EWCs, which may see their scope of influence diminishing. Although EWCs can play an important role in engaging with HRM at a transnational level within an MNC, in the case of a truly globalised company, the scope and therefore the influence of EWCs is limited to European operations.

A further aspect that was highlighted by interviewees in the context of the case studies was the internationalisation of senior management and boards. Interviewees reported that such internationalisation had an impact on labour relations, HRM and social dialogue at a global or European level. For instance, a Chief Executive Officer (CEO) or HR director with a US or UK background might perceive collective bargaining or consultation differently from a CEO or HR director with a Swedish or Austrian background.

The four case studies in the research sample reflect varying levels of the globalisation of economic

activities, employment and management strategy and practice. Indeed, different factors have an impact on the 'internationality' of a company, for example: financial/economic (e.g. number of countries in which the company is present; share of foreign turnover in total turnover; share of foreign activities' added value; share of foreign investments; share of foreign profits); employment (e.g. share of employment in foreign subsidiaries); and corporate ownership and management (e.g. share of foreign ownership in equity; internationalisation of top management).

Table 2 illustrates the differences between the MNCs in relation to the share of foreign employees in total employment. As indicators of the companies' levels of internationalisation, the table includes the figures for the percentage of total employment that Europe represents for the company, in 2018 and 2008, as well as the share of employment in the home country in 2018. Differences in terms of the internationalisation of the workforce between companies are quite evident: with only small shares of global employment in the home country (6.2% of Unilever workers based in the home country and 10.8% of ABB⁵ workers), both companies are characterised by a high degree of internationalisation. By contrast, UniCredit and Danfoss still have a strong employment basis in Italy and Denmark with 20.8% (Danfoss) and 27.3% (UniCredit).

There are also differences in the companies' share of employment in Europe. However, it is worth bearing in mind that different companies report economic and employment figures differently. Unilever, for example, has the smallest share of European employment in the total workforce, with only 19% in 2018. However, this figure relates only to western Europe; the workforce in central and eastern Europe is reported as a part of the Asian and African region. Similarly, for UniCredit, it is not possible to identify the workforce in Europe as compared with other world regions on the basis of annual reports. That said, UniCredit is the company in the sample with the smallest presence in foreign countries. Apart from Austria, Germany and Italy – which account for 68% of total employment – the company only does business in a few other European countries, of which Romania (8,800 employees), Russia (4,700) and Bulgaria (4,600) were the largest subsidiaries in terms of employment in 2018.

5 Based on estimations by authors, no official company data available.

Table 2: Employment by world region, and Europe's share of total employment, 2008 and 2018

Company	Total number of employees	Asia and Africa	Eastern Europe	Americas	Europe	Share of Europe	Share of home-country workforce in global workforce
UniCredit 2018	96,000	<i>Most employees were in Europe, including Russia. According to the integrated 2018 report (UniCredit, 2019), the category of 'other countries' (including European countries, such as Ireland, Latvia, Poland, Slovakia and the UK, and non-European countries/regions like Brazil, North America and Singapore) only accounted of around 1.5% share of total employment</i>				> 95%	27.3% in 2018 compared to 32.5% in 2008
UniCredit 2008	186,700	<i>According to the 2008 Sustainability Report, the category 'other' had around 41,000 employees, though it gave no details about which countries they worked in</i>				> 95%	
Unilever 2018	158,000	88,000		40,000	30,000	19% (western Europe)	6.2% in 2018, demonstrating a continuous decrease since 2008
Unilever 2008	174,000	100,000		42,000	32,000	18% (western Europe)	
ABB 2018	147,000	43,000	n/a	36,000	68,000	46%	10.8% in 2018, demonstrating a continuous decrease since 2008
ABB 2008	120,300	38,200	n/a	20,000	62,100	52%	
Danfoss 2018	27,800	6,400	n/a	5,600	15,700	56%	20.8% in 2018 compared to 19% in 2008
Danfoss 2008	31,700	2,600	n/a	5,600	22,000	70%	

Source: Authors' own compilation, based on annual reports of the companies and other sources. Not authorised by the companies. Information on home-country employment based on interviews and estimations of authors

The international operational activities also differed between the four companies:

- UniCredit was engaged in operational financial activities in over 50 European and non-European countries, as at 2019.
- According to the most recent company reports (Danfoss, 2009), Danfoss had approximately 70 factories worldwide (of which more than half were located in Europe) and had its own sales operations in 50 countries.
- ABB was present with own production and/or sales operational activities in more than 100 countries.
- Unilever was engaged in manufacturing, sales and other activities in more than 190 countries around the world.

The companies also demonstrate different patterns of growth and decline in employment in the home country, Europe and other world regions. As these difference also result from internal restructuring and reorganisation, they are analysed in the following section.

Influence of new technology and digitalisation

Big data and digitalisation have had an enormous influence on the behaviour of MNCs and the organisation of HRM over recent decades, and this influence is likely to continue and possibly accelerate. Digitalisation and new technology have also encouraged the standardisation of many HR processes. This increased digitalisation entailed in decision-making and organisational processes, as well as the growing use of big data, raise the question: do traditional HRM theories still apply to increasingly digitally controlled MNCs?

Previous research has discussed these issues in detail. It has found evidence that digitalisation and big data might result in the questioning and empirical testing of classical approaches, especially in terms of the role and function of HRM in MNCs that are more and more digitally controlled. Accordingly, some researchers have argued that:

while in the past IT generally followed strategy and structure, the advent of best-in-class, cloud-based IT systems has enabled the reversal of this general rule. In the future strategy and structure will more often follow IT systems, with numerous applications evolving in an unregulated manner.

(Dörrenbächer et al, 2018, p. 46)

The issue of digitalisation is of the utmost importance to the overall strategies of MNCs and, in turn, of great significance to HRM and social dialogue. As has become apparent in the present study, digitalisation sits at the heart of many other trends, such as centralisation and standardisation of HR and the outsourcing of many key HRM functions.

There are clear signs that the role and nature of HRM in MNCs is changing. For example, does HRM still have a key strategic place in MNCs or does it play more of an operational role? Are other department functions – such as IT or finance – gaining influence and, if so, how? If ‘classical’ HRM is taken over by IT or finance, placed into new cloud-based systems or outsourced – for example, to shared service centres – it could lose strategic influence and become more operational. Nevertheless, some experts and practitioners argue that the face of HRM is changing too, disrupting traditional departmental silos. Either way, HRM has clearly become more business-oriented, particularly with the application of big data.

These issues have the potential to create serious problems in the initiation and impact of social dialogue. For example, if the HRM function loses its role and influence, it may not have the resources, knowledge or power to act as a proper counterpart to employee representative bodies. Such a shift could severely impact the quality and outcomes of social dialogue.

Many companies are finding digitalisation, big data and artificial intelligence (AI) a significant challenge. According to seminar participants, some are dealing with this challenge by focusing on digitalising everything they are able to, rather than taking a more strategic view of actual functions and structures. Certain structures are therefore no longer human interactions but are standardised through technology. This loss of actual human interaction can potentially severely damage flows of information and the building of relationships between key actors in HRM and employee representation bodies in MNCs. It also affects employee participation and information and consultation in terms of removing routine and regular human interactions.

New forms of work organisation made possible by this technology (e.g. project-orientated work, higher flexibility, changing team structures, and ‘agile’ organisations) alongside a flattening of hierarchies or differences between management and employees/workers reduces interaction between the two sides. This change in work organisation could have a potentially negative impact on interest representation and the involvement and participation of worker groups in the social dialogue.

Trends in transnational restructuring

Restructuring is a constant feature of the life of an MNC, and it is a key area in which social dialogue is played out. A search undertaken in November 2019 of Eurofound’s online database on restructuring case studies found that, out of 215 cases recorded at that time, 79 involved discussions with trade unions or the works council.⁶ Among the joint activities reported was the information and consultation of worker representatives – though, given that this is a legal requirement, this is to be expected. However, some companies engaged with worker representatives to a greater extent. For example, 11 companies promoted social dialogue as part of the activities related to the anticipation and/or management of restructuring activities, as shown in Table 3.

The decision to restructure a company is taken at the highest level of the company, whereas the restructuring itself affects local parts of the company. As such, issues around the level of centralisation/decentralisation of social dialogue are likely to come to the fore in these circumstances.

The following trends emerged from the literature review, expert seminars and interviews with HR managers and employee representatives in the company case studies, as well as through an evaluation of TCAs that are directly related to restructuring in Europe.

- Employee representatives in subsidiary countries of foreign MNCs (headquartered inside or outside Europe) reported that, although there can be quite a strong workers’ voice in company boards, the role of the board is increasingly limited to compliance issues.
- In some MNCs, transnational agreements or commitments in Europe include commitments to ‘socially responsible restructuring’ (i.e. avoiding redundancies, supporting affected workers by offering outplacement/retraining activities or redundancy packages). However, such arrangements are increasingly difficult to implement in cases where decisions are taken outside Europe and the EWC lacks an influential decision-making management counterpart in Europe as regards labour relations, negotiations and HRM functions.

6 The database can be found under ‘European Restructuring Monitor’ on the Eurofound website.

Table 3: Promotion of social dialogue in the anticipation and/or management of restructuring activities

Company	Country of activity or HQ	Organisation size	Type of restructuring
Airbus	Germany	1,000+	Business expansion, internal restructuring, merger/acquisition, outsourcing
Arc International	France	1,000+	Closure, internal restructuring, offshoring, outsourcing
Borealis Agrolinz Melamine GmbH	Austria	1,000+	Internal restructuring
DSM	Netherlands	1,000+	Internal restructuring
EDP Group	Portugal, non-European country	1,000+	Business expansion, internal restructuring
Eurodecad	France	10-49	(Avoiding) bankruptcy
Findus	Sweden, other European country, non-European country	1,000+	Internal restructuring
Green Cargo	Sweden	1,000+	Internal restructuring
Saab Automobile	Sweden	1,000+	(Avoiding) bankruptcy
Santander/ Abbey National	Spain, UK	1,000+	Business expansion, internal restructuring, merger/acquisition
Vienna General Hospital (AKH Wien)	Austria	1,000+	Internal restructuring

Source: Authors' compilation based on European Restructuring Monitor (ERM) data

- The globalisation of HRM and labour relations functions creates a loophole of social dialogue at the global level, as only very few MNCs – all of which are headquartered in Europe (e.g. in the automotive sector or in chemicals) – have established global works council structures.

From the perspective of HRM directors in Europe, it would be preferable to negotiate restructuring-related measures at the European level, as they have to deal with specific legal requirements that are different in each EU country. However, the current legal framework at EU level does not envisage a negotiating role for EWCs and provides only for information and consultation processes. As such, even where EU-level agreements are negotiated, they can only serve as a voluntary guideline or general framework for national-level negotiations and agreements.

As illustrated by the outcomes of consultations and negotiations in two of the case studies (ABB and Unilever), consultation tends to result in agreements with the management – for example, on social measures in the context of either workforce reductions or divestments that go beyond the legal requirements. Such agreements are still voluntary and based on mutual trust; they are not linked to any legal regulation at EU level as they go beyond the European Works Council Directive. These agreements also have to be translated into national-level agreements, and thus both EU-level management and employee representatives or company-level trade unions play a very important role in communicating the outcomes of

social dialogue to the national levels. As shown in more detail in the two case studies, successful communication requires, on the management side, both the commitment of EU-level HRM executives and the support of the CEO; for the EWC, significant effort and communication skills and capacities are required.

As Table 2 shows, changes in the number of employees in the four companies between 2008 and 2018 vary significantly: a dramatic decline of nearly 50% in the case of UniCredit, a more modest reduction of around 12% in the case of Danfoss and 9% at Unilever, and a 23% increase in global headcount in the case of ABB.

According to interviews with management and employee representatives, however, more recent employment trends are also quite different. Whereas Danfoss has reported a continuous and strong increase in overall employment since 2015, employment levels at ABB have been less uniform over time, the last five years included. By contrast, global employment at Unilever has been declining slightly year on year since around 2013 and 2014, and UniCredit experienced a significant reduction of employment over the last decade.

According to interviews at the company level, employment over the last decade in all companies was influenced by a mixture of different external and internal factors, resulting in a complex picture of transnational restructuring and change: phases and strategies of external growth and expansion by takeovers followed by consolidation and restructuring in order to achieve synergies, reduce complexities and centralise decision-making processes.

