Employee relations in Multinational Corporations

from Elvira Sessa and Barbara Winkler

This document was issued with the aim to provide students and researchers with some basic references to the main issues of International Human Resource Management, worker’s representation and participation in multinational enterprises and some codes of conduct of multinational enterprises from different sectors (automotive, hospitality, clothing, information and communications technologies, energy, food).

As we know, since the 1960s the globalisation process, with the advent of multinational corporations (for someone considered as “key drivers” of globalisation - RUGMAN A. M., VERBEKE A., A perspective on regional and global strategies of multinational enterprises, Palgrave Macmillan, Ldt, Journal of International Business Studies, 2004, 3-18) the outsourcing production and the proliferation of information and communication technologies transmitted worldwide at low cost, has increasingly influenced the current employment and industrial relations. Nowadays we assist to new “typologies” of employment: global competitiveness has driven the demand of more flexible regulation of employment, for example regarding fixed and short term contracts, staff leasing, termination of employment, outsourcing, etc.

Interconnected with the growth of nonstandard employment are the changes to the industrial relations systems: labour relations, previously more central and controlled by collective bargaining on sectoral or national level, are becoming more decentralized.

Parallel to this trend, we assist to a disequilibrium between the transnational activities of global actors (as MNEs), which seem to easily operate across borders, the scope of social actors (such as trade unions) which are still mainly embedded at national level and national authorities which hardly can cope with the MNE’s transnational activities.

Since the international framework concerning the impact of the MNE’s activities on labour law mainly consists in soft law (e.g. OECD Guidelines for MNEs and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy), non-governmental organisations, trade unions and consumers claim for MNE’s responsibility for their global activities. Corporate social responsibility (CSR) has therefore become part of the corporate strategy. One of the measures within CSR strategies are unilateral Codes of Conduct to promote decent work standards such as health and safety, minimum wages, equal opportunities, etc among subsidiaries and suppliers. These Codes of Conduct often refer to the aforementioned international conventions and declarations. Some examples are given by the Inditex’s and the H&M’s Code of Conduct; the latter makes express reference to the ILO Conventions against child labour (n.138 and n.182), prison labour and illegal labour, (n. 29 and n. 105), right of association (n. 87, n. 98 and n. 135), non discrimination (n. 100 and n.111), and the chemical convention (n.170).

The quality and effectiveness of these Codes of Conducts lays in their auditing and control procedures (e.g. ENI’s Guaranor of the Code of Ethics; Fiat’s internal audit and Fiat’s Business Ethics Audit–BEA; Adidas’ Indipendent External Monitoring–IEM; E.On’s external audit; H&M Audit’s Program Inspection; Nike’s Management and Audit Verification tool-MAV); procedures
which make the difference between simple marketing measures and serious attempts to implement
decent work standards in the whole corporation and supply chains.

Beside and in addition to the unilateral Codes of Conducts, we can find bilateral or multilateral
documents, stipulated between MNEs and Global Union Federations (e.g. Inditex - UNI Global
agreement to Germany 2011; ENI - ICEM Global Framework Agreement, 2002) and sometimes co-
signed by European Works Councils (Nestlé European Council for Information and Consultation:
04/09/2003 renewal of the installation agreement of 26/04/1996) or national trade unions (Merloni
Elettrodomestici and FIOM-FIM-ULIM and IMF-International Metalworkers Union agreement,
17/12/2001). The advantage of these so called “International Framework Agreements” (IFA) is the
reduction of the mismatch in terms of power in industrial relations: while multinational employers
can use many tools to represent their concerns within their own corporations, trade unions face
significant difficulties at international level where they are “organizations of organizations” and
misrepresent individual members (GUMBRELL MCCORMICK R, Le relazioni industriali
The organisational structure of Global Trade Union Federations and the content of the IFAs (they
usually only refer to international declarations on decent work standards, see for example
Declaration on Employees’ Fundamental Rights, Renault - IMF, October 2004) imply that IFAs
can’t be regarded as collective agreements (For a profounder analysis of this issue see BOURQUE
R., International framework Agreements and the future of collective bargaining in multinational
companies, Just Labour, 12, 30-47, 2008 and VV.AA., Cross Border Social Dialogue and
Agreements, Papadakis, 2008). An exception to this rule may be the IFA of ENI, which was co-
signed by the national trade unions (FILCEA-Cgil, FEMCA-Cisl, UILCEM-Uil, ICEM) in 2002
and not only provides for the promotion of decent work standards but also for anti-discrimination
measures and equal opportunities, wages and other “typical” contents of collective bargaining
agreements such as enhancement of professional skills, constructive industrial relations at all levels.

