

*University of Amsterdam*



**AMSTERDAM INSTITUTE FOR  
ADVANCED LABOUR STUDIES**

**ANALYSING EMPLOYMENT PRACTICES IN WESTERN  
EUROPEAN MULTINATIONALS: COORDINATION,  
INDUSTRIAL RELATIONS AND EMPLOYMENT FLEXIBILITY  
IN POLAND\***

**Marta Kahancová, Amsterdam School for Social Science Research (ASSR),  
Universiteit van Amsterdam  
Marc van der Meer, AIAS, Universiteit van Amsterdam\*\***

Working Paper 05/39

- \* A shorter version of this paper will appear in a Special Issue of the International Journal of Human Resource Management (forthcoming in 2006)
- \*\* Marta Kahancová, Amsterdam School for Social Science Research, University of Amsterdam, Kloveniersburgwal 48, 1012CX Amsterdam, The Netherlands (tel. +31-20-525-2254, e-mail M.Kahancova@uva.nl).
- Marc van der Meer, Amsterdam Institute for Advanced Labour Studies, University of Amsterdam, Plantage Muidergracht 4, 1018 TV Amsterdam, The Netherlands (tel. +31-20 525-4291, e-mail M.J.S.M.vandermeer@uva.nl)

**Acknowledgement:**

The authors are grateful to Richard Hyman, Martin Kahanec, Jelle Visser and the participants of the 19th Employment Research Unit Conference (Cardiff Business School, September 2004) for constructive comments on earlier drafts of this paper; and to all interview respondents.

**Informatie voor bibliotheek:**

Kahancová, Marta, & Meer, Marc van der (2005) "Analysing Employment Practices in Western European Multinationals: Coordination, Industrial Relations and Employment Flexibility in Poland", Working paper 2005-39. Amsterdam: Universiteit van Amsterdam

October 2005

© All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form, or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the authors.

© M. Kahancová, M.J.S.M. van der Meer, Amsterdam, October 2005

This paper can be downloaded:  
[www.uva-aias.net/files/working\\_papers/wp39.pdf](http://www.uva-aias.net/files/working_papers/wp39.pdf)





## **ABSTRACT**

Despite the fact that multinational companies (MNCs) in Central Eastern Europe significantly contribute to employment growth in the region, qualitative knowledge about diffusion of employment practices in this region, and about coordination of MNCs with local labour market actors and institutions is still limited. This paper aims to fill this gap by underlining the coordination between MNCs, local actors, and international actors in shaping employment practices, their diffusion from headquarters to the workplace level, and their adaptation to local conditions in Poland. The goal is to explain MNC-driven adjustment to local conditions in employment practices of production workers and industrial relations through which this goal can be achieved. To explain this, we apply several coordination games between management and trade unions in the empirical part of the paper.

We argue that the MNC's corporate intention to utilise local conditions, the interactive coordination of the factory management with the local trade union, and an underdeveloped international coordination of trade unions within the MNC are the main factors explaining the specific local employment practices and industrial relations instead of their diffusion from MNC headquarters or other subsidiaries.

Key words: multinational companies, coordination, applied game theory, employment practices, industrial relations, trade unions



## **TABLE OF CONTENT**

<b>ABSTRACT</b>	<b>5</b>
<b>1. INTRODUCTION</b>	<b>9</b>
<b>2. DIFFUSION OR ADAPTATION OF EMPLOYMENT PRACTICES TO LOCAL CONDITIONS?</b>	<b>11</b>
<b>3. THE COORDINATION MODEL</b>	<b>13</b>
<b>4. HYPOTHESES AND METHODOLOGY</b>	<b>17</b>
<b>5. THE ELECTRA COMPANY AND INDUSTRIAL RELATIONS</b>	<b>19</b>
<b>6. ANALYSIS OF COORDINATION CHANNELS</b>	<b>23</b>
6.1 Coordination between MNC headquarters and the factory management (channel $\alpha$ )	23
6.2 Employment practices and coordination between the factory management and the local trade union (channel $\beta$ )	26
6.3 International trade union coordination and the European Works Council (channel $\delta$ )	33
<b>7. CONCLUSIONS</b>	<b>37</b>
<b>REFERENCES</b>	<b>41</b>



## **I. INTRODUCTION**

Multinational companies (MNCs) belong to organisations functioning simultaneously in various countries and labour markets. Lately, the diffusion of employment practices within MNCs has been at the centre of interest for researchers in the field of industrial relations and human resource management (HRM). Despite a great interest in this topic, not enough attention has been devoted to the *interaction* between MNCs and local actors, such as trade unions, that shape the diffusion process. Studying procedural interaction, or coordination, between these actors is then a constructive analytical tool in understanding the dynamics of diffusion.

This paper presents an actor-oriented approach to study diffusion of employment practices in MNCs and qualitatively explores employment flexibility and industrial relations in a Polish factory of Electra – a leading Western-European industrial MNC<sup>1</sup>. Electra belongs to important employers in Poland; yet the Polish business environment, industrial relations and employment practices considerably differ from its home country with a rather heavily regulated labour market. Besides investigating to what extent employment practices in the subsidiary are diffused from headquarters or adapted to local conditions, the paper's aim is to demonstrate the role of coordination between actors that have an impact on employment practices in the Polish site: MNC headquarters, the factory management, workers and their trade union, Homeland trade unions, and the European Works Council (EWC). This model allows not only an explanation of the outcomes of interaction (i.e. developments in working time, pay, and bargaining structures), but also a straightforward analysis of actors' strategies. In this context, the paper offers several new analytical tools and empirical findings.

The paper's second section provides a short literature overview on diffusion of employment practices, followed by an explanation of the coordination model of this study in section three, and hypotheses and research methodology in section four. Section five introduces the studied company. Empirical evidence and analysis of coordination channels are presented in section six. The seventh section concludes, discusses the findings and addresses implications of this research.

---

<sup>1</sup> Due to confidentiality, we refer to the company, its organisational units, home country and the location of the Polish factory by pseudonyms.



## 2. DIFFUSION OR ADAPTATION OF EMPLOYMENT PRACTICES TO LOCAL CONDITIONS?

A variety of authors conceptualised diffusion for different MNCs. The most important approaches can be summarised in three points:

First, different MNCs can be viewed as innovators, adaptors or reverse diffusers (Marginson, 1992; Ferner and Varul, 2000). Innovator companies diffuse employment practices from headquarters to foreign subsidiaries in countries where local labour market and employment conditions differ from the MNC's home country (ibid.). Adaptor MNCs prefer adaptation of employment practices to local host-country conditions instead of diffusing common policies from the center (ibid.). Reverse diffusion (Edwards, 1998; Ferner and Varul, 2000) takes place if employment practices originating in subsidiaries are transferred back to the MNC's home country.

Second, Edwards, Rees and Coller (1999) discuss structural and political determinants of diffusion. Structural factors include the country of origin effect (Ferner, 1997), degree of international production integration, international management structures, and the method by which an MNC has grown. Besides the structure, political processes within MNCs - based on power resources of both the headquarters and the subsidiary – can foster or block diffusion.

The third conceptualisation stresses the difference between diffusion outcomes and principles, and methods of diffusion. Boyer et al. (1998) argue that various combinations of methods and principles can lead to selective adaptation to local conditions, or in other words, to hybridisation trajectories preferred by MNCs.

Despite the usefulness of the above concepts, more attention should be paid to the fact that whether the company's choice for diffusion or adaptation materialises in specific employment practices depends on the strategic *interaction* of several actors, including MNC headquarters, local subsidiary management, and trade unions. The coordination model presented in this paper focuses on interaction between the local and the transnational, and is therefore a constructive analytical tool to better understand how and why diffusion of employment practices in MNCs does (not) take place.



### 3. THE COORDINATION MODEL

Coordination is a procedural interaction between actors, concerning priorities and issues of interest of all actors involved; relative to the institutional environment where coordination takes place (Scharpf, 1997). The most important features of coordination are discussed below.

First, *actors* are at the centre of each coordination process. As employment practices are collectively regulated in industrial relations and at the same time are a crucial aspect of company HRM, it is important to consider coordination between the management, employer representatives, employees, and employee representatives. Second, actors interact in *coordination channels*. This paper investigates three coordination channels that are central in shaping workplace-level employment practices in the Polish Electra factory (see also Figure 1):

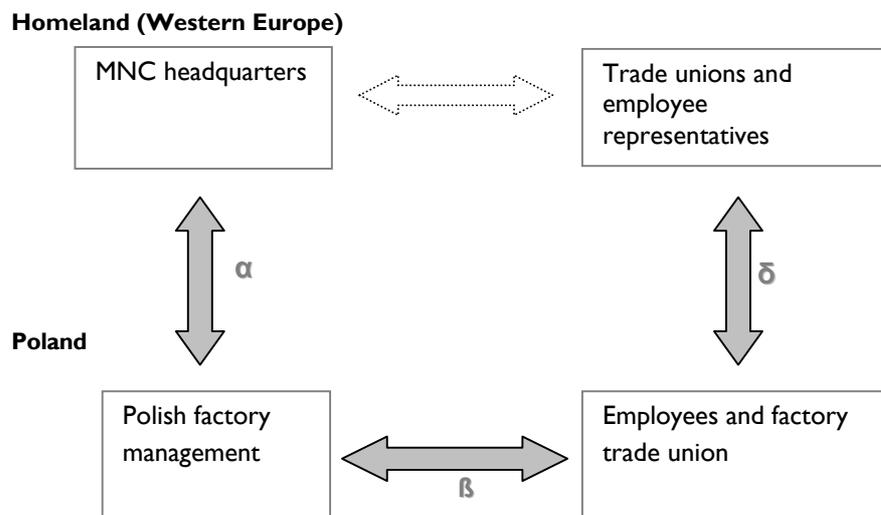
$\alpha$  – coordination between MNC headquarters and the factory management;

$\beta$  – coordination between the factory management and employees and trade unions (HRM and industrial relations);

$\delta$  – (international) cooperation of employee representatives: trade unions and the EWC.

