THE AVOIDANCE AND MARGINALISATION OF UNION REPRESENTATION THROUGH FOREIGN DIRECT INVESTMENT: IMPLICATIONS FOR TRANSNATIONAL, INTER-UNION CO-OPERATION

William Cooke

Director, Douglas A. Fraser Center for Workplace Issues, Wayne State University, USA
E-mail: wmncooke@msn.com

Over the 1980-2000 period, there was a greater than nine-fold increase in the stock of inward foreign direct investment (FDI). During this same period there was an eight-fold increase in the number of multinational companies (MNCs) worldwide. Today there are over 60,000 MNCs that have ownership in over 800,000 foreign affiliates dispersed and integrated all around the globe. These foreign affiliates currently hold approximately U.S. $15 trillion in assets, generate over U.S. $11 trillion in annual sales and employ over 35 million employees. At the rate of growth and expansion experienced just over the last five years, by the year 2010 there will be more than 100,000 MNCs holding roughly U.S. $40 trillion in assets across 1,500,000 foreign-owned affiliates (*World Investment Report*, 1995, 2001). Although the more highly developed countries of the world currently account for 67% of all inward FDI, there has been a steady shift toward FDI in developing countries since 1990, when developed countries then accounted for 74% of all inward FDI (Table 1). FDI, furthermore, now accounts for some 66% of total capital investment available to developing countries, representing a dramatic increase over the mere 5% of total capital investment available to developing countries as of the early 1980s (Köhler, 2001). It is apparent, therefore, that many developing countries have become highly dependent on FDI as an engine of growth and opportunity for development.

The dramatic shift in the importance of FDI, of course, has raised a host of employment issues not only in developing host countries but, likewise, in the highly developed countries home to MNC investors. The purpose of the present analysis is to lay out a highly simplified but fairly comprehensive and coherent framework as a conceptual guide toward understanding the complexity of workplace and labor-management issues arising from MNC and union behavior and influenced by different industrial relations systems. Toward understanding the development and success of transnational inter-union strategies, I subsequently discuss the underlying role of power within the broader framework. Third, I address an inherently fundamental dilemma faced by unions, which inhibits them from transnational co-operation and co-ordination of collective bargaining strategies across MNC operations but suggest several kinds of options that could be pursued by unions towards forging transnational inter-union partnerships and dealing with MNCs on a transnational basis. I close by raising the broader public policy challenge regarding FDI and union-management relations in MNCs.

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A GENERAL FRAMEWORK

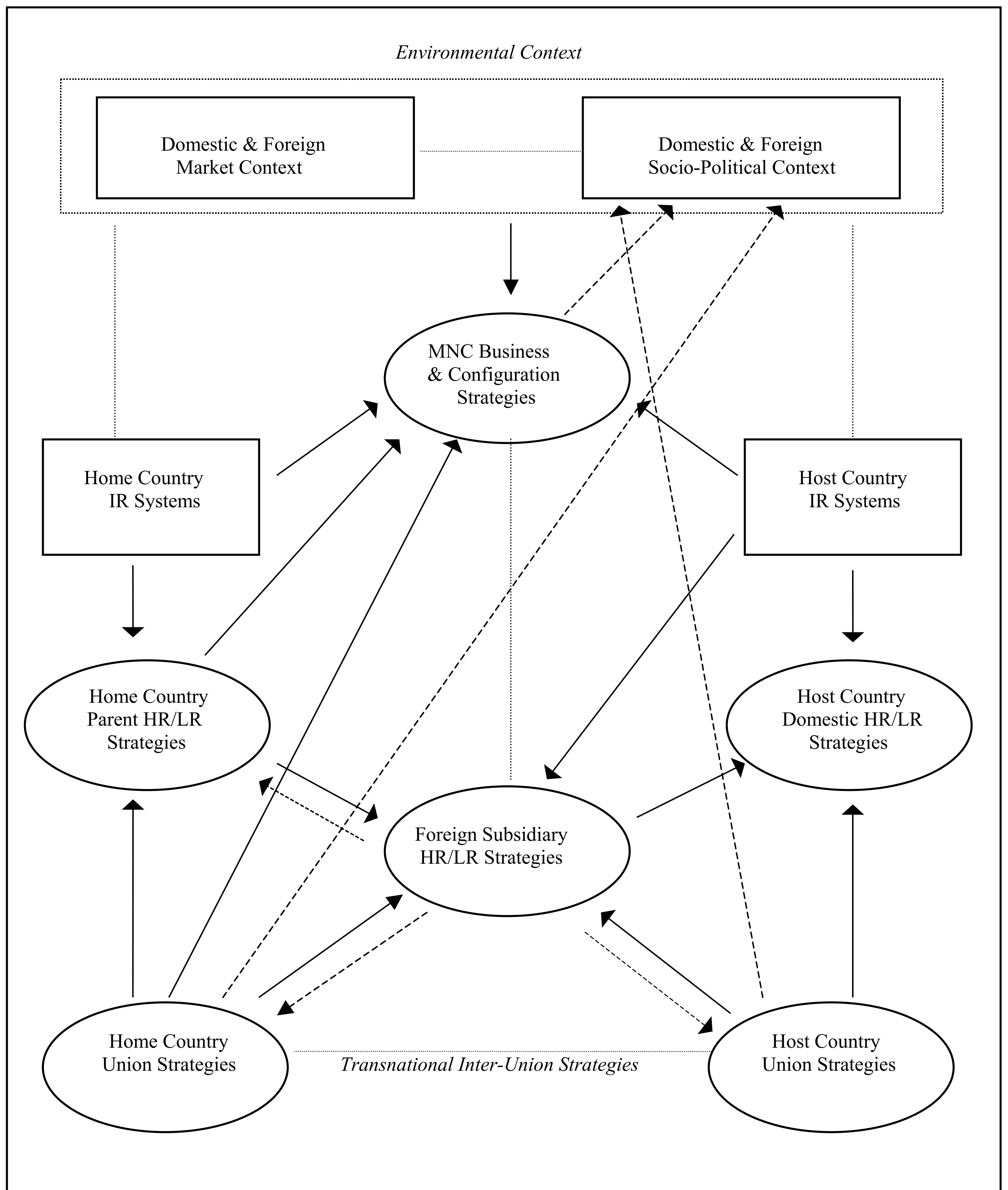
I begin with making two admittedly over-simplified theoretical assumptions underlying my framework: namely, MNCs seek to act in ways *perceived* as optimising profits and unions seek to act in ways *perceived* as optimising gains to workers. Such assumptions require that both employers and unions generally act economically and organizationally rationally in their pursuit of optimizing gains. Optimisation of gains is bounded, however, by the limits of the relative power either party can exercise and the constraints placed on each by the environmental context within which the parties operate. The degree to which the parties act rationally, moreover, has limits. There are inherent limitations to having full information and knowledge to making optimal decisions. Global market uncertainty, if not volatility, also limits a party's ability to predict and, hence, make longer-term rational decisions. Finally, given the complexity of organizations, comprised of various stakeholders with varying priorities and influence within organizations, both employers and unions will undoubtedly make some decisions inconsistent with rational optimizing behavior for their organisations. With these limitations to rational optimising behavior in mind, competition in the global market place, nonetheless, will reward those parties that act the most rational and penalize those that act the least rational in pursuing their objectives.