A part from the attempts to implement decent work standards globally, enterprises which operate in
different parts of the world usually seek the competitive advantages of different legal and industrial
relation systems. HR boards of MNEs therefore adopt different strategies to balance competitive
advantages and Corporate Social Responsibility. Although operations on a global basis could lead
to competitive advantages, it is a big challenge for HR departments of MNEs, which have to deal
with very different legal and industrial relation systems, tax and social security regulation.

In this complex and fragmented legal and institutional framework, one of the main questions posed
to the human resource boards at international level is: how managing the human resources on a
“global” scale?

The problems start with the “cultural integration” of the employees during merger and acquisition
procedures (some case studies are provided in the survey HEWITT, Cultural Integration in M&A-
Global Survey Findings, 2011), continue with the management of an internationally mobile
workforce (secondments, immigration law, application of local work standards) and end with the
development of global strategies that are able to comply with local labour and industrial relations
regulations. As a consequence, only 15% of MNEs describe their International Human Resource
Management as “global” (HEWITT, Managing HR on a global scale, Hewitt’s Global HR Study,
2009). To give an example for these difficulties, we can take US based MNEs which have to deal
with much more strict rules regarding dismissals and redundancies or worker’s participation in
management and business decisions in their activities in Europe (see for example T. Royle’s
analysis of McDonald’s “approach” to deal with works councils in European countries (ROYLE T.,
Worker Representation Under Threat? The Macdondald’s Corporation And The Effectiveness Of
Statutory Works Council In Seven European Works Council, Comparative Labour Law and Policy
The following documents shall help to understand MNE’s different approaches to implement global CSR strategies regarding labour law and industrial relations, as well as to the management of a global workforce.

Elvira Sessa  
Adapt research fellow  
PhD in Economic and Labour Relations  
Università Federico II, Naples, Italy

Barbara Winkler  
Doctor of Laws, Karl-Franzens Universität Graz, Austria
Reference Materials

Please visit our website to download the documentation listed below www.adapt.it, A--Z index, Multinational Corporations

1. BASIC REFERENCE:


VV.AA., *Cross Border Social Dialogue and Agreements*, Papadakis, 2008

2. CASE STUDIES

2.1 Automotive Sector:

**BMW**

Joint Declaration on Human Rights and Working Conditions in the BMW Group

BMW Annual Report 2010

BMW Group Sustainable Value Report 2008, Chapter 5: Employees

Guidelines of Personnel Policy in the BMW Group

Legal Compliance Code 2008

**Volkswagen**
Declaration on Social Rights and Industrial Relationships at Volkswagen 2002

VW Sustainability report 2009/2010 (pp 34-40)
Charter on Labour Relations within the Volkswagen Group

**PSA Peugeot Citroen**

Worldwide Framework Agreement on PSA Peugeot Citroen’s Social Responsibility 2010

Sustainable Development and Annual Report 2010

**Renault**

Renault’s Group Employees’ Fundamental Rights Declaration 2004

Annual Report 2010

Specific actions carried out in 2007 to implement the Renault’s Group Employees’ Fundamental Rights Declaration

**Fiat**

Code of Conduct 2010

Fiat Industrial Group Health and Safety Guidelines

Fiat Industrial Group Human Rights Guidelines

Sustainability Report 2010

**Daimler**


**2.2 SPORTS AND CLOTHING**

**Adidas**

Workplace standards 2007

Guidelines on Employment standards: Safety and Health guidelines 2010

Guidelines on Employment Standards 2010

Fair Wage Study, Indonesia Background Paper 2003

Annual Report 2010

Sustainability Report 2010
**H&M**
Code of Conduct 2010
CSR Report 2008 (pp 44--50)
Code of Ethics-Employees

**Inditex**
Annual Report 2010

**Nike**
Code of Conduct 2010:
Case study: Workers in Contract Factories
Corporate responsibility report 2009 with Case Studies

**2.3 ICT**

**IBM**
Corporate Responsibility Report 2010-2011

**2.4 ENERGY**

**E.ON**
Annual Report 2010(pp 36-40)
Company Report (pp.25-30)
Code of Conduct 2010
Corporate Responsibility Report 2010
Information folder-Workplace

**ENEL**
Protocollo sulla Responsabilità Sociale dell’impresa ENEL 2009
Code of Ethic
Agreement relating to the EWC of ENEL 2008

**ENI**
Agreement on international industrial relations 2002
Sustainability Report 2009
Sustainability Indicators 2010
ENI’s 35 proposals for the system of corporate governance 2011

2.5 FOOD

Burger King

Corporate Social Responsibility Report

Nestlé

Nestlé Employee Relation Policy 2010