Besides these channels, national legal regulation affects employment practices, but as we are preliminarily concerned with actors' strategies and interactions, we will integrate the legal impact into actors' power resources.

Figure 1: Coordination channels studied empirically



The third feature of coordination is the *institutional context*: actors define their strategies based on their perceptions of existing institutions and relatively to other actors' strategies and opportunities fostered by the local institutional set-up (Scharpf, 1997).

Fourth, the *content of coordination* refers to specific employment practices that are the subject of regulation, diffusion, or adaptation: this research focuses on headcount, working time, work organisation, and contract flexibility of production workers (which are called 'directs') in MNCs. These variables are the core of employment flexibility and are subject to legal regulation and coordination between management and trade unions.<sup>2</sup>

Fifth, the institutional environment and the type of actors shape the *constellation of actors and their strategies* in coordination. MNCs possibly have different employment strategies in a lightly regulated Polish labour market with decentralised trade unions when compared to centralised industrial relations in Western Europe. We distinguish between strategies of non-coordination and coordination. Non-coordination refers to a situation where two or more actors do not interact with each other. Coordination can be further divided into cooperative and tough strategies. This dichotomy summarises the gamut of strategies actors can opt for in an analytically convenient way. *Cooperation* is a form of coordination when the actor is more inclined to compromise with other actors in the coordination process. Analogically, *tough* is a strategy when actors do not resign or compromise easily. Later in this paper, we will return to these strategies regarding several forms of flexibility.

Sixth, the constellation of actors is the basis for the *mode of coordination*, reflecting the power resources attributed to actors and the stability of resulting employment practices:

Coordination by *control*: entails power of an actor to take decisions and impose these on others (CPB, 1997:57). The strengths of control are certainty, enforcement, protection against opportunism of other actors, and no need for consultation with a variety of actors. Control may invoke rent-seeking behaviour or restriction of individual freedoms. Effective exercise of control involves high costs of information gathering (ibid.). Control is associated with legislation, a court order or an army (CPB, 1997). In MNCs, implications of control include, for example, headquarter control over a subsidiary's business processes<sup>3</sup>. An actor aiming to exercise control prefers a tough

---

<sup>2</sup> Legal regulation applies to working time, recruitment/dismissals, and contracts. The law does not regulate work organisation, but health and safety regulations apply.

<sup>3</sup> See Harzing (1999)

strategy; an actor as a control object is either cooperative or tough, depending on his/her power resources.

Coordination by *competition*: entails rivalry between actors striving for something that not all can obtain (CPB, 1997:56). Competition can achieve efficient allocation and provide incentives for individual flexibility, freedom and privacy. Competition may also lead to rent seeking, decrease commitment of actors to long-term agreements, and produce a socially unacceptable income distribution (ibid.). Competition is observed in market interactions dominated by price signals. Within a company, competition can occur between actors on the same level of hierarchy, i.e. between a unionised and a non-unionised workforce. The strategies of actors in competition are tough, since all actors are assertive in reaching their goals. Actors can achieve a consensus at the price of large concessions and (threats of) industrial action.

Coordination by *common values and norms*: congruent set of preferences within a group of people (CPB, 1997:57). Repeated interaction fosters solidarity, consensus, and common values in a community or a company. Actors are strongly motivated and committed to achieve their common goal: complying with common values and norms decreases opportunistic behaviour. Company culture is an example of common values, but value sharing is present in virtually all coordination channels, i.e. common local interests of management and unions, or international trade union solidarity. Cooperation is the most adequate strategy in this mode of coordination.

Coordination by *interactive bargaining* or *cooperative exchange*: bargained consultation and cooperation between otherwise independent parties with different preferences (CPB, 1997:58). Emergent trust between actors, or their position vis-à-vis each other based on the institutional environment in which they operate, are crucial elements in this type of coordination. Due to an increased flow of information between actors, their knowledge about each other's situation increases and mutual learning raises the quality of coordination and improves its effectiveness. Actors are motivated to stay alert, innovative, and will exploit existing opportunities in order to achieve their goals. Supplier relationships and industrial relations are examples of interactive bargaining (ibid.). In a company, bargaining can occur in all mentioned coordination channels, i.e. between headquarters and the subsidiary, or collective bargaining with trade unions. Both cooperative and tough strategies can be applied, depending on actors' power resources.

Next, *instruments of coordination* refer to tools through which specific outcomes concerning coordination contents are implemented with respect to the mode of coordination through which these outcomes were achieved. For example, control of management over the workforce can be implemented in a form of individual performance-related appraisals, but also as a control of selection in job upgrading.

Finally, *outcomes of coordination* can be conceptualised in the form of diffusion of employment practices or their adaptation to local conditions.

Based on this model, we empirically investigate the functioning of coordination relevant for workplace-level employment flexibility and industrial relations in a single MNC case study. We raise the following research question: What is the mode and the form of coordination in each of the distinguished channels, and how does coordination affect the development of factory-specific employment practices? Related to that, we ask whether we can speak about diffusion of employment practices, or rather of their adaptation to local conditions.

Our aim is to learn which mode of coordination dominates which coordination channel, what strategies best characterise the actors and their payoffs, what employment practices arise as a consequence of such interactions, and whether these resemble diffusion or adaptation to local conditions. Since a particular coordination channel is not described exclusively by one mode of coordination but can simultaneously embody several modes of coordination depending on its content and instruments, we were concerned with the *dominant mode of coordination* that best describes the studied channels.

## 4. HYPOTHESES AND METHODOLOGY

To answer our research question, we formulate three hypotheses:

*Hypothesis 1* – coordination between Electra headquarters (Homeland) and the Polish factory ( $\alpha$ ):

In order to fulfil corporate targets of the MNC, we expect the headquarters to control the factory's performance through a diffusion of employment practices: fostering regular contacts with the factory management, deploying specified employment policies to the workplace and closely monitoring their implementation, and using expatriates and central decisions to control the employment practices. If control by headquarters is the dominant coordination mode in channel  $\alpha$ , headquarters will opt for a tough coordination form. At the same time, the factory management is expected to act in a cooperative manner because of its dependence on the headquarters. Control then is supported by common company values.

*Hypothesis 2* – coordination between the Polish factory management and the factory-based trade union representing workers ( $\beta$ ):

We distinguish between coordination *outcomes* (directs' employment practices) and the coordination *process* (industrial relations). In both of these, we expect interactive bargaining to be the dominant coordination mode between the factory management and the local trade union. The expected management's action is determined by headquarter control (hypothesis 1 above); however, we assume that local managers have a better knowledge of social processes at the factory level than the distant headquarters, and therefore can better evaluate the usefulness of local conditions for the company goals – either unilaterally, or via coordination with the local union. Factory-level compromises are then achieved in a form of coordination in which both the management and the union play with a tough bargaining strategy. Interactive bargaining is enabled through additional coordination channels determining managerial and union strategies in the factory: expected managerial control over the workforce driven by high unemployment in the region; competition between non-unionised and unionised workforce driven by the management; and common values of management and the union to prevent the factory's relocation.

*Hypothesis 3* – transnational coordination of unions, employee representatives, and the relationship between employees and unions ( $\delta$ ):

Homeland trade unions do not directly benefit from the relocation of Electra's production to Poland; therefore, we presume that the dominant coordination mode of these trade unions will be

cooperation with trade unions in Poland, supported by value sharing and international solidarity, in order to increase the Polish unions' power resources vis-à-vis employers. Unions both in the West and in Poland are expected to have cooperative strategies. The same is expected for employee representatives within the EWC.

The main research method to examine the above hypotheses was qualitative interviewing using semi-structured questionnaires. In 2004, the first author conducted 42 interviews with managers, trade union representatives, EWC representatives, and external respondents at Electra's headquarters and in the Polish factory. Figure 2 lists the interview respondents.