MNC Strategies

As diagrammed in Figure 1, MNC business and configuration strategies are shaped by the larger economic and socio-political environment. Toward optimising profitability, MNCs are driven to choose that combination of internal and external market options that offer the greatest market opportunities and the lowest costs. By including FDI as part of broader configuration strategies, firms seek to reduce external market transaction costs (incurred from co-ordination, negotiation, contracting, and time lags) through internalisation of foreign operations. Decisions to internalize some operations via FDI are a function of firm-specific or ownership advantages, whereby firms have some inherent advantage over firms operating in other countries. Decisions about where and how much to invest across alternative locations (given potential ownership advantages) is, additionally, a function of comparative location advantages (Dunning, 1993). All else the same, those foreign locations offering more advantage in terms of lower operational costs and greater ease in diffusing or creating ownership advantages attract greater FDI.

A wide range of economic and socio-political factors affect MNC choices about operational configurations. As these factors decrease or increase either the market opportunities to exploit ownership advantages or the transaction costs associated with FDI vis-à-vis domestic investment, trade and other options, MNCs will choose to invest more or less abroad. Among economic market factors affecting these opportunities and transaction costs are relative differences in (1) market size, wealth, growth and proximity between parent headquarters, subsidiaries, customers and suppliers, (2) availability and access to capital, R&D and natural resources, (3) transportation, telecommunications and utility infrastructures, (4) labor skills and compensation costs and (5) currency valuations. Differences in socio-political factors across locations, likewise, affect transaction costs and opportunities to exploit ownership advantages, either directly or indirectly via effects on market factors. Socio-political factors of importance include differences in government taxation, various incentives and disincentives to investment, tariffs and related trade barriers. Differences in IR systems, cultures, languages and political or social stability also influence MNC choices. Given potential constraints arising out of the socio-political context, MNCs, of course, have incentive to press for changes in public policy favorable to their profit optimising objectives.

Figure 1. An Analytical Framework



IR Systems

In configuring their global operations, MNCs weigh the comparative advantages of their home country IR systems to alternative host country IR systems. The greater or lesser the comparative labor cost advantage of home IR systems vis-à-vis alternative host IR systems (*ceteris paribus*), the less or more MNCs invest abroad and the more or less they invest at home and export abroad. In addition to direct compensation costs for skills required, unit labor costs are a function of government workplace regulations and policies that (1) restrict employer freedom to set terms and conditions of employment and (2) impose significant transaction costs on making adjustments to terms and conditions of employment. An important additional dimension of IR systems that influences MNC configuration strategies are potential costs associated with union representation and collective bargaining. On assessing potential net disadvantages or advantages of union representation and collective bargaining across home and alternative host locations, MNCs will invest more in those locations where perceived net disadvantages are lower or net advantages are higher.

As diagrammed in Figure 1, home country IR systems, furthermore, influence parent domestic human resource and labor relations (HR/LR) strategies. In particular, the kind of government workplace regulations and collective bargaining contexts described above, along with cultural norms, can be expected to shape domestic HR/LR strategies deployed. Depending on these various kinds of characteristics underlying IR systems, employers are more or less able to develop HR/LR ownership advantages at home. MNCs enjoying HR/LR ownership advantages at home have incentive to exploit such advantages abroad. MNCs lacking HR/LR ownership advantages at home because of constraints placed on them by their home IR systems have reason, nonetheless, to attempt to create such advantage abroad under more flexible IR systems. The ease in which MNCs can either diffuse or create HR/LR ownership advantages abroad, however, is dependent in part on the IR systems of host countries.

Union Strategies

As diagrammed in Figure 1, union strategies also influence both MNC configuration strategies and HR/LR strategies, directly and indirectly. With respect to home country union strategies, unions first affect parent domestic HR/LR strategies through the exercise of relative power via contract negotiations and administration. As such, unions partially determine whether or not domestic HR/LR strategies yield competitive advantage. To the extent that unions enhance (diminish) company performance at home, MNCs have greater reason to invest more (less) at home than abroad, relying more (less) heavily than otherwise on trade than on FDI.

With respect to host country union strategies, unions first need to organise a subsidiary's employees or at least bring them under centralised bargaining structures with extensions of union coverage to non-union companies. Depending on the host country's IR system and the degree to which MNCs engage in union avoidance, the ability of unions to organise subsidiaries or bring them under contract will vary. On achieving representation, unions are in a position to modify foreign subsidiary HR/LR strategies, the degree to which is a matter of union relative power. With respect to union avoidance, recent trends in union representation of foreign affiliates in the U.S. clearly indicate that foreign MNCs from nearly all major investor countries have adopted the union avoidance and deunionisation culture prevalent within the American IR system (Cooke, 2001,a).