Table 4: Cases of restructuring involving ABB, Danfoss, UniCredit and Unilever

Company	Number and type of cases	Major trends and tendencies
ABB	19 cases (12 cases of job creation and 7 cases of job loss)	<p>Job losses: Apart from minor cases, all restructuring cases with a larger number of redundancies affected sites in western Europe (France, Germany, Italy, Portugal, Spain), including closure of sites (Portugal)</p> <p>Job creation: All business expansion activities took place in central and eastern Europe: Bulgaria (1,200), Poland (1,800), Czechia (910) and Estonia (250)</p>
Danfoss	4 cases (3 cases of job loss and 1 case of job creation)	<p>Job losses: Cases of job loss occurred in the UK in 2019 (closure of a production site due to costs/significant investment needs), in France in 2013 (drop in activities/demand) and in Slovenia in 2010 (increased labour costs and productivity losses)</p> <p>Job creation: After the relocation of production capacities from Poland in 2018, the Slovenian site is expanding its capacity</p>
UniCredit	8 cases (7 cases of job loss and 1 case of job creation)	<p>Job losses: Most cases in Italy (various cases of internal restructuring), but also Luxembourg and Austria, Germany and Ukraine (divestment)</p> <p>Job creation: Related to the hiring of additional bankers in Italy due to a strengthening private banking sector in 2015</p>
Unilever	11 cases (10 cases of job loss and 1 case of job creation)	<p>Job losses: All cases in western Europe: Belgium (relocation case of tea production to Poland), Italy (two cases of internal restructuring), Spain (two cases of plant closures), UK (relocation case to other UK site and Germany), Netherlands (internal restructuring case), France (two cases of internal restructuring) and Germany (internal restructuring)</p> <p>Job creation: Creation of 100 new jobs in a plant in Poland due to investments and modernisation of production capacities</p>

Note: The table covers restructuring events that took place between 1 January 2010 and 15 December 2019.

Source: Authors' own compilation, based on ERM data

The need to explore emerging markets and achieve a competitive advantage in terms of costs has triggered two broad shifts in all four companies. The first is an increase of investments, activities and employment in booming markets in Asia, Brazil, China and India. This was reported by all interview partners in the three manufacturing companies. The second is reported by interview partners at ABB, Danfoss and Unilever – a general trend of decreasing employment in western

European production sites, partly compensated for by business expansion and workforce growth in central and eastern Europe.

This reduction of production as well as administrative operations in western Europe and relocation or business creation in central and eastern Europe also becomes evident when analysing cases of restructuring in Eurofound's restructuring database (see Table 4).

Box 1: Job loss and job creation in the ERM

From the European Restructuring Monitor, it emerges that more than 6,600 cases of restructuring took place between 1 January 2015 and 15 December 2019. Approximately 3,000 of these resulted in job losses and 3,600 in job creation.

A west–east breakdown of all cases shows that, in 17 western European countries, around 4,000 cases of restructuring resulted in around 1.1 million job losses. During the same period, around 825,000 jobs were created. An even more pronounced net decrease characterises major sectors, such as manufacturing and financial services. In manufacturing, western Europe lost around 360,000 jobs and gained only 146,000. In financial services, western Europe lost around 191,000 jobs and gained only about 21,000, resulting in a net loss of 170,000 jobs.

Restructuring-related job losses and gains in eastern European countries offer quite a significant contrast. In 12 eastern European countries, around 2,100 cases of restructuring are recorded, resulting in 183,000 job losses but more than 461,000 job gains. Thus, net job creation in the eastern European region between 2015 and 2019 was around 278,000, which is close to the figure of net job losses in western Europe. It is also noteworthy that three out of four cases of restructuring in eastern Europe were cases of business expansion and thus job creation.

While in eastern as in western Europe there was a net job loss in financial services during the analysed period (9,200 jobs), the manufacturing sector in eastern Europe indicates a strong shift of employment from western Europe to the east. Between 2015 and 2019, the manufacturing sector accounted for nearly 1,000 cases of restructuring in eastern Europe, of which around 800 were related to job creation due to business expansion. Furthermore, while around 54,000 jobs in manufacturing were lost in eastern Europe, more than 200,000 manufacturing jobs were created during the same period.

These changes and developments reflect general trends of transnational restructuring across different sectors and companies, as evidenced by an analysis of reported cases in the ERM that was carried out in the context of this study.

To summarise, the data from the ERM confirm quite strongly the picture that arises from the analysis of restructuring trends in the four companies in the study.

Role of sector

Sector can also play a role in how HRM and social dialogue function in an MNC, as well as on the interactions between employee representatives with management in general (see, for example, Eurofound, 2011b). It is also important to take into account the fact that, within the 'national' framework of industrial relations, there is always considerable internal variation within specific groups. Such diversity has been described by researchers differently – for example, 'dualisation' (Streeck, 2016), 'the three worlds' (Schröder, 2016) or 'fragmentation' (Dörre, 2016).

Some sectors, such as the retail sector, are not as highly unionised – at least in some countries – as other sectors (for example, manufacturing or public services). As a result, the main actors on the employee side are different, and this may also affect employer practice in terms of social dialogue. For example, if employee representatives are not trade union members, they will not have the weight of their trade union behind them and are therefore likely to carry less influence and power. There is thus more scope for employers to act unilaterally based on information and consultation only, rather than real engagement and dialogue. In some sectors, the market is also controlled by very few companies, which are therefore very prominent actors in their sector and can, as a result, influence the sectoral social dialogue at EU level. A notable example is the rail transport sector, in which there are very dominant national players in some countries.

The type of product offered and the market in which a company operates also influence the behaviour of an MNC in terms of its HRM strategy and policies as well as its strategy for engaging with employee representatives. For example, Unilever owns a wide range of brands in many different areas of home care, food and beauty. As a result, it serves a broad range of markets in several countries, possibly leading to a greater variety in overall approaches to running the business, including in HRM and communications with employee representatives. Conversely, UniCredit offers only financial products; this more homogenous offering might affect the

communication channels within the company in a different way.

Linked to this, the role of the subsidiaries themselves can also be important: specifically, whether they are responsible for products globally or whether they focus solely on production or sales, for example. In the former case, the subsidiary is more likely to be heard and listened to by headquarters. Less powerful subsidiaries – in weaker (i.e. implementer) roles (often the case in shared service centres) – are less likely to have an influence in the MNC (see also Birkinshaw and Hood, 1998). However, some 'low-power' subsidiaries have deployed strategies to gain the attention of headquarters (Bouquet and Birkinshaw, 2008), providing insight into how subsidiaries with little power can gain a voice in social dialogue. Similarly, research has looked at the issue of power relations within MNCs in Argentina, Canada and Mexico and contends that subsidiary policy on labour relations is not simply the product of adaptation from and to home and host institutional environments: in fact, it is shaped by the multiple power relations that characterise MNC subsidiaries (Lévesque et al, 2015). The research found that a policy of strong engagement with trade unions requires the presence of actors that can mobilise power resources and that it is when both management and workers have power resources that subsidiaries are more likely to develop a policy of strong engagement with trade unions.

Another factor that may influence MNC behaviour across borders is the type of MNC, based on the following classifications: global versus multidomestic firms; centralised versus decentralised structures; company ownership models; the involvement of shareholders; and the product(s) on offer (see Table 5).

Studies differentiate between what they define as global and multi-domestic firms (Scullion and Starkey, 2000). The former tends to operate under a centralised model, with HRM fulfilling a wide range of activities within the organisation, while the latter tends to be much more decentralised, with corporate HRM fulfilling a much narrower range of activities.

In this context, the organisational setup of an MNC is also significant. There are centralised as opposed to decentralised organisation principles, such as different types of matrix management that link global and local levels of divisions, products or functions. Organisational principles affect HRM insofar since, in highly centralised MNCs,⁷ the local or national level of HRM may either have significant autonomy or, conversely, very little scope for own initiatives and activities.

⁷ For an example of a highly centralised MNC, see the Tesla example under 'Non-EWC multinationals' on page 30.

Table 5: The influence of sectoral and company-specific factors

Factor	Influence
Sector	Low levels of unionisation in sectors such as the technology industry and retail result in weak or non-existent collective bargaining in some countries
Product offering	A diversified product offering may result in a greater diversity in how the business, including HRM functions, is organised; conversely, narrow product ranges may be more likely to produce homogenous business and HRM processes
Power and role of subsidiaries	The level of power of subsidiaries within an organisation – based on factors such as their product offering – may affect their level of autonomy
Global versus multi-domestic firms	Global firms are more likely to be centralised, while multi-domestic firms are more likely to be decentralised, with HRM at headquarter level performing a narrower range of activities
Centralised versus decentralised MNC models	If the key functions of HRM are at the global level, there will be little room for local- or national-level HRM
Ownership of MNC	Family-owned MNCs will operate differently from shareholder-driven firms, which will be more focused on shareholder value
CSR and reputational pressures	Some MNCs operate in sectors that are under public scrutiny, which will have an impact on CSR policies, including ways of engaging with employee representatives

Source: Authors' own compilation

In MNCs moving from a matrix organisational structure with regional and divisional lines to a more centralised model, the key functions of HRM move to the global level with little room for local or national level HRM. This shift will naturally impact social dialogue and labour relations.

The ownership of a company can also be a significant factor. Family firms, for example, are likely to operate in a very different way to those that are driven by shareholders. There are also issues around shareholder-versus stakeholder-driven MNCs and corporate responsibility. For instance, some sectors (such as consumer goods, food and textiles) are much more exposed than others to public opinion and civil society groups (for example, those involved with environmental and human rights issues). Some MNCs in these sectors, such as Unilever, are thus put under greater public pressure to act in a socially responsible way and listen more closely to stakeholder demands and opinion (see Unilever case study in the working paper – Eurofound, 2020). Indeed, an increasing number of initiatives have sought to make CSR and other responsibilities more binding.⁸

Influence of home- and host-country setting

Two contrasting rationales characterise much of the literature on the influence of the home and host country. One long research tradition suggests that trade unions, employee representation structures and

conventions are deeply embedded in national political economies. These institutions are thought to be so powerful that MNCs are forced to adapt to local traditions (e.g. collective bargaining or interaction with works councils), despite corporate preference to act otherwise for perceived competitive advantage (Taylor et al, 1996; Whitley, 2001).

The countervailing logic is that MNCs operate in a manner that is 'exogenous [external] to national path dependencies' (Lamare et al, 2013, p. 695). They seek to deploy practices developed in different national contexts and/or utilise approaches that dilute the impact of local institutional pressures. For example, some empirical studies have shown how US MNCs manage to substantially insulate themselves from the influence of trade unions and sectoral bargaining in some European countries. This evidence suggests that MNCs are increasingly seeking to adapt bargaining processes and structures to their own needs and to consider national and sectoral collective bargaining as less relevant to their own employment practices. This is certainly the case for voluntarist regimes, such as Ireland and the UK, where companies have management prerogative rights and are thus essentially able to choose whether to recognise unions or not. Continental Europe, however, follows a predominantly rights-based system, in which companies are obliged to engage with employee representation whenever employees request it. US MNCs are more likely to exercise their strategic freedom in other Anglophone national settings (Marginson et al, 2010). Employee representation is also limited in white-collar sectors,

⁸ Examples include the EU Regulation on Conflict Minerals (2017) and the French Duty of Care Act (2017).

Table 6: The impact of subsidiary location on social dialogue

Scenario	Possible outcomes
Employee representation structures are deeply embedded in national political economies	MNCs are forced to adapt to local traditions in the countries in which they operate
MNCs operate in a way that is exogenous (external) to national path dependencies	MNCs dilute the impact of local structural and institutional pressures
MNC subsidiaries compare themselves with others in the company or with competitors in their country	Can lead to the standardisation of HRM, although not if national institutions have a differentiating influence in different countries
Country of operation has multi-employer bargaining traditions and strong trade unions	MNCs may try to push for greater decentralisation of collective bargaining in order to negotiate their own agreements independently of national and sectoral traditions
Subsidiaries are locally autonomous	The greater the local autonomy, the more deviation from headquarters
Host country environment is regulated	Regulation can sometimes help MNCs transfer employment relations and HRM practices from home to host country
CSR and reputational pressures	Some MNCs operate in sectors that are under public scrutiny, which will have an impact on CSR policies, including ways of engaging with employee representatives

Source: Authors' own compilation

where companies can offer better individual HRM practices. For instance, in professional services in France, Italy and Spain, highly skilled workers are not covered by employee representation.

Furthermore, MNC subsidiaries may compare themselves with other subsidiaries of their own company in other countries or with competitors' subsidiaries (Arrowsmith and Marginson, 2006). This issue has also been much debated from the business perspective and HRM. Some researchers (e.g. Edwards et al, 2016) suggest that there is evidence of HRM standardisation across MNC subsidiaries, while others focus on the detail of how different national institutions may affect MNCs' abilities to apply such practices in different country settings (e.g. Farndale et al, 2011).