Figure 2: Interview respondents

Organisational level	Respondents, number of interviews
Management subsidiary	General manager (1); HR manager (7); HR specialist (5); Production managers (3); Corporate communication manager (1); Shift leaders (4)
Headquarters Poland	Country HR manager (1); Industrial HR manager (1)
Headquarters Homeland	Business unit: HR manager (1); Industrial strategy manager (1) Product Division: International HR audit specialist (1) Regional: Industrial relations manager Europe (1)
Factory trade union	Trade union leader (6)
Regional trade union	Trade union leader (1)
National trade union	International coordinator (1)
Other site's trade union and EWC Poland	Trade union leader (1)
Trade Union Homeland, EWC	Electra trade union leader (1); EWC representative (2)
External	Wilno Labour Market Board Director (1); Investment and development specialist, Wilno Municipality (1); Former production worker Electra Wilno (1)

Managers and trade union representatives on all relevant levels of the hierarchy were interviewed. All interviews but one took place in the respondents' offices without participation of third persons. All interviews were tape-recorded; one interview lasted on average 65 minutes. The first author also collected company statistics, reports and presentations, and visited the factory's shop floor. Participation in a company event enabled the author to also observe informal interaction i.e. between managers and trade union leaders in a casual environment.

In the next section of this paper, we provide empirical evidence and analyse the studied coordination channels. We start with a brief description of Electra, its Polish factory, and the factory-level industrial relations.

## 5. THE ELECTRA COMPANY AND INDUSTRIAL RELATIONS

Electra is one of the world's largest industrial companies in the relevant sector and the largest in Europe, according to the amount of sales in 2003. Electra employs over 164,000 employees in over 60 countries (EIP Briefing Document, 2004). Facing the challenges of internationalisation of markets and increased competition, Electra has undergone several reorganisations in the past 15 years. Being organised in a top-down hierarchy, the current corporate strategy stresses integration of various levels and activities, which requires a development of a cooperative culture to capture convergence opportunities (Electra EWC, 2001). Therefore, coordination channels transcending the traditional organisational structure are fostered mainly in core business activities and support activities, including HRM of knowledge workers and managers.

In Poland, Electra belongs to important Western-European investors employing over 10,000 employees in Electra sites (mostly manufacturing jobs), and more than 10,000 through local suppliers. The access to a relatively large Polish market, favourable local conditions, political stability, legal regulation, Polish employment practices, and the corporate strategy contributed to a gradual expansion of Electra in Poland during the 1990s. *Electra Industries Poland (EIP) in Wilno* - the factory under scrutiny in this paper – is one of the four European manufacturing sites within Electra's Business Unit BU C2 (see Figure 3). This mass assembly centre of consumer goods mainly for European markets was established as a greenfield site in 1990<sup>4</sup> in Wilno, a city of 45,000 inhabitants in Northern Poland. EIP experienced gradual production growth and attracted a number of suppliers to the Wilno industrial park. The overall flexibility of this factory, including an outstanding production and workforce flexibility, cost competitiveness, and high product quality, account for EIP's world-class performance vis-à-vis other Electra factories and competitors. In 2002, a major reorganisation and outsourcing of two (out of three) factories took place. This reorganisation did not significantly affect employment in any of the concerned factories, because the majority of Electra's suppliers had already adopted a similar flexibility model due to supply-chain interdependence with Electra. Creating over 4,500 jobs mainly in production, EIP and its suppliers gradually became the second largest employer in the city of 27.2% unemployment<sup>5</sup>. With its reputation as an industrial hub, Wilno is a positive outlier when compared to neighbouring counties where unemployment levels reach 30 – 40%.<sup>6</sup>

The factory also maintains a functioning system of workplace industrial relations. The EIP's trade union was established in 1996, several years after the plant's establishment. After two unsuccessful

---

<sup>4</sup> The current functioning of the factory dates back to 1995.

<sup>5</sup> In total, MNCs created around 90% of all jobs in Wilno and its surroundings (Regional labour market board Wilno)

<sup>6</sup> Official figures as of 31.3.2004 (Regional labour market board Wilno)

attempts, a group of 10 female directs convinced other workers that a union would be useful in order to improve work conditions. The union became part of Solidarnosc, and was accepted by EIP's management without reservations. The unionisation level at EIP is about 30%, twice as high as the Polish average<sup>7</sup>, with the majority of union members being directs. Since the union is based inside the factory, frequent informal interaction with workers and (potential) members is well developed and the union does not face a membership decline.

Gradually, both EIP management and the union learned to interact with each other. Originating in a country with centralised sectoral and company collective bargaining, even the expatriate managers at EIP did not have considerable experience in factory-level bargaining with unions<sup>8</sup>. Electra headquarters did not interfere in the process of building up industrial relations at EIP Wilno; therefore, rules of management-union interaction developed almost exclusively on the site. As the outcome, both bargaining parties respect the jointly established rules and avoid (threats of) industrial action, with a single exception of a collective conflict solved by a court mediator in 1998. Moreover, Polish Electra managers appreciate the unions' awareness of business processes, which allows productive union-management interaction in business-related and employment-related issues. Although both managers and unionists view their relationship as open and friendly, and claim to have decent industrial relations, evidence suggests that coordination between the parties is to a certain extent based on tough strategies. The union's strategy is to keep employment in Wilno, increase employment security and relate to that increase its control over the workforce. This strategy is linked to the fact that high unemployment in the region allows considerable power asymmetry between management, workers, and the union. Since dual employment flexibility became the factory's priority only in the years, when the union was already functioning, it is likely that managers saw an opportunity to channel employment flexibility measures to the directs via the relatively weak trade union.

Already for several years, the most important content of union-management interaction includes negotiations on work regulations, annual working time calendars and their operational revisions, and annual salary increases. The rule to discuss all changes in the calendar with the union was established locally and is based on the legal stipulation that working time issues are subject to such negotiation. According to the union, directs better accept decisions as to whether they will work or not on certain days (in case of min-max workers) if the union approves such decisions. Besides the working time, annual salary negotiations are a crucial part of management-union coordination. The concluded

---

<sup>7</sup> See Kahancová (2003)

<sup>8</sup> Source: EIP expatriate managers.

agreements apply to all factory employees, except the management team and several key position holders. Such agreements are signed in a written form, however, not in the form of a collective agreement, and without an effective sanction mechanism in case of non-implementation of agreed stipulations. The non-existence of collective agreements at EIP<sup>9</sup> allows for managerial freedom in operational decisions, as well as for an implementation of performance-related pay that is part of the direct workers' monthly salary.

After this brief introduction of the case study, we will now turn to analysing the relevant coordination channels that influence employment practices in the Polish factory.

---

<sup>9</sup> Out of eight Electra sites in Poland, only two sites conclude a collective agreement. Interview Electra Poland industrial HR manager (18.6.2004)



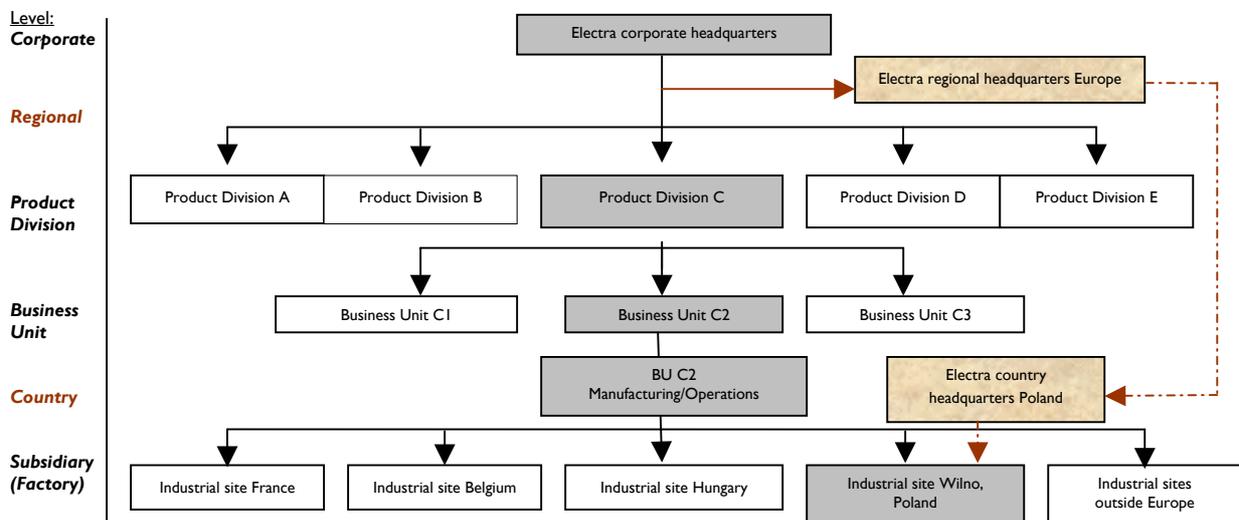
## 6. ANALYSIS OF COORDINATION CHANNELS

In this section, we provide empirical evidence on the functioning of coordination between headquarters, the factory management, and employee representatives, and on factory-specific employment practices that are the outcome of studied coordination.

