

**What models of employment relations are multinationals implementing in central Europe?  
Evidence from the automotive sector**

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# EU enlargement and FDI

- Central Europe now a major destination for FDI (UNCTAD)
- differing perspectives
  - European MNCs a channel for bottom-up transfer of company-level elements of European social model?
  - widespread social dumping?
  - character of central European FDI inconsistent with premise of western Europe's social compromise?
- differing motivations for FDI
  - market-seeking
  - two waves of efficiency seeking

## EU enlargement and FDI [2]

- manufacturing: unique scope for efficiency-related relocations and international reorganisation of integrated production
  - geographical proximity to EU markets
  - no tariff or non-tariff barriers
  - gap in ULCs with western Europe

# Varieties of MNC & Varieties of Destination

- country-of-origin
  - varieties of capitalism: US- and German- based MNCs
  - German MNCs: greater difficulty in transfer abroad; escaping domestic institutions?
  - intra-national variation
- host country
  - degrees of institutional permissiveness
  - central Europe: different transformation paths; different institutional environments

# Research design

- compare home *and* host country effects
- US & German FDI analytically and empirically important (Streeck: contract v status)
- Central Europe a neutral testing ground, particularly open to foreign innovation
- contrasting institutional environments (H, PL, SI)
- automotive components (integrated European production; high re-export rate to western Europe)
- 2x3x2 case studies of US/German MNCs in H/PL/SI
- interviews with managers and TU/employee reps

# German vs US model [1]

	German	US
Control	Direct (expats)	Procedures
Participation	Indirect	Direct
Knowledge & culture basis	Technical, tradition	Business/finance, change
Teamwork	Job enrichment, joint management	High control

## German v US model [2]

	German	US
Numerical flexibility	Turnover < average Flexible empl. < av.	Turnover > average Flexible empl. > av.
Pay flexibility	<10%, standard rules	>10%, assessed
Functional flexibility	High – multitasking	Low
Working-time flexibility	High, joint rules	High, overtime
Diversity management	Weak	Strong

# Host country differences

- POLAND: Americanisation-prone?
  - decentralisation
  - single representation channel (now mixed),
  - union pluralism
  - residual welfare state, high unemployment
- HUNGARY: Mixed situation-prone?
  - decentralisation
  - dual representation channel
  - union pluralism, but usually one company-one union
  - welfare state => tight labour market
- SLOVENIA: Germanisation-prone?
  - high association density, comprehensive centralised coll. barg.
  - dual representation channel, self-mgt legacy
  - union pluralism
  - welfare state, national cohesion, but liberal reform pressure



# Unionised companies, PL (N:30)

		Greenfield			Brownfield				
	Tot	≤300	301-1000	>1000	<i>Tot</i>	≤300	301-1000	0/1	<i>Tot</i>
<b>D</b>	35%	0/4	1/6	2/2	25%	0/0	3/4	0/1	60%
<b>US</b>	77%	0/1	1/2	3/3	67%	1/1	2/3	3/3	86%

# Germany vs US: model transfer

	GP1	GP2	GH1	GH2	GS	MS1	MS2	AP1	AP2	AH1	AH2	AS
Control	✓		✓	✓		D	US	✓		✓		✓
Participation	✓				✓	D	US	✓	✓	(✓)	✓	
Knowl Culture	✓	✓	✓		✓	D	D	✓	✓	✓	✓	
Teamwork	✓		✓			US	D			✓		✓
Numerical flex	✓		✓	✓	✓	US	US			✓		✓
Pay flex		✓				D	US		✓		✓	✓
Funct'l flex	✓	✓	✓			US	D	✓	✓	✓		(✓)
Time flex	✓	✓				US	US	✓	✓	✓	✓	✓
Diversity mgt	✓	✓	✓	✓	✓	D	D	✓			✓	

# Host country effects

- Hungary, Poland – marked diversity → neither German nor American
- intra-national variation
  - greenfield innovation and brownfield adaptation
  - high- and low-road greenfield innovation (H)
  - between 'brown' and 'green'
- Slovenia → German *and* American

# German variation: 2 cases in Poland

## VW

- key elements of (company) IR model transposed
- the exception: pay flexibility

## GP2

- internationalisation and 'de-Germanisation'
- adversarial, 'local' multi-union model

Explanations: degrees of internationalisation, value chain, degree of vertical integration/segregation

# US variation: 2 cases in Hungary

AH1:

- segmented institutionalised IR
- strong American ethos

AH2:

- hegemonic attempt
- Craft work organisation (unique in Europe)

Variables: time, labour market, skills

# Conclusions - 1

- high degree of variety in FDI impact
  - country-of-origin muted
  - H, PL institutionally permissive
  - Slovenia: institutional conformity *and* flexibility
- production model: transfer of work practices, enhancement of flexibilities, non-transfer of IR structures
- Neither Germanisation (no IR transfer)
- Nor Americanisation (limited flexibility transfer)

## Conclusions - 2

- No European social model transfer through FDI
- 'High road' possible but still exceptional (VW)
- 'Low road' production model *without* social model transfer is currently economically successful...
- But is it socially sustainable long-term?