Another possible scenario is that, in countries with multi-employer bargaining traditions and strong trade unions, MNCs will push for: the greater decentralisation of collective bargaining; freedom to negotiate their own employment practices with local unions, independently of national and sectoral dynamics; and the ability to focus on the strengthening of their own competitiveness and adaptability (Eurofound, 2009b).

Table 6 provides an overview of the scenarios outlined above.

A number of other studies have analysed HRM practices in terms of the interaction between the country of origin (the home country) and the country in which the subsidiary is based (the host country). The extent of a subsidiary's autonomy determines how much it can deviate from strategies and policies that are set centrally and implement its own HRM practices in line with national frameworks and contexts, including pressure from employees and their representatives. Such interaction has been characterised as 'normative integration' (Williams, 2011).

Empirical studies (e.g. Gunnigle et al, 2015) have also addressed the transfer of employment relations and HRM practices from the headquarters of an MNC to subsidiaries in host countries (Almond et al, 2005; Ferner et al, 2005). The transfer of specific practices, such as pay and performance measuring or metrics, have also been studied empirically (Ferner et al, 2012). Bergström (2018), for example, looks at the successful transfer of HRM practices from a Swedish MNC to its foreign subsidiaries in extensively regulated host-country institutional environments in Germany and the Netherlands, which required a balanced conceptualisation of the role of legal frameworks. This example suggests that host-country institutional environments can, rather than acting as obstacles, contribute to and support MNCs in the transfer of HRM practices.

The 'country-of-origin effect' has also been much debated in investigations of subsidiary-headquarters relations. The assumption is that, because of their peripheral status within the corporate power structure, local subsidiaries in MNCs may be obliged to follow and implement HRM policies designed and adopted by central management. For example, Edwards et al (2013) note that national (host-country) context remains a 'significant and influential factor' on how MNCs control their subsidiaries; however, they also state that it is important to look beyond the host-country context to the structures and cultures of the subsidiaries to understand what goes on within subsidiaries. Some studies go further, suggesting that local subsidiaries can transcend this 'subordinate' position (Morgan and Kristensen, 2006). Additionally, some case studies have acknowledged the positive influence of MNCs on local HRM practices: by bringing experience from different countries, they can benefit the subsidiaries and their workforce and change management practices (Eurofound, 2016).

Other factors are potentially at play here, too. Almond (2016) believes that the way in which MNCs organise HRM in their home countries has the potential to shape HRM in their overseas subsidiaries. He refers to three main dimensions framing the relationship between central and subsidiary company management.

- The **relational perspective** analyses the employment relationship and HRM.
- In the **distinctive approach**, the articulation or transfer of HRM policies is shaped by both national context and the degree of control (centralisation of decision-making, social dialogue practices).
- In **unilateral implementation**, the relationship between central and subsidiary is determined mainly by local managers.

The replication of certain HRM practices from the country of origin has reportedly produced mixed results. One example is Japanese MNCs in European subsidiaries (Ferner et al, 2011). The motor manufacturing sector has shown that certain aspects of Japanese management culture can be transferred successfully to companies in Europe in areas such as team working, quality control and rotation and egalitarian management structures. However, it has proved more difficult to transfer Japanese management style and industrial relations practices in a more wholesale way, and this usually only succeeds in cases where there is a significant investment of managerial time on the part of the parent company.

Building on this debate, it is also important to consider the specificity of the European model of social dialogue and the impact this may have on MNCs' practices and activities in areas such as corporate strategy, business activities, organisational culture and HRM strategy. In the EU, there are comparatively strong information and consultation rights at company level, set by EU directives, and a strong influence of collective bargaining between trade unions and sectoral employer organisations – in particular, as regards working and pay conditions in large companies, which is unique in the global context (ILO, 2017). The European social model is very particular in terms of worker involvement and participation in company decisions, such as restructuring, change in the business model and adapting to change.⁹ The European model of HRM is characterised as unique by Brewster (2007), who notes that management in European-headquartered MNCs

can see trade unions as social partners with a positive role to play in HRM. There is also evidence of the successful integration of HRM and collective bargaining and more traditional approaches to industrial relations, as long as employers cooperate with union representatives and unions adopt a less adversarial approach.

Nevertheless, even within Europe, there can be broad differences depending on an MNC's country of origin. For example, some US-headquartered companies with subsidiaries in Europe will have different understandings of the concept of social dialogue, and this will typically not involve trade unions. Some French and German companies, on the other hand, have created social dialogue arrangements that go beyond mere compliance. One well-known example is Danone in France, which has developed robust social dialogue as part of efforts to engage with trade unions present in the company on its own terms. German MNCs operate in a slightly different climate to those in most other countries, in that worker representatives have well-defined rights, including rights to codetermination, which give greater powers to company- and group-level employee representatives on social and employment matters.

Conversely, MNCs based in or operating in central and eastern European countries will find it difficult to implement EU standards of worker involvement and communication at the national level. This difficulty is due to factors such as the absence of social partnership or social dialogue traditions and weak social partner organisations and structures at sectoral level.¹⁰

Another area of divergence is among company-specific labour relations cultures and management concepts. Previous research on this topic in Germany, for example, has identified a broad spectrum of approaches towards social dialogue and relations with works councils and trade unions, most of which tend not to be cooperative or even partnership-based.¹¹

Role of ownership structure

Over the last two decades, there has been an increasing interest in and debate about the role of financial investors, hedge funds and other 'activist shareholders' (shareholders that seek to influence management) on company decisions and restructuring.

⁹ This was a key message of a comparative study project that was conducted by wmp consult in cooperation with national experts in a number of non-European countries (including Brazil, Canada, China, Morocco, Russia, South Africa, South Korea and Turkey) on socially responsible restructuring. The report was a background document for a high-level restructuring forum on socially responsible restructuring organised by the EU Commission in 2011 (European Commission, 2011).

¹⁰ See, for example, Gardawski (2013) on Poland and Meardi et al (2013) on Czechia.

¹¹ Research analysing medium-sized companies in the metalworking and electronics sector in Southern Germany has identified as many as nine different HRM patterns in relation to collective workers representation (Trinczek, 2004).

Economic research in this context has highlighted the negative effect of the financialisation of the economy (i.e. the growth in the size and influence of the financial sector) on employment, working conditions and sustainable company growth (see, for example, Epstein, 2005; Dore, 2008; Heyes et al, 2012; Tsagas, 2012).

In the sample of companies in the present study, there are two quite prominent cases of private investment funds and activist shareholders using their influence on far-reaching restructuring and reorganisation decisions.

In 2017, Unilever was presented with a €134 billion takeover bid by US-based Kraft Heinz, which was rejected by the Unilever CEO and the majority of the management board, in contrast to the general shareholder desire to accept the offer. To avoid future hostile takeover attempts, Unilever initiated a €5 billion share repurchase programme, which was also highly controversial among its shareholders. As a result, Unilever management and CEO came under increasing pressure to raise profit growth and, consequently, announced in 2018 that it would raise the dividend significantly by 12%, aiming to achieve a 20% operating margin by 2020 compared with around 16% in 2016. To achieve this, Unilever launched a major restructuring programme that particularly affected European sites with significant job reduction measures and plans. It also sold one of its core and most traditional divisions, margarine production, to a large private financial investor for around €6 billion.

At ABB, senior management came under increased pressure from one private activist investor to increase profit margins by reorganisation and divestment. At the end of 2018, management announced that the second largest division of the company, its power grids business, would be sold to the Japanese conglomerate Hitachi for €5.5 billion. This divestment was intended to

make the company leaner, to help it focus more on profitable future business and to make a speedier turnaround.

A further element is the internationalisation of ownership structures. Apart from Danfoss, which is still family-owned, all other companies are joint-stock companies in which global and 'footloose' private investments funds play an increasing role in influencing company decisions and business targets. The increasing influence of activist global financial investors on company decisions indicates a number of challenges in terms of the role and influence of top-level corporate management and the role of shareholders and social dialogue. These challenges have been highlighted in an academic paper on the impact of employment relations research.

First, firms governed by agents of financial capitalism feel free to breach bargains previously established with incumbent stakeholders. The use of assets in portfolio firms as security not only exposes portfolio firm assets (and in turn employees and former employees) to risk in leveraged buyouts but allows new owners to break implicit contracts to meet debt obligations, exacerbating the divergence of interests among owners, middle managers, workers, suppliers and local communities. Second, there is the question of who makes the key decisions for portfolio firms and how, and whether trade unions or other stakeholders in portfolio firms have even the opportunity to consult or negotiate with owners over decisions that affect explicit and implicit contracts ... Third, value and the realization of value under PE [private equity] mean that the nationality of investors and shareholders becomes a less significant factor and challenges researchers to re-examine key institutional and cultural research tools such as a productivity agenda, country of origin, and associated effects.

(Appelbaum et al, 2012, pp. 18–19)

2 Relationship between HRM and social dialogue in MNCs

Management strategies and company organisation

There has been much debate in the literature on the strategic role and function of HRM, whether and how this is changing and why. It is widely accepted that the role of HRM is currently changing, which may have an impact on the position and power of HRM in MNCs. This shift is the result of a range of factors, chiefly digitalisation, which has seen many of the traditional HRM functions written into software and thereby moved into the domains of IT and finance. The end result is a loss of power and influence for HRM.

Historically, HRM's power has been centred on employee relations; collective agreements were in place and collective voice was very important. Now, there are general indications that trends are turning away from collectivism and workers' involvement in trade unions and towards greater individualism and reduced employee engagement.¹² In many companies, the HRM focus has now shifted from employee relations onto areas such as executive pay, talent management and compliance with employment legislation.

Haipeter et al (2019) examined the role of representational bodies in periods of company restructuring in 10 countries. By considering a variety of case studies, they identified a number of broad models of articulation (i.e. relationships), characterised by differing levels of coordination and integration. The models ranged from 'disarticulation', characterised by weak vertical coordination between the national and transnational fields and weak integration within the transnational field, to 'comprehensive articulation', characterised by the development of the transnational field into an important institution for coordination, with a high degree of integration. Haipeter et al (2019) note that cross-border restructuring will not, on its own, lead to any notable degree of articulation within employee representation in MNCs. The decisive factors are related to specific organisational structures and the diverging interpretations of actors. For example, there will be strong articulation if the actors see that value can be added through representation at transnational level.

The shift of focus of HRM reflects structural changes within the European workforce – that is, the share of production-related blue-collar work is decreasing while the share of white-collar work related to executive, research and development and central business functions is increasing. Together with the general erosion of collective bargaining and trade union membership, these structural changes contribute to the general shift away from collective labour relations and corresponding HRM functions (collective bargaining negotiations) towards more individualised and stronger business-oriented HRM functions. While it must be stressed that the former is not strictly diminishing, the diversity of HRM functions has definitely increased during the past decade.

In this context, it is interesting to compare some examples of the practices of MNCs headquartered in different countries. For example, Tüselmann et al (2015) examined and compared HRM and employee participation practices in French, German and US multinationals. They note that in French firms, for example, employment relations have historically been characterised by mutual distrust and the assertion of management's prerogative, and that employee participation channels have been mainly indirect. In recent years, changes in the French employment landscape and legislative reforms have introduced more flexibility into collective bargaining and interest representation, and these seem to have made indirect voice mechanisms in firms less adversarial than in the past. However, these changes have generally not evolved into the kind of cooperative employment relationships associated with the German model, for example. Tüselmann et al (2015) also recognise that, although most French MNCs have indirect voice channels in place in their home locations to comply with legislation, management policies often undermine these; this has also not been improved by the relatively widespread development of direct voice channels in France. As for the behaviour of subsidiaries, the research found that French subsidiaries are significantly less likely to use direct voice channels compared to German or US subsidiaries. Tüselmann et al conclude that French subsidiaries may be unwilling to grant

12 For a discussion of individualism and management practices, see van Hoorn (2012).

labour a voice on workplace decisions, indicating a greater emphasis on the use of management's prerogative, and that this mirrors French companies' traditional reluctance to involve employees in workplace issues – either directly or indirectly – despite the legal requirement to have indirect channels in France.

Further research focusing on the experiences of French MNCs in Hungary, Romania and Slovakia found that, in the view of the researchers, there is no 'French social model' relating to the operation of French MNCs in eastern European countries (Delteil and Dieuaide, 2010). The researchers thus formulated the concept of a 'managerial social dialogue', based on the use of law and collective bargaining by management in these countries. They found that, at the level of EWCs, management implements HR policies on a global scale, thereby progressively disconnecting social dialogue from traditional collective bargaining frameworks and reflecting a certain 'institutional permeability' of the employment relationship.