### 6.1 COORDINATION BETWEEN MNC HEADQUARTERS AND THE FACTORY MANAGEMENT (CHANNEL $\alpha$ )

From the MNC's organizational chart, two coordination channels can be identified between Electra headquarters and the Polish factory (see Figure 3): first, it is the functional channel through the product division and the business unit; second, it is the regional channel via European and Polish headquarters.

Figure 3: Electra organisational structure



Source: authors' summary based on company documents and interviews

According to acquired data we can conclude that there is a consistency in policies between different levels of headquarters (corporate, functional, and regional). Therefore, we restrict  $\alpha$  only to coordination between functional headquarters and the EIP Wilno management.

Direct coordination between headquarters and subsidiaries in employment practices materialises in standard systems of job grading, performance appraisals, management development plans, and

shared company values that penetrate managerial decisions on all organisational levels. The majority of existing central policies and control mechanisms that are diffused from the headquarters to subsidiaries relate to HRM of 'indirects' (managers, staff members): i.e. recruitment, training and internal labour market mobility. Headquarters are not directly involved in operational management, or control of the directs' employment practices in the Polish site<sup>10</sup>. According to the HR manager, "anything [that] comes from headquarters normally refers to people above certain levels. [...] These are people who are very far away from the production level. [...] [Production] employees are not in the centre of interest of headquarters." Similar to HRM, Electra does not have any corporate, product division or business unit principles and guidelines concerning industrial relations in the factories. The only relevant policy is the Polish headquarters' *Electra Social Policy in Poland*. Although being an attempt of coordination, this policy further encourages decentralisation of industrial relations within Poland (EIP Briefing Document, 2004).

Headquarters are not directly involved in any aspect of managing employment flexibility of directs on the site, and the EIP management has a remarkably large scope in HRM for autonomous action of directs. This is shown in the absence of detailed policy guidelines on headquarter level concerning management of directs and industrial relations in the factories, a limited number of expatriates in Wilno (except the general manager, even the few expatriates that work at EIP have the goal to grow a local successor), no direct control of headquarters' HR management over the factory HR managers, and no detailed reporting on industrial relations and employment practices of directs to headquarters. The instruments of coordination in this case include general audits, process survey tools and motivation surveys, covering both directs and indirects.

From the analytical perspective, headquarters define the space for strategic action of EIP's management by giving the management a large degree of freedom. This is explained by several arguments: first, as both headquarters and EIP are in a hierarchical relationship within one company, they share the same company values and the interest of maintaining EIP's competitive position within the MNC. Both actors appear to have the same strategic objective to decentralise employment practices in local conditions. Second, assuming these same objectives, headquarters find it more reasonable to delegate local industrial relations and management of directs to the factory-level management, since the factory management's knowledge of local conditions is considerably larger than the headquarters'. Due to limited knowledge of local conditions, headquarters face the risk of not choosing the most appropriate strategy in the 'game' with local trade unions. To avoid this risk,

---

<sup>10</sup> The BU C2 headquarters control the factory's total headcount. Working time matters are part of financial reporting, i.e. due to overtime payments.

headquarters let local managers decide their strategy vis-à-vis unions, according to their best local knowledge. As the outcome, the mode of interaction between headquarters and subsidiary management is not dominated by control over employment practices of directs and their instruments as was hypothesised, but by soft coordination through value sharing within one corporate culture. In other words, the MNC fosters decentralisation and adaptation to local conditions (this adaptation will be discussed in more detail below) through value sharing instead of control. The strategies of both headquarters and EIP management are cooperative.

This finding contrasts with observations concerning employment practices of indirects that are considerably more regulated and diffused from the headquarter level to subsidiary levels. With a growing internal labour market within the MNC and the focus on knowledge workers as the company's key asset, the trend of past years has been the centralisation of HRM of indirects either within a geographic region or within functional product divisions.<sup>11</sup> Moreover, employment practices of indirects are often the subject of cross-factory benchmarking or coordination with Electra headquarters, although working time and pay are determined locally based on national laws and industrial relations. In contrast to directs, indirects' management is to a large extent dominated by headquarter control and top-down diffusion.

To sum up, no direct control of the headquarter occurs over either the Polish factory's employment practices, HRM related to directs, or industrial relations. Our findings on the cooperative form of coordination and the lack of headquarter control over factory HRM and employment practices are in contrast with our hypothesis I and therefore this hypothesis is rejected. It is part of Electra's overall strategy to decentralise employment practices of directs and adapt them to local conditions. However, in the case of EIP, we cannot speak about such adaptation, because EIP's employment practices were developed exclusively at this factory, utilising local labour market conditions in combination with several best practice processes from other Electra factories<sup>12</sup>. Working time and contract flexibility have gradually been implemented also at several EIP's local suppliers, but without direct coordination with EIP. The involvement of other Electra subsidiaries in Poland and abroad in EIP's HR management is also negligible. Thus, the management and the factory-based trade union are the key actors shaping employment practices at EIP Wilno. Their coordination is analysed in the next section.

---

<sup>11</sup> Electra in Poland – through the country headquarters – tends to centralise recruitment and training of indirects for all sites. In Western Europe, Electra favours shared service centres for employment and training of indirects in countries or groups of countries with similar labour regulations.

<sup>12</sup> I.e. the mini-company concept was based on experience of a Western-European Electra factory

## 6.2 EMPLOYMENT PRACTICES AND COORDINATION BETWEEN THE FACTORY MANAGEMENT AND THE LOCAL TRADE UNION (CHANNEL $\beta$ )

Local conditions, including high unemployment, lack of job opportunities in the region and the availability of young, motivated workforce considerably increased EIP's labour market authority. Although the company provides fair working conditions and payments to its workers, it comes at the expense of high employment flexibility that is, besides favourable labour costs, an important source of the factory's competitiveness. The main aspects of employment flexibility related to directs include: headcount, contract structure, working time, and work organisation.

First, the share of directs on the total *headcount* varies between 77 and 87% according to seasonality<sup>13</sup>. About 53% of directs and 74% of indirects are 25 to 35 years old; 49% of directs and 52% of indirects are women, and the share of women in managerial positions is around 30%.<sup>14</sup> The majority of directs finished secondary education and the majority of indirects have a university degree.<sup>15</sup> The company does not formally distinguish between skilled and non-skilled directs.<sup>16</sup>

The production's seasonality is directly reflected in directs' employment flexibility: when the product demand falls in the first half of a calendar year, only part of the workforce operates; and in the year's second half, when the demand rises, a large group of temporary workers is hired under the same working conditions as the permanent workforce. Many seasonal workers return to EIP every year in the winter, and work in farming in the summer. Electra's good employer reputation in not discriminating between permanent and seasonal workers in pay, benefits and working conditions, higher pay compared to small local companies, and finally the company's respect to the Polish labour law (whereas small local employers often evade the law)<sup>17</sup> are factors that contribute to workers' loyalty to EIP. The high motivation of directs to work at this factory simultaneously raises competition among them and extends control of the management over the workforce and over the labour market selection. A system of individual evaluations, used both for the temporary and the permanent workforce, is a continuous inspection of employee motivation and results. This evaluation of directs is conducted by their foremen and shift leaders and is decisive for position

---

<sup>13</sup> EIP internal employment statistics (1997-2003).

<sup>14</sup> EIP internal employment statistics (2003).

<sup>15</sup> Source: EIP HR specialist; EIP internal employment statistics (2003).

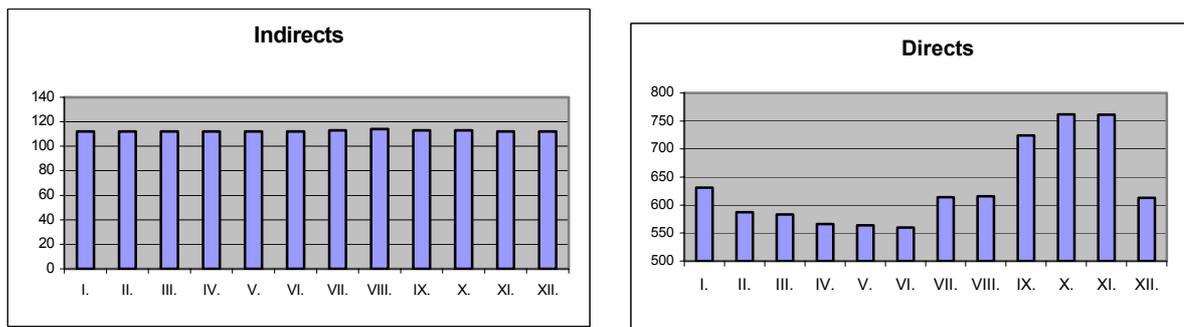
<sup>16</sup> Ibid.

<sup>17</sup> I.e. half-time social security contributions for a full-time employee. Source: author's observation; EIP union leader.

upgrading, an increased salary, change from temporary to permanent contracts, or a prospective temporary job in the next year's season.

In contrast to the contract flexibility of directs, indirects are relatively stable in number and contract structure (see Figure 4).