Explaining why some MNCs have been more or less successful in diffusing preferred HR/LR practices abroad is the exercise of power manifested in resistance by targeted local recipients of such diffusion. The wide range of local responses appears to be a factor of differences in cultures and norms regarding workplace practices and the capacity of local constituents to resist. The capacity to resist, moreover, is clearly bolstered by the relative power of union organisations.

Where unions have gained representation, MNCs have more or less reason to maintain their investment in foreign subsidiaries or attempt to marginalize unions depending on the degree to which unions enhance or diminish subsidiary performance. Given the ability of some MNCs to whipsaw unions across countries via explicit or implicit promises of investment and threats of divestment or movement of work, some unions may embark on more cooperative or concessionary strategies intended to protect the livelihood of their membership. Alternatively, unions could also attempt to forge transnational strategies with unions representing a MNC's home sites and subsidiaries in other countries and otherwise attempt to influence public sentiment and policy more broadly in ways favorable to their membership and workers' rights to representation (discussed below)

EMPIRICAL EVIDENCE: FDI PATTERNS AND EFFECTS OF IR SYSTEMS ON FDI

FDI Patterns

As reported in Table 1, inward FDI increased over 9-fold across the world between 1980 and 2000 and 115% between 1995 and 2000. Although there was a substantially greater percentage increase in FDI in developed than in developing economies over the last two decades (1023% and 774%, respectively), there has been a marked shift over the more recent 1995-2000 period toward a greater percentage of investment going to developing countries (137% in developing countries compared to 105% in developed countries). This shift has been especially pronounced in Central and Eastern Europe and in Latin American and the Caribbean, both regions enjoying more than 11-fold increases over the 1980-2000 period and more than 200% increases over the more recent 1995-2000 period.

In comparison to other major regions of the world, Africa has attracted much lesser FDI, albeit attracting substantial FDI, nonetheless. Over the 1980-2000 period, FDI in Africa increased 3½ fold and 95% over the 1995-2000 period. South Africa, however, became one country in Africa that (following Apartheid) regained its attractiveness to foreign investors. Between 1995 and 2000, FDI stock rose from $15 billion to nearly $53 billion or by 251%.

Table 1. Inward FDI Stock Worldwide and in Africa 1980-2000 (U.S. $ billions)

Region/Country	1980	1985	1990	1995	2000	% Change 1980-2000	% Change 1995-2000
Worldwide	615.8	893.6	1888.7	2937.5	6314.3	925%	115%
Developed Countries	375.0	546.3	1398.0	2051.7	4210.3	1023%	105%
Developing Countries	240.8	347.2	490.7	885.8	2104.0	774%	137%
USA	83.0	184.6	394.9	535.6	1238.6	1392%	131%
Europe							
Western	200.8	254.1	786.6	1208.6	2501.5	1145%	107%
Central & Eastern	--	0.1	3.0	36.4	124.7	--	243%
Asia & Pacific	193.4	274.1	348.3	746.8	1465.4	657%	96%
Latin America	50.0	79.7	116.7	201.6	606.9	1114%	201%
Africa	32.7	33.9	48.6	75.9	148.0	353%	95%
Northern Countries	5.6	8.9	15.3	24.3	33.3	495%	37%
South Africa	16.5	9.0	9.2	15.0	52.7	219%	251%
Other Countries	10.6	15.9	24.2	36.6	62.0	485%	69%

Source: *World Investment Report, 2001*; Annex table B.3, pp. 301-306.

Effects of IR Systems on FDI

Several recent analyses have identified a wide range of IR system factors that appear to have a substantial influence on the distribution of FDI across countries, including differences in compensation costs for skill levels sought, government workplace regulations and collective bargaining contexts. With respect to compensation costs, MNCs can be expected to invest more in countries in which compensation costs are lower for given levels of skill and productivity sought. Efficiency-seeking MNCs that can readily staff operations with unskilled workforces, however, will look to invest across low-skill, low-wage countries. As efficiency-seekers, MNCs will invest more in countries with the lowest compensation costs, giving limited weight to differences in skills and productivity. In contrast, market-seeking MNCs whose operations require a mix of various skill levels will give substantial weight to differences in the skills and productivity of host country workforces. Unit labor costs are also determined in part by government workplace regulations and policies restricting an employer's freedom or imposing significant transaction costs on employers when making adjustments in the terms and conditions of employment.

FDI decisions are influenced, furthermore, by the potential effects of union representation and collective bargaining on unit labor costs. Potential costs include higher current and future compensation costs, more restrictive workplace practices, greater divisions between labor and management, disruptions through strikes and lockouts, and greater transaction costs incurred through negotiations and contract administration than otherwise would be incurred in non-union enterprises. Hence, unless MNCs view union representation and collective bargaining as adding value equal to or greater than potential costs, MNCs will seek to avoid union representation and collective bargaining. In calculating any net disadvantages, MNCs will also consider the likelihood of being organised by unions and the transaction costs associated with avoiding or marginalising unions.

On comparing several recent empirical analyses that I have authored or co-authored, considerable evidence is found that IR system factors shape FDI decisions. As reported in Table 2, based on four different samples of data in which FDI is measured either as accumulated assets or ratios of assets expended across countries and made by both U.S.-based and foreign-based MNCs, the results are highly consistent across analyses. Reported in Table 2 are positive and negative signs indicating the direction of relationships and the levels of statistical significance for each of the IR system variables regressed against the respective dependent variables identified. Given space limitations and to avoid burdening readers with considerable detail, I forego discussing the magnitude of estimated coefficients. As discussed in each article, however, the estimated effects are quite substantial. In each set of estimates, salient control variables for market size and wealth, proximity between home and host countries, taxation, FDI incentives, exchange rate trends, language differences and, where possible, industry were included.