Delteil and Dieuaide established a typology of different models of HR policy:

- a voluntarist policy, based on a group culture or a negotiated involvement (more marked in the case of family-owned companies)
- a market policy, based on the use of benchmarking (significant within shareholder-owned firms)

They also found that foreign direct investment in eastern Europe has not resulted in the transfer of social models from parent companies but has instead given rise to complex forms of hybridisation. Far from conforming to its French counterpart, eastern European managerial social dialogue is much more 'disintermediated' – for example, applying over-the-counter reports, 'permanent' dialogue, ad hoc committees, multiple individual bonuses, etc. – which can lead to large-scale social conflicts.

Other effects of globalisation on company strategy and organisation include the fact that executive teams and global leadership are becoming less dominated by the home country and more multicultural in nature. The internationalisation of leadership might also have implications for social dialogue, as a growing number of executive managers may come from countries or regions outside Europe, and therefore have different perceptions of labour relations, collective labour rights and social partnership.

Academic research and management theory have highlighted that, to achieve cost advantages and gains, all MNCs have to adjust to both specific local framework conditions and the global integration and standardisation of activities and processes.

Management research has identified four different types of strategy to balance these needs: global, multinational, international and transnational strategies (see in particular Bartlett and Ghoshal, 1989). These strategic orientations have important implications for the decision-making competences of different management levels.

Global model: In the global model, the headquarters dominates. It is headquarters that develops and implements the uniform strategy for the world market, so it makes sense to have all the essential decision-making powers in one place. The foreign subsidiaries serve merely as sales channels and have only operational decision-making powers, though even in this case the framework is set by head office and is also strictly controlled. Compliance is achieved through a sophisticated reporting system and by filling management positions with managers from headquarters.

Multinational model: The multinational model represents the other end of the spectrum. In this case, head office is simply one of several units, and it has equal rights as its foreign subsidiaries, which each work their domestic markets independently. This basic strategy is counterbalanced by the far-reaching decision-making autonomy of the foreign companies in the corresponding organisational structure. The foreign companies need this autonomy in order to be able to successfully work their specific markets.

Between these two polar opposites of strategic management models, there are two intermediate approaches.

International model: The international model has a higher degree of centralisation. The central office coordinates and is responsible for overarching strategic decisions. Since there is little pressure to adapt decisions to local circumstances, decisions in this structure can also be more centralised in line with the strategy.

Transnational model: In the transnational model, the central office has few specific central tasks. As far as the organisational structure is concerned, the network essentially organises itself. Individual foreign subsidiaries and head office coordinate their activities multilaterally in all directions to coordinate those stages of the value chain that do not have direct contact with the customer. This requires complex coordination processes, as a coordinating head office is missing.

Table 7 summarises the major features of these four strategic organisational models, highlighting the different roles of headquarters and of local/national subsidiaries, as well as the organisational principles.

Table 7: Organisational models of MNCs

	Global	Multinational	International	Transnational
Headquarters	Strategic decisions, norms, resources and responsibilities are highly centralised	Strategic decisions, norms, resources and responsibilities are highly decentralised	Coordinated federation Strategic decisions, norms, resources and responsibilities are partly decentralised	Multilateral coordination with diversified and specialised resources and competences
Subsidiaries	Foreign subsidiaries are merely channels for supplying a single world market	Foreign subsidiaries act as a portfolio of independent companies	Foreign subsidiaries are an annex to the headquarters	Complex coordination and cooperation processes in an environment of joint decision-making
Organisation	Strict control of decisions, resources, information	Simple financial control and informal relations	Formal planning and control systems	Formal planning and control systems

Source: Authors' own compilation

Turning to the four companies in the sample, ABB and Unilever – and increasingly also Danfoss – follow the more transnational or multinational models, in that they are more international or globally integrated companies. They pursue a policy of global expansion, which is particularly dependent on global market presence and implies a move into growing markets.

The policy of international expansion is accompanied by increased efforts to integrate the various parts of the company (domestic/international, business units, acquired business units) to achieve cost savings and efficiency gains. The predominant organisational form is the matrix structure, in which the functional global management of the operative business (in individual divisions, business areas, business units) gains priority over regional or national headquarters across divisions.

The matrix structure provides space for political negotiation processes and reflects the conflicting demands of global integration and local adaptation in organisational terms. Even in companies that operate in a highly nationally varied regulatory and market environment, those areas in which it is possible to integrate cross-border, group-wide business processes will be organised globally. Examples include the more recent centralisation of business functions in shared services or global business centres at ABB or Unilever.

This trend towards the globalisation of company organisation contrasts with assessments made by some researchers (Dörre, 1997; Marginson and Sisson, 2004) who argue that, due to the European single market, a specific, European type of globally integrated company with a separate European dimension in their management structure is going to emerge. However, apart from UniCredit, whose field of activity largely centres on the European space, this does not seem to apply to the case studies in this report.

Power dynamics in MNCs

Recent sociological studies have stressed the notion of MNCs as transnational spaces (Geppert and Williams, 2006; Köhler and González-Begega, 2010). According to this perspective, MNCs are based on a plurality of relations between actors who interact and negotiate according to their interests and powers (Morgan, 2001). Power dynamics in employment relations are interactively created by managers and owners, as well as by employee representatives, including international trade unions (Edwards and Bélanger, 2009).

Depending on the type of MNC, certain studies have focused on the 'micro-political games' played between the headquarters and its subsidiaries to influence areas such as budget allocation, mandate change and relocation decisions (Dörrenbächer and Geppert, 2011). The researchers noted that micro-political bargaining power plays a subtle but crucial role, as it is important in the enactment of the three other types of power:

- systemic (i.e. linked to the systems in place in MNCs)
- resource-dependency (linked to the available resources and how they are distributed in an organisation)
- institutional (linked to the institution and its structures)

They note that, as headquarters have unlimited access to formal power, subsidiaries find it necessary to constantly apply micro-political bargaining power. The effectiveness of such bargaining for subsidiary actors is based on two factors: 1) information retrieval from headquarters and 2) the leveraging of such information in issue-selling (i.e. influencing which issues are noticed) or conflict-handling processes. In practice, this application of micro-political bargaining power may have the consequence of subsidiary deviation from the policies and practices set at headquarter level, as it can increase the power of subsidiaries in situations in which they are subservient to the MNC headquarters.

Other influences in terms of power include company policy in choosing national managers. In cases where an MNC has a policy of sending out national managers from headquarters, managers will know much less about the national context than local managers and employee representatives, and this will affect how these parties interact.

Particularly important in this context is a decade's worth of research on industrial relations – which was also triggered in Europe by the enlargement of the EU towards central and eastern Europe (Kluge and Voss, 2003) – and employment relations studies on the interaction between the home- and host-country influences within a multi-level system of governance (Marginson and Sisson, 2004). When examining the European dimension of industrial relations, Marginson and Sisson refer to a 'multi-level system' of different industrial relations actors in a variety of places and times. The term 'multi-level system' encapsulates the complexity of the relations between the local and European level within the EU. Notably, the differences between national and sectoral contexts, as well as local workplaces, arguably make European-level social partner representation – whether trade unions or employer associations – particularly difficult. As such, the possibility of developing an effective EU-level social dialogue is limited.

More recently, the concept of the 'multi-level system' was used (Keune and Marginson, 2013) in relation to the institution of European social dialogue: specifically, a 'multi-level perspective' on European social dialogue, referring to different levels of autonomy and dependency among different actors across different levels and spaces. The authors stress the prevalence of power relations in the framing of the European multi-level framework of industrial relations. This perspective is in line with existing research in industrial relations and employment studies, which focuses on the importance of studying the relationships (or 'articulation') – including hierarchies and power relations – between the tripartite or bipartite players involved in the industrial relations systems of the Member States, as well as in the emerging system of EU-level industrial relations (e.g. Pulignano and Turk, 2016).

Other factors influencing HRM and social dialogue

Certain influencing factors can be seen as strengthening transnational social dialogue and cooperation with collective worker representation at different levels.

Here, the emergence of stronger regulation and new requirements in terms of CSR, due diligence and duty of care should be mentioned. These developments have resulted in new types of global framework agreements and the strengthening of company-specific industrial relations and labour-management relations from the global to the local level of labour relations and HRM.¹³

Motivations behind investments may also play a part in the interaction of HRM and social dialogue in MNCs. For example, a company may have an opportunist strategy, in that it chooses its business locations to minimise employment cost and improve management freedom (Streeck, 1992), or a company may invest in countries with similar features to the home country (Sethi and Elango, 1999). As explained in more detail in the case study-related analysis, it was found that, in Europe, social dialogue and collective bargaining practices and framework conditions do not seem to be a highly relevant aspect of making investment decisions, beyond their impact on wage levels.

When companies invest in countries that are similar to their home country, they are more likely to encourage social dialogue that is also similar to traditions in the home country. In contrast, opportunist strategies may encourage decentralisation of HR or, conversely, a more centralist policy in order to deal with the wide diversity found in the investee countries.

Such decisions on investment are widely discussed in the HRM literature, as outlined below. Some constraints, such as legal and collective regulation, may hinder investment in potential host countries. On the other hand, certain resources may attract investment in a host country: skills institutions, research and development infrastructures, clusters of firms that could be used as suppliers, and the skills and competences of the local workforce, for example. Such 'regime shopping' has been a topic of discussion in HRM and industrial relations literature for almost three decades (see, for example, Streeck, 1991; Mueller, 1996; Traxler and Woitech, 2000). It has also been examined more recently by Almond et al, who note that the concept of regime shopping has been used mainly to draw attention to:

the ways in which some MNCs have sought to avoid labour-friendly elements of host country regulation, the consequent risks of social dumping if investment decisions are made on this basis, and thus the risks of a race to the bottom as erstwhile social democracies compete for productive investment with regimes that offer fewer protections for labour.

(Almond et al, 2014, p. 240)

¹³ See Voss et al (2019) for an analysis of more recent global framework agreements, paying specific attention to the links between global- and local-level working conditions and social dialogue.

HR and labour relations management

Trends in centralisation and standardisation

HRM has been dramatically shifting its role over recent years. Rather than its value diminishing, the HR function is being transformed: it has become more person-centric or people-oriented, opening up new related activities within the company. In this regard, HRM is breaking up silos and becoming increasingly business oriented. In particular, data-driven HRM is challenging and changing the way in which HR practices are performed. AI tools, so-called ‘people analytics’, and other technologies based on automation and Internet of Things-enabled devices are transforming both the workplace and the working environment – including HRM’s interaction with social dialogue and workers’ representatives.

Additionally, various studies examine centralisation and standardisation and their potential impact on social dialogue and HRM. For example, the implementation of cross-border standardisation strategies in HRM – particularly with respect to digital transformation – has recently been highlighted by the European Trade Union Institute (ETUI) as potentially undermining workers’ rights on information and consultation, thus seriously influencing individual employment relations (Dörrenbächer et al, 2016).

Other research has explored standardisation in MNCs by examining a Dutch subsidiary of a US company, specifically looking at why the subsidiary line managers implemented HRM practices in a way that was not intended by headquarters (Bos-Nehles et al, 2017). It was found that, because some line managers failed to see the value of the content of the HRM practice and the process of execution, some ignored, deviated from, imitated (i.e. ‘paid lip service’ to), internalised (i.e. internalised the meaning or value, enabling it to be implemented flexibly), initiated and/or integrated the practices delegated from the central level. Such deviation indicates that, in some cases, standardisation may not be strictly ‘legitimate’. Some subsidiary line managers considered the proposed practice inappropriate for attaining the desired goals and outcomes, and they therefore adjusted the practice to reflect their needs. By deviating from existing practices, therefore, line managers could also improve subsidiary operations and service delivery with the aim of making HRM implementation more effective; indeed, the desired subsidiary outcomes might *only* be achieved because managers adjust a practice to a given situation. Poorly designed or inadequate policies can therefore be ‘rescued’ by good management behaviour in subsidiaries.

In the context of this study, two issues were discussed at length: the centralisation and standardisation of HR, and the effects that these are likely to have on HRM and its interactions with the main social dialogue actors in MNCs. HRM process standardisation might lead to the greater centralisation of decision-making in MNCs, which in turn may devalue and disempower local HRM managers, making effective social dialogue difficult. Accordingly, if the HRM process is standardised and centralised, the diversity and flexibility that result from local decision-making will not fit into this model. Local decision-making is therefore at risk of being shut down in favour of centralised decision-making that fits with the centralised systems in place.

Such centralisation has been highlighted as a key trend in HR, exemplified by companies such as the French car manufacturer Renault. However, a centralised approach to some HR issues can lead to problems. Take, for example, a centralised policy to pay workers at the market rate. Without relevant local salary surveys, local managers may not know what that rate should be, and this could lead to a rhetoric/reality gap in which local managers are not able to implement the centralised policy because of a lack of real and reliable evidence. This type of problem fits with the legitimacy issues noted by the literature on this topic.