Figure 4: Electra Wilno headcount per month in 2003



Source: Authors' calculation based on company statistics

The *structure of contracts* is the second aspect of employment flexibility linking production plans with the number of directs. Since 2000, the share of full-time open-ended contracts has been gradually declining and has been substituted by long-term or short-term contracts with flexible working time. While in 2000, 42% of directs had *full-time* open-ended contracts, by 2003 this share decreased to only 2% while the share of open-ended and fixed-term contracts with *half time* or *three-quarters time* models increased: to prevent dismissals in the low season, the factory decreased full-time contracts to *three-quarters time* contracts. Although not favoured when production changes affect the workers, the union supported this decision. In general, EIP changes the contract type of expiring contracts only; and this policy proved to be successful in avoiding dismissals.

The third aspect of employment flexibility is the *working time* of directs that has been developed locally, utilising Polish labour law. To secure the company's ability to increase and decrease production output within short periods of time (on a weekly basis), min-max contracts have been deployed: workers are minimally paid for 50% of legally stipulated working time even if they stay at home due to low production plans. However, if production increases, these directs work according to the factory's needs, whereas their working time varies between 50% and 100% of the standard 40-hour-week. The workers are then paid according to the actual hours worked. This arrangement decreases the employer's financial burden and permits high flexibility. Acknowledging flexibility of both contracts and working time, we refer to this arrangement as to *dual employment flexibility*.

Finally, *work organisation* – directs' allocation to production lines, seats, and their rotation – is the last studied aspect of employment flexibility. A group of multi-skilled employees, called *butterflies*, has been trained to avoid production stoppages in case of regular workers' breaks or absence occurring anywhere in production. Moreover, directs work in *mini-companies* of 9-10 persons, and rotation within one's mini-company is without limitations. The concept of mini-companies proved successful, especially for individual motivation and responsibility. A regular mini-company performance assessment and various awards (i.e. employee of the month) are stimulating factors for employees to improve their commitment to performance and quality. At the same time, this performance assessment is a tool of managerial control over the workforce, together with unilateral managerial decisions concerning directs' contracts and working time.

Although employment flexibility is an important source of EIP's competitiveness, the union claims that "... a seasonal min-max contract negatively affects the psyche of a worker who does not know how much he will work and earn". The union struggles for increased employment security, but the actual trend is a further increase in flexibility. Contracts of many employees with full-time temporary contracts have been substituted with min-max temporary contracts, thus, with inferior conditions and pay due for less hours worked annually. Moreover, workers are tied to Electra; as they do not know long enough in advance<sup>18</sup> when they will work, they cannot complement their half-time contract at EIP with a half-time job at another company (although the number of available jobs in the region is limited). Dual employment flexibility secures more jobs than in the case of a fixed headcount of full-time directs. However, in the eyes of the union, flexibility decreases solidarity among directs and cultivates competition, hostility and informal networks on the shop floor. Despite attempts of the union to change these practices, the real effects seem to move in the opposite direction. The union's unsuccessful efforts to increase employment security are related to limited patronage of higher-level union organisations and power resources of company-based trade unions in Poland. Contacts of the EIP-based union with regional and national Solidarnosc headquarters are limited to informal interaction and some regular meetings. The fact that industrial relations at EIP are better than at many other companies in the region further limits the union's involvement in higher-level structures, because even the trade union prefers to solve all issues behind the gates of the factory. An informal network between union representatives of several Polish Electra factories does exist, but it has not lead to a harmonised or centralised decision-making. The unions would

---

<sup>18</sup> Managers prepare work schedules on a monthly basis. Workers are informed one month in advance on which days and which shifts they will work. In case of operational changes or delays in production inputs, changes are adopted even more often (source: EIP shift leader). The union finds that workers are informed about their schedule too late; in some cases just 2 days ahead (source: EIP union leader).

like to see more company-level centralisation – as in Electra in Homeland<sup>19</sup> – but in Poland, a decentralised factory-level bargaining and utilisation of regional labour market differences prevails.

To put the management-union coordination in channel  $\beta$  in more formalized turn, we use a basic game-theoretical methodology (Scharpf, 1997): we define actor constellations and payoffs relative to the actors' constellations and to the institutional environment in which coordination takes place. Payoff matrices help us to relate findings in each studied coordination channel with our hypotheses. We list payoffs numbered from 0 to 3 for both management and the union, acknowledging the fact that coordination is a continuous process with repetitive interactions. The choice of numbers is based on convenience and the only relevant aspect of this selection is its ordinal structure based on empirical information. To find the expected outcome of actors' coordination we adopt the Nash Equilibrium concept<sup>20</sup> where the equilibrium combination of strategies is the one from which none of the actors has incentives to deviate, given the strategies played by the other agents. This method is suitable, because the  $\beta$  channel differs from the  $\alpha$  channel in that the actors are assumed to be independent from each other and are not in a hierarchic relationship.

In the  $\beta$  channel, the autonomy of EIP's factory management significantly affects the constellation of the *factory management* and the *union*. Both actors are relatively independent from their headquarters; therefore, coordination  $\beta$  is embedded in local conditions. We decompose  $\beta$  into three games played between the management and the union concerning: working time, contract flexibility, and work organisation. The constellation and strategy of both actors is determined by relatively weak trade union powers to influence employment practices and flexibility, and the non-existence of collective agreements, which allowed EIP to develop the employment flexibility model conforming to Polish labour law, but at the same time, limiting trade union involvement in decisions concerning employment flexibility, except fields where union-management negotiations are legally stipulated (pay negotiations and working time negotiations). Furthermore, the strategy of management and the union is shaped by a common value to safeguard employment in Wilno. The union strategy is also based on the effort to increase union control over the workforce, and the management strategy is dominated by the factory's effort to perform best when compared to other comparable factories within and outside Electra.

---

<sup>19</sup> Although not part of sectoral bargaining, collective bargaining is centralised for all Electra sites in Homeland.

<sup>20</sup> Osborne and Rubinstein (1994: 14).

Figure 5 shows the union-management coordination for selected aspects of the  $\beta$  channel:

		Management	
		COOP	TOUGH
Union	COOP	2, 3	1, 0
	TOUGH	1, 2	3, 0

Figure 5a. Coordination Strategies in working time ( $\beta$ )

		Management	
		COOP	TOUGH
Union	COOP	2, 1	0, 2
	TOUGH	3, 0	1, 3

Figure 5b. Coordination strategies in contract flexibility ( $\beta$ )

		Management	
		COOP	TOUGH
Union	COOP	2, 1	1, 2
	TOUGH	3, 0	2, 1

Figure 5c. Coordination strategies in work organisation ( $\beta$ )

In *working time issues* (Figure 5a), the union has relatively the largest power resource based on legal stipulations; therefore, it is a better strategy for management to cooperate with the union in working time issues, since by being tough the company can lose its reputation of a good employer, face court cases and suffer extra costs. For the union, it is also better to opt for cooperation as long as the management cooperates. In this case, the Nash equilibrium game means that the management cooperates with the union on working time issues and adheres to institutions established because of the existence of effective legal sanctions for the employer. The fact that EIP management negotiates its annual working calendar and operational changes with the union supports this finding. The union appreciates this cooperation; however, if a company would opt for being tough, the union would also shift to being tough<sup>21</sup>. This happened at the end of 2003 when the union and the management could not find a consensus concerning working time recognition of three individual workers. As a result, the union invited the Labour inspection and the management had to face effective sanctions. To sum up, the ‘cooperation–cooperation’ strategy is the most sustainable mode of coordination between EIP management and the trade union in working time issues.

The constellation of actors and their payoffs in *contract flexibility* in Figure 5b differ from coordination related to working time, since the availability of skilled labour and high unemployment in the region increase the power of the management vis-à-vis the union. Although regulated by law, the union failed to extensively influence the contract structure. In this case, the equilibrium game played is ‘tough-tough’: by being tough in respect to the union, EIP has the highest payoffs in the form of employment flexibility irrespective to union strategies<sup>22</sup>. As the union has to face a ‘tough’ employer, being tough is also a dominant strategy for the union. Through this, the union maximises at least the benefits it can reach with its weak position. For example, in 2003, in order to avoid dismissals of workers (which would have been the worst option for the union), the union opted for the second-

<sup>21</sup> For the union, ‘3’ means a higher payoff than ‘0’ in the right column of Fig. 5a.

<sup>22</sup> For management, payoffs in the right column are higher than payoffs in the left column.

worst strategy and agreed to change contract types of full-time directs to three quarters time contracts.

Work organisation, analysed in Figure 5c, differs from the previous two aspects in that no legal obligation to negotiate the work organization with trade unions applies. Therefore, the union has very limited powers in affecting the work organisation at EIP, because work organisation is a domain of management and the management’s responsibility is higher than the union’s responsibility. In this case, managers play a ‘tough’ strategy<sup>23</sup>, to which the union optimally reacts by playing a tough strategy as well, in an attempt to maximise its payoff in this situation<sup>24</sup>. Most of this interaction occurs through informal communication channels through which the union signals its eventual concerns related to work organisation. An effective sanction mechanism to penalise the company in case of no commitment to adopted contract structure or work organisation is not in place, since the company developed these employment flexibility measures internally and, in case of contract structure, according to Polish labour law.