Across the four studies, average years of education (treated as a rough proxy for differences in skills available and worker productivity) is found to be positively associated with FDI. The exception is found in regard to FDI in low-skill developing countries in which U.S. MNCs seek out the lowest-skilled workforces, arguably in the search for ever lower compensation costs when differences in skills are inconsequential to performance. Controlling for average education differences and compensation per unit of education, compensation costs are found to be negatively and highly significantly associated with FDI. When compensation costs per education are not controlled for, however, the association between FDI and compensation costs yielded mixed results. A plausible explanation for the various findings regarding compensation costs is that education differences do not fully capture skill and productivity differences. Since compensation is generally highly correlated with skill and productivity, differences in compensation costs can be expected to be capturing unobserved differences in skills and productivity.

Table 2. Summary of Results of Cross-Sectional Analyses of the Effects of IR System Variables on FDI

Variables	Cooke, 1997	Cooke & Noble, 1998	Cooke, 2001,a	Cooke, 2001,b
Dependent Variables	U.S. 1989 FDI assets by 2-digit industry across 19 OECD countries. N=126.	U.S. 1993 FDI assets & employment by 2-digit industry across 33 developed and developing countries. N=244 and 254.	1994 ratio of FDI in the U.S. to FDI in country j made by 15 high-skill OECD countries. N=151.	1994 ratio of FDI in country i to FDI in country j made by and across 16 high-skill OECD countries. N=1021.
Yrs. Education	(+ , ≤ .05 level)	(+ , ≤ .01 level for high skill countries.)	(+ , ≤ .05 level)	(+ , ≤ .01 level)
Compensation	(− , insignificant)	(+ , ≤ .01 level)	(− , ≤ .01 level)	(− , ≤ .01 level)
% Union Membership	(− , ≤ .01 level)	(− , ≤ .01 level)	(− , ≤ .05 level)	(–, ≤ .05 level)
Centralised Bargaining	(− , ≤ .01 level)	(− , ≤ .05 level)	Included as combination.	Included as combination.
Centralised Barg. with ≥ 50 % Union Coverage	Not so combined.	Not so combined.	(− , ≤ .01 level)	(− , ≤ .01 level)
Lost Days Due to Work Stoppages	Not included.	Not included.	Not included.	(− , ≤ .05 level)
Layoff Restrictions	(− , ≤.01 level)	(− , ≤.05 level)	Included as combination.	Included as combination.
Works Councils	(+, ≤. 01 level)	(+ , ≤ .01 level)	Included as combination.	Included as combination.
Layoff Restrict. & Works Councils	Not combined.	Not combined.	(− , ≤ .05 level)	(− , ≤ .05 level)

Sources: Cooke, 1997, *Industrial & Labor Relations Review*; Cooke & Noble, 1998, *British Journal of Industrial Relations;* Cooke, 2001,a, *Employee Relations*; Cooke, 2001,b, *International Journal of Human Resource Management.*

With respect to collective bargaining contexts, several variables are found to be associated with FDI. First, union penetration in a country as measured by the percent of all wage and salary employees belonging to unions, is consistently negatively and statistically significantly related to FDI. Second, it is found that MNCs invest less than they would otherwise in countries characterised by negotiation structures centralised beyond company-wide levels. In the two studies in which I examined FDI made by MNCs from high-skill OECD countries, centralised bargaining structures in combination with extensive union contract coverage are also found to be negatively and significantly associated with FDI decisions. Finally, statistically significant evidence is found that MNCs invest less in countries in which lost days due to work stoppages are greater. One needs to be cautious, however, about the confidence placed in this latter result given inherent limitations in the measurement of union-management conflict and that such a measure was only included in the last of the four studies.

With respect to government workplace regulations, restrictions on the layoff of workers (whether treated independently or in combination with works council requirements) are negatively associated with FDI in the four studies. With regard to the effects of works council policies on FDI, the results are mixed. In the two latter studies, (Cooke, 2001, a and 2001,b) works council policies (in combination with government layoff restrictions) are found to be negatively related to FDI. In the first two studies examining only U.S. FDI abroad, however, works councils are positively associated with FDI decisions. On plausible explanation for this finding is that U.S. MNCs have found works councils as useful avenues to offsetting union strength in countries in which centralised bargaining and contract coverage are widespread. In contrast, MNCs from other highly industrialised countries (the majority of which have works councils policies) apparently view works councils as imposing greater restrictions on management discretion than offering avenues to marginalise unions.

In summary, more restrictive IR systems have had the effect of reducing FDI flows. One can surmise, therefore, that developing countries heavily dependent on attracting FDI, yet eager to improve working conditions, face a significant challenge in achieving both objectives. I next develop a model of power in an effort to more fully understand this inherent dilemma.

EMPLOYMENT AND WORKPLACE OUTCOMES: THE ROLE OF POWER

Relative and Total Organizational Power: A Conceptual Model

As part of rational organisational behavior, the optimisation of workplace outcomes is dependent on (1) the total gain achievable through the employment relationship and (2) the distribution of that gain between labor and management. The extent to which either employers or unions optimize gains can be viewed as a function of both *relative* and *total* organizational power (Cooke, 1990;Ch. 2). Assuming that there are inherent conflicts of interests between labor and management over the distribution of wealth and the means of generating such wealth, there is always some degree of conflict or confrontation between labor and management. That party that can exercise greater relative power, in turn, has greater say over the creation and distribution of wealth.

Labor and management, however, also share a common interest in maximizing wealth from which both parties would optimize their respective gains. Under those circumstances in which labor can exercise sufficient relative power to restrain management from dominating employment and workplace decisions regarding the means and distribution of wealth, labor and management have reason to co-operate with each other to maximise the wealth generated by the employment relationship. The ability of an organisation to maximise wealth is dependent on its capacity to out-perform competitors in the marketplace. That capacity is a function of what I call “total organisational power”, which is the ability of an organisation to extract from its environment the kind and magnitude of benefits sought. By increasing total organisational power vis-à-vis that of competitors, that is, greater total gain from the employment relationship can be created.