However, it should be noted that centralisation is not the same as uniformity. Decisions may be taken at central level on regional strategies and on the placing of certain plants in particular countries, meaning that there is clear competition between subsidiaries for the next round of investment in MNCs. This competition is likely to affect the coordination of both HRM and social dialogue. Potential consequences include a divergence of practice among MNC subsidiaries as they fight for investment, maybe even in contrast to a standardisation approach set at the level of the company headquarters.

Connected to the issue of centralisation, one opinion from the expert seminars was that the middle level of HRM (i.e. HRM region and country managers) is losing power, and that this is possibly a result of trends towards centralisation on the one hand and local implementation on the other. Conversely, this may be the result of a heavily devolved model, as in the case of some retailers. In global MNCs, the European centre of HRM used to have a great deal of power, but it is now losing its function of ‘brokering’ between global management and local levels. It should be noted, however, that subsidiaries vary significantly in terms of where power is located: in the UK, for instance, the power in a subsidiary might be in London (the capital) in some cases, while in others it would be the regional plant. Other relevant structural shifts include the move away from national HRM to a model based on global HRM and HRM for specific product divisions.

Like centralisation, HR standardisation can have a significant influence on social dialogue and HRM practices within an MNC. The development of HR management software, such as SAP,¹⁴ is an important driver for standardisation. MNCs normally carry out a pilot in one country and, if it is successful, will roll it out across the organisation. In some countries, however, this is not possible due to data protection frameworks, which thus limits the potential for standardisation.¹⁵ Much of the standardisation caused by IT may in fact be unintentional. Rather, it is a result of the fact that HR needs to provide certain types of standardised information across the company because this is required by IT systems, such as the SAP system. The centralisation of HRM via digital standardised HR information systems can also depersonalise and dehumanise decision-making processes, which might then have a significant impact on social dialogue between headquarters and local subsidiaries because local HR functions are hollowed out by this process.

Reilly (2015) agrees that the trend towards standardisation is facilitated by technology and structural change, including the move to shared service centres. However, Reilly identifies another possible driver: cultural assimilation of all parts of the company – that is, ensuring that everyone is ‘on brand’ – to protect the company from potential reputational risks from any parts of the organisation that are seen to be ‘mavericks’. Naturally, there are country and sectoral differences within this, as well as differences related to subject matter: headquarters often wants more control over issues such as executive talent management and senior pay and can be less interested in local labour relations, for example.

Nonetheless, centralisation and a devolved model may be able to sit together in MNCs. Researchers (Ferner et al, 2004, p. 385) have argued that, in reality, MNCs oscillate between degrees of centralisation and decentralisation in response to external market conditions, and that ‘this is not determined in a mechanical way by headquarters edict, but emerges out of a process of negotiation between head office and the subsidiary.’ For some US-headquartered MNCs operating in the EU, therefore, the growing strategic importance of subsidiaries outside the US provides

a basis for the increased bargaining power of host-country managers: ‘in short, oscillation is partly a reflection of the negotiation process that underlies the definition of the centralization–autonomy balance in a given instance’ (Ferner et al, 2004, p. 385).

Although not new, the trend towards the outsourcing of HR functions continues to have implications for HRM. Formerly a central and strategic function, HR can now be treated as a ‘back-office’ role, as is the case with finance departments. This is because it is now possible to outsource certain functions – such as talent management or payroll services, both of which used to be a traditional function kept at central level (and often also at national HRM level); and many companies do not have a HR function at all.

More recently, the concept of shared service centres has emerged in many companies. As reported by both HR managers and employee representatives in the case studies part of the research, shared service centres concentrate certain HR functions (payroll, handling of social and tax issues, pensions payments, etc.) and relocate them as a centralised HR business function at a global or regionalised (e.g. European) level. Shared service centres are also linked to significant losses in terms of competences and employment in national HR functions, which are likely to see their functions reduced to recruitment, training and compliance issues (including information and consultation and collective bargaining).

Key functions of HRM

According to the case study interviews with executive HR managers at headquarter level, HRM has three essential functions in relation to social dialogue at transnational as well as at national level.

Guaranteeing compliance with labour law and other sources: HRM ensures compliance with collective agreements, regulating terms and conditions of employment and working conditions, as well as labour relations and social dialogue, for example the EWC Directive at European level or co-determination and/or information and consultation rights at national level. In this context, HRM also has a controlling role in relation to business management.

¹⁴ SAP SE is a German multinational software corporation that makes enterprise software to manage business operations and customer relations. The company is especially known for its ERP (Enterprise Resource Planning) software, which enables the integrated management of main business processes, often in real-time and mediated by software and technology.

¹⁵ Indeed, all MNCs operating in the EU are covered by European regulations through the General Data Protection Regulation (GDPR), which provides a minimum framework for the management, storage and use of data.

A key actor and partner of social dialogue and labour relations: HRM functions in relation to works councils, trade unions and other employee interest representation bodies. The labour relations function was highlighted by HR managers at country level, referring for example to collective bargaining on wages, the negotiation of social plans or engaging in joint projects with employee representatives and/or trade unions. It was also emphasised that this function requires a certain degree of understanding and expertise, not only in relation to legal requirements and national labour law but also national and company-specific structures and cultures of labour relations and social dialogue. The latter was also stressed by employee representatives, who referred to examples of conflicts or tensions with HR managers from abroad who ‘did not understand how the system in our country works’.

Business management: A third and increasingly important function of HRM at transnational and country level is in the management of the business. In this instance, HR plays a supportive and facilitating role in implementing key strategic programmes, business targets or cost-saving plans, as well as more future-oriented activities, such as skills and competence development, innovative working cultures or company-wide programmes.

HRM at local, national, global and transnational levels

In all the companies in the research sample, the ‘country level’ of HRM is an intermediate level that sits between global or transnational HRM and local HR managers who work at the level of individual sites. Although in larger sites local HR managers might also play a role in terms of compliance or business service functions, the case studies show that, in most cases, their role is to implement the decisions of HRM from a higher level. It was also noted by interview partners that local HR managers are much more likely to be expatriates who have neither the expertise nor the competence to play a more active role in social dialogue at company level.

The two largest companies in our sample (ABB and Unilever) are characterised by a strong trend towards global rather than European decision-making. This tendency implies a standardisation and harmonisation of HRM practices and processes, as well as a centralisation of certain functions – for example, by creating global business centres, global centres of

excellence or shared service centres. Such centralisation has significant consequences for HRM and can be a challenge for managing labour relations that are still rooted in national and even company-specific traditions and established practices. As such, some HR managers at country level have raised concerns about global strategies that result in a loss of both autonomy and scope for local- or national-level collective bargaining as well as a loss of expertise and knowledge about national industrial relations systems.

Compared to national and local workplace-related labour law regulation, transnational labour relations at European or even global level are simply too weak to enable stable and binding framework conditions for social dialogue, according to management interviewees. Several senior management representatives responsible for global labour relations similarly cited the weakness of transnational social dialogue compared with national-level regulation – namely, the voluntary and non-binding nature of outcomes and agreements.

According to employee representatives, the personnel management of the companies included in the study tends to be increasingly oriented towards Anglo-Saxon-dominated concepts of international HRM. Adopting an approach of ‘HRM follows the business’, HR managers focus less on the political regulatory area of the EU and more on the area of the company’s expansion. The context of EU regulation is regarded as an institutional factor that has to be respected, but it is not seen as a relevant source of regulatory standardisation of national labour and social rights and it is perceived as too weak to be able to create the basis of EU-wide frameworks of practice and regulation.

Factors influencing interaction between HRM and social dialogue

A wide range of factors can influence the interaction of HRM and social dialogue, including: the degree of employee involvement in decision-making in the company; the degree of centralisation/decentralisation of HR practices; investment strategies; and decisions about the location and career path of managers. An overview of the influence of these factors – in terms of cooperation, divergence and the impact on transactions at global, national and local level – is given in Table 8. Table 9 then shows the likely effects of these factors, how they influence social dialogue and whether social dialogue has an impact on HRM practices, and at what level.

Table 8: HRM factors, trends and practices in MNCs and their interaction with social dialogue outcomes

Factors, trends and practices	Enabling cooperation	Driving divergence	Transnational interactions	National interactions	Local interactions
High level of employee involvement in decision-making	✓		✓	✓	✓
Decentralisation of HRM practices		✓		✓	✓
Standardisation/centralisation of HRM practices	✓	✓	✓		
Digitalisation	Maybe, depending on circumstances	Maybe, depending on circumstances	✓		
Opportunist strategy of investment in different countries		✓		✓	✓
Investment in countries with traditions similar to those of the home country	Depending on circumstances	Depending on circumstances	✓	✓	✓
Flexible 'liquid' workforce strategy		✓			✓
Policy of moving managers from headquarters to subsidiaries		✓	✓	✓	

Source: Authors' own compilation

Table 9: Impact of HRM factors, trends and practices on social dialogue

Factor	Effects	Influence on social dialogue	Social dialogue impact on HR practices at global/local level
High level of employee involvement in decision-making	Strong presence of trade unions/employee representatives	Interactive social dialogue practices; outcomes jointly owned by HRM and employee representatives	✓ At local level
Decentralisation of HRM practices	Increased autonomy of national HR managers	Increased autonomy of social dialogue, depending on country tradition; potential for lack of coordination across countries; more local management control over the social dialogue process	✓ At local level
Standardisation/centralisation of HRM practices	Less autonomy of national HRM Potential problems of legitimacy	Potential conflict with employee representative bodies in countries with different social dialogue traditions; more potential for coordination across countries	✓ At global level
Digitalisation	Decreasing the role and relevance of HRM Centralisation and standardisation	Potentially threatening to social dialogue and information and consultation rights	Difficult to have an influence if HRM systems are standardised and/or outsourced
Opportunist strategy of investment in different countries	Diverse traditions of HRM and employee relations in the company	Potential conflictual social dialogue, both within and between subsidiaries, if investment decisions are made on grounds of cost	✓ At local level, depending on local culture
Investment in countries with traditions similar to those of the home country	Similar HRM and employee relations	Depending on precise traditions, the influence on social dialogue could be positive and streamlined across subsidiaries, or social dialogue could be minimal (i.e. in the case of US-headquartered MNCs)	✓ Depending on home country culture
Policy of moving managers from headquarters to subsidiaries	Difficulties in understanding local environments and	Potential negative effects include conflict between headquarters and local workforces	✓ Depending on home country culture

Source: Authors' own compilation

3 Articulation of HRM and social dialogue

In the context of this report, articulation refers to the links between different levels of social dialogue and HRM. In MNCs, articulation is complex and multi-layered, with levels ranging from global to European, from national to local/plant level and additional layers based on the company's needs or organisational model. Employee interest representation bodies are present at all of these levels in the MNC, supported at each level by external employee interest representation bodies (for the most part, trade unions). As described below, however, some of the trends outlined in this report may have detrimental effects on this system of articulation.

Firstly, in MNCs in which there is a trend towards standardisation and centralisation, established forms of dialogue could be damaged, especially at local plant and national levels. Equally, voluntary forms of dialogue at transnational level, such as cross-border dialogue leading to transnational agreements, might become shallow or ineffective because the links to national and plant level are lost. Accordingly, research has shown that HRM standardisation and centralisation can lead to mass dismissals and the transfer of HR managers away from headquarters or the local subsidiary (Dörrenbächer et al, 2018). Indeed, although centralisation and cross-border standardisation can be crucial in making the HR business partner model work in terms of improved efficiency and cost reduction, Dörrenbächer et al specifically note that this can also lead to a lack of transparency and the loss of personal on-site contact with known HR managers, and the loss of HR managers who are familiar with specific employee situations. This shift can lead to a lack of clear ownership around HR problems and the relocation of HR staff off-site, resulting in situations in which line managers have to carry out personnel duties, such as disciplinary actions, without adequate HR support. Additional HR information systems might be introduced to compensate for the lack of on-site HR staff, but these systems can be user-unfriendly, not considering the employees as customers of HRM and therefore providing a low-quality service for the employees.

For worker representatives, works councils and EWCs, therefore, centralisation poses a threat to frequent on-site contact with known HR managers. Furthermore, senior HR directors and managers at headquarters may no longer have direct knowledge of the specific problems of employees at subsidiary and plant level, which could make social dialogue at these levels highly problematic. With no local or national HRM counterpart for the employee representatives on-site, it becomes

harder to take context-specific information into account and to engage in any appropriate social dialogue.