To integrate the previous arguments and to propose a broader view on the  $\beta$  channel, Figure 6 shows a general payoff matrix applicable to factory-level industrial relations at EIP. The payoffs listed in this Figure are not a summary of previously discussed employment flexibility aspects:

Figure 6

		Management	
		COOP	TOUGH
Union	COOP	2, 2	0, 3
	TOUGH	1, 1	1, 2

Factory industrial relations ( $\beta$ )

As the figure suggests, both the EIP management and the union play a ‘tough–tough’ game, which suits the decentralised structure of Polish industrial relations: in this sustainable coordination model, the employer attempts to maintain its bargaining power over the relatively weak union, and the union is better off by maximising its possible gain relative to the existing power asymmetry. Nevertheless, the ‘tough–tough’ game does not mean that the actors experience conflicts; instead, they realise that better results can be reached through interactive bargaining with compromises, i.e.

<sup>23</sup> Payoffs in the right column are higher than in the left column.

<sup>24</sup> In the right column, ‘2’ is a higher payoff for the union than ‘1’.

operative changes in working time calendar of the factory achieved via mutual cooperation, adjustments in contract structure, and informal union feedback on work organisation. Although the union is relatively weak, EIP has a well functioning interaction with the union when compared to stylised local employers. Both the management and the union view this as an equilibrium model (relative to local conditions) where no major changes should be introduced in the relationship.

Overall, looking back at the four figures related to management-union coordination ( $\beta$ ) and returning to hypothesis 2 on the outcomes and the process of this coordination, we formulate several further insights: Regarding the *outcomes* of coordination, in employment practices EIP does not adapt to local conditions, but utilises these to the company's flexibility needs. Given that sanction mechanisms are lacking, adaptation would mean that the company would be less concerned with the agreed rules. Second, adaptation would mean lower employment flexibility, which is the case in the majority of local and foreign employers not linked with Electra Wilno. Finally, with adaptation to local conditions, we would expect more open-ended contracts, and severance payments when dismissing employees with such contracts. Given these points, the conclusion is that  $\beta$  is neither diffusion, nor adaptation, but utilisation of local conditions through negotiated agreements and interactive bargaining with a relatively weak trade union, where being tough is the most sustainable strategy for both management and the union.

We confirm hypothesis 2 also regarding the coordination *process*, and argue that industrial relations are characterised by interactive bargaining, with the union being recognised as a legitimate bargaining partner, although weaker than the management. MNCs have in this respect a good reputation in Poland in contrast to small foreign companies and Polish employers. The supporting coordination channels included in hypothesis 2 are also confirmed: we found management control over the directs through individual worker evaluations and selection procedures. In this case, management plays a tough strategy, and directs do not have any other option but to cooperate. However, we did not find evidence that management promotes competition between unionised and non-unionised workers; both groups are treated equally. Finally, we can confirm the existence of shared values between the union and managers; namely, the wish of both actors to maintain a well-performing factory, and commitment to jointly established rules.

### **6.3 INTERNATIONAL TRADE UNION COORDINATION AND THE EUROPEAN WORKS COUNCIL (CHANNEL $\delta$ )**

International coordination of trade unions, the European works council at Electra, and the workplace-level union-workers relationship is the final coordination channel to be analysed. Opposite to our expectations, we find that regular international contacts among trade unions at Electra in Poland, Homeland, and other countries are limited. “*National, international or global cooperation is not the first priority of [Homeland] workers and unions*”<sup>25</sup>. Electra’s Polish unions initially expected more cooperation with Western unions and were disappointed by the lack of interest from Homeland, however, they understand that “*there are no sentiments in business*”<sup>26</sup>, especially when factories face internal MNC competition.

The only functioning channel through which international cooperation is assured is the European works council (EWC); however, the relationship between representatives from Homeland and Poland in the EWC is competitive rather than cooperative. According to Western-European employee representatives, the role of EWC at Electra is limited to discussions dominated by Electra headquarters. This channel does not yet play a significant role in bridging local differences in structure and power of employee representatives. Despite its limited role, evidence suggests competition between involved representatives from Western Europe and CEE.

In the recent years, international union cooperation at Electra has been more important than the EWC. Trade unions are expected to be more eager to cooperate internationally in order to decrease the threat of social dumping for Western European countries and the emigration of their industries to lower-wage countries in CEE (Scharpf, 1997: 81). Unions would prefer shared employment regulation standards that would decrease competition between Western and Eastern Europe. Cooperating with trade unions in CEE is the first step in how to eliminate the threat of competition. Although this argument is based on the cooperation of national-level trade union confederations, Figure 7 suggests a different picture for company-level union cooperation within Electra.

---

<sup>25</sup> Source: union representative Electra Homeland.

<sup>26</sup> Source: international union coordinator Electra Poland.

Figure 7

		Union	
		Electra COOP	Poland COMPETE
Unions Electra Homeland	COOP	2 3	0 1
	COMPETE	1 0	3 2

International Trade Union cooperation at Electra ( $\delta$ )

According to payoffs in the matrix (based on interviews with trade union representatives, and challenges and threats that unions have to face), we identified two sustainable equilibrium outcomes: unions either cooperate with each other in order to lobby for higher regulation standards; or they compete with each other in order to maintain the local employment regulation and promote advantages of local variety. The first case characterises the national-level union cooperation; however, the evidence for company-level union cooperation at Electra supports the second option. Coordination between unions is dominated by competition, and Homeland Electra trade unions view Polish unions as a threat for employment stability in Homeland. Polish Unions in Electra’s Polish factories, including EIP Wilno, would prefer cooperation with Homeland unions and a higher employment security and centralised industrial relations like in Homeland, but being disappointed by Homeland unions’ attitudes they opted instead for competition and local industrial relations. In the eyes of Electra’s Polish union representatives, Homeland unions fought to prevent East-West union cooperation and even postponed the involvement of Polish representatives in the EWC until their inclusion became compulsory. Currently there is no regular contact between Electra unions in Homeland and Poland, and even if individual Homeland union leaders attempt to visit unionists in Polish Electra factories, their action faces opposition from Homeland union members.

The next feature of the  $\delta$  channel is the coordination between the workers and the union in the EIP factory. This relationship can be characterised by interactive bargaining with cooperative strategies, where feedback from workers concerns mainly their working time and contracts. A threat to the stable union position is a decreasing solidarity among workers that is driven by shop floor employee competition. Although this competition does not depend on union membership but is based on managerial control to increase individual performance of directs, it is a serious concern for the union.

To summarise the finding on  $\delta$ , we conclude that international company-level trade union coordination is dominated by competition that further deepens the embeddedness of employment regulation into local conditions and supports the persistent institutional and structural variation in industrial relations between centralised Western Rhineland economies (Hall and Soskice, 2001) and decentralised CEE economies such as Poland. This argument runs against our hypothesis 3 on international union cooperation and solidarity. The EWC of Electra can possibly play this role in the future, but in the current state of cooperation the further development of this institution remains to be seen. Therefore, based on our current findings, hypothesis 3 is rejected.

As our analysis suggests, the greatest impact on factory-specific employment practices is ascribed to the locally embedded coordination between the factory management and the factory trade union. The impact of both MNC headquarters and trade union headquarters is limited.



## 7. CONCLUSIONS

In this paper, we showed the dominant modes and forms of coordination in three coordination channels, and evaluated the impact of these on factory-specific employment practices. However, before we turn to the concluding arguments, we must emphasise that each coordination channel can be simultaneously characterised by several modes of coordination. In other words, we can find control, competition, value sharing and interactive bargaining in all coordination channels. Figure 8 summarises empirical evidence on the variety of coordination modes in each of the channels:

Figure 8 Various modes of coordination in various coordination channels

<i>Mode of coordination</i>	<i>Channel</i>	<i>Actors involved and their coordination forms</i>	<i>Content/instruments of coordination</i>
CONTROL	$\alpha$	Electra headquarters: tough; EIP Wilno management: cooperation (hierarchy)	Autonomy of subsidiary in exchange for meeting production targets set by headquarters
	$\beta$	EIP Wilno management: tough; Workers: cooperation; Trade union: tough	Management control over the workforce: individual worker evaluations and selections of workers with min-max working time based on evaluation of immediate supervisor; Management control over the trade union: providing facilities and equipment for union activity
	$\delta$	Workers: tough; Trade union: cooperative	Worker control over the trade union: shaping the union agenda through feedback and interaction with the union
COMPETITION	$\alpha$	n/a;	not applicable to hierarchy
	$\beta$	EIP Wilno management: tough; Trade union: tough	Would apply if evidence on management discriminating between unionised and non-unionised workers would have been found empirically
	$\delta$	Trade unions Homeland: tough; Trade unions Poland: tough; Workers: tough	Low international trade union solidarity within Electra, Homeland union members do not support union contacts with Polish representatives; Postponed inclusion of Polish representatives in the EWC; EIP workplace competition: low solidarity between workers, gossips, individual efforts to be the best in order to improve one's performance evaluation, contract and working time model
COMMON VALUES AND NORMS	$\alpha$	Electra headquarters: cooperative; EIP Wilno management: cooperative	Company culture; good reputation of Electra and the EIP factory as an employer; Adaptation of employment practices of production workers to local conditions
	$\beta$	EIP Wilno management: cooperative; Trade union: cooperative; Workers: cooperative	Common goal to keep the factory (and employment) in Wilno; mutual learning, avoiding conflicts that increase the chance of relocation
	$\delta$	EWC representatives: cooperative	Sharing employee experiences within Electra; best practice across various European countries; exchange of information (limited empirical evidence)
INTERACTIVE BARGAINING AND COOPERATIVE EXCHANGE	$\alpha$	Electra headquarters: tough; EIP Wilno management: cooperation (hierarchy)	Decisions concerning the factory allocation and/or relocation
	$\beta$	EIP Wilno management: cooperative in working time issues, otherwise tough; Trade union: tough	Union-management negotiations and bargaining over working time, contract structure, work organisation at the factory, based on Polish legal regulation
	$\delta$	Trade union: cooperative; Workers: cooperative/tough	Worker feedback and (in)formal interaction with the union concerning working time models and contract structure