Toward optimising gains, therefore, both labor and management must assess whether more can be gained from pursuing co-operative labor-management relations strategies fashioned to increase total organisational power or, alternatively, more can be gained by exercising relative power alone. If both parties perceive that greater gain can be achieved by increasing total organisational power than by exercising relative power alone, both parties have reason to pursue co-operative labor-management strategies, equitably sharing the added gain resulting from co-operation. If either party, however, perceives that greater gain can be achieved by exercising relative power alone, then co-operative strategies will not be pursued. Consequently, it is this exercise of relative and total organizational power, as constrained by the environment and limitations to rational organisational behavior, that determines workplace outcomes.

Toward understanding the role of power, Chamberlain's definition provides a useful basis on which to build.

> [I]f the cost to B of disagreeing on A's terms is greater than the cost of agreeing on A's terms, while the cost to A of disagreeing on B's terms is less than the cost of agreeing on B's terms, then A's bargaining power is greater than B's. (Chamberlain, 1951:p. 221)

Chamberlain's definition focuses on the costs of agreeing and disagreeing on the other party's terms in determining which party at any point in time can exercise greater relative power to optimise the outcomes it seeks. Chamberlain's definition, nonetheless, also provides the basis for the parties to consider working cooperatively toward maximising total organisational power and, hence, total gain. That is, if each party offers terms to the other party that increase total organisational power and, consequently, entail lesser cost (or greater gain) to agreeing than disagreeing, then rational parties will work co-operatively to increase total organisational power. The notion of relative and total organisational power can be further extended in a slightly modified form to also apply to transnational inter-union co-operation. That is, where such co-operation can increase the total organisational power of co-operating unions to the point that the relative power of each participating union vis-à-vis the companies they represent is enhanced, unions across borders have reason to forge transnational strategies.

The degree to which the relative power of labor or management is greater or lesser is a function of the sources of power available to each at any point in time. The sources of power are derived from external economic and socio-political environments, as well as from internal organisational capacities. Similarly, the total organisational power of enterprises is a function of internal organisational capacities within the constraints imposed on the enterprise by the external economic and socio-political environments (see Cooke, 1990, Ch. 2 for a fuller development). Government employment and workplace regulations, therefore, influence the balance of relative power of both labor and management. Policies and regulations that generally favor either management or labor minimise the likelihood that the relative power of labor and management will be balanced in such a way that labor and management will work more co-operatively to optimise total organisational power and total gain. Hence, public policy makers are faced with the choice of either shaping their national IR systems (a) to favor management or labor (which essentially further divides labor and management) or (b) to avoid favoring management or labor (which encourages labor and management to pursue more co-operative strategies).

Transnational Inter-Union Co-operation

With the above general model of the role of power in mind, I next address the challenge to organised labor of enhancing its diminishing relative power on a transnational basis. Given today's rapidly changing global marketplace and restructuring of industries, it would appear that strategy co-ordination of unions across borders would be critical to bolstering the relative power of unions. As such, the success of organised labor in bolstering its relative power on a transnational basis is

dependent on its ability to forge transnational inter-union partnerships for the purposes of (1) engaging in direct transnational collective bargaining with MNCs and (2) altering the IR systems of countries that do not protect the rights of workers to freely engage in collective bargaining and do not otherwise promote satisfactory workplace conditions.

With few exceptions (see Gennard and Ramsay, 2001; Blyton *et al*., 2001), however, there is a very limited degree of co-operation that has led to transnational inter-union strategy coordination focused on collective bargaining with MNCs. The barriers to creating such alliances have been classical ones (Gennard and Ramsay, 2001). First, unions in different countries have evolved differently with regard to strategic orientations and identities and, hence, their organizational priorities, structure, governance, policies, practices and customs differ (sometimes quite sharply). Second, there are marked differences in the IR systems and welfare policies between countries. Given a generally deep-rooted desire for organisational autonomy and national identity among unions, these kinds of differences have presented serious organisational challenges to national unions in finding common ground and workable accommodations on setting priorities and practical mechanisms for pursuing co-ordinated collective bargaining strategies across countries. Lastly, transnational communication and co-ordination can prove costly, not only in allocating sufficient financial resources to transnational activities but also in overcoming language barriers.

What would appear to be the most critical factor impeding the development of transnational inter-union collective bargaining strategies is the lack of a framework by which national unions (or locals therein) would sacrifice more or less and which would gain more or less as a result of the restructuring of sectors and reconfiguration of MNCs. Without finding a workable solution to this inherent dilemma for unions across countries, unions have little cause to pursue transnational collective bargaining strategies. Viewing each other as competitors for product, services and work, at the heart of this issue is the perception that the potential gain to one union is the potential loss to other unions as MNCs explicitly or implicitly pit one location against others via FDI whipsawing. A workable strategy will require, therefore, that each union perceive greater gain or lesser cost to such cooperation than any one union perceives it would achieve or incur without inter-union co-operation. The challenge before unions, consequently, is to forge strategies that each union perceives as maximizing its relative power vis-à-vis the site management it negotiates with. Such strategies will necessarily need to incorporate agreements in which the potential loss of employment or income to any given national or local union is less that it would be absent inter-union cooperation.

A second major obstacle to forging meaningful transnational collective bargaining strategies is non-union competition within and across MNCs. Without having all sites of MNCs represented by unions and with the increasing opportunity for MNCs to establish or acquire non-union sites through FDI decisions, the total organizational power underlying inter-union partnerships is especially limited. Consequently, it becomes imperative that unions incorporate into their transnational collective bargaining strategies concerted efforts at organizing, especially those locations that serve as essential links within given MNC value chains and/or within the commodity chains in which they are embedded. Critically, along these lines, unions must focus their organizing strategies on the subsidiaries and local suppliers of MNCs in developing countries.

One can surmise that the reason well coordinated, transnational inter-union collective bargaining and organizing strategies have not become widespread is that unions have not been able to structure strategies that, indeed, truly increase the relative power of each union involved. Hence, to date, the forms of transnational inter-union strategies have been quite limited. They have almost exclusively been restricted to (1) sharing information, (2) consultation, (3) showing public support but incurring limited sacrifice for given struggles and (4) participating in international trade secretariats and associated world company councils as forums for facilitating greater exchanges of information and consultation regarding MNCs. Even in the exceptional case of the European Works Council Directive, it appears that unions across borders have used these mandated councils for little more than the exchange of information and limited consultation about the subsidiaries of given

MNCs. Although these various kinds of transnational inter-union activities are not to be dismissed, they cannot shift the balance of power between labor and MNCs very far.