Headquarters–subsidiary relationships

The nature of the relationship between headquarters and subsidiaries is a key issue in the debate about articulation. In the case of manufacturing companies, for example, this relationship includes a choice about the location of subsidiaries, and it is not unusual to find countries – and even regions and municipalities – competing for manufacturing sites. The main distinction here is between those companies that need to be in a particular place to service that location, and those that can freely choose where to place a plant or subsidiary. However, some MNCs are not impacted by this distinction: telecommunications companies, for instance, can be much more global, with systems integrated across continents. These cases may entail a high level of remote working, which itself challenges more traditional headquarters–subsidiary models; even the notion of a 'headquarters' itself can become a little blurred.

National managers can also influence the communication and articulation process across the company. For example, HR country managers – who are responsible for a national subsidiary or group of subsidiaries at national level – are often closer to the global level than the national level, as they may often be expatriates working in different roles and locations within the company to build their career. As a result, HR country managers tend to identify more strongly with the global level. Conversely, if the local managers have a strong link to the local business, they will have an interest in strong local engagement with employee representatives. This, in turn, may influence the company, at its EU level, in terms of decision-making. Some experts raised the issue of local HRM frustrations with HRM at headquarters, as the former can sometimes work more effectively with their local employee representative partners than they can with HRM at headquarters.

Some research suggests that, in areas such as executive pay regulation, HRM leaders have very limited involvement, and other actors – for example company secretaries, risk and legal professionals, and accountants – have become more influential (HR Magazine, 2014). Those in favour of more

multi-stakeholder agendas in HRM thus also often argue for a return to a more 'horizontal', rather than purely 'vertical'/business strategy-aligned agenda and greater involvement in government and social policy in areas such as apprenticeships, diversity and equality (see for example, Sparrow, 2017).

Vertical articulation of HRM and social dialogue

Comparatively little research has been carried out into the vertical articulation of social dialogue in the EU and specifically in the context of HRM in MNCs. One of the key issues is that the EU does not have a vertically integrated industrial relations system that mirrors the national arrangements found in the majority of the former EU15 (Marginson and Keune, 2011).

As highlighted in a recent Eurofound study on the interconnections between European and national levels of social dialogue (Eurofound, 2018), the functioning and quality of cross-border social dialogue crucially depends on the links between European and national levels of social dialogue. According to the study, 'well-functioning national social dialogue is a key driver of positive and effective cooperation between all levels' (Eurofound, 2018, p. 70). Moreover, for the functioning and quality of social dialogue at cross-industry and sector level, the links between European and national level are also important.

Top-down articulation dominates in HRM in MNCs. This tendency is due in part to the fact that there is usually a clear structure for HR and a clear hierarchy for HRM as a whole, whereas employee interest representation tends to be more ambiguous and dependent on a wide range of factors, both internal and external, such as: the legal framework governing employee interest representation in specific countries; the preferences of HRM in terms of dialogue partners where there is no legislative framework; and the individual situation and culture of the MNC in question. Headquarters tends to take the lead in these scenarios.

As follows, bottom-up articulation tends to be weaker and depends largely on the economic role of subsidiaries and also the willingness of headquarters to participate in bottom-up dialogue. Nevertheless, there is evidence of such activity in companies such as Unilever, where the EWC is a very proactive partner in the social dialogue within the company.

External actors also have an increasing influence, particularly investment/equity funds and shareholders. These parties affect company decisions and thus limit the ability, decision-making power and influence of

CEOs, line managers and employee representation and social dialogue. This is the case, for example, in the Unilever and ABB case studies, where investment funds and shareholders were shown to have an increasing influence on company strategy and direction at the global level.

The role of the local HRM function can be very positive in enabling the vertical articulation of social dialogue within an MNC, if it is given the space to do so. Reilly (2015) notes that the local HRM function can, for example, work with the leadership of an organisation in the interests of greater cultural understanding being gained. In its own area, local HRM can operate in a sophisticated manner, balancing central and local needs. Further, it can act as the cultural 'translator' for the leadership team by explaining or anticipating local reactions: explaining 'surprising' behaviour (e.g. an operating company's negative reaction to an 'obvious' policy change) or advising whether policy developments will be understood and supported round the world. Local HR teams can also operate as the conduit between their part of the organisation and headquarters, conveying views and requirements in both directions. These capacities reinforce the value of having an embedded local HR function that is well-integrated with the management team and well-connected to the corporate centre, whatever the formal reporting lines. In this way, local HRM can smooth the vertical integration of dialogue in a company, ensuring that policies set at the central level are implemented in a way that respects local norms and sensitivities.

Furthermore, HRM and social dialogue take place within the context of a strong trend towards the erosion of collective bargaining coverage, trade union membership and industrial relations institutions at national level in many countries, particularly in southern Europe. Collective bargaining has traditionally never been as developed in central and eastern EU Member States as in the western Member States. These trends are reinforced by other tendencies, such as 'servicification' (the growth of services over products or goods in manufacturing), digitalisation and the 'white collarisation' of workforces, as well as generational change: it may be that younger workers display a greater tendency towards individualisation and a stronger desire for a sense of purpose.

As a result, there is a general move towards a more company-centric model of labour relations and away from a national system. For MNCs, company actors – such as trade unions at national and local level in companies and works councils at national or workplace level – are therefore becoming increasingly important.

Role of EWCs

Under the framework of the European Works Councils Directive, EWCs – that is, employee representation bodies at EU level – are formed in companies with at least 1,000 employees in the EU and at least 150 employees in each of at least two EU Member States. EWCs have featured strongly in research on the evolution of a European dimension of social dialogue and industrial relations in MNCs. This research includes studies on TCAs, negotiating EWCs, and other practices that aim to shape social dialogue at both the transnational level of decision-making and ‘on the ground’ in local subsidiaries (e.g. Pulignano, 2017a, 2017b).

EWCs are key bodies for the representation of employee interests at European level, and they can be an influential actor in some companies. EWCs can also be a key link between different levels of social dialogue within a company, such as the national and European level. However, although research shows that more than 90% of EWC delegates report back to local employees and/or their representatives (Waddington, 2010), the literature also reports numerous practical difficulties, such as finding the appropriate form of reporting (oral or written, for instance) or the financial, physical and organisational resources for effective reporting. Some researchers have thus suggested that the articulation between the EWC and national bodies should be part of the EWC agreement (De Spiegelaere and Jagodziński, 2016).

Research has also shown that an effective articulation between the EWC and local bodies depends on a range of characteristics on the part of the EWC and its members, such as: dedicated employee representatives; perceived added value for transnational employee representation; or the availability of sufficient resources (Rosenbohm and Hertwig, 2017). A high degree of articulation between the EWC and national works councils is thought to ‘[increase] the scope of action of employee representatives at national and local level’ (Rosenbohm and Hertwig, 2017, p. 15).

Although EWCs have a right to be informed about and consulted on a range of topics at EU and transnational level, they often work on issues relating to the impact of structural change. However, the real influence of these employee bodies can be seen at the national level, especially in countries in which codetermination rights are in place, such as Germany and Austria.

Strategic HRM on the part of the EWC would only take place in rare cases in which the EWC has its own agenda. In Unilever, for example, the EWC has come to an agreement with management on softer HR issues, such as training.¹⁶ The Unilever European Agreement enables a range of issues to be discussed at European level in the company and the EWC steering committee consults around Europe to determine which topics it should prioritise.

EWCs also play a role in developing local trade union representatives. Research has found that EWCs’ relationship with their local managers improves if the these managers are themselves members of the EWC – not least, the flow of information between managers and EWC can potentially be much more direct. Such positive relationships are important for social dialogue as a whole, as it means that trade unions representatives are well connected through formalised channels. The EWC can also facilitate the development of social relationships between EWC members, thereby enabling the informal flow of information between members.

EWCs generally share an interest in ‘softer’ HR topics, as mentioned above, as well as in a harmonious outcome in a restructuring situation. At Unilever, for example, the Future of Work Agreement at the company stipulates that all employees who are made redundant must be offered training or alternatives.

The remit of the EWC can also be expanded to include negotiations on wider social dialogue issues. For example, the 2009 revised EWC agreement at AXA includes an annex on social dialogue, which states that compulsory redundancies should be avoided at all costs. Furthermore, it stipulates that, when projects are developed that could bring major changes and impact jobs, local management must provide adequate information and maintain constructive dialogue. These obligations are defined in separate phases: general orientation, drawing up an action plan, consulting about application and local implications, putting into practice and follow-up (UNI Global Union, 2009).

Non-EWC multinationals

According to the large body of research on EWCs, EWCs that function well in terms of information and consultation procedures – or even so-called ‘negotiating’ EWCs – still represent only a tiny minority. Moreover, many companies that are theoretically covered by the EWC Directive do not have an EWC in place.¹⁷

16 For more details, see the Unilever case study in the working paper (Eurofound, 2020).

17 This is because the introduction of an EWC is not automatic; they require either the initiative of central management or ‘the written request of at least 100 employees or their representatives in at least two undertakings or establishments in at least two different Member States’ (Article 5(1)).

The literature that covers MNCs without EWCs is comparable to research that discusses employment relations in companies that do not involve trade unions or other collective employee representative bodies in their decision-making activities. As discussed above, these MNCs are more likely to be non-EU-headquartered companies, particularly those operating in sectors such as technology and communications. Companies may not engage in collective employment relations due to a number of factors, such as: ideological opposition; lack of experience in this way of working; national traditions and institutions; and sectoral norms. In these cases, the law provides a framework for employment rights and issues such as pay are dealt with on a unilateral basis by the employer, sometimes in consultation with employees on an individual basis. Individual performance-related pay is also likely to play a more significant role in wage-setting in these types of companies (as, for example, in McDonald's and IBM; see Collings, 2008).

As MNCs are increasingly less likely to think within the confines of national borders and decisions on corporate strategy are taken by headquarters, the absence of an EWC places employee representatives at a disadvantage because they cannot counterbalance central HRM and business functions in the company. As a result:

Trying to defend workers' interests or challenge company strategy at the local level is like trying to stop an avalanche once it reaches the bottom of a mountain. In the multinational companies of today, the only effective way to discuss strategy is at the supranational level (central headquarters).

(LSE, 2016)

Global IT and technology companies, for example, tend to prefer direct rather than collective and indirect communication channels within workforces. Indeed, trade unions tend to be weakly developed in these sectors, and a large body of literature looks at this issue, much of which emanates from the US (e.g. Hossfeld, 1995). These types of companies – including big names such as Microsoft, Google, Amazon and IBM (although unions are active in some IBM European operations) – do not generally recognise trade unions for collective bargaining purposes and instead communicate directly with the workforce or via alternative channels, focusing on employee engagement rather than social dialogue. In many cases, trade union membership is seen as irrelevant to the high-tech workforce, as these workers often possess a significant amount of individual economic power, a high degree of individualism, high levels of mobility, and satisfactory working conditions.

Such companies are therefore often considered to be some of the most 'trade union-resistant' elements of the economy (Robinson and McIlwee, 1989).

In the specific case of telecommunications and IT, the European Commission found great diversity among these sectors, reflected in a very varied landscape of industrial relations and social dialogue structures, practices and outcomes:

both the telecommunications and ICT manufacturing sectors are characterised by a high degree of collective bargaining as well as traditional and well-established practices of social dialogue between a strong trade union and employer organisations. However, there is a stark contrast when comparing this with ICT and software services and programming, which tend to have weak or non-existent collective bargaining rights and a lack of employee representation and consultation. In these sectors, and also in fields such as call centres, organisation rates of employees and employers are very low.

(European Commission, 2015, p. 13)

One case that has been discussed quite broadly in the German media is the US car manufacturer Tesla. Developments relating to Tesla's behaviour have been well documented by the ERM,¹⁸ including some high-profile clashes between HRM practices (part of overall corporate practices) and national industrial relations and social dialogue practices. Specifically, in June 2016, the Tesla headquarters in the US announced plans to make around 9% of its worldwide workforce redundant, amounting to around 4,000 employees. The announcement was made in an email sent by the Tesla CEO to all employees. Moreover in Germany, very shortly after the acquisition of an important and well-established supplier in the automotive sector in 2016, Tesla senior management and the CEO moved into open conflict with the works council at the company and the German metalworkers' union.¹⁹

EWCs in the selected cases analysed

There are key differences between the four EWCs in the selected cases analysed; however, from the perspective of European management, the role of the EWC as a partner of both HRM and business management has become more important over time in each of them. The EWC is regarded as a valuable channel of communication with employees 'on the ground' as well as a significant moderator both of conflicts and in the context of restructuring programmes resulting in redundancies or other negative impacts on workers.

¹⁸ See the Eurofound ERM factsheet on the case, available via the EMCC 'Factsheets' web page.

¹⁹ After the acquisition, the Tesla CEO wrote an email to the German employees of the Grohmann company, which traditionally has a very high trade union organisation rate, and outlined that the Tesla objectives and visions were not compatible with the trade union IG Metall. The company also chose to leave the collective bargaining agreement in the metalworking sector, favouring other incentives of remuneration such as employee share ownership or direct individual and performance-based remuneration elements (WirtschaftsWoche, 2017).