For example, the coordination channel between EIP management and the trade union ( $\beta$ ) can be characterised by interactive bargaining on issues of working time, but also by control and common values: the management does have certain leverage over the union because it provides facilities for union activity on the company campus. At the same time, management and the union share values concerning the factory's performance in order to avoid production relocation and job losses at Wilno. As this example suggests, there is no exclusivity between various modes of coordination in different channels.

Since the strength of different coordination modes varies we found the dominant mode of coordination that best describes the channels  $\alpha$ ,  $\beta$ , and  $\delta$ . We formulate three conclusions in response to our research question:

First, in channel  $\alpha$  we find that the production workers' employment practices at EIP are not controlled by Homeland MNC headquarters and have been developed exclusively utilising local conditions including Polish labour law and the Wilno region's labour market specificities. Although positive coordination and corporate value sharing dominate the relationship between Homeland headquarters and the EIP management, headquarters stay out of the process of managing employment practices at the Polish factory and grant a significant degree of autonomy to the local management. Consequently, local employment practices are an outcome of coordination between the management and the union in the factory, without involvement or control of third parties.

Second, in the  $\beta$  channel we can speak neither about diffusion of employment practices, nor their adaptation to the local conditions. The factory's management-union coordination is better viewed as interactive bargaining with mainly tough, but in certain cases also cooperative dominant strategies for both actors. The management aims at *utilising local conditions* and achieving a high degree of employment flexibility; whereas the union aims at increased job security. The power asymmetry between the management and the union in this coordination accounts for the fact that a growth of trade union power in shaping the factory's employment flexibility has been effectively pre-empted by the management through utilisation of labour market conditions and the trade union structure in Poland.

Finally, the  $\delta$  channel, or the international cooperation of Electra's trade unions in Homeland and in Poland, is dominated by competition, which further cultivates the embeddedness of industrial relations into local conditions and limits the influence of higher-level union organizations on local employment practices. Moreover, competing trade unions increase the space for the MNC's strategic action and stimulate asymmetry in coordination between MNCs and employee representatives on the international level.

The local embeddedness of industrial relations is not expected to alter considerably in the near future, despite important political changes currently taking place. Poland's membership in the European Union will most likely not bring significant differences to the power relations between Electra headquarters, the factory management, and the trade union. The only important change is

the membership of Polish representatives in Electra's EWC. Polish unions expect that their membership will produce improved international cooperation with Western unions on the company-level in order to better face global challenges. However, unions understand that this cooperation cannot shift the current equilibrium in the Polish factories to the unions' benefits, because due to a greater international mobility of capital (compared to labour), MNCs always have a pool of potential host countries competing for foreign investments at hand.

For MNCs like Electra, Poland will remain an attractive investment location provided that labour costs, labour markets, legal and political conditions, the current industrial relations climate, and trade unions' awareness of global challenges will not change significantly. Other factors, such as changes on product markets may lead to an outsourcing of Polish factories, which is also the fate of the Wilno factory. Since previous outsourcing of two Electra sites in Wilno in 2002 barely produced any changes in employment-related issues, it is expected that the strategies, payoffs, and constellations of both managers and the trade union as described in this paper are sustainable in the current Polish labour market conditions.



## REFERENCES

- Boyer, R. et al. (eds) (1998): *Between Imitation and Innovation: The Transfer and Hybridisation of Productive Models in the International Automobile Industry*. Oxford: Oxford University Press.
- CPB – Central Planning Bureau [Netherlands Bureau for Economic Policy Analysis] (1997) *Challenging Neighbours: Rethinking German and Dutch Economic Institutions*. Berlin, Heidelberg and New York: Springer Verlag.
- Electra European Works Council Meeting (2001) *Presentations*.
- Electra Industries Poland (2001) *Regulamin Pracy* [Work regulations].
- Electra Industries Poland (2003–2004) *Employment Statistics*.
- Electra Industries Poland (2003) *Mini Employee Motivation Survey, focus group directs*, December.
- Electra Industries Poland (2003) *Employment Policy towards directs*.
- Electra Industries Poland (2004) *Briefing Document*.
- Edwards, T. (1998) Multinational Companies and the Diffusion of Employment Practices: A Survey of the Literature. *Warwick Papers in Industrial Relations Series*, No. 61.
- Edwards, T., Rees, Ch. and Coller, X. (1999): Structure, Politics and the Diffusion of Employment Practices in Multinationals. *European Journal of Industrial Relations* 5(3): 286-306.
- Ferner, A. (1997) Country of Origin Effects and HRM in Multinational Companies. *Human Resource Management Journal* 7(1): 19-37.
- Ferner, A. and Varul, M. (2000) 'Vanguard' Subsidiaries and the Diffusion of New Practices: A Case Study of German Multinationals. *British Journal of Industrial Relations* 38(1): 115-140.
- Hall, P. A. and Soskice, D. (eds) (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. New York: Oxford University Press.
- Harzing, A. K. (1999) *Managing the Multinationals: An International Study of Control Mechanisms*. Cheltenham and Northampton MA: Edward Elgar Publishing.
- Kahancová, M. (2003) Trade unions, employers' organisations, social dialogue and collective bargaining in Poland. Amsterdam: *Amsterdam Institute for Advanced Labour Studies RRSS 04*.
- Kodeks pracy, Ustawa z 26 czerwca 1974 po zmianie z 14 listopada 2003 [*Polish Labour Code, 1974, revision November 14, 2003*].
- Marginson, P. (1992) European integration and transnational management-union relations in the enterprise. *British Journal of Industrial Relations* 30(4): 529-545.
- Marginson, P. (2000) The Eurocompany and Euro Industrial Relations. *European Journal of Industrial Relations* 6(1): 9-34.
- Ministry of Economy, Labour and Social Policy, Republic of Poland: *Act of 23 May 1991 on Trade Unions*, amendment of 2003.
- Osborne, M. and Rubinstein, A. (1994) *A Course in Game Theory*. Cambridge, MA and London: The MIT Press.
- Regional Labour Market Board Wilno (2004) *Official unemployment statistics*.
- Scharpf, F. (1997) *Games Real Actors Play: Actor-Centered Institutionalism in Policy Research*. Boulder CO: Westview Press.



Recent publications of the Amsterdam Institute for Advanced Labour Studies

## **WORKING PAPERS**

- 05-38 "Income Distribution Dynamics in the Netherlands in the 20th Century: Long-run developments and cyclical properties"  
September 2005 Emiel Afman
- 05-37 "Search, Mismatch and Unemployment"  
July 2005 Maite Blázquez and Marcel Jansen
- 05-36 "Women's Preferences or Delineated Policies? The development of part-time work in the Netherlands, Germany and the United Kingdom"  
July 2005 Mara Yerkes and Jelle Visser
- 05-35 "Vissen in een vreemde vijver: Het werven van verpleegkundigen en verzorgenden in het buitenland. Ervaringen met en toekomstverwachtingen over arbeidsmigratie in de zorgsector"  
May 2005 Judith Roosblad
- 05-34 "Female part-time employment in the Netherlands and Spain: an analysis of the reasons for taking a part-time job and of the major sectors in which these jobs are performed"  
May 2005 Elena Sirvent Garcia del Valle
- 05-33 "Een Functie met Inhoud 2004 - Een enquête naar de taakhoud van secretaresses 2004, 2000, 1994"  
April 2005 Kea Tijdens
- 04-32 "Tax evasive behavior and gender in a transition country"  
November 2004 Klarita Gërxhani
- 04-31 "How many hours do you usually work? An analysis of the working hours questions in 17 large-scale surveys in 7 countries"  
November 2004 Kea Tijdens
- 04-30 "Why do people work overtime hours? Paid and unpaid overtime working in the Netherlands"  
August 2004 Kea Tijdens
- 04-29 "Overcoming Marginalisation? Gender and Ethnic Segregation in the Dutch Construction, Health, IT and Printing Industries"  
July 2004 Marc van der Meer and Judith Roosblad
- 04-28 "The Work-Family Balance in Collective agreements. More Female employees, More Provisions?"  
July 2004 Killian Schreuder
- 04-27 "Female Income, the Ego Effect and the Divorce Decision: Evidence from Micro Data"  
March 2004 Randy Kesselring (Professor of Economics at Arkansas State University, USA) was quest at AIAS in April and May 2003
- 04-26 "Economische effecten van Immigratie – Ontwikkeling van een Databestand en eerste analyses  
Januari 2004 Joop Hartog (FEE) & Aslan Zorlu
- 03-25 "Wage Indicator" – Dataset Loonwijzer  
Januari 2004 dr Kea Tijdens
- 03-24 "Codeboek DUCADAM Dataset"  
December 2003 Drs Kilian Schreuder & dr Kea Tijdens
- 03-23 "Household Consumption and Savings Around the Time of Births and the Role of Education"  
December 2003 Adriaan S. Kalwij
- 03-22 "A panel data analysis of the effects of wages, standard hours and unionisation on paid overtime work in Britain"  
October 2003 Adriaan S. Kalwij
- 03-21 "A Two-Step First-Difference Estimator for a Panel Data Tobit Model"  
December 2003 Adriaan S. Kalwij