Toward shifting the balance of power much further, unions across borders will need to fashion transnational strategies whereby the objectives and activities go well beyond those generally pursued to date. First, unions must find ways to leverage their existing relative power to enhance opportunities to negotiate over FDI and transnational movement-of-work decisions and to eliminate resistance by MNCs to union representation in foreign locations. Bearing in mind the logic of relative and total organisational power presented earlier, the challenge before unions is to offer terms to MNCs that (1) increase the total organisational power of organised employers and (2) entail less cost (or greater gain) to employers of agreeing to the union's terms than disagreeing to those terms. At the same time, those terms of agreement must increase the total organisational power of co-operating unions across borders to the point that the relative power of all participating unions vis-à-vis the companies with which they negotiate is enhanced; enhanced, that is, beyond what each union perceives it would be otherwise, including perceptions of declining union power. It would be at such a point that unions across countries can forge transnational partnerships within which the decisions of any given union are influenced by partnership decisions.

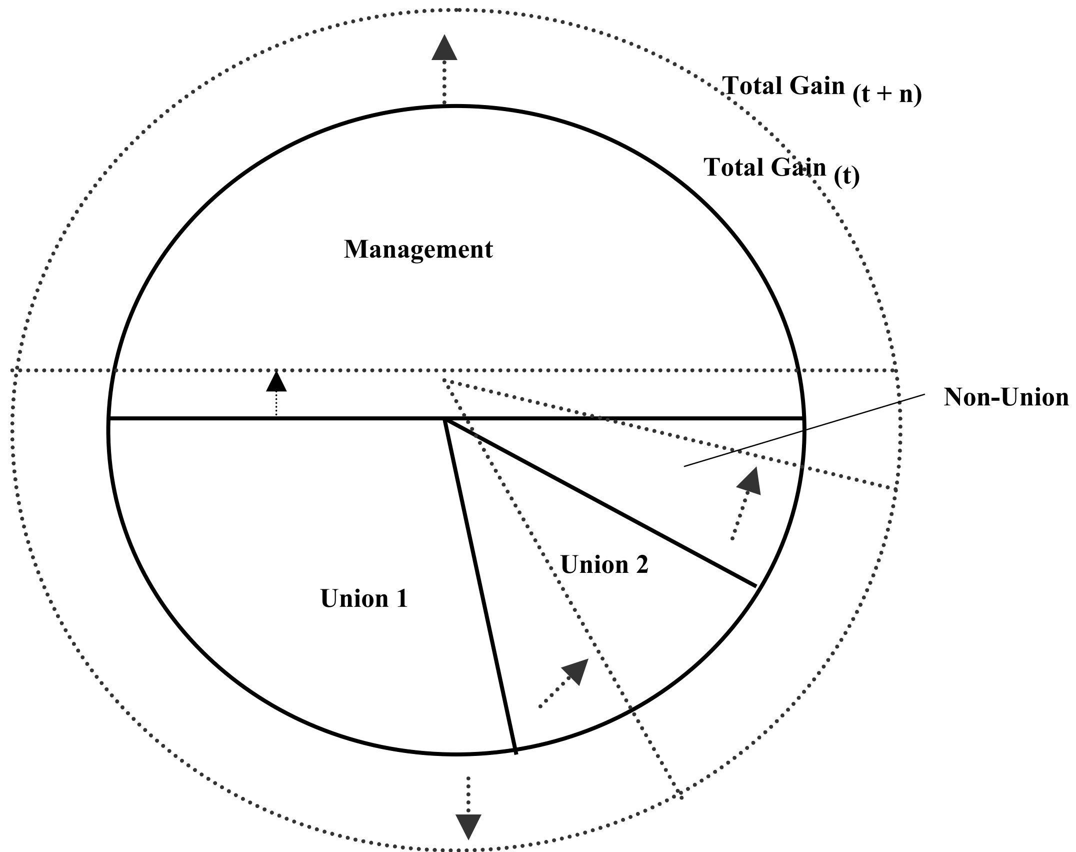
In Figure 2, I attempt to illustrate these fundamental propositions by way of a diagram. First consider the smaller, inner solid line circle as representing the total gain available to a MNC during period t. This total gain is then divided between management and its stakeholders (Management) and across operations in three countries, of which two are represented by unions (Union 1 and Union 2) but for which the third is a non-union operation. This division of total gain is a function of the relative power, in which all parties exercise in their efforts to optimise gains for their constituents. Next consider the potential outcomes given the creation of a transnational partnership between Union 1 and Union 2 and union-management cooperation toward increasing total gain in period t+n, which are represented by the dotted lines. First, by exercising greater relative power derived from the transnational partnership, Union 1 and Union 2 increase the proportion of total gain available to them vis-à-vis the proportion otherwise going to Management (represented by the center line being shifted upward, now a dotted line). By exercising the increased relative power derived by the partnership, moreover, Union 1 and Union 2 increase the proportion of total gain to each that otherwise would go the employees at the Non-Union operation.

Second, by reaching a co-operative labor-management accord (an indirect result of the unions' increased leverage derived from their partnership), the given MNC and transnational union partners work co-operatively to increase total organisational power and, hence, total organisational gain (represented by the enlarged dotted circle). Because both the company and union partnership can each gain more under this scenario of labor-management co-operation than either would gain strictly from the exercise of relative power, each has reason to reach such accords.