The EWCs included in the research sample demonstrate elements of good practice and innovations that go beyond the standard provisions of the EWC Directive, in particular:

- the size of the EWCs and their geographical scope, which includes some non-EU Member States (in all companies)
- the number of EWC plenary meetings per year
- the size of steering committees and frequency of both internal meetings and meetings with management
- the existence of additional bodies, such as core groups or EWC offices
- the optional involvement of experts providing technical assistance
- establishing rights to training
- the definition of transnational issues and information and consultation procedures that guarantee both early and comprehensive information as well as sufficient resources and time to conduct meaningful consultation
- the development of joint projects between the EWC and management

- negotiating European agreements between management and the EWC, which are then implemented throughout the whole group in Europe
- providing a budget for joint employee–management projects in the field of personnel planning, training and skills development
- the involvement of the EWC in negotiating and implementing global framework agreements

Three out of the four EWCs in the research sample already had a long history and were established in 1996 following the ‘Article 13 voluntary agreements’.²⁰ According to the interviewees from these EWCs, the initial agreements (that have been renegotiated and adjusted several times since then) were all established in countries with more generous provisions than those in the EWC Directive of 1994.

The fourth, more recent EWC is that of UniCredit, which was established in 2007, at a time when UniCredit expanded its activities significantly in central and eastern Europe.

The following Table 10 highlights key features of the composition, management and role of the EWCs.

Table 10: Organisational models of EWCs in the multinational companies studied

	Size and scope	Coordination	Consultation and negotiation role
ABB	27 delegates from 20 countries (representing 23 countries)	Select Committee with 6 members	Monthly meetings of Select Committee Increasing role in transnational decisions on employment-related issues Intensified and more formalised consultation and negotiation processes in transnational restructuring
Danfoss	31 delegates from 27 countries (including non-EU countries such as Turkey and Ukraine)	Steering Committee with 4 members	Monthly (Skype) meetings of Steering Committee with the management According to EWC presidency good practice of early information and consultation in cases of restructuring
UniCredit	30 delegates from 15 countries (including non-EU countries such as Bosnia and Herzegovina, Russia and Serbia) EWC most recently reviewed in September 2019	Steering Committee with 8 members from five different countries	Two formal EWC meetings a year and option for other meetings and informal contacts, for example using video conference or tele-conference facilities In between plenary meetings there are meetings of the Steering Committee with the management
Unilever	36 members, representing a total of 19 countries	European Coordination Committee (ECC) with 8 members ‘ECC Feedback Group’ for day-to-day business	Intensified and more formalised consultation and negotiation processes in transnational restructuring Increasingly active in own employee projects as well as joint projects with the European management Specific forum of transnational interest representation is the D-A-CH Group (Germany, Austria, Switzerland) that comprises works council representatives of the three countries and meets every month with the D-A-CH management

Source: Authors

²⁰ The so-called Article 13 Agreements are EWC agreements concluded on the basis of Article 13 of Directive 94/45/EC. This article refers to agreements in force and stipulates that EWC agreements concluded before the deadline for transposition of Directive 94/45 – that is, before 22 September 1996 – will remain valid also after this date. Article 13 granted the parties to the EWC agreement much more flexibility in terms of setting the rules of functioning of an EWC/alternative information and consultation procedures. After 22 September 1996 no further ‘Article 13 agreements’ could be concluded (until the entry into force of the Recast Directive 2009/38/EC). Nonetheless, already concluded ‘Article 13 agreements’ can be renegotiated/prolonged on the basis of Article 13 even after 22 September 1996. All new agreements establishing an EWC concluded after 22 September 1996 are referred to as ‘Article 6 agreements’, which means the negotiating parties need to respect minimum requirements laid down in the EWC Directive.

Although there are differences between the four EWCs, there is a clear trend that from the perspective of European management, the role of the EWC as a partner of both HR and business management became more important over time. The EWC is regarded as an important channel of communication with employees on the ground as well as an important moderator of conflicts and in the context of restructuring programmes that result in redundancies or other negative impacts on employment and work in the company. The EWC is also important from the perspective of the management because labour relations at national and local level are characterised by a strong diversity of institutions, bodies and structures.

In the sample of the companies analysed in this study, representatives from both the EWC presidencies and senior HR and labour relations managers highlighted the following challenges facing EWCs in terms of moderating and coordination.

- There is a difference between trade union-centred and works council-based cultures of workers. In southern Europe, but also in some central and eastern European countries, trade union-centred representation at company level tends to be more conflict-oriented. In contrast, works council-based structures of interest representation and the Nordic model are more biased towards cooperation and social partnership or even co-determination (in the case of Germany).
- As a result of this divergence, there is also a variety of assessments and strategies as regards the role of the EWC as a forum for the articulation of worker interests, information and consultation and/or negotiations with European management.
- There is competition between trade unions at company level and a lack of coordination between unions in terms of articulating joint interests at European level, for example in restructuring situations but also joint HRM projects with management.
- There are some 'blind spots' in worker representation due to the weak organisation capacities of unions and works councils at site or even national level in some countries, for example in central and eastern Europe as well as in subsidiaries that employ mainly white-collar workers or managerial staff. This challenge is becoming more problematic as activities in central and eastern Europe – alongside administrative and business-oriented service functions – are becoming more important for the European workforce.

Further challenges facing EWCs

HR practitioners have stressed that MNCs are not primarily guided by the logic of business management decisions when it comes to strategically managing transnational industrial relations. Rather, they are

guided by the international regulatory requirements, in particular the EWC Directive. This focus can lead to a mismatch between the company management and their industrial relations structures. Indeed, the companies studied have long outgrown the limits of the EWC. The majority of companies studied are not only globally present but they also operate globally – and not just in Europe. As such, business units in MNCs are not structured on a country basis but are global market-oriented. In this context, local structures have little weight or, in some cases, do not even exist.

Matrix organisational structures, in terms of business units or divisions and regions/countries, are predominant in this study. In the matrix structure, the global business area organisation is usually dominant; as an organisational unit, the regional management level – including the European level – has a comparatively weak role. In addition, the organisational unit of 'Europe' does not usually coincide with the scope of the EWC (i.e. the EU/EEA), but covers the European continent – that is, it includes countries such as Russia and Turkey or even wider world regions, such as (North) Africa or the Middle East.

In the companies studied, management showed no ambition to compensate for any organisational mismatch by establishing a 'world works council' on a voluntary basis. In some of the companies, non-European industrial relations are, at least to some extent, dealt with from company headquarters through participation in regional and national meetings with trade unions and employee representatives and through the implementation of activities via global framework agreements. In these cases, however, management only reacted in response to worker-led initiatives. The only exception is Danfoss, where there was a pilot initiative – introduced by central management – to launch a global forum as a pilot project. However, the initiative was not continued due to difficulties coordinating employee representation bodies in non-European countries.

Transnational social dialogue

The case study research found that transnational social dialogue has become more important for MNCs, in particular in the context of restructuring and reorganisation processes that have negative impacts on employment and working conditions. Further findings from the company sample include the following.

- In most MNCs, the relationship between social dialogue and HRM is much stronger at the transnational level than within individual countries. This is especially true in countries where industrial relations and social dialogue are not based on the notion of cooperation between capital and labour on the basis of joint (national, company) interests or 'social partnership'. Thus, HRM at transnational

level plays a role in mediating local and national conflicts and problems.

- All companies in the sample are strongly rooted in the European social model of worker information, consultation and participation. As such, the normative orientation of social dialogue and social partnership is quite strongly embedded in the HRM and labour relations culture at transnational level, at least at the top management level.

Global and European framework agreements

The internationalisation of companies increases the importance of cross-border social dialogue activities and other initiatives seeking to improve working conditions (including fundamental worker rights for information and consultation as well as collective bargaining) at the local level (ILO, 2015). At the same time, globalisation can amplify the need for international standards within MNCs to globally foster their internal corporate culture, HRM policies and social dialogue institutions in order to effectively implement their policies at subsidiaries in different geographical locations. Transnational company agreements (TCAs) – sometimes also referred to as European framework

agreements in the literature²¹ – have become an important and integrative part of the more internationalised global framework agreements.²²

In the sample of MNCs analysed in the case study research, Unilever and UniCredit have negotiated both global and European framework agreements (TCAs). The negotiating or signatory parties on the employee side differ: while global framework agreements are signed by global union federations (federations of national trade unions), European framework agreements are negotiated by the EWC and national-level employee structures/trade unions – as, for example, with the Future of Work Agreement at Unilever.

The number of TCAs in Europe has risen in recent years, now covering millions of employees, and they can be considered as new contributors – even leading actors – in the internationalisation of industrial relations (Da Costa et al, 2012).²³ In fact, these agreements have been referred to as the ‘driving force’ behind the process of internationalisation (Köhler and González-Begega, 2010). See Table 11 for an overview of the current TCAs in the EU and the main and secondary topics they address.

Table 11: Number of TCAs addressing various topics

Topic addressed	As main topic	As secondary topic
Career and skills development	21	95
Equal opportunities, diversity and anti-discrimination	16	124
Fundamental rights/trade unions	134	13
Health and safety/working environment	24	121
Protection of personal data and internet policy	5	2
Recruitment policy	10	16
Restructuring, including impact on workforce	25	37
Transfer, subcontracting and outsourcing	12	108
Social dialogue, including employee involvement and governance	32	37
Sustainability, governance and ethics	5	62
Wages and benefits	3	107

Source: Authors' own compilation, based on the European Commission TCA database

21 See the entry for ‘European framework agreement’ in Eurofound’s online European Industrial Relations Dictionary.

22 See the definition in the Eurofound European Industrial Relations Dictionary: ‘An International Framework Agreement (IFA) or Global Framework Agreement (GFA) serves to establish an ongoing relationship between a multinational enterprise and a Global Union Federation (GUF) to ensure that the company adheres to the same standards in every country in which it operates.’

23 By early 2019, 321 such agreements had been recorded in 164 companies, mostly with headquarters in Europe, covering 9 million employees according to the European Commission database on transnational company agreements (European Commission, 2019).

TCAs concluded at MNC level are very varied in terms of their nature, scope and content. Issues relevant to this study include the motivation of negotiating and signatory parties (i.e. headquarters and management at both central and local level, and trade unions and employee representatives at company, national and European levels) to engage in negotiations at MNC level, as well as the strategies followed by the actors to reach their goals. A further relevant research issue is the degree of articulation and coordination of both management and labour in negotiating and implementing TCAs.

Besides Danfoss, all the companies researched for this study have negotiated transnational framework agreements, each of which addresses different purposes and objectives.

- Global framework agreements that specify the responsibility of the MNC to respect global labour standards and further commitments, for example the UN Sustainable Development Goals.
- European framework agreements that contain principles of corporate responsibility in restructuring operations, including the commitment to support workers who face redundancies, avoiding redundancies whenever possible, or investments in the employability of employees who are losing their jobs.
- European framework agreements that establish transnational practices or additional rights for the European workforce, for example in training and career guidance, gender equality, fighting sexual harassment, anti-discrimination or health and safety.
- European framework agreements that include the implementation of joint projects involving employee representation bodies at national level and national HRM. Projects include those in the field of employability, further training, and pilot projects addressing challenges related to the future of work. So far, such an agreement has only been negotiated at Unilever.

Some case study evidence suggests that articulating EWCs with industrial relations institutions and actors at different levels can improve job stability and working conditions. Pulignano (2017b), for example, found evidence of positive gains for trade unions that engage through EWCs and European framework agreements. As a result, the positive gains of local negotiations in subsidiaries with stronger unions are spread more widely.

In anticipation of disputes and to ensure their implementation, 85% of the global framework agreements establish a specific continuous forum for dialogue between the management of the MNC and trade union representatives. These international conflict resolution bodies can be appealed to when

alleged breaches of the agreement cannot be resolved at the workplace or at national level. Similarly, European framework agreements often provide for dispute resolution procedures. A key objective of TCAs, and particularly global framework agreements, is to regulate suppliers and subcontractors operating in countries where minimum labour standards are not sufficiently enforced.

TCAs: links between national and transnational levels of social dialogue

Like EWCs and EU-level social dialogue, TCAs have developed in response to economic globalisation over the last three decades. This development demonstrates the growing need of organised labour and some MNCs for additional governance structures that build on labour relations.

As negotiated, non-standardised agreements that focus on the relationship between the social partners, TCAs demonstrate a very close connection to and high degree of knowledge about the regulated activities. Articulation between the global and local levels is key to the efficient implementation of TCAs, both for employee representation and HRM. Most TCAs also include a conflict resolution mechanism based on the principle of subsidiarity – in other words, problems and conflict should ideally be solved by social dialogue at the local level.