- 03-20 "Individuals' Unemployment Durations over the Business Cycle"  
June 2003 dr Adriaan Kalwij
- 03-19 Een onderzoek naar CAO-afspraken op basis van de FNV cao-databank en de AWWN-database"  
December 2003 dr Kea Tijdens & Maarten van Klaveren
- 03-18 "Permanent and Transitory Wage Inequality of British Men, 1975-2001: Year, Age and Cohort Effects"  
October 2003 dr Adriaan S. Kalwij & Rob Alessie
- 03-17 "Working Women's Choices for Domestic Help"  
October 2003 dr Kea Tijdens, Tanja van der Lippe & Esther de Ruijter
- 03-16 "De invloed van de Wet arbeid en zorg op verlofregelingen in CAO's"  
October 2003 Marieke van Essen
- 03-15 "Flexibility and Social Protection"  
August 2003 dr Ton Wilthagen
- 03-14 "Top Incomes in the Netherlands and The United Kingdom over the Twentieth Century"September  
2003 Sir dr A.B. Atkinson and dr. W. Salverda
- 03-13 "Tax Evasion in Albania: an Institutional Vacuum"  
April 2003 dr Klarita Gërxhani
- 03-12 "Politico-Economic Institutions and the Informal Sector in Albania"  
May 2003 dr Klarita Gërxhani
- 03-11 "Tax Evasion and the Source of Income: An experimental study in Albania and the Netherlands"  
May 2003 dr Klarita Gërxhani
- 03-10 "Chances and limitations of "benchmarking" in the reform of welfare state structures - the case of  
pension policy"  
May 2003 dr Martin Schludi
- 03-09 "Dealing with the "flexibility-security-nexus: Institutions, strategies, opportunities and barriers"  
May 2003 prof. Ton Wilthagen en dr. Frank Tros
- 03-08 "Tax Evasion in Transition: Outcome of an Institutional Clash -Testing Feige's Conjecture"  
March 2003 dr Klarita Gërxhani
- 03-07 "Teleworking Policies of Organisations- The Dutch Experience"  
February 2003 dr Kea Tijdens en Maarten van Klaveren
- 03-06 "Flexible Work- Arrangements and the Quality of Life"  
February 2003 drs Cees Nierop
- 01-05 Employer's and employees' preferences for working time reduction and working time differentiation  
– A study of the 36 hours working week in the Dutch banking industry"  
2001 dr Kea Tijdens
- 01-04 "Pattern Persistence in European Trade Union Density"  
October 2001 prof. dr Danielle Checchi, prof. dr Jelle Visser
- 01-03 "Negotiated flexibility in working time and labour market transitions – The case of the Netherlands"  
2001 prof. dr Jelle Visser
- 01-02 "Substitution or Segregation: Explaining the Gender Composition in Dutch Manufacturing Industry  
1899 – 1998"  
June 2001 Maarten van Klaveren – STZ Advies en Onderzoek , Eindhoven, dr Kea Tijdens
- 00-01 "The first part-time economy in the world. Does it work?"  
June 2000 prof. dr Jelle Visser

## RESEARCH REPORTS

- 02-17 "Industrial Relations in the Transport Sector in the Netherlands"  
December 2002 dr Marc van der Meer & drs Hester Benedictus
- 03-16 "Public Sector Industrial Relations in the Netherlands: framework, principles, players and Representativity"  
January 2003 drs Chris Moll, dr Marc van der Meer & prof.dr Jelle Visser
- 02-15 "Employees' Preferences for more or fewer Working Hours: The Effects of Usual, Contractual and Standard Working Time, Family Phase and Household Characteristics and Job Satisfaction"  
December 2002 dr Kea Tijdens
- 02-13 "Ethnic and Gender Wage Differentials – An exploration of LOONWIJZERS 2001/2002"  
October 2002 dr Aslan Zorlu
- 02-12 "Emancipatie-effectrapportage belastingen en premies – een verkenning naar nieuwe mogelijkheden vanuit het belastingstelsel 2001"  
August 2002 dr Kea Tijdens, dr Hettie A. Pott-Buter
- 02-11 "Competenties van Werknemers in de Informatiemaatschappij – Een survey over ICT-gebruik"  
June 2002 dr Kea Tijdens & Bram Steijn
- 02-10 "Loonwizers 2001/2002. Werk, lonen en beroepen van mannen en vrouwen in Nederland"  
June 2002 Kea Tijdens, Anna Dragstra, Dirk Dragstra, Maarten van Klaveren, Paulien Osse, Cecile Wetzels, Aslan Zorlu
- 01-09 "Beloningsvergelijking tussen markt en publieke sector: methodische kanttekeningen"  
November 2001 Wiemer Salverda, Cees Nierop en Peter Mühlau
- 01-08 "Werken in de Digitale Delta. Een vragenbank voor ICT-gebruik in organisaties"  
June 2001 dr Kea Tijdens
- 01-07 "De vrouwenloonwijzer. Werk, lonen en beroepen van vrouwen."  
June 2001 dr Kea Tijdens
- 00-06 "Wie kan en wie wil telewerken?" Een onderzoek naar de factoren die de mogelijkheid tot en de behoefte aan telewerken van werknemers beïnvloeden."  
November 2000 dr Kea Tijdens, dr Cecile Wetzels en Maarten van Klaveren
- 00-05 "Flexibele regels: Een onderzoek naar de relatie tussen CAO-afspraken en het bedrijfsbeleid over flexibilisering van de arbeid."  
Juni 2000 dr Kea Tijdens & dr Marc van der Meer
- 00-04 "Vraag en aanbod van huishoudelijke diensten in Nederland"  
June 2000 dr Kea Tijdens
- 00-03 "Keuzemogelijkheden in CAO's"  
June 2000 Caroline van den Brekel en Kea Tijdens
- 00-02 "The toelating van vluchtelingen in Nederland en hun integratie op de arbeidsmarkt."  
Juni 2000 Marloes Mattheijer
- 00-01 "The trade-off between competitiveness and employment in collective bargaining: the national consultation process and four cases of enterprise bargaining in the Netherlands"  
Juni 2000 Marc van der Meer (ed), Adriaan van Liempt, Kea Tijdens, Martijn van Velzen, Jelle Visser.



# AIAS

AIAS is a young interdisciplinary institute, established in 1998, aiming to become the leading expert centre in the Netherlands for research on industrial relations, organisation of work, wage formation and labour market inequalities.

As a network organisation, AIAS brings together high-level expertise at the University of Amsterdam from five disciplines:

- Law
- Economics
- Sociology
- Psychology
- Health and safety studies

AIAS provides both teaching and research. On the teaching side it offers a Masters in Advanced Labour Studies/Human Resources and special courses in co-operation with other organizations such as the National Trade Union Museum and the Netherlands Institute of International Relations 'Clingendael'. The teaching is in Dutch but AIAS is currently developing a MPhil in Organisation and Management Studies and a European Scientific Master programme in Labour Studies in co-operation with sister institutes from other countries.

AIAS has an extensive research program (2000-2004) building on the research performed by its member scholars. Current research themes effectively include:

- The impact of the Euro on wage formation, social policy and industrial relations
- Transitional labour markets and the flexibility and security trade-off in social and labour market regulation
- The prospects and policies of 'overcoming marginalisation' in employment
- The cycles of policy learning and mimicking in labour market reforms in Europe
- Female agency and collective bargaining outcomes
- The projects of the **LoWER** network.



**AMSTERDAMS INSTITUUT  
VOOR ARBEIDSSTUDIES**

*Universiteit van Amsterdam*

**Plantage Muidergracht 4  
1018 TV Amsterdam  
the Netherlands**

tel +31 20 525 4199  
[aias@uva.nl](mailto:aias@uva.nl)

fax +31 20 525 4301  
[www.uva-aias.net](http://www.uva-aias.net)