Let me not pretend to have answers to what such strategies might look like but (permitting me some indulgence), let me suggest a set of options for the sake of illustration. What I have in mind is an admittedly over-simplified *quid-pro-quo* by which both unions and MNCs gain, at least those MNCs in which unions currently enjoy sufficiently high relative power. First, having established a transnational inter-union partnership, unions could demand union organising neutrality agreements that would be applicable to all foreign locations of MNCs. Such an agreement, for example, was recently reached between DaimlerChysler Corporation and the United Auto Workers (UAW) in the U.S. Prior to the purchase of Chrysler, Daimler Benz pursued an aggressive union avoidance strategy in their Alabama and North Carolina operations (*Business Week*, 1999). However, the recent acquisition of Chrysler by Daimler Benz resulted in the appointment of UAW president Yokich to the Daimler Benz board of supervisors in Germany, which opened up a formalised relationship between the IG Metall and UAW leadership representing employees of the company in Germany and the U.S. A pledge of union neutrality was subsequently won from the company following such a request for neutrality by the UAW and IG Metall. Although this kind of transnational agreement does not guarantee that foreign subsidiaries will become organised, it does neutralise companies from aggressively resisting efforts by members of an inter-union partnership

to organise their foreign subsidiaries. With these neutrality agreements in hand, the transnational union partnership would assist and help coordinate organising campaigns with the appropriate national unions that have jurisdiction over given non-union foreign operations.

Figure 2. The Potential Dynamics of Transnational Union Partnerships and Union-Management Co-operation



Second, the union partnership could demand the right to joint decision-making with MNCs concerning FDI decisions. Under such agreements, when MNCs contemplate moving work across borders or making further investments abroad, the union partnership would be provided an opportunity to assess such investment decisions and make alternative recommendations. The logic underlying this proposal derives from existing outsourcing agreements between the UAW and the Big Three automakers, as well as other unions and companies in the U.S. in which unions can offer counter-bids to outsourcing options under consideration. My proposal merely extends such agreements to include any possible displacement of workers attributable to FDI decisions. Under such an arrangement, members of the transnational union partnership would have opportunities for consultation and the making of recommendations to the relevant national unions. It would be during this consultation among unions that the transnational union partnership would be seriously tested as it attempted to devise alternative plans that would match any cost savings or increased profitability contained in company plans. Whereas the location that would have received the added foreign investment or transfer of work under the management plan (say a Mexican operation at the expense of an American operation or vice versa), any alternative endorsed by the transnational partnership would also possibly benefit one operation at the expense of another. In lies the inherent prisoner's dilemma, which unions across borders cannot escape.

Nevertheless, faced with a prisoner's dilemma, it is better for the broader transnational partnership to find the optimal solution than to leave solutions to MNCs. Obviously, members of the transnational partnership would need to equitably share any sacrifices over time and reach consensus to any alternatives proposed to MNCs. Otherwise, the national or local union that would incur greater costs from transnational partnership recommendations than it would acting on its own, would have reason to break from the partnership. Offsetting these kinds of losses by any given union at any point in time, is the increase in relative power that all unions could achieve via the proposed union organising neutrality clauses negotiated by the union partnership with MNCs. Breaking from the transnational partnership, unions would sacrifice the value of such clauses.

Unless MNCs perceive that a net benefit to them will be gained by agreeing to the above kinds of neutrality pledges and joint decision-making, they would, of course, refuse to agree to any such terms. Hence, unions would need to agree to terms and conditions that increase the competitive position of MNCs in the sector (i.e. increase the total organizational power of employers). Because non-union companies pose a serious competitive threat to unionised companies, where unions have organised MNCs and have sufficient relative power, unions have reason to co-operate with MNCs toward increasing total organisational power. Since MNCs are driven to optimise profits, that is, in highly competitive and uncertain markets (everything else the same), companies cannot endure incurring higher costs per unit of labor input than their non-union competitors. Employees, on the other hand, have little to gain from selecting or retaining unions if unions do not increase compensation and/or improve workplace environments to levels beyond those found in non-union companies. It is imperative to unions and their companies, therefore, that they reach terms and conditions of employment that generate value added to that point that offsets any union cost differential in compensation and other terms and conditions of employment.

Lest the reader get the wrong impression, let me emphasise that labor-management "co-operation" does not imply that any given set of HR/LR practices will be deployed, only that the parties find ways to continuously improve performance (i.e. increase total organizational power). What might be characterized as more "traditional" as opposed to "innovative" or "best practice" is not at issue; both approaches have been shown to succeed as well as fail. Co-operation requires only that labor and management find ways to jointly problem-solve around increasing a company's competitive position vis-à-vis its competitors and, importantly, to the benefit of both labor and management.

In addition to finding ways to jointly solving workplace inefficiencies unique to given locations, MNCs and transnational union partnerships will need to focus on the resolution of workplace inefficiencies in a global context. First, along these lines, members of a transnational union partnership could pledge to help management diffuse preferred HR/LR practices between home and host locations. As reviewed earlier, unions have often resisted the diffusion of preferred HR/LR practices to foreign subsidiaries and, thus, imposed substantial costs on MNCs. By helping tailor innovative practices to fit optimally within different business and IR systems and helping achieve local union leader and member endorsement of changes desired, the costs to diffusion of preferred HR/LR practices can be minimised. Second, given the potentially high costs incurred by MNCs to disruptions in their global value chains (especially with just-in-time delivery systems in place), the transnational union partnership could also agree not to withhold its labor during the life of an agreement.

Of course, what either MNCs or transnational union partnerships will be willing to agree to is a matter of the balance of relative power. In industries or sectors in which transnational partnerships can exercise greater relative power on a global basis, the more likely the kinds of options described herein would be agreed to by MNCs. The lesser the relative power that can be exercised by transnational partnerships, on the other hand, the less likely MNCs would agree to the above kinds of options. As union relative power would appear to be diminishing generally, it becomes imperative, therefore, that unions do not postpone forging transnational partnerships beyond that point in time at which their relative power becomes insufficient to leverage the kinds of options suggested above. Given the substantial institutional barriers to forging such partnerships

and given that co-operation between "competitors" is typically borne out of crises for each, one has to be concerned that any forging of partnerships could slip beyond that critical point in time.