A comparison between older and more recent TCAs shows that the content and the implementation of agreements have evolved (Hadwiger, 2018). While the first TCAs were tentative steps in the direction of internationalising labour standards and industrial relations, more recent agreements include increasingly detailed provisions on a range of issues – such as employment terms and conditions, employee wellbeing and health and safety – and address additional and more complex issues. This change is the result of trade unions reviewing their strategy and demanding a second generation of TCAs with stronger implementation, monitoring and dispute resolution procedures. Equally, companies have become increasingly willing to accede to these demands.

Several research studies, mostly based on case studies, have examined the implementation of TCAs and the challenges that arise when agreements are transferred from the international level to the national and local levels. A guide for employers recently published by the ILO discusses the reasons for and against engaging in TCAs from the perspective of MNCs (ILO, 2018). For example, one incentive is to regulate subsidiaries and align social dialogue practices throughout the MNC. The guide also stresses the importance of involving local management in agreement negotiations, and it discusses the ILO's potential role in TCAs (see also Hadwiger, 2017).

Table 12: Main links between TCAs and HRM

Gains	Challenges
TCAs can function as a centralised counterpart to HRM in a globalised context	Limited representativeness on the employee side
TCAs can play a part in the increasing internationalisation of industrial relations and HRM	Lack of coherence of implementation in subsidiaries
TCAs can function as a tool to engage local HRM in their implementation in conjunction with local employee representatives	The non-legal status of TCAs can make it difficult for HRM to implement them at the national level

Source: Authors' own compilation

The sample of companies in this report illustrates the different relationships between national and transnational levels of social dialogue. In Danfoss and UniCredit, for example, company decisions are made in Denmark and Italy respectively. It can therefore be expected that national employee interest representation bodies and trade unions have a much stronger influence on company decisions that have an impact on employment and working conditions in Europe. In both companies, the business of the EWC is also strongly shaped by the home-country actors (presidency, steering committee, daily relations with the global/European management). Correspondingly, the actors involved in social dialogue in other European countries perceive the added value of the EWC as less important and relevant.

In Unilever and ABB, however, national social dialogue structures in the European countries with the largest workforces (in both cases, Germany) have seen a continuous shift of decision-making power towards the European or global level. As a result of the weakened influence of the workers' voice and participation and co-determination at national level, the EWC has become more important as a forum of social dialogue with the global management. It is therefore no surprise that German works councils (in particular central works councils) have an interest in strengthening the EWC as a proactive agent of social dialogue.

Unilever, ABB and employee representatives regard the EWC as a positive and increasingly important body that both provides added value for national-level social dialogue and strengthens the position at home. This opinion has been stressed by employee representatives in countries with comparatively weak social dialogue traditions and structures (for example in central and eastern Europe and the UK) as well as in countries with stronger social dialogue traditions: the Nordic countries (such as Denmark and Finland), Austria, the Netherlands and Switzerland.

Achievements of transnational social dialogue

The four companies in the case studies demonstrate transnational social dialogue practices that reflect the globalisation of business structures, changes in the workforce and different levels of decision-making. Apart from Danfoss (where, after a pilot testing for the extension of the EWC into a global forum, no formalisation or institutionalisation measures were taken), all of the companies show efficient social dialogue in terms of concrete outcomes achieved.

For example, the EWC at Unilever has developed its own proactive agenda and strategy for employee involvement and social activities at the European level with its Barcelona Agenda 2012–2013 and, more recently, its European Future of Work Agreement, which was concluded in March 2019. Both agreements go beyond joint commitments or guiding principles to include projects with the management at national and European level, which focus on issues of joint interest. In 2007, the EWC and the European management of Unilever also signed a joint statement on responsible restructuring that defined certain minimum standards and procedures in restructuring operations, including the role of the EWC Coordination Committee. In addition to this, the Unilever global management has improved its relationship with global unions federations in recent years, as illustrated by their Framework for Fair Compensation (2015), their Memorandum of Understanding (2018) and their Joint Commitment on Sustainable Employment (2019).

Similarly, the EWC at UniCredit has been very active in the development of joint declarations with the management on certain European-wide principles, such as provisions for lifelong learning (2008), equal opportunities and non-discrimination (2009), responsible sales and business conduct (2015) and work-life balance (2017). Since the UniCredit EWC was

only established in 2007, these outcomes must also be regarded as very efficient. In addition to EWC agreements, more recent developments have sought to frame social dialogue at the global level. For instance, the global framework agreement signed in January 2019 expresses not only the commitment of UniCredit to social principles, human rights and the fight against sexual harassment and discrimination, but also involves the EWC in the global monitoring of the agreement.

Finally, although no European or global framework agreements were negotiated and signed by ABB, transnational social dialogue and the information and consultation processes of the EWC have become more important in recent years. ABB also shows that meaningful consultation will naturally result in negotiation and agreements. For example, the People's Package was launched in response to a major

restructuring programme of the ABB management in 2015 and, more recently, they reached agreements on employment security and a guarantee for the existing collective bargaining agreement as well as other provisions in response to the divest of the power grid business in 2018–2019.

In all these cases and outcomes, two framework conditions have been crucial in all four companies: first, the active support of the global management for social dialogue at transnational level; and second, an active EWC leadership that is not only committed to transnational social dialogue but that also has sufficient resources to engage in negotiations at European level. The EWC leadership must also communicate its policy and strategy within the EWC as well as to local and national employee representation bodies and trade unions.

4 | Conclusions

This study has examined issues relating to the main trends in HRM policies and practices in MNCs and how they interact on multiple levels with social dialogue practices and outcomes. MNCs are a significant part of the global economy and, as such, their HRM and employment practices are of great importance in both national and international contexts. Ranging from the global level (which includes the presence of transnational agreements) to the national and local level, the multi-level nature of HRM creates both complexities and opportunities for connections between HR managers and employee representative bodies at all levels.

The way in which HRM interacts with employee representatives at various levels in the MNC is influenced by a range of factors and trends, including: the home country; the host country; the sector and type of company; digitalisation and new technology; and the often complex dynamics within the different levels of MNCs, which may evolve on a more or less constant basis. Among key relevant trends is the tension between the centralisation and decentralisation of HRM functions. Also important is the impact this tension has both on the relative power of subsidiaries in relation to headquarters and on the extent and quality of the social dialogue within the MNC. Many of these factors are interlinked; for example, centralisation is enabled by digitalisation, as standard IT packages serve to standardise the type of information that is collected by HRM across the whole company. However, it is still not clear to what extent centralisation is the deliberate policy of MNCs as opposed to an unintended consequence of digitalisation.

Other related issues centre on the legitimacy of centralisation across the whole MNC. There is evidence in the literature that, on the ground, local managers may ignore or deviate from practices set by headquarters because they fail to see the value of the practice. This example questions the relative effectiveness of centralisation. Furthermore, there can be tensions between standardisation and the fact that management–employee relations at local level are largely shaped by national industrial relations systems as well as diversity of legal frameworks; local managers are likely to find it difficult to deal with these competing pressures.

Implications for EU social dialogue

Although it is difficult to draw firm conclusions about the possible implications of this research for EU social dialogue, several factors may be relevant in the broader EU context.

- The country of origin of an MNC remains important in terms of the company's overall approach to HRM and how it interacts with workforce representatives. In general, companies that are headquartered in Scandinavia or in countries such as Germany are more likely to be open and to engage more fully with employees and their representatives than their counterparts in the US or Asia. Recognition of this variety, both within and outside the EU, is an important basis for any future dialogue at the EU level.
- The context in which a subsidiary operates – that is, the host country – is still important. Factors such as the strength of local trade unions and works councils play a significant role in determining the extent of cooperation and engagement between management and employee representatives.
- The sector in which an MNC operates can also have a specific influence. MNCs operating in sectors with a long-established tradition of industrial relations and trade union involvement might have more effective mechanisms of social dialogue compared with other newer sectors, such as IT, or sectors such as retail, in which trade unions and works councils are usually weaker or do not exist at all. Furthermore, some companies operate in sectors that are dominated by a small number of large MNCs. As a result, these MNCs have a greater degree of influence and, in some cases, can also influence the European sectoral social dialogue.

Any EU-level social dialogue needs to take these factors into account, including the role they play in shaping the behaviour of the MNCs that operate in the EU. These factors are also relevant to the implementation of EU policies and guidelines in the area of employment, particularly where there is flexibility for local variations of implementation. An understanding of the factors that enable local variation, or that lean towards the centralisation of HRM policies in MNCs, will help to guide the drafting of future texts, including EU regulations and social partner agreements and joint texts at EU level.

Main challenges

A number of key challenges emerge from this study. One of the most prominent refers to the following discrepancy: while company organisation is increasingly based on global policies and orientations, labour relations are still dominated by the national level in terms of power, organisation and resources as well as legally set competences. In contrast, labour relations and social dialogue at the transnational level are weak because EWCs do not have significant negotiation rights. They also lack the resources to play a stronger role in transnational decision-making. Furthermore, as decisions tend to be taken at the global rather than European level, even the EWC is often not considered to be the appropriate level of social dialogue.

Overall, the research shows that, in terms of decision-making, EWCs and the transnational level of social dialogue is becoming increasingly important in MNCs. Meanwhile, national and/or local levels are becoming less important. However, local and national level structures are still much stronger in terms of competences, capacities and resources, as this is where decisions are implemented 'on the ground'. Since decisions are increasingly being made at the transnational level, efforts should be focused on strengthening resources in this area.

According to the analysis conducted, the mismatch between the increasingly global organisation of management and decision-making on one hand, and the slower development of transnational interest representation on the other is expected to increase. In the absence of more formal consultation structures at the global level, MNCs will likely develop their own solutions for transnational social dialogue, with the result that organised labour and social partner organisations will likely play a less relevant role.

The structural conditions in the three globalised companies out of the four companies analysed in this study are not conducive to the development of global industrial relations. This stands in stark contrast to the automotive or chemical industry sectors, which are pioneers in terms of numbers of world works councils and global framework agreements because their worldwide corporate structures are comparatively clear (with a small number of high-employment production sites, and a high organisational density of industrial trade unions). The companies in this sample are much more complex in terms of site structures and sizes and the variety of business divisions and units. As a result, central management is very reluctant to consider the development of global or world works councils or functional equivalent bodies. Indeed, when such measures are taken, they have proven extremely difficult, as in the case of Danfoss.

There seems to be a need to strengthen the capacity of European and global trade union organisations so that they can play a stronger coordinating role for transnational social dialogue in MNCs. Stronger transnational coordination is important in the light of decreasing economic weight (and influence) of European workforces and their interest representation bodies in the global context.

As new markets shift away from Europe, companies will continue their international expansion to increase their market presence. In line with this, they will continue to 'transnationalise', to meet the requirements of standardisation and local adaptation. This process will be accompanied by gradual, but in some cases dramatic, structural shifts, including the following developments.

- The increase in the relative weight of non-EU workforces will lead to changes in the composition of the EWCs, reducing the relative weight of the delegates from headquarters. Major European restructuring exercises have already accelerated this process in three of the companies studied in this research, affecting the composition and thus the character of EWCs.
- A creeping 'transnationalisation' of corporate management and control can be observed in the companies studied in this research. This move is indicated by factors including: an increasingly international background among those in management positions (board of directors, business unit management); a greater move to inculcate an international outlook among management; the growing importance of Anglo-Saxon management concepts (from shareholder value to international HRM); the increasing importance of the transnational coordination of HRM and understanding in the development of group-wide policies and standards; and the establishment of decision-making structures abroad (business unit management, competence centres etc.).

These developments are likely to have repercussions for headquarters. They will shift management orientations, and the home-country culture of transnationally active companies may become less significant.

It is difficult to know what the future will bring for HRM and social dialogue. The continuing advancement of technology will certainly continue to have an impact on how MNCs organise their business and their HRM function. In turn, this advancement will influence the future role of HRM. Data-driven and AI-based HRM and standardisation, for example, are likely to remain influential, although sectoral and country differences will probably remain in some form.

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This study examines the interaction between social dialogue practices and human resources management (HRM) policies in European multinational companies (MNCs). It looks at the changing role of HRM and its interaction with European Works Councils (EWCs), which can act as a link between different levels of social dialogue. Both HRM functions and social dialogue are under pressure from a variety of trends and dynamics – not least, ongoing technological change. Sharing practices related to the involvement of EWCs in corporate decisions has made a valuable contribution to company operation and culture across the EU. The positive interaction between HRM policies and worker representation structures should help companies and sectors restructure and adapt accordingly, including dealing with the risk of increasing wage inequality and polarisation in working conditions.

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