In addition to forging transnational inter-union partnerships for the purpose of *industrial* action, international partnerships among unions must find more effective ways of taking *political* action. Along these lines, unions will need to fashion coordinated strategies that change broader public opinion about labor standards and collective bargaining rights and, in turn, alter relevant government policies, especially across developing nations. Without government policies that protect the right of workers to organise and bargain collectively, unions will be thwarted in their efforts to represent employees of the foreign subsidiaries of MNCs and, in turn, bring the non-union locations within the transnational union partnership. Although much political activity has emerged in recent years under the auspices of the ILO, the International Confederation of Free Trade Unions, various international trade secretariats, national unions and federations acting independently, NGOs, and human rights organisations, it would appear that a much broader and more concerted effort among and across these various organisations is required.

PUBLIC POLICY CHALLENGES: A CONCLUDING NOTE

My objective herein has been to frame within a broad environmental context the investment and transnational HR/LR strategies of MNCs and the transnational strategies of unions. The outcomes of the interaction between labor, management and government strategies are argued to be a function of power among the three entities. Given the importance of investment capital to economies worldwide and the inherent mobility of capital, it would appear that MNCs have enjoyed increasingly greater leverage, leaving organised labor in an increasingly weakened and often divided position to optimise gains for workers on an international basis. Without building considerably greater transnational inter-union partnership around both industrial and political action, organised labor will continue to be weakened and divided and the prospects for continuously improving the employment and working conditions of workers worldwide diminished.

Greatly exacerbating this challenge to unions is the dependence of developing countries on FDI inflows from developed countries, in conjunction with the vast gulf between compensation, working conditions and union representation in developing and developed nations. At the heart of the challenge is the contentious issue of perceived exploitation of workers in developing countries and perceived social dumping by MNCs of workers in developed nations. Indeed, ever-sharper lines are being drawn between proponents and opponents of international regulation of labor standards. Proponents' arguments center around the setting of standards to protect workers (including children) from deplorable working conditions; eliminating unfair, low labor cost competitive advantages; and harmonising standards upward. Opponents' arguments center around the priority of national development policies over international policies; undue infringement on national sovereignty and cultural identity; double standards and disguised protectionism by wealthy nations (given that the availability of low labor costs is often the only competitive advantage available to developing nations); and the dependence of developing nations on FDI, which provides the most promising opportunity and avenue for developing countries to evolve as rapidly as possible out of poverty (see Tsogas, 1999 for detailed arguments).

Although there are deep disagreements about the international regulation of labor standards, there would appear to be no compelling reason to disagree about the desire to improve substandard labor conditions worldwide and as quickly as feasible. That appears to be the goal shared by all in this heated debate. The means and timing by which that goal can be achieved, however, will continue to divide societies, to divide MNCs and organised labor and, likewise, to divide organized labor in developed and developing countries for many years to come. As labor in both developed and developing nations arguably suffer the greater consequences of any exploitation and social dumping, organised labor and its allies have the most at stake in bridging this great divide. The development of much more extensive and well co-ordinated, inter-union transnational strategies will be required, therefore, to build that bridge.

In spite of the apparent differences between the priorities of organised labor, MNCs and government policy makers, the fate of each is, nonetheless, inextricably linked to the success of each, at least in democratic societies. That is, the success of labor and management is dependent on favorable public policies; the success of government is dependent on favorable outcomes for both labor and management; the success of labor is dependent on the success of business; and where labor is organised and relatively strong, the success of business is dependent on labor. Under a scenario in which labor can exercise sufficient relative power, therefore, the interdependence of labor, MNCs and government policy makers yields a setting in which leaders of all three entities have reason to work together toward increasing total gain from the employment relationship. It is at that point whereby government policy-making and labor-management negotiations can be directed at improving workplace conditions. The test of such policy making and negotiations will necessarily hinge on finding ways to reduce *unit* labor costs by increasing labor productivity in order to offset the added costs associated with improving the standards of work.

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THE AVOIDANCE AND MARGINALISATION OF UNION REPRESENTATION THROUGH FOREIGN DIRECT INVESTMENT: IMPLICATIONS FOR TRANSNATIONAL, INTER-UNION CO-OPERATION

William Cooke

Director, Douglas A. Fraser Center for Workplace Issues, Wayne State University, USA
E-mail: wmncooke@msn.com

Bill Cooke

Bill Cooke is a Professor and Director of the Douglas A. Fraser Center for Workplace Issues, College of Urban, Labor and Metropolitan Affairs, Wayne State University. He is also Faculty Director of the *Strategic Collective Bargaining* program and seminar leader in the *Negotiating and Administering Labor Contracts* program at the University of Michigan Business School, Executive Education Center.

Bill received his Ph.D. from the University of Illinois in 1977. He has been an associate professor of business at the University of Michigan and Purdue University and a visiting scholar of industrial relations at Cornell University and the University of California, Berkeley. He is the author of several books, including editor of *Multinational Companies and Global Human Resource Strategies* (Quorum Books, in press). Bill is also the author of numerous publications in the *Industrial & Labor Relations Review*, *Industrial Relations*, *British Journal of Industrial Relations*, *Employee Relations Journal* and the *International Journal of Human Resource Management* about multinational companies and their foreign investment and global human resource/collective bargaining strategies, work team systems, union-management cooperation, NLRB decision-making, and union organizing.

In addition, Bill has been a consultant to a wide range of companies and unions regarding domestic and global collective bargaining strategies, work team systems and contract negotiations. He has been an advisor to the UAW-Ford National Programs Center and has worked with several Ford-UAW plant locations. Bill has also been a consultant and program instructor to BellSouth and the CWA, Gatorade and the Teamsters, General Motors and the UAW, Hannaford Brothers and the UFCW, Lucent Technologies and the IBEW, Pennsylvania Light & Power and the IBEW, Quaker Oats and the RWDSU, American Axel, Baltimore Shipbuilding & Drydock, BP Oil, Columbia Energy Group, Dow Chemical, Dupont, Ethyl Corp., ICI Paints, Masco Corp., Michelin Tire North America, Sprint Corp., Tenneco Automotive, and TRW, among others.